

A funding model framework for SMMEs and Co-operatives: The case of Dr Kenneth Kaunda District Municipality

M.R. Rangwetsi



orcid.org/0000-0001-7839-5899

Mini-dissertation accepted in fulfilment of the requirements for
the degree Master of Public Administration at the North-West
University

Supervisor: Prof G van der Walddt

Graduation ceremony: May 2021

Student number: 24125830

ABSTRACT

The new democratic dispensation post-1994 saw various remedial actions being undertaken to mitigate the disparities of the apartheid era. The South African government designed a multitude of legislative prescripts and official regulatory frameworks aimed at addressing socioeconomic inequality, chronic poverty and unemployment. These prescripts and frameworks advocated for a conducive environment for local enterprises, and in particular SMMEs and co-operatives, because they were recognised as potential agents of economic growth, social prosperity through job creation and entrepreneurship. It is against this background that Dr Kenneth Kaunda District Municipality (Dr KKDM) initiated a business grant-funding initiative. Such funding is aimed at supporting local entrepreneurs and furthering the growth of their businesses. However, it soon became apparent that Dr KKDM was channelling funds to enterprises without having an integrated funding model that encouraged SMMEs and co-operatives to be committed to the continuous growth of their businesses. A further problem with the existing funding arrangement is that there are virtually no monitoring or performance evaluation procedures in place to assess the growth of enterprises after the allocation of grants. It is thus extremely difficult to ascertain the cost-benefits of funding and to determine whether taxpayers' money is being effectively and economically utilised.

It is in light of these problems that the researcher aimed to develop a funding model for Dr KKDM to establish a detailed step-by-step process to facilitate the application of funding and the monitoring of businesses after they obtain funding. Several datasets (literature review, statutory and regulatory frameworks, case study and survey) were collected, in light of which a new funding model was designed to address the existing challenges associated with SMME and co-operative funding.

The semi-structured interviews served as main data collection method. The findings emanating from this method led to the verification, validation and finalisation of a proposed funding model. Interviews were conducted with two cohorts, namely officials from Dr KKDM and its local municipalities as well as representatives of enterprises (i.e., SMMEs and co-

operatives). The utilisation of two cohorts enabled the researcher to compare and contrast the findings. This further validated the research results. The results confirmed that existing funding arrangements were plagued by serious challenges. The participants endorsed the proposed step-by-step model and made input to further refine and operationalise it.

The most significant contribution of the study is that the proposed model includes action steps to address the main challenges identified by including a strong monitoring and evaluation element, as well as other steps to address deficiencies in the funding application process. It is suggested that, although the study involved the utilisation of a single case study, the model could also be utilised by other district municipalities in the country. As such, it makes a significant contribution to business growth, local economic development and the general well-being and prosperity of communities in South Africa.

Keywords:

Funding

SMMES

Co-operatives

Government

Funding Model

Financial Institutions

Entrepreneurship

DECLARATION

I, the undersigned, hereby declare that the content contained in this mini-dissertation is my own work and that it has not been submitted at any other University. The sources used or quoted in this mini-dissertation have been duly acknowledged.



M.R RANGWETSI

15 February 2021

DATE

DEDICATIONS

This mini-dissertation is dedicated to all the Systemic Lupus Erythematosus and Rheumatoid Arthritis survivors and patients who have fought and are still fighting an invisible battle.

ACKNOWLEDGEMENTS

God, your grace is sufficient and your mercies are new every day. I thank you for giving me courage, wisdom and strength to carry through in my life. Isaiah 40:31: “But those who hope in the Lord will renew their strength. They will soar on wings like eagles, they will run and not grow weary, they will walk and not be faint.”

I would like to express my gratitude to the following individuals and institutions who made a positive contribution to my study:

To my supervisor, Prof Gerrit van der Waldt: My academic journey with you has been remarkable. Although I was derailed by health challenges, you never gave up on me. Instead, you inspired me, gave me hope and applauded me for work well done. Quoting you verbatim: “Maintain this momentum and you will surely be successful.” I have indeed maintained my momentum against all odds because of your positivity and compassion. It was indeed an honour to be supervised by such a well of knowledge.

To my beloved family (the Maboe, Makgale, Modise, Mogoje and Mokone) and my friends Tebogo Dichabe, Tsepho Thebane and Lesego Shoroma, who gave me support and courage when my spirit was derailed.

To my manager, Mr Knox Mlati: Thank you for your compassion and unrelenting support.

To my mentor, Mr Kenny Kambikambi: Thank for your guidance and the pertinent knowledge that you imparted to me. I appreciated every minute that I spent with you and I benefited immensely.

To the librarian at NWU, Mrs Sylvia Letsosa: Thank you for your assistance and for the prompt submission of information that I requested.

To Dr Kenneth Kaunda District Municipality: I wish to thank the municipality for granting me permission to conduct my research in your area.

To the municipal officials of Dr Kenneth Kaunda District, JB Marks, Maquassi Hills and City of Matlosana: I appreciate the time, efforts and immense robust knowledge that you shared with me. Special thanks to the acting director of DEDT, Mr Tshepo Rampedi, for welcoming me into his department and for the shared information.

To the participating enterprises in JB Marks, Maquassi Hills and City of Matlosana: My heartfelt appreciation for your time and the empirical information that you shared with me.

To Dr Kenneth Kaunda District Economic Agency and Dr Kenneth Kaunda Secondary Co-operative: My sincere appreciation for your input.

To my study partners, Samuel Tholwana, David Ncinci and Boniswa Motata: Thank you for your support and perseverance, and for the team spirit that we maintained.

To my postgraduate academic co-ordinator, Mrs Farzanah Loonate: Thank you very much for your endless assistance, guidance and the welcoming atmosphere in your office.

To Dr Michelle Coetzee: Thank you for your exceptional editing.

TABLE OF CONTENTS

DECLARATION	2
DEDICATIONS	6
ACKNOWLEDGEMENTS	7
ABSTRACT	2

CHAPTER 1

ORIENTATION AND PROBLEM STATEMENT

1.1 INTRODUCTION.....	16
1.2 RESEARCH OBJECTIVES	24
1.2.1 Primary objective	24
1.2.2 Secondary objectives.....	24
1.3 RESEARCH QUESTIONS	25
1.4 CENTRAL THEORETICAL STATEMENT	25
1.5 RESEARCH METHODOLOGY	27
1.5.1 Literature review	27
1.5.1.1 Electronic sources consulted	28
1.5.2 Empirical study	28
1.5.2.1 Sampling	28
1.5.2.2 Instrumentation.....	29
1.6 LIMITATIONS OF THE STUDY.....	30
1.7 ETHICAL CONSIDERATIONS	30
1.8 SIGNIFICANCE OF THE STUDY.....	31
1.9 CHAPTER LAYOUT	31

CHAPTER 2

THEORETICAL AND CONCEPTUAL EXPOSITION OF SMMEs AND CO-OPERATIVES

2.1	INTRODUCTION.....	34
2.2	CONCEPTUAL EXPOSITION OF THE NATURE, ROLE AND SCOPE OF SMMEs AND CO-OPERATIVES IN LOCAL ECONOMIC DEVELOPMENT	34
2.2.1	Contextualisation and conceptualisation of SMMEs.....	35
2.2.2	Contextualisation and conceptualisation of Co-operatives	37
2.2.2.1	Forms of Co-operatives	37
2.3	CONCEPTUALISATION OF LOCAL ECONOMIC DEVELOPMENT	38
2.3.1	Key principles underlying LED	39
2.4	THE ROLE OF GOVERNMENT IN FACILITATING LOCAL ECONOMIC DEVELOPMENT THROUGH SMMEs AND CO-OPERATIVES	40
2.5	ROLE OF PRIVATE SECTOR IN FACILITATING LOCAL ECONOMIC DEVELOPMENT.....	42
2.6	THEORETICAL FRAMEWORK OF THE PRINCIPAL AGENT, NETWORK THEORY AND ENTREPRENEURIAL THEORY	44
2.6.1	Principal-Agent Theory	45
2.6.1.1	<i>Monitoring of the agent in the public sector</i>	47
2.6.2	Entrepreneurial Theory	48
2.6.2.1	<i>Motivation</i>	49
2.6.2.2	<i>Expertise</i>	49
2.6.2.3	<i>Supportive Environment</i>	50
2.6.2.4	<i>Commitment</i>	50
2.6.3	Network Theory	50
2.7	ROLE OF SMMEs AND CO-OPERATIVES IN FACILITATING LED	52
2.8	SMMEs AND CO-OPERATIVES FUNDING MODELS	56
2.8.1	Principles, dimension and nature of funding models	57
2.8.2	Different Funding Models.....	60
2.9	CONCLUSION	66

CHAPTER 3 **STATUTORY AND REGULATORY FRAMEWORKS GOVERNING SMMEs AND CO-OPERATIVES IN LOCAL GOVERNMENT**

3.1	INTRODUCTION.....	68
3.2	STATUTORY FRAMEWORK GOVERNING SMMEs AND CO-OPERATIVES.....	69
	IN LOCAL GOVERNMENT	69
3.2.1	National Small Business Act (NSBAA) 102 of 1996 (as amended by Act 26 of 2003).....	70
3.2.2	Basic Conditions of Employment Act 75 of 1997 (as amended by Act 11 of 2002).....	72
3.2.3	Local Government: Municipal Systems Act 32 of 2000	73
3.2.4	Preferential Procurement Policy Framework Act 5 of 2000	74
3.2.5	Local Government: Municipal Finance Management Act of 56 of 2003.....	75
3.2.6	Local Government: Municipal Property Rates Act 6 of 2004 (as amended by Act 29 of 2014).....	76
3.2.7	Co-operatives Act 14 of 2005 (as amended by Act 6 of 2013)	77
3.2.8	Taxation Laws Act 31 of 2013 (as amended by Act 23 of 2018)	81
3.2.9	Red Tape Impact Assessment Bill 13 of 2016.....	82
3.3	REGULATORY FRAMEWORK GUIDING SMME AND CO-OPERATIVE FUNDING IN LOCAL GOVERNMENT	83
3.3.1	White Paper on National Strategy for the Development and Promotion of Small Business of 1995.....	83
3.3.2	White Paper on Local Government of 1998	84
3.3.3	National Framework for Local Economic Development (2006 – 2011).....	85
3.3.4	National Informal Business Upliftment Strategy (NIBUS), 2019	86
3.3.5	Consequence and Accountability Management Framework, 2018.....	87
3.3.6	National Treasury Regulations (NTR): Municipal Cost Containment, Notice 317	88
3.4	FINANCIAL OVERSIGHT IN LOCAL GOVERNMENT	90
3.4.1	Council Portfolio Committees.....	90
3.4.2	Internal Audit Committees.....	91

3.4.3	Office of the Auditor General	91
3.4.4	Municipal Performance Audit Committees	92
3.4.5	Municipal Project Steering or Oversight Committees	92
3.4.6	Project Management Units.....	93
3.4.7	National Council of Provinces (NCOP)	93
3.4.8	Provincial Standing Committee on Public Accounts (SCOPA)	95
3.5	PERSPECTIVES REGARDING STATUTORY AND REGULATORY PRESCRIPTS FOR SMMEs AND CO-OPERATIVES	96
3.6	LEGISLATIVE PRESCRIPTS FOR SMMEs: LESSONS FROM SOME INTERNATIONAL CASES	101
3.7	CONCLUSION	102

CHAPTER 4

THE STATUS OF SMME AND CO-OPERATIVE FUNDING IN LOCAL GOVERNMENT: THE CASE OF DR KKDM

4.1	INTRODUCTION.....	103
4.2	THE ECONOMIC PROFILE DR KKDM AS CASE STUDY.....	104
4.3	MUNICIPAL ORGANISATIONAL ARRANGEMENTS FOR ECONOMIC ACTIVITIES	111
4.3.1	Dr KKDM District Economic Development and Tourism Directorate	111
4.3.2	Dr KK District Economic Agency (Dr KKDEA).....	112
4.3.3	Dr Kenneth Kaunda District Secondary Co-operative (Dr KKDSC)	112
4.3.4	Other municipal support departments and directorates	113
4.4	OVERVIEW OF SMMEs AND CO-OPERATIVES IN Dr KKDM	113
4.4.1	Interface between the NWPGDS, the NWPDP and the DGDS	117
4.4.2	Sector contributions to economic prosperity in Dr KKDM.....	122
4.4.2.1	<i>Agriculture</i>	122
4.4.2.2	<i>Manufacturing</i>	123
4.4.2.3	<i>Tourism</i>	124
4.4.3	Current interaction and funding arrangements	125
4.5	THE EXISTING FUNDING MODEL OF THE DRKKM AND ITS LIMITATIONS ...	126

4.6	TOWARDS A NEW FUNDING MODEL FRAMEWORK FOR SMMEs AND CO-OPERATIVES.....	127
4.6.1	Explanation of the proposed process model for grant funding.....	129
4.6.2	Content model of grant application	144
4.7	CONCLUSION	148

CHAPTER 5

A FUNDING MODEL FOR SMMEs AND CO-OPERATIVES IN DR KENNETH KAUNDA DISTRICT MUNICIPALITY: EMPIRICAL FINDINGS

5.1	INTRODUCTION.....	149
5.2	RESEARCH METHODOLOGY	149
5.2.1	Research design.....	150
5.2.2	Qualitative research design	151
5.2.3	Case study design	151
5.2.4	Sampling and target population	152
5.2.5	Data collection method	153
5.2.6	Analysis of data	154
5.2.7	Study limitations	155
5.2.8	Ethical considerations.....	155
5.2.9	Challenges that surfaced during data collection.....	155
5.3	RESEARCH RESULTS AND ANALYSIS OF FINDINGS	156
5.3.1	Section A: Demographical profile of participants.....	156
5.3.1.1	Dr KKDM Officials	156
5.3.1.2	Demographic profile of enterprises	157
5.3.2	Section B: Results emanating from the interviews	159
5.3.2.1	Responses of Cohort 1 (Dr KKDM Officials)	160
5.3.2.2	Responses of Cohort 2 (Enterprises).....	174
5.4	CONCLUSION	187

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS: A NEW FUNDING MODEL FOR SMMEs AND CO-OPERATIVES IN DR KKDM

6.1	INTRODUCTION.....	189
6.2	RESEARCH SYNOPSIS AND REVIEW OF THE RESEARCH AIM AND OBJECTIVES	189
6.3	FINDINGS OF THE STUDY: KEY CHALLENGES IDENTIFIED.....	194
6.3.1	Limited funding	194
6.3.2	Requirements and criteria.....	194
6.3.3	Procurement of goods	195
6.3.4	Operational functionality and application of the model	195
6.3.5	Grant terms and conditions.....	195
6.4	PRESENTATION OF A NEW FUNDING MODEL	196
6.4.1	Recommendations pertaining to the implementation of the model by Dr KKDM	197
6.5	RECOMMENDATIONS	203
6.5.1	Planning and budgeting	203
6.5.2	Procurement of goods	203
6.5.3	Grant terms and conditions.....	204
6.5.4	Information, technology and training	204
6.6	SUGGESTION FOR FURTHER RESEARCH	205
6.7	CONCLUSION	206
	REFERENCES	207

LIST OF FIGURES

Figure 2.1 Timmons model of the entrepreneurial process.....	51
Figure 2.2 PESTLE analysis process.....	55
Figure 2.3 Six steps for identification and development of the appropriate funding model.....	58

Figure 4.1 Municipal areas of Dr KKDM.....	104
Figure 4.2 Distribution of population.....	106
Figure 4.3 Sectoral contribution to employment.....	110
Figure 4.4 Proposed process model for grant funding.....	129
Figure 5.1 Years of experience in current position.....	157
Figure 5.2 Representation of enterprises per municipality in Dr KKDM.....	158
Figure 5.3 Years of experience in business.....	159
Figure 6.1 SMMEs and Co-operative Funding Model Framework.....	196

LIST OF TABLES

Table 2.1 Types of funding available for SMMEs and co-operatives in South Africa.....	64
Table 3.1 SBC tax rates for 1 April 2018 and 31 March 2019.....	81
Table 3.2 SMME and Co-operative support measures.....	98
Table 4.1 Population composition of Dr KKDM.....	105
Table 4.2 Economic performance and trends.....	106
Table 4.3 Gross Domestic Product, Share and Change.....	107
Table 4.4 Official unemployment rate.....	108
Table 4.5 Contribution of Dr KKDM to the provincial and national GDP.....	109
Table 4.6 Dr KKDM sectoral comparative advantage.....	109
Table 5.1 Gender profile of cohort 1.....	156
Table 5.2 Years of experience in local government.....	157
Table 5.3 Gender profile of Cohort 2.....	158
Table 5.4 Age profile of Cohort 2.....	158
Table 5.5 Qualifications.....	159
Table 6.1 Operationalisation of research objectives and questions	190
Table 6.2 Proposed action plan for the implementation of the funding model.....	198

CHAPTER 1

ORIENTATION AND PROBLEM STATEMENT

1.1 INTRODUCTION

The dawn of democracy brought about the emancipation of citizens through the Constitution of the Republic of South Africa (1996), legislative prescripts and other government imperatives. According to South African History (SAH) (2014), the path to democracy was accompanied by ethnic and economic discrimination, resulting in inequality and oppression. Liberation paved the way for the transformation of the social, political and economic landscape of the country.

While striving to find solutions to unemployment, poverty and inequality, the government of South Africa identified small and medium micro enterprises (SMMEs) and co-operatives as one of the catalysts of inclusive growth and economic development (Banking Association South Africa, 2018:01). In line with this view of the significant role that SMMEs and co-operatives could play in socioeconomic development, those responsible for the Reconstruction and Development Programme (RDP) (1994:94-95) advocated that black-owned small businesses were fundamental to the domestic economy and that they should receive the necessary focus in monetary policies. The White Paper on the Reconstruction and Development Programme (1994) obligated government agencies to create a conducive environment for employment creation and the advancement of profits. Moreover, programmes and projects aimed at economic growth in the three spheres of government and parastatals were reorganised for the benefit of small business development.

Small businesses were further recognised in the Growth Employment and Redistribution (GEAR) (1996:12-20) programme as anchors of the creation of employment and the generation of wealth. Hence, the GEAR programme included an emphasis on the reduction of interest rates and an investment in the training and development of small business practitioners. A further initiative of government was the introduction of the grant funding initiative that was designed for the benefit of emerging small businesses. This initiative was

implemented until 2004 and yielded positive outcomes. However, according to SAH (2015), there was still a significant shortfall as far as support of emerging businesses was concerned. In an endeavour to address this deficiency and to overcome the imbalances in the economy, the government further introduced the Accelerated Shared Growth Initiative of South Africa (ASGISA) (2005:11). This developmental strategy outlined the redesign of small business frameworks such as incentive strategies, because government recognised these frameworks as enablers of accelerated sustainable economic growth. According to Hirsch (2006:13), this initiative was focused on the so-called “second economy”, small business mediations, macro-economics, regulatory policies for small businesses, investment strategies and infrastructural development. However, according to Centre for Development and Enterprise (CDE) (2010), ASGISA was too narrow in scope and did not address critical impediments to growth.

The inauguration of the fourth administration in 2010 ushered in the emergence of a new national macroeconomic policy. The New Growth Path (NGP) (2010) emerged as an alternative economic development strategy that was aimed at creating employment opportunities and economic development through programmes such as:

- the Community Works Programme;
- the Expanded Public Works Programme;
- the Department of Trade and Industry’s (DTI’s) incentive programmes for small businesses; and
- the Comprehensive Rural Development Programme.

Over and above these strategic programmes, the NGP (2010:1) advocated for both micro and macro-economic remedial measures, cohesion, democracy and socioeconomic equity.

According to Duvenhage (2011:5) and Laubscher (2010:6), cited in Meyer (2013:7), the NGP was a “visualisation” rather than a strategy. Another deficiency was that it was inconsistent and it lacked elements on how will it be implemented. After identifying these shortcomings, the state developed a comprehensive national plan for growth and

prosperity. The National Development Plan: Vision 2030 (NDP) became the *de facto* macro-economic development framework for the country. The NDP (2013:32-34) calls for modifications in the economic structure of society and the acceleration of economic growth. The state intensified and mobilised resources through facilitation, and the coordination and integration of appropriate developmental agencies and financial institutions. Moreover, the NDP (2013:30) suggested that business incubation in both the private and public sectors was highly acclaimed because it was recognised as one of the solutions for attaining the 2030 developmental goals.

In their analyses of the above government economic initiatives and interventions, Cant and Brink (2003:18), Kambikambi (2003:32-34), Perera, Hathaway and Wagner (2005:19-21), the National Credit Regulator (NCR) (2011:52-53), National Treasury (2015:56) and Global Entrepreneurship Monitor (GEM) (2017) agree that there are still significant socioeconomic developmental weaknesses and barriers that small businesses are facing that warrant constant government consideration. Some of the most significant of these include the following:

- bureaucratic red tape for small business registration and support;
- complex regulations and municipal by-laws;
- the instability of the exchange rate;
- minimal original business opportunities and barriers to market entrance;
- lack of government infrastructure and business support mechanisms such as incubation centres;
- the high rental costs of business property;
- an unstable social and political environment;
- lack of entrepreneurial skills, education and technological innovation;
- limited financial management skills;
- high operational business expenses without contingency plans;
- the dependency of small businesses on bank loans and credit;
- lack of recognised industry organisations to represent the needs of small businesses; and

- lack of access to finance such as grants or loans.

According to Kambikambi (2003:86), subsequent to the strategies and policies that were enacted post-1994, government made radical economic adjustments by means of programmes and projects implemented through newly-established organisations such as:

- the Small Enterprise Development Agency (SEDA);
- the DTI's Incentive Programme;
- Khula Enterprise Finance;
- Ntsika Enterprise;
- the Industrial Development Corporation's (IDC) incentive programme;
- the National Empowerment Fund (NEF);
- Umsombovu Youth Fund (UYF);
- the National Development Agency (NDA); and
- the Micro Agricultural Finance Scheme of South Africa (MAFISA).

Kambikambi (2003:90) and Bruwer and Watkins (2010:3553) argue that a significant number of programmes and projects executed by these organisations were unsuccessful and led to the revision of programmes, and in some cases, even the amalgamation of some of these organisations.

In an attempt to mitigate the abovementioned socioeconomic problems, to build an inclusive economy, and to realise the so-called "Fourth Industrial Revolution", the government recognised the catalytic role that small businesses could play in achieving the objectives and targets specified in the National Development Plan: Vision 2030, the post-2015 Sustainable Development Goals (2030), and the African Agenda (2063). It became evident, however, that these aspiring developmental goals could not be optimally accomplished if there was still a prevalence of unprecedented challenges faced by small businesses.

According to Politicsweb (2016), multi-stakeholder consultation sessions were conducted between the CEO Initiative, National Treasury, the Department of Small Business, Science and Technology, and other critical stakeholders, such as financial services firms and corporate associations. The main objective of these consultative sessions was to determine best practices in terms of steering entrepreneurship through small business development. The stakeholders established that the key hindrances to the prosperity of small businesses were (and still largely are) the absence of equity funding for start-ups, inadequate risk desire for venture capital funding and a scarcity of mentors with proficient skills to guide new entrepreneurs. Furthermore, Negash (2006), Bekele and Worku (2008), Mulegeta (2008), Mohamodnur (2009) and Tirfe (2015:30) identified limited access to capital, the deficiency of skills and knowledge, and inadequate access to markets as major challenges confronting small businesses. Koch (1990), Fafchamps (1995), and Kessous and Lessard (1993) cited in Temu (1998:56-57) also posited access to finance on reasonable terms as a significant barrier for entrepreneurs. As a result, small enterprises are obligated to depend on their own generated funds or are driven to private lenders that charge exorbitant interest rates. The latter is confirmed by Beck and Cull (2014:5) and Makhubele and Nieuwenhuizen (2016:43), who state that small enterprises are confronted with growth impediments owing to unprecedented 84.4% of loan application rejections from financial institutions. According to the DTI (2005:3), to curtail this challenge, a fundamental strategic change was effected by government through the incorporation of institutions into the small enterprise development arena, as well as the promotion of public-private partnerships (PPPs).

The DTI (2008:65) and GEM (2014) explain that the government identified various agencies and institutions to implement the strategy, using various funding models aligned to these organisations. Institutions such as the SEDA offer grant funding for the procurement of technological machinery and the marketing of enterprises. Furthermore, the Small Enterprise Finance Agency (SEFA), which is a merger of the South African Micro-Finance Apex Fund (SAMAF) and Khula Enterprise Limited, make provision for small business funding up to a limit of R3 million. The latter also provides revolving loans, bridging finance, asset finance, terms loans and operational funds. The NDA is another institution with a particular funding model aimed at financing existing businesses with grants ranging from R1,000 to R100,000 for technologically innovative programmes. Furthermore, the

Technology Innovative Agency (TIA) makes provision for three funding schemes, which are informed by the sum of funds the applicant requires, ranging from R100,000 to R50 million. Moreover, the National Empowerment Fund (NEF) has debt and equity finance products, with funding ranging from R250, 000 to R10 million. Funds are provided through franchise finance, entrepreneurship and finance comprised of term loans and shares. The charges for funding are at prime-associated interest rates, depending on the risk profile of the applicant and his or her funding requirements.

According to Standard Bank (2005:8-10), Lin and Tulchin (2012:2-8), Horvat, Klačmer and Lalić (2014:23), Organisation for Economic Co-operation and Development (OECD) (2015:6-9), Entrepreneur Magazine (2016) and Asian Women in Business (2018), there are numerous funding models that are offered to small businesses. These models include debt finance, bank finance, angel investors, private equity, venture capital, government funds and grants, crowd funding, social investors, and donor aid. According to the OECD (2016:6), although financing is significant for the small enterprise sector, there is a general concern that a lack of access to finance will turn out to be “the new normal” for enterprises. Hence, it is crucial to broaden the variety of financial models accessible to enterprises, because this will empower them to positively change their growth status, and employment, innovation and investment capabilities. Lin and Tulchin (2012:1) explain that comprehension of financial priorities and interest on debt is vital for guidance and alignment to the appropriate financial sources. One of the challenges related to accessing finance through financial institutions is that an enterprise should have a lengthy trustworthy relation with the lender. According to Temu (1998:57), owing to high interest rates, numerous special financial agencies and programmes were designed in several developing countries to provide affordable credit to small business enterprises. However, Liedholm and Mead (1986) cited in Temu (1998:57) argue that the high interest rate charged by financial institutions resulted in a high demand for credit.

Temu (1998:59-66) notes that there are at least three views in relation to the financing of small enterprises. The first view, namely the “pro-state” view, is that the government is a regulator of funding models. The creation of agencies and institutions by government makes provision for cheaper finance, because banks regard small enterprises as high risk.

The challenge to this model is that there are fewer savings from enterprises, non-needy debtors bloat the system, there is little determination and a low reimbursement rate. The enterprises are not optimally enthusiastic, given the fact that government is either financing them through grants or loans at a low interest rate relative to those of the formal financial institutions. Furthermore, the terms and conditions of these grants or loans are not as stringent as formal financial institutions.

The second perspective, namely the “pro-market” view, criticise government funding, which they see as a “distortion”, since the financial institutions complain that it compromises their loaning independence and profitability (Temu, 1998:58). The government’s affordable interest rate is accompanied by adverse real deposits by debtors, which in turn discourages financial institution from financing small enterprises since they are depicted as unattractive debtors. Consequently, enterprises that are depicted as unattractive debtors are barred from the official credit system and are obligated to be reliant on own capital and unofficial credit sources that are not regulated and which are costly (Temu, 1998:59).

In terms of the third perspective, the “social market” view, small enterprises are treated as a component in the system of the financial institution providing the credit (Temu, 1998:66). One of the requisite credit provision terms is that it is obligatory for the enterprise to save money, because this promotes repayment and empowers businesses to be innovative and optimistic. This view advocate for market-related rates and identify small enterprises as high risk owing to the absence of collateral, unfavourable geographical locations and the fact that they are operating previously disadvantaged individuals.

Another potential funding model for small enterprises is foreign or donor aid. Aid is seen as an “enabler” that assists small enterprises to become “agents of employment creation” (Mjema, 2002:9). However, there is an element of dependency of the small businesses, as well as “high birth rates and high death rates” of such businesses. In this instance, more businesses are established, not due to desire and commitment, but in order to acquire donated funds. These established businesses fail to grow and soon become insolvent, because they were established with dishonest motives. Entrepreneurs often apply for donor aid because they are aware that there are no collateral or reimbursement conditions

attached to the funding. Additionally, the terms and conditions of the aid are fixed and there is no opportunity for an enterprise to amend its business plans. Kambikambi (2003:41) also highlights that the lack of commitment, together with an absence of clear goals and energy, can hinder the growth of a business or lead to business insolvency.

In relation to the Dr KKDM, the case study for this research, the current funding model utilised for small businesses and co-operatives is grant funding. The district, in its Directorate: District Economic Development and Tourism, and the Dr Kenneth Kaunda District Economic Agency (Dr KKDEA), stipulates an annual approved budget for these enterprises. In order to access grant funding, small businesses are invited through the local media and local economic development (LED) units to apply. Approval of funding is guided by the grant application form, which must be accompanied by support documentation such as a business registration certificate. An amount of R30,000 is allocated as start-up capital for materials and business equipment.

The Dr KKDEA also funds enterprises and projects that are identified in the district's Integrated Development Plan (IDP). The grant is not a specific, pre-established amount, but it can be up to R3 million, depending on the applicant's needs. There is no expectancy of beneficiaries reimbursing the district and there is no collateral or any other hidden charges attached to the grant funding. Furthermore, there is no performance contract between the beneficiaries and the district or an evaluation of how the enterprise performs. Monies are simply channelled to these enterprises. This practice is not supported by a robust literature review, which clearly reflects that international best practice regarding the funding of small businesses involves continuous monitoring and assessment of the performance of these businesses. According to Achtenhagen and Brundin (2016:11-13), the examination and evaluation of the entrepreneurial features and overall business performance are important components of guiding local economic development strategies and assisting with the establishment of conducive environments for entrepreneurship.

According to Karras and Papademetriou (2017:2), numerous methods are utilised as diagnostic instruments in financial management and planning. These methods include strategic planning tools such as PEST, Porter's 5 forces analysis, human resources

analysis and SWOT analysis which consists of (strengths, weaknesses, opportunities and threats). These methods were utilised in this study to analyse existing funding models and protocols. Timmons's Model of Entrepreneurship (TME) (2009), which is a technique for classifying and assessing financial venture prospects, was employed and was complemented by PESTLE, which is outlined by Bonnici-Sammut and Galea (2015:1) as a potent and commonly-used technique for analysing strategic threats, because it classifies the variations and effects of the macro environment on an enterprise. As far as a theoretical exposition is concerned, entrepreneurial theory and principal-agent theory were utilised for the analysis of funding models in general and of the existing small business funding praxis at Dr KKDM in particular.

The problem is thus that the Dr KKDM is channelling grant funds to enterprises without an integrated funding model framework that encourages SMMEs and co-operatives to be committed and grow their businesses. Moreover, there are no monitoring or performance evaluation procedures of enterprises in place to assess progress after the allocation of grant funding. The municipality, as well as other municipalities employing the same funding model, thus do not know whether value for tax-payers' money is being obtained or whether it contributes to overall LED prospects.

1.2 RESEARCH OBJECTIVES

1.2.1 Primary objective

Given the picture of an economy in which inequality, unemployment and poverty still prevail, the primary objective of the research is to develop a funding model framework for SMMEs and co-operatives in the Dr KKDM.

1.2.2 Secondary objectives

- To provide a theoretical and conceptual exposition of the nature, role and scope of SMMEs and co-operatives in LED.

- To analyse the role of government and the private sector in facilitating LED through SMMEs and co-operatives.
- To outline and assess the legislative frameworks, statutory prescripts and regulatory guidelines guiding SMMEs and co-operatives in local socioeconomic development.
- To explore the principles, dimensions and nature of funding models and to investigate the types of funding available for SMMEs and co-operatives in local government.
- To empirically establish the status of the funding of SMMEs and co-operatives in the Dr KKDM, including challenges associated with existing funding models.
- To outline the parameters of a new funding model for SMMEs and co-operatives in Dr KKDM.

1.3 RESEARCH QUESTIONS

- What is the theoretical and conceptual exposition of the nature, role and scope of SMMEs and co-operatives in LED?
- What is the role of government and the private sector in facilitating LED through SMMEs and co-operatives?
- What are the legislative frameworks, statutory prescripts and regulatory guidelines guiding SMMEs and co-operatives in local socioeconomic development?
- What are the principles, dimensions and nature of funding models, and what types of funding are available for SMMEs and co-operatives in local government?
- What is the status of funding of SMMEs and co-operatives in the Dr KKDM, including challenges associated with the existing funding model?
- What are the parameters of a new funding model for SMMEs and co-operatives in Dr KKDM?

1.4 CENTRAL THEORETICAL STATEMENTS

South Africa is faced with socioeconomic developmental challenges that have inspired policymakers to commit to altering the social and economic trajectory of South Africa.

According to GEM (2017:05), government should initiate economic, political and social reforms designed to create a conducive and empowering business environment, principally for small enterprises, because they are key contributors to employment creation.

The importance of small businesses in stimulating the economy and the government initiating the reforms is also taken into cognisance by Nieman (2006:258), Bruwer and Watkins (2010:3550), the Small Business Project (2014:08) and SEDA (2016:5).

In his 2018 State of the Nation Address (SONA) (2018:9-12), the President of the Republic of South Africa emphasised the importance of small businesses in crafting a positive economic landscape in order to reduce inequality, unemployment and poverty by reiterating that “ultimately, the growth of our economy will be sustained by small businesses”. He said that preferential procurement, the black industrialist programme, the utilisation of the competition policy for access to markets, and access to finance and investment in the growth of businesses in both rural and township areas were some of the measures that government would utilise to construct businesses of substantial scale and proficiency. Deriving from the president’s speech, it can be understood that the South African government acknowledges the significant role played by small enterprises in the transformation of the economy. It is also noted that there is currently a challenge of access to funds for small businesses; hence, numerous initiatives are being undertaken by the public and private sector. Furthermore, government made a pledge to foster PPPs with a view to establishing an enterprise sustenance ecosystem and incubation system that promoted and empowered entrepreneurs. The partnership culminated in the CEO Initiative, a small enterprises fund, which amounted to R1.5 billion. Furthermore, SEFA launched a funding scheme named Amavulandlela, which is aimed at empowering and funding disabled entrepreneurs (SONA, 2018:12).

The small enterprise and innovation fund, which is focused at business start-ups, is currently being finalised. Additionally, the government is finalising the prioritisation of 30% of public procurement to small enterprises, which includes co-operatives, and a reduction of regulation obstructions for enterprises (SONA, 2018:12).

The existing funding models, specifically grant funding and subsidies, are adequate for SMMEs and co-operatives, taking into account that government needs to support the entrepreneurial community and assist it to thrive (Entrepreneur Magazine, 2016). However, the grant funding model criteria needs to be reformed so as to afford an opportunity to the genuinely indigent and intended entrepreneurs, as opposed to persons applying for funds for the sake of receiving grants, as outlined by Temu (1998:59). Secondly, monies are being channelled to enterprises without any terms and conditions attached; there are only general requirements that are taken into consideration during the screening and approval process.

1.5 RESEARCH METHODOLOGY

1.5.1 Literature review

According to Watson and Webster (2002:10111), a literature review plays a vital role in assisting researchers to comprehend the accrued understanding of a certain area of focus and constructively appraises scholars on the research that has already been undertaken. Moreover, as Rowley (2004) explains, a literature review is an evaluation of dissimilar categories of sources and enables one to identify explicit study questions.

According to De Vos, Strydom, Fouché and Delport (2011:109), the aims of conducting a literature review are:

- “to give assurance to the assessors that the investigator comprehends the current paradigms related to the researched topic;
- “to appropriate the researched study in the contemporary knowledge arena;
- “to ascertain whether the study is comparable with other studies previously undertaken; and
- “to present and theorise the variables that will be exploited during the course of the study”.

It is within this context that literature was reviewed where primary and secondary literature was reviewed. The accumulated material was utilised as the basis of the research.

1.5.1.1 Electronic sources consulted

The following databases were consulted:

- Global Entrepreneurship Monitor
- Sabinet
- EBSCO
- Academia.au
- Research Gate
- PROQUEST
- Nexus

1.5.2 Empirical study

A qualitative research design was utilised for the empirical part of the research. The specific method that was chosen was a case study and the focus area was the Dr KKDM. According to Creswell (2007:73) cited in De Vos *et al.* (2011:321), a case study comprises an examination of a “bounded system”, (either by time, perspective or location) or a sole or various cases in a given timeframe through the inclusive collection of data. In this context, semi-structured interviews were conducted.

1.5.2.1 Sampling

Collins *et al.* (2007:147) explain that sampling is a selection technique that is used to identify particular people who represent an entire population. Sampling is efficient because it assists the researcher to manage a certain group of participants instead of the entire population and there are lower cost implications than would be the case if one sampled the whole population. According to Kothari (2004:152), sampling comprises selecting an

aggregate number of people who represents the total population; thus research conclusions can be drawn from this sample that is applicable to the entire population. The researcher applies sampling for the following pertinent reasons:

- it is not costly, as compared to a census, and results are produced more rapidly; and
- sampling errors can be projected and mitigation measures can be applied to address any deviation or negativity that will compromise the research conclusions (De Vos *et al.*, 2011:232).

For the purpose of this study, purposive sampling was applied. Collins *et al.* (2007:162) state that data analysis techniques, accuracy, the category of research participants, monetary matters, research design and population size are some of the significant dynamics that should be taken into account when determining the sample size.

In totality, a sample size of 24 participants was chosen and the participants were selected according to their expertise and knowledge, as well as their managerial and administrative responsibilities in the SMME and co-operatives funding arena. Local economic development officials and enterprises were sampled as follows; Dr KKDM (two officials), City of Matlosana (two officials and four enterprises), JB Marks Local Municipality (two officials and four enterprises), Maquassi Hills Local Municipality (one official and four enterprises), Dr KKDEA (one official and two enterprises), Dr KK District Secondary Co-operative (Dr KKDSC) chairperson, and the Dr KKDM Portfolio Committee for Economic Development chairperson. The targeted officials were relevant to the study because they had knowledge and experience of working with local enterprises. Enterprises were relevant to the study because they possessed first-hand information in relation to their business operations and they are direct beneficiaries of the grant funding.

1.5.2.2 Instrumentation

Kothari (2004:96) elucidates that primary data can be collected through observation, interviews (structured and unstructured), questionnaires, schedules and other techniques,

such as distributor audits, pantry audits, warranty cards, consumer panels, projective techniques, content analysis and mechanical devices.

Kothari (2004:97) regards an interview as a data collection technique that involves reciprocity in terms of spoken responses, while Bless *et al.* (2006:116) describe it as personal interaction in which the participant is questioned and answers questions in relation to the inquiry problem. Semi-structured interviews were conducted for this study. According to De Vos *et al.* (2011:352), a semi-structured interview comprises open-ended questions, which gives participants, who are perceived as subject specialists, an opportunity to submit their views. An interview schedule was designed based on the theoretical exposition and literature review. It was pre-tested (piloted) with a small sample of the target population.

1.6 DELIMITATIONS OF THE STUDY

The empirical study was limited to the North West Province, specifically Dr KKDM and its local municipalities, namely the City of Matlosana, Maquassi Hills and JB Marks. The latter is a merger of the former Ventersdorp local municipality with Tlokwe local municipality; hence, the Dr KKDM now has only three local municipalities. It was also limited to SMMEs and co-operatives funded by Dr KKDM from 2014 to 2018. The findings can thus not necessarily be extrapolated to the broader local government sector.

1.7 ETHICAL CONSIDERATIONS

According to De Vos *et al.* (2011:115), “ethics is a set of moral principles which is suggested by an individual or group, is subsequently widely accepted, and which offers rules and behavioural expectations about the most correct conduct towards experimental subjects and respondents, employers, sponsors, other researchers, assistants and students”. Based on the above definition, it is the researcher’s responsibility to ensure that there is voluntary participation and that no harm caused to the participants.

Informed consent was obtained from all the participants. Moreover, Bless *et al.* (2006:143) indicate that the participants have a right to access of information relating to the study

conducted, the threats and benefits of partaking and the awareness that they have the right to not participate as and when they deem it fit. Moreover, the study was subjected to the ethical clearance procedures of North-West University (NWU).

1.8 SIGNIFICANCE OF THE STUDY

The study will contribute to the existing frame of knowledge on SMMEs and co-operatives. It will also promote awareness of the existing funding opportunities for SMMEs and co-operatives. The findings can be utilised as a learning experience and guidance tool for future project-funding processes and to ensure their sustainability for Dr KKDM and its local municipalities.

The overarching significance of the study is that through the contribution of Dr KKDM as a government institution essential for transformative state, the warfare against unemployment, poverty and inequality can ultimately be realised.

1.9 CHAPTER LAYOUT

Chapter 1: Introduction

This chapter comprised an orientation and problem statement. The research objectives, research questions and the research methodology that was employed in the study were presented, as well as the central theoretical statement and the significance of the study.

Chapter 2: Theoretical and conceptual exposition of SMMEs and co-operatives

In this chapter, the role of government and the private sector in facilitating LED through SMMEs and co-operatives, as well as the principles, dimension and nature of funding models and types of funding available for SMMEs and co-operatives in local government are explored.

Chapter 3: Statutory and regulatory framework governing SMMEs and Co-operatives

This chapter is a description of the legislative frameworks, statutory prescripts and regulatory guidelines for SMMEs and co-operatives in local socioeconomic development.

Chapter 4: The status of SMME and co-operative funding in local government: The case of Dr KKDM

The Dr KKDM case study is presented in relation to the parameters of a funding model for SMMEs and co-operatives and the challenges associated with the existing funding model.

Chapter 5: A funding model for SMMEs and co-operatives in Dr KKDM: Empirical findings

This chapter comprises an analysis of the empirical findings and the presentation of the results.

Chapter 6: Conclusion and Recommendations: A new funding model for SMMEs and co-operatives in Dr KKDM

This chapter constitutes the conclusion of the study. It contains the outline of the parameters of a new funding model for SMMEs and co-operatives in Dr KKDM. Pertinent findings are presented and recommendations are made for the application of the model, as well as suggestions for future research.

1.10 CONCLUSION

This chapter consisted of the orientation and problem statement of the current study. In relation to the research objectives and questions, primary and secondary objectives were accompanied by research questions, the main aim of which was to address pertinent issues connected to the phenomenon under investigation. In the central theoretical statement, the economic landscape, the significance of enterprises in economy stimulation and

government initiatives that grow the economy through investing in enterprise development programmes were outlined. In relation to the research methodology, an outline of the research design, sampling and instrumentation was presented. Furthermore, the study's limitations, ethical considerations and the significance of the study were outlined.

CHAPTER 2

THEORETICAL AND CONCEPTUAL EXPOSITION OF SMMEs AND CO-OPERATIVES

2.1 INTRODUCTION

SMMEs and co-operatives are depicted as agents that have the potential to enhance economic growth and development, as well as to combat unemployment, poverty and inequality. It is against this background that the conceptualisation and contextualisation of SMMEs and co-operatives are outlined in this chapter, with specific reference to South Africa. Furthermore, the concept of LED and the principles thereof will be defined. Subsequently, the role of government and the private sector in facilitating LED through SMMEs and co-operatives will be discussed, notwithstanding the role that is also played by SMMEs and co-operatives.

The theoretical framework, which comprises principal agent theory, entrepreneurial theory and network theory, is also explicated. In concluding the chapter, the principles, dimensions and nature of funding models and types of funding available for SMMEs and co-operatives in local government are explored.

2.2 CONCEPTUAL EXPOSITION OF THE NATURE, ROLE AND SCOPE OF SMMEs AND CO-OPERATIVES IN LED

SMMEs and co-operatives have differing dynamics. Nevertheless, they share the same notion of attaining economic growth and development by growing their enterprises, which can translate into the creation of employment opportunities, poverty alleviation and an inclusive economy. In this section the definition, forms and classifications of SMMEs and co-operatives are provided.

For the purpose of this study, SMMEs and co-operatives will be clustered as one category and defined as enterprises, since they share common objectives. The Co-operative Act

(CA) (2013:8), Davies *et al.* (2017:15), NSBAA (2004:3-4) and REB (2017:19) also regard co-operatives as enterprises.

2.2.1 Contextualisation and conceptualisation of SMMEs

The terms SMMEs, small-medium enterprises (SMEs), small-medium businesses (SMBs) and micro, small and medium enterprises (MSME) generally refer to medium, micro or small enterprises. These terms are utilised interchangeably, depending on the country in which they operate.

According to the International Leadership Development Programme (ILDP) (2014:8-9), the acronym SME occurs universally in the European Union (EU) and global organisations such as the United Nations (UN), the World Bank (WB) and the World Trade Organisation (WTO). The term SMBs is principally utilised in the United States of America (USA). In South Africa, the term SMMEs is used and MSMEs is used in parts of the African continent.

Perera *et al.* (2005:8) and ILDP (2014:6) assert that the definition of SMEs differs significantly among institutes and countries, and there is no single, consistent recognised classification. SMEs are typically classified based on the “number of employees, annual sale, total enterprise assets or a combination of these factors”. Furthermore, they range from small enterprises that are sometimes not legally registered and are operated by an individual to large enterprises that are well-established and which operate in the formal economy.

Perera *et al.* (2005:9) postulate that there are numerous common features of SMEs, which include the following:

- their production capacity is small;
- their occupational health and safety standards are normally low;
- they are reliant on external sources for the supply of goods, raw material and technology;

- they operate in competitive markets; and
- they have inadequate human and financial resources and technical competences.

The National Small Business Amendment Act (NSBAA) 26 of 2003, section 35, defines SMMEs according to the five classifications recognised by the original Act (102 of 1996), namely:

- subsector or sector according to standard industrial classification;
- size of class;
- total fulltime equivalent of compensated employees;
- total gross revenue; and
- total gross assets, excluding fixed property.

The SEDA's (2016:5) description of SMMEs accommodates a wide array of firms, including formal, informal and non-VAT registered businesses. Small businesses vary from medium-sized enterprises to informal micro-enterprises. These businesses include backyard business, services and enterprises trading in the streets, which are operated by survivalists who are self-employed individuals from the impoverished strata of the populace.

The Real Economy Bulletin (REB) (2017:19) postulates that SMMEs are “a separate and distinct business entity, including cooperative enterprises and non-governmental organisations (NGOs), managed by one owner or more, including its branches or subsidiaries, if any, and is predominantly carried on in any sector or sub-sector of the economy”.

Malan (2004:54) regards SMMEs to be small businesses that are independently profit-driven economic entities and which commonly possess the following features:

- autonomous management;
- autonomous ownership;
- simple organisational structure; and

- have a reasonably small influence on the market.

2.2.2 Contextualisation and conceptualisation of co-operatives

The Co-operative Amendment Act (CAA) 6 of 2013, section 50, defines a co-operative as “an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly-owned and democratically-controlled enterprise organised and operated on co-operative principles”. In addition, the International Co-operative Alliance (ICA) (2017b:8) elucidates that an enterprise is grounded in the values of self-support, self-accountability, parity, fairness and cohesion.

2.2.2.1 Forms of co-operatives

The Co-operative Act (CA) (2005), CAA (2013), Philip (2003:8), National Enterprise and Cooperative Development Strategy (NECDS) (2016:17) and Hyungsik and Terrasi (2015:9) describe the various forms and classification of co-operatives as follows:

- Primary co-operative: a co-operative whose objective is the provision of employment or services to its affiliates and facilitation of community development. It is established by a minimum number of five natural persons.
- Secondary co-operative: a co-operative that is established by two or more primary co-operatives for the provision of sectoral services to its affiliates. It may be comprised of juristic individuals.
- Tertiary co-operative: a sectoral or multi-sectoral co-operative whose affiliates are secondary co-operatives and whose purpose is to advocate and consult with government, the private sector and other pertinent stakeholders on behalf of its affiliates.

It is also worth noting that co-operatives operate according to principles, which are rules by which they position their values in practice while participating in various economic sectors, such as agriculture, financial services, marketing and supply.

In the previous section, the definitions, forms and classification of SMMEs and co-operatives were outlined. In the next section, LED is conceptualised and the correlation between SMMEs and co-operatives and LED are outlined in terms of striving to enhance economic development and an inclusive economy.

2.3 CONCEPTUALISATION OF LED

The World Economic Forum cited in Brand South Africa (BSA) (2015), reveals that the World Bank ranked South Africa as an “upper middle-income country” with the leading economy on the African continent. In 2014, the country’s gross domestic product (GDP) amounted to \$350.1 billion and the gross domestic product was \$6,483. This economic performance was brought about by the contribution of many role players in the local, regional and national economy.

According to Sekhampu (2010:37), economic development refers to a nation developing the social, economic and political livelihoods of the members of its society. The attainment of economic development is dependent upon the society’s capacity to acclimatise to the volatile local, regional, national and global market economy. Each community has both competitive and comparative advantages that can enrich or lessen its potential to retain, attract and generate investments within the locality up until the global market economy.

Given the above background of economic development, other authors incorporate the local aspect of economic development. According to Canzanelli (2001:9), LED can be regarded as “... a process where the local actors shape and share the future of their territory. We could define it as a participatory process that encourages and facilitates partnership between the local stakeholders, enabling the joint design and implementation of strategies, mainly based on the competitive use of the local resources, with the final aim of creating decent jobs and sustainable economic activities”. The World Bank Urban Development Unit (WBUD) (2003:4) adds that LED should be seen as “the process by which public, business and the non-governmental sector partners work collectively to create better conditions for

economic growth and employment generation. The aim is to improve the quality of life for all”.

The South African LED Network; cited in the NECDS (2016:23) similarly explains that 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”.

Rodriguez-Pose *et al.* (2005:4) concur with the previous elucidation of LED and further state that sustainable growth is realised through the development of LED strategies by local government and local stakeholders. Engdahl and Hauki (2001:21) argue that a well-developed LED strategy has positive outcomes in terms of addressing communities’ basic needs, human resource development and economic growth, and the democratisation of the state and society.

On the basis of the above explanation, it can be deduced that LED initiatives and strategies have a positive effect on the economic growth and development of the local, regional and national economy. Moreover, it is also utilised as a vehicle for empowering local communities and the country as a whole through the creation of employment opportunities, poverty alleviation and equality.

2.3.1 Key principles underlying LED

Parker (2004:27), the Education and Training Unit (ETU) (2012) and the former Department of Provincial and Local Government (DPLG) (2006:7) identified the following key principles underlying LED:

- Marginalised and impoverished communities, and black economic enterprises should be prioritised in order to give them an opportunity to partake in their country's economic life.
- LED is undertaken in multi-faceted approaches because no fixed approach is endorsed; hence each locality should develop a strategy that is best aligned to its local environment.
- LED includes local, regional, national and international collaboration between societies, businesses and government to resolve challenges, establish joint business ventures and improve the economic status of localities.

2.4 THE ROLE OF GOVERNMENT IN FACILITATING LOCAL ECONOMIC DEVELOPMENT THROUGH SMMEs AND CO-OPERATIVES

According to the International Co-operative Alliance (ICA) (2017b:6) and the African Union (AU), the governments of Africa play a pivotal role in the realisation of sustainable growth and development. The latter is realised through the development and implementation of sound policies, and the provision of enhanced infrastructure that results in the improvement of conditions for social and economic development.

The role played by government in facilitating LED through SMMEs and co-operatives is also attested to by goal 4 of the African Union Agenda (AUA) (2063), which lobbies for transformed economies, and goals 8 and 9 of the United Nations Sustainable Development Goals (UNSDG) (2030), the primacy areas of which consist of sustainable and inclusive economic growth. There are other government initiatives, such as the one reported by Global Text Alert (GTA) (2018:1), which notes that 44 out of 55 African countries signed an African Free Trade Agreement (AFTA) that will create a conducive environment for both existing and newly-established enterprises, and, moreover, abolish hindrances to trade and investment.

The NDP (2030:137-139) also advocates for sound policies, such as macroeconomic policies that provide stability and an enabling environment in which enterprises can invest and operate. Policies such as the government Monetary Policy guard against rand volatility,

which would pose a risk for importers, exporters and enterprises, and the Preferential Procurement Policy, which prioritises and affords an opportunity for growing entrepreneurs.

VNGI (2015:11) also argues that the government is perceived as being responsible for the creation of a conducive environment, through which business prospects are made possible. On the other hand, the same government is alleged to create red tape that impedes economic development. Malefane (2009:162) augments this view by stating that although local government is playing a pivotal role in facilitating LED through SMMEs and co-operatives, they are regulated and follow stringent fixed processes and procedures that are regularly specified in their own municipal by-laws. A highly restricted environment can also be observed as a barrier to LED and translate into the dissatisfaction of the local business community.

VNGI (2015:12) also highlights that there are three elementary roles that essentially all municipalities play in terms of LED. Firstly, they are service providers because they provide services and advice to enterprises, and maintain their business site and infrastructure at a minimal cost. Secondly, they are regulators through the issuing and approval of business licences and the enforcement of municipal by-laws that create a suitable environment for enterprises. Lastly, they play a catalytic role through planning, organising, leading and controlling the political, social and economic environment to achieve growth and development.

Malefane (2009:163) asserts that the South African system of government is grounded in the operations of national departments, provincial departments and municipalities, which function in accordance with legislative prescripts. In terms of these legislative mandates, they are tasked with developing internal strategies and structures that would simplify the implementation of their developmental goals. Malefane (2009:158) and Hofisi *et al.* (2013:539) also postulate that the application of LED by local government is not discretionary, voluntary or unconditional, but is a legislative obligation. This statement echoes the Constitution (1996), section 152 (c), which states that local government is “to promote social and economic development” and section 153 (a), which states that local government should “structure and manage its administration and budgeting and planning

processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”. The Local Government: Municipal Systems Act 32 of 2000 similarly obligates local government, in section 26(c), to include its LED aims in the municipal IDP. Moreover, section 74 (g) stipulates that provision should be made for the advancement of LED through exceptional rates for categories of commercial and industrial enterprises.

Masuku (2016:3) posits that government’s role is to intensify administrative proficiency, such as the creation of suitable conditions for the accessibility of land and finance, and in the monitoring of the outcomes and impact of municipal LED initiatives. Kamara (2017:105) asserts, moreover, that public managers are fundamental to negotiating, initiating and funding collaborative efforts. These public managers are vested with official power and authority to contend, adjudicate, establish rules and commit state power, authority and resources. Masuku (2016:3) adds that LED units are involved in the management of ongoing initiatives to improve community welfare and the business environment for the realisation of employment creation through enterprise development, economic growth and sustainability. LED units facilitate programmes and projects, and ensure that all role players collaborate systematically, efficiently and effectively for the identification of the best mechanism that can be utilised for improvement of the local economy and the creation of a business environment that will attract investors.

2.5 ROLE OF PRIVATE SECTOR IN FACILITATING LOCAL ECONOMIC DEVELOPMENT

Rogerson and Rogerson (2012:55-56) argue that throughout most of South Africa, the private sector was left behind, or preferred to not take part in the developmental agenda due to the mutual mistrust that existed between the public and private sectors, which made the dialogue between the two parties extremely cumbersome. The mistrust was grounded in divergent philosophical principles and priorities. The public sector believed that the private sector was anti-poor, and the private sector believed that government was “welfarist” and “anti-profit”.

In relation to the above statement, Ruecker and Trah (2007:47) are of the view that the construction of the essential soft factors of collaboration, such as social capital and trust, which are internationally considered significant for effective cooperation between government and non-government actors, is key for the realisation of economic growth and development. Rogerson *et al.* (2012:56-57) elucidate that both the government and private sector realised that the leading issue for the private sector's involvement was to advance the local business environs so as to allow private sector enterprises, both large and small, informal and formal, to stimulate, participate or drive LED. The role that the private sector is playing is also recognised by the World Bank and IFC (2012) cited in Rogerson *et al.* (2012:56-57), which states that the private sector is an essential vehicle for energising LED initiatives and activities, particularly the creation of competitive local economies that interest and preserve private sector investors.

Kamara (2017:107) states that the hybrid-centred approach of collaboration is a new paradigm, which marks a move from viewing governance as the elite preserve of the government to seeing it as an all-inclusive governance system that takes into cognisance the inputs of the private sector and civil society. A sound relation between civil society, the government and private sector is perceived as a central characteristic of a well-functioning developmental state. The collaboration of the tripartite institutions stimulate LED initiatives, facilitates service delivery and mobilises communities to participate effectively in growing local businesses.

Akudugu and Laube (2013) and Ruecker and Trach (2007) cited in Masuku, (2016:2) similarly argue that LED can be effective when local stakeholders, which include the private sector and authorities, form partnerships with government agencies and international donors to cooperatively design and implement initiatives aimed at the improvement of the local economy. Furthermore, Akuduge *et al.* (2013) also support the paradigm expressed by Kamara (2017) by emphasising that there is a need for a paradigm shift, but it must be a bottom-up approach rather than a top-down approach. Similarly, De la Garza, Jarvis and Petkoski (2006:2) and the EU (2013:10) further assert that collaboration of the private sector with civil society and the government offers solutions due to the private sector's resources, such as financial and non-financial capital, innovation and administration skills.

Additionally, the private sector assists the developmental agenda because it contributes to the acceleration of employment opportunities and income through investment in infrastructure, research and development, technology, acquisition and capacitating local talent, the sharing of best practices, volunteering expertise and time towards a certain problem, donating excess or used tools, buying locally-produced goods and making monetary donations through its corporate social responsibility programmes.

In the South African context, there are various private sector enterprises that subscribe to the notion of stimulation of economic growth and development through enterprises. According to Joseph (2013:2), business-led and -driven institutes such as Afrox, Anglo American, Barloworld, BP and De Beers are dedicated to investing in black service providers for competitiveness and positioning them in an enhanced suitable platform for business deals and opportunities. Over and above that, BASA (2018) also elucidates that the banking industry, which is part of the private sector, is the “oil that lubricates the economy”; hence it is critical for the government to continually interact with the private sector. The continuous interaction is vital to the maintenance of business stability, as well as the continuous refinement of sustainable and user-friendly business environs through influencing legislative prescripts and business regulations. Chetty (2012) also posits that the private sector is “Africa’s primary engine of growth” because it enables domestic revenues to grow, decreases dependency on foreign aid and ultimately enhances the development of enterprises.

2.6 THEORETICAL FRAMEWORK OF THE PRINCIPAL AGENT, NETWORK THEORY AND ENTREPRENEURIAL THEORY

In the previous section, it was established that LED was a key component of the progressive transformation of the national economy, but it that required concerted effort by a variety of role players so as to achieve the national government targets contained in the NDP 2030. The purpose of this section is to explore the principles of principal agent theory as a theoretical model to analyse the relationship between local government (as principal) and enterprises (as agents) to promote LED. The second aim is to explore the principles of entrepreneurial theory as a theoretical model that can provide guidance on the nature of

enterprises that can be assisted with government funding. Lastly, a succinct correlation between entrepreneurial theory and network theory will be discussed.

Entrepreneurial theory and principal-agent theory are useful theoretical models for the analysis of funding models (Bull, 1993:187). According to Simpeh (2011:3-4), the entrepreneur's success emanates from his or her capabilities, characteristics and sustenance from outside. They are driven by a need to succeed and excel in growing their businesses. Access to resources such as human, social and financial capital is critical, because they are perceived to be enhancers of individual's abilities in detecting and acting upon discovering opportunities. In this regard, entrepreneurship theory will give guidance to the contents of the funding model framework. As far as principal-agent theory is concerned, Wamsley (1990:115-16) cited in Terry (1994:46) argue that agential leaders are focused on the pursuit of citizen's interests and welfare. In addition, they are seen as experts and have a distinctive role in realising good governance through the operationalisation of policy by utilising particular programmes. In this regard, Dr KKDM, as a local government institution, is depicted as an agent that should implement the mandate to promote social and economic development, as outlined in section 152(c) of the Constitution. However, Dr KKDM is also the principal and enterprises are seen as agents.

2.6.1 Principal-Agent Theory

Principle-agent theory, or simply agency theory, is described by Kivisto (2007:2) as "the relationship between two or more parties, in which one party, designated as the principal, engages another party, designated as the agent, to perform some task on behalf of the principal". The agency relations exist in various social contexts, such as employer-employee and citizen-politician, and involves the delegation of authority.

According to Eisenhardt (2007:59), the disciplinary foundation of agency theory is grounded in economics or, more precisely, information economics. Kivisto (2007:3) further explains that agency theory has never been associated with a specific academic discipline; it rather possesses an extensive empirical and theoretical framework for various disciplines and

methodologies, such as public management, local government, public administration, accounting, sociology and political science.

Kivisto (2007:8) posits that prominent authors such as Spence and Zeckhauser (1971), Ross (1973) and Arrow (1971) can be regarded as the “inventors” of agency theory. Since its foundation, mainstream agency theoretical research has developed into two streams, which are generally referred to as the “positive theory of agency” and “principal agent”. Prominent authors such as Harris and Raviv (1978), Shavel (1979) and Holmström (1979) are perceived as primary representatives of the principal-agent literature (Kivisto, 2007:8).

Araujo and Moreira (2000:7) explain that the agency relationship includes two central forms of variables. The first variable is related to an action and is noticeable, and the second variable is related to the transfer of funds from the principal to the agent.

The principal and agent relationship is also explained by Attila (2012:709), who states that the agent is created by the principal. In this relationship, the general relationship between the two parties is that the principal coordinates the entire grant processes and supervises the agent’s financial activities. The supervision is due to the fact that the agent is funded with public monetary resources by the principal. Van Horn (2011: 14) adds that the main costs are the principal’s liability in terms of the incentives that are provided to the agent to act in the principal’s interest.

Mason and Slack (2003:38) argue that agency relationships range from “single-principal-single-agent relationships to more complex multiple-principal-single-agent or single-principal-multiple-agent relationships”. In the context of Dr KKDM, the district municipality is the principal and enterprises are the agents of LED. Vedung (1997:107) further explains that the legislators (parliament) are the citizen’s agents, but correspondingly the principals of the government that they elect. Similarly, the government is the legislator’s agent, but correspondingly the principal of the national bureaucracy. The national bureaucracy, on the other hand, is the government’s agent but also the principal of the provincial or local government.

Williamson (1987) cited in De Oliveira *et al.* (2017:600) assert that some agents undertake malicious opportunistic actions, including theft, and deceitful and subtle forms of deception. The opportunism of the agent is manifested prior and during the contract between the principal and the agent. Yesilkagit (2004:121) also argues that the delegation of tasks by the principal to the agent, political control and answerability to the citizens are central tensions that surface in the principal-agent relationship.

2.6.1.1 Monitoring of the agent in the public sector

De Oliveira *et al.* (2017:599) argue that the prime challenge of the principal is to ensure that the agent realises their interests. Roach (2016:30) elucidates that government, as a principal, can safeguard its investment through the contract agreement that reflects the priorities that are supposed to be accomplished by the agent, taking into consideration that the principal has a mandate, objectives, agenda, purpose, strategic intent and a vision that it has to realise. Roach (2016:31) further elaborates that the agent might engage in non-compliant activities such as shirking behaviours, whereby the agent behaves in a way that benefits one party (the agent) at the expense of another party (the principal).

One of the unorthodox behaviours explained by De Oliveira *et al.* (2017:601) is gaming. The agent concocts the attainment of the objective in numerical terms, but not the actual accomplishment of the aim to which the objective was projected.

Williamson (1987) cited in De Oliveira *et al.* (2017:600) also assert that some agents undertake malicious opportunistic actions, including theft, and deceitful and subtle forms of deception. The opportunism of the agent is manifested prior and during the contract between the principal and the agent. Yesilkagit (2004:121) also argues that the delegation of tasks by the principal to the agent, political control and answerability to the citizens are central tensions that surface in the principal-agent relationship.

2.6.2 Entrepreneurial Theory

Alvarez and Busenitz (2001:756) cited in Cuervo, Ribeiro and Roig (2007:2) assert that entrepreneurial theory is grounded in diverse beliefs in relation to the significance of resources. Bull *et al.* (1993:188) posit that entrepreneurial theory is that entrepreneurship occurs under circumstances such as task-associated stimulation, expertise, and an expectancy of self-gain and a conducive environment that will support the entrepreneur's endeavours.

According to Alberti *et al.* (2004:1), entrepreneurial exploration is underpinned by the notion that entrepreneurship is the "engine driving the economy and society of most nations" and it is perceived as the vital lever to manage the new competitive environment. Furthermore, it is perceived to have brought benefits equally at the macro level of economic development and, correspondingly, the micro level of individual fulfilment and attainment.

Cuervo *et al.* (2007:1) purport that an entrepreneur discovers or generates business opportunities that can be exploited through small and medium-sized firms generally partaking in funding the capital for the business or selling their business ideas to potential funders. Audrestsch (1995:1) argues that "entrepreneurs are agents of change and growth in a market economy and they can act to accelerate the generation, dissemination and application of innovative ideas". This argument is supported by Cuervo *et al.* (2007:1), who state that entrepreneurial opportunities exist because diverse agents have divergent ideas on the general worth of resources or when resources are transformed from inputs into outputs.

Delacroix and Carroll (1983) cited in Bull *et al.* (1993:191) also take into account that entrepreneurial opportunities exist. However, Bull *et al.* (1993) argue that enterprises are regrettably established in reaction to what are observed to be the (both politically and economically) favourable environmental circumstances at the time; hence, it is not astonishing that most ventures are unsuccessful. On the other hand, the establishment of enterprises are motivated by the entrepreneur's drive to be independent and the determination to be self-employed.

2.6.2.1 Motivation

Cuervo (2007:3-4) points out that socio-cultural and institutional aspects are the motivators for entrepreneurs in marginalised groups to pursue business. Other motivations are environmental aspects such as culture or shared values in a society, the institutional aspects linked to the legal framework of the economic environment (demand), the financial environment (venture capital and cost) and the spatial environment (land use management).

Burt (1992), Kirzner (1973), Shane (2000), Stinchcombe (1965) and Venkataraman, (1997) cited in Audia and Rider (2014:116) add that the motivation to establish a new venture is reinforced not only by a person's confidence in his or her capabilities to thrive, but also by access to information related to the availability of entrepreneurial opportunities. Furthermore, explicit and well-timed information in relation to the entrepreneurial opportunities might intensify an individual's expectancy that entrepreneurial efforts will translate into entrepreneurial rewards, thereby intensifying motivation.

2.6.2.2 Expertise

Cooper (1985) and Bruno (1977) cited in Bull *et al.* (1993:189) assert that entrepreneurs gain expertise in the “incubator organisation”, that is, the entrepreneur's previous employer, prior to venturing into business. It is also noted that most entrepreneurs establish ventures comparable to those of their previous employers, seemingly because they have gained both expertise and relationships that might enable them to successfully pursue their new ventures.

Emanating from Bull *et al.*'s (1993) statement, Stinchcombe (1965) cited in Cafferata, Abatecola and Poggessi (2009:2) argues that expertise alone does not guarantee the success of the venture. The entrepreneur will also encounter other “liabilities of newness” such as the absence of role models, the absence of consistent communication channels, the absence of confidence and credibility, as well as the absence of established clients.

2.6.2.3 Supportive environment

Bull *et al.* (1993:191-192) assert that the environment indisputably has an influence on entrepreneurship. It can be helpful but can also be a hindrance to the successful operation of the business. The failure or success of the venture can be influenced by variables such as market forces, government policies, lifecycles, stringent processes and the procedures followed to access capital.

2.6.2.4 Commitment

Kambikambi (2003:42) argues that commitment is required for optimal performance to be achieved. Furthermore, it means a responsibility towards the advancement of entrepreneurship on the part of emergent entrepreneurs, the government and the private sector. If any of these role players are not devoted to the advancement of entrepreneurship, the level of entrepreneurial performance will be average.

2.6.3 Network Theory

Audia *et al.* (2014:117) postulate that social networks provide data that increase the possibility of knowing how to present and articulate business ideas in a manner that is pleasing to prospective suppliers, customers, investors and funders, as well as the possibility of identifying the most pleasing persons to pitch to. Furthermore, such networks provide a basis for referrals to clientele, traders and potential employees who are likely to support the new venture if the credibility of the prospective entrepreneur can be authenticated by trustworthy informants.

Birley (1985) cited in Bull *et al.* (1993:190) similarly asserts that entrepreneurs tend to depend mainly on informal sources of data and assistance (family, close friends, social contacts) when identifying new employees, lobbying for funds, determining the business and forecasting future activities for the venture. Formal sources of support (development

financial institutions, accountants, lawyers, local governments and business chambers of commerce) are also utilised, but merely as a last option.

In Chapter 1, the above theories and Timmons' Model were highlighted as one of the instruments that could assist government in assessing enterprises for grant funding. It is against this background that a snap preview of Timmons Model will be illustrated and outlined.

Figure 2.1: Timmons model of the entrepreneurial process



Source: Timmons *et al.* (2009:110)

Figure 2.1 depicts the driving forces (opportunity, resources and team) underlying the establishment of successful new ventures. Timmons *et al.* (2009:110) further argue that the driving forces are controllable in the entrepreneurial process and can be assessed,

influenced and altered. Furthermore, founders and financiers concentrate on these forces when conducting their due diligence to scrutinise the risks and make a determination regarding what changes can be effected to increase the venture's likelihood of success.

2.7 ROLE OF SMMEs AND CO-OPERATIVES IN FACILITATING LED

Gebremariam (2004:3-4) purports that the history of enterprises in relation to economic development has been one of the most contentious subjects worldwide. The role played by enterprises in an economy has habitually been undervalued and even misinterpreted. Historically, enterprises were “believed to impede economic growth by attracting scarce resources from their larger counterparts”. The move towards enterprises having a bigger role was brought about by changes in production technology, end user demand, labour supply and the quest for flexibility and efficacy. Thus, the alternate notion is that enterprises are the strategic component and driving force of the creation of employment and realisation of economic development. Soriano (2017:1) argues that, since the 1980s, enterprises have been acknowledged as the “drivers of economic growth”. Groepe (2015:5) similarly asserts that enterprises “form part of the backbone of a thriving society”. Furthermore, they are important because they adapt to the changing conditions of competition and innovation within the globalisation process (Groepe, 2015:5). Gebremariam (2004:4) also emphasises the importance of enterprises by stating that it is currently well recognised, both among scholars and policymakers, that they play a crucial role in contributing to the inclusive economic performance of countries. They advocate and stimulate community development by attracting private investment and spreading the benefits of economic growth to rural areas and small towns. Keskin (2010:183) also argues that the prominence of enterprises is well acknowledged worldwide owing to their noteworthy contribution to various socioeconomic goals, such as production and the promotion of exports, the creation of employment opportunities and instilling a spirit of entrepreneurship in society. Empirical studies demonstrate that enterprises contribute more than 55% of GDP and more than 65% of total employment in high-income countries. In the middle-income countries, they contribute more than 95% of total employment and about 70% of GDP, while in the low-income countries, enterprises contribute more than 60% of GDP and 70% of total employment.

Robleh (2017:15) asserts that the promotion of enterprises is depicted as a feasible method of sustainable development, since it suits the economic resources on the African continent. Enterprises are commonly regarded as the central driving force behind job creation in both developing and developed countries. In this regard, Chandler (2012:67) and Robleh (2017:15) state that private enterprises contribute more than 50% to countries' GDP and approximately 56% to employment opportunities on the African continent. According to Ayodeji and Balcioglu (2010) and Pham (2017:83), this number is significantly higher in OECD countries, where enterprises act as the chief drivers of growth and development. Kale (2015:124) similarly attests that enterprises play a pivotal role in the provision of employment prospects and contribute significantly to industrialising rural, underdeveloped regions. Joubert (n.d:1) thus argues that enterprises can be regarded as the "seedbed for future development" because they create employment opportunities and improve the living standards of rural societies.

According to Mathunyane (2016:35), the results of a World Bank survey are that 47,745 businesses across 99 countries show that firms with between five to 250 employees accounted for 67% of total permanent employment. Abor and Quartey (2010:223) cited in Mathunyane (2016:3), note that in South Africa it is estimated that 61% of enterprises contributed to employment in 2015.

Berry *et al.* (2002:4) argue that enterprises realises economic goals because they contribute to GDP by either producing goods or through the provision of services to both users and other enterprises. If the users are foreign clients, they contribute to the total export performance. Berry *et al.* (2002:4) further elucidate that enterprises are not just suppliers, but also clients that have a critical role to play if they locate themselves in a market with buying power. This is due to their need for industrial or consumer goods, which will in turn kindle the activities of their suppliers, just as their own activities are kindled by the requirements of their customers. Scholars such as Baptiste-Cornelis and Long (2008:6), Edmiston (2007:77), Clark (2010:7) and Mathunyane (2016:36) also posit that enterprises generate a large proportion of new jobs. Gesellschaft für Internationale Zusammenarbeit (GIZ) (2015:1) adds that they pay tax, which in turn assists government

to provide basic services to its citizens. They also contribute to defeating social and environmental problems in areas pertinent to policy development.

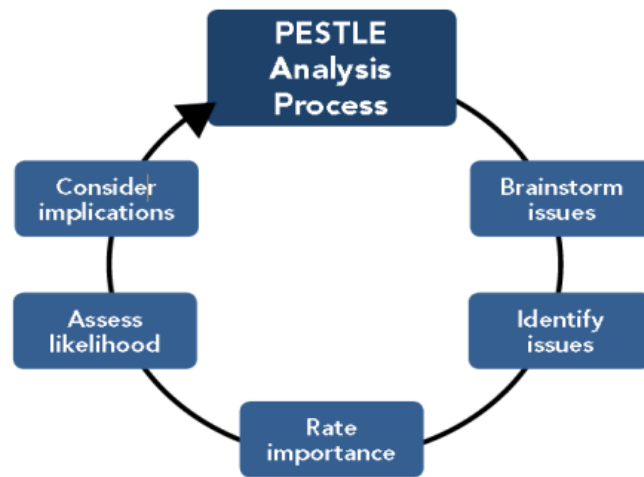
Similarly, Hyungsik *et al.* (2015:31) state that enterprises are appropriate for the sustainable utilisation of endogenous resources, making them the proper agents for developing activities connected to the promotion of the green economy. The DPLG (2006:7) also asserts that enterprises form the heart of the economy and have a critical role to play because they establish partnerships with the government and society at large. This partnership will eventually encourage and ignite robust and inclusive LED. These enterprises are inventive and they develop solutions and goods that are inexpensive to meet the necessities of the poorer societies.

Keskin (2010:184), Mathunyane (2016:35) and Stan (2014:170) correspondingly posit that enterprises are important role players for improving invention, competition, entrepreneurship and the creation of an operational innovation system for developing countries. They also contribute in the following ways:

- There is faster and inexpensive production of goods and services that are affordable and produced locally.
- Enterprises act as a training base for qualified workers who want to acquire experience and unqualified workers who aspire to join the entrepreneurial arena.
- Through enterprises, there is a trickle-down effect of business savings and family savings straight to the investments.
- Enterprises assist in the diversification of a state's fiscal base and afford it the opportunity to react to variations in market conditions.

This section concerned the role of SMMEs and co-operatives in facilitating LED. In the next section, the focus is on PESTLE, which was mentioned in Chapter 1 as one of the tools that will assist local government to assess whether enterprises are legible for grant funding.

Figure 2.2: PESTLE analysis process



Source: Free Management e-Books (2013:10)

Figure 2.2 illustrates the process that is likely to be adopted when utilising the PESTLE technique which take account of (political, economic, social, technological, legal and environmental factors). The process unfolds as follows:

- brainstorm and identify crucial issues that are beyond the organisation's control;
- holistically identify the repercussions of each issue;
- rate its significance to the organisation (e.g., critical, extensive, significant, moderate or insignificant);
- rate the probability of it occurring (e.g., certainty, extremely likely, potential, or will not transpire); and
- consideration of the repercussions if the issue did arise.

The following section will comprise an exposition of the principles, dimensions and nature of funding models and table the types of funding available for SMMEs and co-operatives from local governments.

2.8 SMMEs AND CO-OPERATIVES FUNDING MODELS

Berry *et al.* (2002:65) argue that accessibility to finance is fundamental for enterprises that show expertise and the entrepreneurial ability to develop. Caner (2014:3) augments this statement by observing that enterprises in their initial phases of activity are prone to insolvency risks and that their rate of survival after the first year is low; hence it is important for enterprises to acquire adequate funding in their initial phases of development. Furthermore, enterprise owners often lack equity and resort to borrowing from financial institutions to invest in their business endeavours.

According to Berry *et al.* (2002:66), one of the core reasons for which there is a great deal of misinterpretation about the role of funding in enterprises is that little effort is made to comprehend what financial intermediation in an economic environment entails. The financial market establishes a link among financiers with surplus finance and agents with a need for finance. In this instance, enterprises are the agents in need of finance and they will have to pay a certain price, which is attached to the interest rate of those who availed the funds.

Berry *et al.* (2002:69) argue that the business's need for finance depends on dynamics such as its age, size, growth prospects and the business sector in which it is operating. The provision of finance and the type of financial assistance (short- or long-term finance) also depends on these dynamics. In this instance, it is habitual that business start-ups prefer equity rather than debt, while better-established and financed enterprises prefer using debt.

The short- or long-term finance determines, in part, the terms and conditions for the provision of finance. Long-term finance is accompanied by high risk and high payment premiums, and the justification for the high interest rate is based on the risk of the type of loan secured by the enterprise. However, the short-term finance interest rate is lower due to the minimal risk and the short period of borrowing (Berry *et al.*, 2002:69,71).

Berry *et al.* (2002:68-69) and Smeaton *et al.* (2011:27) maintain that the provision of funds is not guaranteed, because the finance market can ignore enterprises if they are not

creditworthy. Other elements that might contribute to the rejection of a finance application is the entrepreneur's ignorance of application procedures, poor information, lack of collateral, the inability to express his or her business idea in a business plan and a lack of credit records. Creditworthiness and own capital are also key because it is an indication to every external funder of its investment risk prior to the provision of funds. Berry *et al.* (2002:80) argue that even if there is no financial guarantee from the finance market, enterprises generally utilise family savings and retrenchment packages as their main source of finance. Other sources of finance include community groups, and small business promotion agencies (either private or government agencies). On the other hand, Smeaton *et al.* (2011:27) explicate the importance of financiers availing funds to businesses, because the decline of their applications can result in enterprises approaching the informal financial sector that is controlled by moneylenders in an unregulated financial market or to the extreme situation of financial marginalisation. Smeaton *et al.* (2011:27) suggest that there is hope for access to finance by enterprises due to the microfinance revolution, which is characterised by a remarkable escalation in the formation of microfinance institutions and the delivery of microfinance loans to enterprises that do not meet the requirements to receive loans from financial institutions. The other sources of finance are microfinance grants from a variety of organisations, including co-operatives, non-bank financial institutions, credit unions, government agencies and NGOs.

2.8.1 Principles, dimension and nature of funding models

The Bridgespan Group (2011:1-2) asserts that a funding model is critical because it is an institutionalised and systematic methodology to build a consistent revenue foundation that will support an organisation's core objectives. Furthermore, the funding model has three essential features, namely:

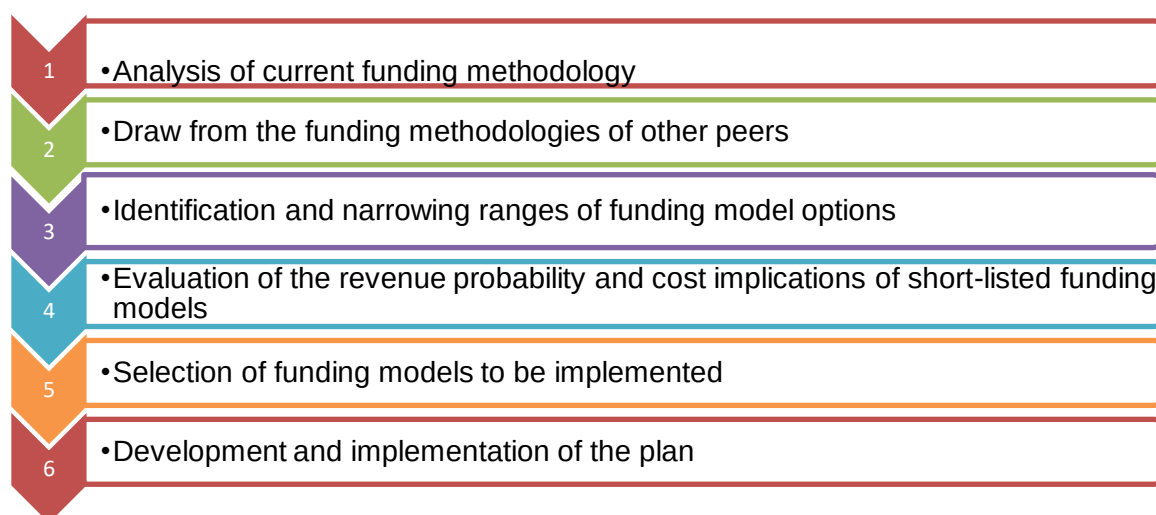
- Type of funding – depending on the business type, size and sector, there are differing types of funding from different financiers.
- Funding decision makers – within the primary source of funding, the model concentrates on certain persons who direct the channelling of funds, perhaps government officials or

other financiers. In the context of Dr KKDM, funds are controlled by Directorate of Economic Development and Tourism (DEDT) officials.

- Funder motivation – the funding model takes advantage of the natural synergy that exists between the funder’s motivation, which in this context is the mandate of Dr KKDM to promote economic development, and the beneficiary’s or lender’s business objectives, which is to grow a business and create employment opportunities.

Figure 2.3 outlines the six steps to be followed for the identification and development of an appropriate funding model. Each of the six steps are briefly explained below.

Figure 2.3: Six steps for the identification and development of the appropriate funding model



Source: Adapted from Bridgespan Group (2011:3)

Step 1: Analysis of the institution’s current funding methodology – assessment of the consistency of the current financiers, establishment of what informs the current financiers to support the institution’s efforts and evaluation of the fundraising capabilities. The diagnosis will also assist in identifying current weaknesses and pave the way forward for forthcoming funding models.

Step 2: Peer learning of funding models from other organisations through investigation and exploration of how the peer's funding model was developed, its terms of reference and the rollout thereof.

Step 3: The investigation is taken further through comprehensive screening of peer funding models. The aim of screening is to determine whether the peer's current models are viable and replicable.

Step 4: Development of an understanding of the funding models available and how much the organisation will be able to secure, given its dynamics (political, social and economic) and the weaknesses and strengths thereof. The understanding and attainment of the baseline information will assist the organisation to draw a knowledgeable conclusion regarding which funding model to select.

Step 5: Selection of the funding model that will be implemented by the organisation. The selection process will not encounter any hindrance, since a comprehensive assessment was conducted prior to the selection. In this step, an applicable, viable and sustainable funding model is selected for implementation purpose.

Step 6: Development of an implementation plan that will operationalise the funding model. The plan will outline the key performance indicators, timelines and responsible members who will operationalise, monitor and evaluate the impact and develop mitigation measures if required.

Asset Insights (2018) asserts that the purpose of a funding model is to assist the organisation in the following manner:

- to ascertain the level of unfunded liability;
- to make informed decisions in relation to resource allocation;
- to have comprehensive knowledge of the risks of overfunding or underfunding the enterprises;

- to put mitigation measures in place for any threat that may arise; and
- to assist in deciding about the appropriate reinvestment levels.

2.8.2 Funding Models

According to Pegasys (2012:4), sources of funds consist of grants from taxes and transfers from transnational donors. All additional sources of funds, such as debt (equity), provide mechanisms for cashflow management through the deferment of repayment, management of balance sheets through liability shifting and sharing of returns and risks. Other sources of funding include utility reserves, which are a form of finance for which no repayment is needed; they represent monies collected upfront through the generation of excess funds.

Entrepreneur Magazine (EM) (2018), Standard Bank (2018), the DTI (2018), Asian Women in Business (2018), Asset Insights (2018) and Francesco Lemma and Ellis (2014:1,8) outline other types of funding models that are available for enterprises, namely:

- a. Debt finance – the money that entrepreneurs borrow from a bank or other financial institutions in order to finance their enterprises. The institution or individual becomes a creditor of the enterprise and they are obligated to pay the stipulated interest and loan at the end of the predetermined term (whether short- or long-term). The common sources of debt finance are the banking institutions; however, debt can similarly be sourced from friends, family members or private companies.
- b. Bank finance – there are facilities such as:
 - An overdraft: This is a credit option that permits an entrepreneur to borrow until the limit is reached. It is easier and quicker to access the funds and interest is paid only on the utilised funds. The overdraft facility is perceived to be effective, especially when the enterprise needs short-term funding.
 - Asset finance: this enables an entrepreneur to procure equipment and movable assets in a manner that make it easier for cash-flow management.

- Business revolving credit: the credit is accessible as and when it is required and reimbursements are normally fixed monthly payments. The original credit limit is generally restored after a pre-set fraction has been reimbursed.
- c. Angel investors – are interested in start-ups that demonstrate potential for success. In return for funds received, the entrepreneur shares fractional equity or control of the enterprise, as well as offering a return on investment to the investors. In contrasting to banks and other financial institutions, angel investors are prepared to invest monies in high-risk enterprises with anticipation of accruing high returns within a predetermined period.
- d. Private equity – private equity companies generally make large investments in big enterprises, but there are other companies that also invest in small enterprises. They target entrepreneurs who have made contributions to their enterprises by utilising their own monies, have a credible credit history, a viable business plan and significant expertise and skills to efficaciously operate in the industry.

Private equity companies generally look for:

- An entrepreneur with determination, self-confidence and a vision with an ambition to develop his or her small business
- A seasoned team and team leader with balanced skills and knowledge
- Comprehensive market knowledge, potential of growth within the market and a unique product
- A service or product with a competitive advantage

It should also be noted that securing private equity can be a tedious and time consuming exercise; hence the entrepreneur should be determined and patient. Moreover, the investor generally requires partial ownership of the enterprise and a share of the income. Conversely, the investor might not be interested in a permanent ownership contract, but intends to exit the business within a certain period.

- e. Venture capital – is equity capital offered by external investors in the enterprise. The investors target high potential and high-risk ventures in return for high returns. The venture capital provider accrues monies by possessing equity in the enterprises it invests in and also has substantial control over the enterprises' decisions.

Venture capital providers generally help in four stages of enterprises development:

- Idea generation – the enterprise is funded with a small amount of funds to assist it to test and demonstrate the innovative idea
- Start-up – they assist with the early stage of that the business with fundamentals such as product development, financial management and marketing
- Growth – when the enterprise has demonstrated growth and it wants to explore, develop further and penetrate the market, the venture capitalist will then make funds available for such an endeavour.
- Exit – the venture capitalist assists the enterprise to finance the “going public” process. In this stage, the venture capitalist has a guarantee that the enterprise is operating effectively and demonstrates signs of sustainability and a high return on investment.

There are companies such as Silicon Cape, Knife Capital, GroVest and 4Di Capital that offer venture capital funding in South Africa.

- f. Crowd funding: In this funding model, many people are able to pledge various sums to the enterprise in exchange for interest, other creative returns or equity. South African crowd-funding platforms include Startme, Kickstarter, Indiegogo and RocketHub.
- g. Joint venture or strategic partnerships – is where two or more enterprise with similar ambitions collaborate on a business venture. In some instances, one enterprise possesses money and the other has a feasible business plan. On the other hand, one enterprise can possess a unique product and another might have credible distributors. However, the joint venture model necessitates an entrepreneur to conduct comprehensive research in relation to the model itself and the strategic partner that he

or she is going to venture into business with, instead of merely requesting a loan and getting into a binding contract.

- h. Donor funds – Donors assist with the establishment of new enterprises in developing countries and invest in existing enterprises. They also develop and adopt inclusive business models aimed at creating employment opportunities and the integration of local entrepreneurs in international supply chains. Furthermore, the funds strengthen trade relations, innovation and market opportunities within the industry, and open doors for socioeconomic development within societies. One of the aspects that the beneficiary (enterprise) should take into account when accepting donations is that donors might attempt to influence the enterprise to alter its activities. They tend to guard against negative impacts and seek to emphasise the positive impacts of the enterprise development outcomes.
- i. Government grants: According to the DTI (2018), South African government funding assists previously disadvantaged citizens to develop and grow businesses. The funding is focused on high growth sectors that will make a positive impact with regard to the creation of employment opportunities. However, there are funding requirements with which enterprises need to comply before they can be funded. The financial support is offered for various economic activities, including market access, manufacturing, business competitiveness, foreign direct investment and export development. Furthermore, there are multiple funds under the DTI, including the Aqua-Culture Development and Enhancement Programme, the Film Incentive Programme, the Automotive Investment Scheme, and the Clothing and Textile Competitiveness Improvement Programme.

There are other funding sources that are not included within the DTI's funding parameters, but enterprises can apply to other generic funding sources such as the Isivande Women's Fund, the Black Business Supplier Development Programme and the Critical Infrastructure Programme.

Table 2.1: Types of funding available for SMMEs and co-operatives in South Africa

Grant Name	Purpose
Khula Enterprise Finance	This company does not lend money itself but assists enterprises to secure loans from financial institutions. It organises initial-phase debt funding to eligible enterprises, particularly those in rural and peri-urban areas. Furthermore, it offers a mentorship programme, which includes the development of feasible business plans, pre- and post-loan services, and skills transfer.
South African Micro Finance Apex Fund (SAMAF)	This company does not lend money itself but utilises other institutions within societies to manage the funds and lend to eligible enterprises. The funds target youth aged 18-35, especially those running small-scale enterprises in outer urban and rural areas.
National Empowerment Fund (NEF)	This fund supports the Broad Based Black Economic Empowerment (BBEE) objectives, national government policy and priorities. It also assumes the predominantly equity-based risk for the maximisation of empowerment shares.
Black Business Supplier Development Programme (BBSDP)	This is a cost-sharing grant provided to black-owned enterprises so as to assist them in the improvement of their sustainability and competitiveness, and helps them to grow into integrated mainstream companies that generate employment opportunities.
Enterprise Investment Programme (EIP)	The DTI's Tourism Support Programme (TSP) is a sub-programme of the EIP. It is an incentive intended at assisting the development of tourism enterprises through the encouragement of the geographic spread of tourism initiatives and investment. The incentive targets both local and foreign-owned enterprises and

	provides a cash grant of up to 30% towards qualifying investment costs in land, buildings, furniture and equipment that is needed for the establishment of a new tourism facility or the expansion of an existing tourism facility.
Support Programme for Industrial Innovation (SPI)	This programme is designed for the promotion of technology development by providing financial aid for the development of innovative practices or products.
Co-operative Incentive Scheme (CIS)	This is a 90:10 match cash grant for registered primary co-operative enterprises. The maximum grant of R350,000 assists enterprises to penetrate the market economy and to be competitive in the industry.
National Youth Development Agency (NYDA)	This grant programme targets youth entrepreneurs who have the potential to grow their businesses. The grant is divided into non-financial and financial business assistance, which ranges from R1,000 to R100,000.
Small Enterprise Development Agency (SEDA)	This agency is assigned with the implementation of government's small business strategy, the designing and implementation of a standard national delivery system and the integration of government-financed small enterprise support agencies across all spheres of government. Services and products such as marketing material, financial management, training, business planning, mentorship, trade exhibitions, coaching, research, technology transfer interventions and trade facilitation are available to enterprises.
Small Enterprise Finance Agency (SEFA)	This agency's fundamental function is to promote the establishment, development and growth of enterprises, and to make a positive contribution to alleviating poverty, the creation of employment opportunities and

	socioeconomic development. It provides financial services and products such as direct lending products (asset finance, bridging loans, revolving loans, short-term loans, credit guarantee schemes) and wholesale lending products (micro-finance intermediaries, retail financial intermediaries, specialised funds). The funds range from a sum of R500 to R5,000,000.
--	--

Source: Entrepreneur Magazine (2018)

2.9 CONCLUSION

The chapter began with an outline of forms and classifications of enterprises. Moreover, their role in building an inclusive economy was described, as well as the pivotal role played by the private sector and government in facilitating LED. The first finding is that all the three entities (government, the private sector and enterprises) have a shared objective, which is to make a meaningful contribution to creating employment opportunities, poverty alleviation and sustainable development. Secondly, the theoretical framework of the principal agent theory and the entrepreneurial theory was explained. The two theories, together with the PESTLE, are fundamental in assisting the government to make a well-informed decision when contemplating funding enterprises.

There are diverse types of funding models that should be taken into account. However, not all the enterprises that apply will be funded because certain criteria are utilised to determine whether the enterprises comply with all the necessary requirements for the approval of government funding.

In the following chapter (Chapter 3), the legislative frameworks, statutory prescripts and regulatory guidelines guiding SMMEs and co-operatives in local socioeconomic development are outlined and assessed. It is imperative that the directors of SMMEs and co-operatives are conversant with the legislative prescripts, because such knowledge will enable them to operate as legal and compliant enterprises. The prescripts also play a pivotal role in guiding enterprises on their legal rights and grant funding opportunities that

are attached to their particular forms of enterprises. Correspondingly, prescripts support government in legalising and regulating the business environment at large to maintain stability, fairness and a competitive market economy.

CHAPTER 3

STATUTORY AND REGULATORY FRAMEWORKS GOVERNING SMMEs AND CO-OPERATIVES IN LOCAL GOVERNMENT

3.1 INTRODUCTION

This chapter comprises an outline of the legislative framework inclusive of the statutory prescripts and regulatory guidelines governing SMMEs and co-operatives in LED in South Africa. These laws emanate from political dynamics in national and provincial government, and all local enterprises are obliged to comply with them. The same applies to local government in the funding of SMMEs and co-operatives. An exposition of the statutory and regulatory framework serves the purpose of establishing a second dataset for data triangulation. Policy prescripts act as criteria or benchmarks against which current SMME and co-operative funding practices in local government can be assessed. They thus make a policy compliance “health check” possible, by means of which compliance gaps in the case study can be identified. This dataset will thus act as a further data collection instrument to determine gaps between official statutory prescripts and the current funding practices of SMMEs and co-operatives. It will eventually inform the design of a funding model for SMMEs and co-operatives, with specific reference to Dr Kenneth Kaunda District Municipality.

Martin (2001:34) and Sharp (1999:125) note that the policies of the apartheid regime deprived black enterprises of an opportunity to realise growth and development; hence their lifespan and success were not guaranteed. It is only since the dawn of democracy that black enterprises are starting to be emancipated. KwaZulu-Natal Health (KZNH) (n.d:7) and Faulkner and Lowewald (2008:27) add that South Africa’s democratic epoch is guided by an explicit mandate, which is to redress the social, political and economic inequalities culminating from the apartheid era. This mandate is epitomised in the Constitution and is complemented by policies, programmes and strategies to assist in the redressing process and to create a platform for restoration, transformation and socioeconomic development. Koma (2012:108) attests to this statement by stating that the development and policy

alteration processes primarily transpired in the era between 1993 and 2000. These developments afforded the citizens, as voters, an opportunity to contribute to guiding and determining the new democratic dispensation through national legislation, regulations, proclamations, white papers, policies, strategies, frameworks and municipal by-laws.

Emanating from the above, it can be deduced that it was through laws that the business landscape of South Africa was transformed to redress past inequalities. The laws are intended to create an enabling environment for enterprises to eventually translate into investment opportunities, the creation of employment, the improvement of the livelihoods of communities, and local economic growth and development in general. It is against this background that the relevant statutory and regulatory frameworks governing SMMEs and co-operatives will be explicated.

3.2 STATUTORY FRAMEWORK GOVERNING SMMEs AND CO-OPERATIVES IN LOCAL GOVERNMENT

Dean and Tustin (2003:36) and Rogerson (2004:765) assert that, as part of the broader socio-political and economic transformation of the South African society post-1994, the democratically-elected government embarked on an extensive transformation and redressing process by establishing a comprehensive statutory framework. Part of this framework was the promulgation of legislation devoted to enterprise development. This legislation is aimed at creating a conducive economic climate and environment for entrepreneurship and business development. In this regard, Walburn (2005:92) and Niska and Vesala (2013:524) note that such legislation assists enterprises with their establishment, maintenance and growth. Furthermore, the legislation comprehends an array of empowerment initiatives and support, such as penetration into competitive commercial markets, funding, training, technical assistance and advisory services.

Below, legislation aimed at supporting SMMEs and co-operatives, either broadly or specifically, is outlined in chronological order. It should be noted that the Constitution of the Republic of South Africa, 1996, is not regarded as an Act of Parliament, but rather sets the

parameters for broader socioeconomic development, as well as the mandate for local government. As such, the Constitution is excluded from this exposition.

3.2.1 National Small Business Act (NSBAA) 102 of 1996 (as amended by Act 26 of 2003)

The National Small Business Act (NSBAA) 102 of 1996 repealed the Ntsika Enterprise Promotion Agency (NEPA) and made provision for the establishment of the SEDA. SEDA incorporates the National Manufacturing Advisory Centre (NMAC), NEPA and any other institutions designated to deal with enterprises. The NSBAA classifies enterprises according to sectors or sub-sectors in accordance with the standard industrial classification based on dimensions such as size or class, total full-time equivalent of paid employees, total annual turnover, and total gross asset value (fixed property excluded). Depending on the size and classification of enterprises, owners or members are supposed to comply with all the prescribed requirements, which, among others, include the registration of the business, tax clearance certificates, bank account details and services provided.

Chapter 3 (sections 9 and 10) obligates SEDA to “design and implement small enterprise development support programmes” for the:

- “facilitation of sustainable and competitive enterprises, entrepreneurship promotion and access to non-financial products and services, such as capacity building;
- “facilitation to access national and international markets for the enterprise’s goods and services;
- “provision of information, advice, support and analysis in the implementation of the SED Policy;
- “advancement of the knowledge and understanding of communities in relation to the contribution of enterprises to South Africa’s economic growth and development; and
- “facilitation, development, co-ordination and fostering of partnerships across the private sector, tiers of government and any other pertinent stakeholders that may assist in promoting small enterprise development”.

SEDA can be regarded as an instrument for government's socioeconomic development initiatives and, as such, it is expected to work collaboratively with the local government sphere. Such collaboration is essential to assist local government with the realisation of its developmental mandate. In this regard, Makinde *et al.* (2016:309) comment that municipalities can be regarded as instruments for the accomplishments of comprehensive economic and social development objectives at the grassroots level of society. Furthermore, the uniqueness of local government is that it can be an effective apparatus for national responsiveness and awareness, because it has the capability to stimulate community initiatives, boost economic development and growth, detect existing local skills and competencies, and improve communities' general standard of living. The NSBAA thus fully supports section 152(1)(a)-(e) of the Constitution, which outlines the role of local government, as well as section 153(a), which concerns promoting economic and social development. Section 153(a) prescribes that the local sphere of government has to "structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and to promote their social and economic development".

It is evident that the NSBAA supports the ideals of the creation of a developmental state in South Africa through the establishment of government agencies such as SEDA. In this regard, Hindson (2003:145) asserts that a noteworthy feature of a developmental state is legislation and policies that support LED. The latter is dependent on the mobilisation of resources and economic infrastructure, as well as on partnerships with communities and local business in order to enhance local competitiveness. Helmsing (2003:69) similarly states that partnerships between communities, the government (i.e., municipalities) and civil society should be pro-poor based and community centred. This implies that resources should be allocated in such a way that they generate job opportunities, encourage local enterprises and lessen the impact of poverty. Similarly, Koma (2012:112) argues that the government's developmental mandate is mainly realised through local developmental plans such as LED strategies (LEDS), which play a significant role in realising collaborative initiatives between communities, private enterprises and government in order to stimulate growth. In this regard, SEDA is expected to have access to municipal IDP and LEDS to

identify suitable projects and programmes aimed at supporting enterprises by financial and non-financial means.

3.2.2 Basic Conditions of Employment Act 75 of 1997 (as amended by Act 11 of 2002)

The Basic Conditions of Employment Act 75 of 1997 is underpinned by section 23(1) of the Constitution, which gives effect to the right to unbiased labour procedures and practices. It makes provision for the right to just labour systems and processes, and the regulations of those processes and systems. The Act outlines the conditions of employment, such as leave, remuneration and working hours, as well as the legal proceedings to be followed in cases of disputes between employees and employers. As such, it could be argued that this Act constitutes the cornerstone of employment in SMMEs and co-operatives, inclusive of the arrangements for the fair remuneration of staff.

Section 31(1) (a-d) and 32(1) (b) of the Act stipulates that the employer (e.g., SMMEs and co-operatives) should maintain a record containing employees' personal details, occupation, amount of time worked, salary paid based on the time of work (daily, weekly, fortnightly or monthly), and reflect whether the employment is on a contractual or permanent basis. In addition, the Act is enforced through labour inspectors, as stipulated in sections 62 and 63. These inspectors conduct inspections, investigate and give advice to employers and employees with regard to their responsibilities and rights in relation to labour law. Section 90(1-3) of the Act promotes confidentiality by elucidating that disclosure of information relating to fiscal or business affairs must be treated in a confidential manner, unless the information is:

- warranted by a court;
- in accordance with the values of medical practice; and/or
- the employee gave written consent for the issuing of the information.

In principle, the Act guides enterprises on how to fairly treat employees in a competitive market economy. Employees are also made aware of their labour rights and responsibilities while executing their duties. It is clear that the Act advocates for good governance because it emphasises non-discriminatory labour practice and encourages sound internal administrative control systems in the work environment.

3.2.3 Local Government: Municipal Systems Act 32 of 2000

The promotion of social and economic development is encapsulated in section 26(c) of the Local Government: Municipal Systems Act 32 of 2000, which stipulates that municipal IDPs must comprise LED plans, as well as an allocated budget that will be utilised for the implementation of these plans. Furthermore, section 16(1) advocates for public-private partnership and promotes public participation because it necessitates local government to create conducive environs for communities (including enterprises) to plan, coordinate, implement, monitor and evaluate projects and programmes with the municipality. Section 74(1) furthermore mandates local government to develop financial policies such as revenue collection, debt and credit control policies, as well as service tariffs. Tariff policies should ensure that municipal services to communities are provided in an equitable manner, and that the fees payable for services must be in proportion with the usage of services. Correspondingly, these tariffs should reflect the costs related to rendering the service, which include interest charges and replacement costs. The tariffs must also encourage financial sustainability through exceptional tariffs for enterprises that are engaged in LED projects and programmes. Over and above that, it promotes the effective, efficient and economical utilisation of resources and environmental management.

It is through these policies and service tariffs that enterprises have comprehensive information and are guided in relation to their debt, credit and tariffs. Furthermore, enterprises are expected to comply with the policies and regulations stipulated by the municipality; otherwise they will be penalised or the services at their business sites will be terminated until full compliance is achieved.

3.2.4 Preferential Procurement Policy Framework Act 5 of 2000

The Preferential Procurement Policy Framework Act (PPPFA) is underpinned by section 217(2) of the Constitution, which makes provision for procurement policies that take into account the plight of disadvantaged groups and individuals. It is through this Act that the National Treasury promulgated the Preferential Procurement Regulations (PPR) (2017). These regulations apply to all state organs and regulate all financial transactions and tendering processes. Public institutions should determine “whether the goods or services, or services for which a tender is to be invited, are in a designated sector for local production and content, whether pre-qualification criteria are applicable and whether compulsory subcontracting is applicable” (PPPFA, section 217(2)).

The Preferential Procurement Regulations Act also outlines the broad-based black economic empowerment (BBBEE) contributor’s status level and number of points. There are two point systems, namely the 80/20-point classification system for procurement of goods and services for the value equivalent to or beyond R30,000 and up to R50 million, as well as the 90/10-point classification system for the value beyond R50 million. The regulations furthermore instruct the DTI, in consultation with National Treasury, to “designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content” and specify a reasonable threshold for content and local manufacturing.

Enterprises are obligated to comply with the PPR (2017) if they want to secure contracts with organs of state. Fundamental aspects such as their BBBEE status, submission time, location of the service provider, gender and other relevant documentation are key guidelines for enterprises that wish to do business with government. Government institutions, such as municipalities, generally assess the full compliance of enterprises to determine whether they are financially viable and that they can sustain themselves by competing in the market economy. Based on the stipulations of the PPPFA, enterprises generally endeavour to operate in accordance with the notions of outcomes-based and

good corporate governance. It should also be noted that the Act promotes a competitive and conducive business environment for enterprises.

3.2.5 Local Government: Municipal Finance Management Act of 56 of 2003

The Local Government: Municipal Finance Management Act of 56 of 2003 (MFMA) is aimed at promoting sound financial management practices and systems in local government. As such, the MFMA underpins National Treasury regulations and standards, such as the Generally-Recognised Accounting Practice (GRAP) standard that is promulgated in line with Chapter 11 of the Public Finance Management Act 1 of 1999.

According to Chapter 1, section 2 (a-g) of the MFMA, the sustainable and sound management of the financial dealings of a municipality and its entities are safeguarded by the establishment of values, principles and other prerequisites. In this respect, the Act makes provision in section 2 for the following:

- “safeguarding accountability, transparency and necessary lines of responsibility in the municipality’s financial dealings and its respective entities;
- “management of municipal expenditures, liabilities, revenues and assets in order to curb theft, financial mismanagement and fraud;
- “planning, coordinating and budgeting processes with other tiers of government and pertinent stakeholders such as enterprises within the municipal jurisdiction; and
- “compliance with the supply chain policy and regulations as stipulated by the National Treasury”.

When doing business with municipalities, enterprises are expected to comply with tender processes and requirements, failing which they will be disqualified from the process. Furthermore, municipalities are compelled to manage their financial affairs and processes in a non-discriminatory manner such that enterprises are given a fair opportunity to partake in municipal affairs through transparent tendering processes.

The MFMA (2003) promotes outcomes-based and good developmental local governance through sound financial management. Municipalities are mandated by Chapter 12, section 121 (2)(a-c) to table annual reports that contain comprehensive records of all municipal undertakings during the financial year under review. Furthermore, the annual reports should highlight municipal performance against the budget allocated for the financial year and uphold a culture of good financial governance and accountability to local communities.

It is evident that municipalities have dedicated legislative prescripts, which translates into the fact that all enterprises that are doing business with municipalities should fully comply with all the necessary policy requirements. Endeavours by enterprises to comply with these requirements should be demonstrated with evidence of good corporate governance and sound internal financial control systems.

3.2.6 Local Government: Municipal Property Rates Act 6 of 2004 (as amended by Act 29 of 2014)

The Municipal Property Rates Act 6 of 2004 legalises the powers of local government to enforce property rates and the exemption of certain properties from normal rates. It further provides for the municipality to submit an application for transparent and unbiased processes and systems of exemptions, reductions and rebates through the municipal evaluation guidelines. The Act also gives leverage to community members, including enterprises, to submit objections or appeals when they are unsatisfied with regard to the procedures undertaken in relation to the billing of properties and rates.

Chapter 2, section 3(1-4) of the Act stipulates that local government is obliged to adopt a property policy aligned with section 16(2) of the MFMA. This policy must be adopted by municipal councils, together with the annual budget. The property policy must outline measures to ensure that customers are treated in an impartial manner and make a determination of rebates, exemptions and reduction standards to be applied in cases of differing categories of properties.

In terms of the Municipal Property Rates Act, municipalities also have a legislative obligation to classify and quantify the cost of delivering services and whether there are benefits that will trickle down to communities through the establishment, incubation and funding of enterprises. Poor communities, including the owners of enterprises from previously disadvantaged backgrounds, are to be given affordable rates and tariffs. Over and above this obligation, the Act makes provision for enterprises that are involved in community programmes and projects. Such enterprises may be further supported in terms of the Income Tax Act 21 of 1995 by receiving tax deductions due to their community engagement activities.

It is evident that the Municipal Property Rates Act makes provision for the promotion and stimulation of broad-based LED within communities. Correspondingly, agricultural properties are treated as an exceptional case, because municipalities take into consideration their social and economic benefits (e.g., fresh produce, job opportunities, support-related businesses, etc.). The magnitude of agricultural properties and activities' contribution to realising the service delivery and economic growth obligations of the municipality and the contribution towards the social welfare of farmworkers and subsistence farmers also play a pivotal role in the classification of rates and taxes on public service infrastructure.

In line with the above postulation, it is evident that the Act, through its municipal property rates policy, promotes social and economic development by endorsing reductions, exemptions and rebates on properties within the municipal jurisdiction.

3.2.7 Co-operatives Act 14 of 2005 (as amended by Act 6 of 2013)

The Co-operatives Act 14 of 2005 makes provision for co-operative principles and compliance thereto. The principles include rules by which co-operatives translate their values into practice. Furthermore, it provides for the categorisation and application for registration, which encapsulate the functions and constitutions of co-operatives. The Act also makes provision for the establishment, composition and functionality of the National Apex Co-operative, Co-operatives Tribunal, Advisory Council and Co-operative

Development Agency. These institutions ultimately enforce adherence to intergovernmental relations principles within the co-operative fraternity. The preamble of the Act recognises the necessity for the registration of co-operatives in accordance with international agreements and treaties, local, provincial and national government transversal policy and statutory frameworks, and the Constitution. The Act acknowledges and emphasises the necessity for the development of a feasible, self-reliant, self-sustaining and autonomous co-operative movement that promotes entrepreneurship, community development, the creation of employment, poverty eradication and the improvement of the socioeconomic status of the co-operative members.

The Act further compels co-operatives to make a meaningful contribution to LED that is in harmony with international co-operative principles and the former Millennium Development Goals (now the Sustainable Development Goals). The Act also advocates for co-operatives to establish PPPs and to participate in government programmes and projects concerning land reform, agrarian transformation and rural development. It further obligates the three tiers of government to be answerable in terms of promoting and supporting the efficient functioning and growth of co-operatives to bring about a lively co-operative drive in South Africa.

The Act requires that government recognise the fact that co-operatives are eligible to operate in all economic sectors and they need government support in expanding their opportunities and participation in the economy. Section 2(a) stipulates that there should be promotion of the participation and equity of black people, particularly women, disabled people, youth and people residing in rural areas.

Section 26(a) promotes good governance, since it compels co-operatives to annually submit information in relation to their membership, value and the nature of support given by each participant, and the yearly fees payable by various classifications of co-operatives. Such information must be submitted to the registrar. Section 47(1) furthermore necessitates that co-operatives should submit an audited financial report to the registrar for every financial year. Primary (category C), secondary, tertiary and national apex co-operatives

are subjected to these submissions. Furthermore, section 24 outlines the responsibilities of supervisory committees as follows:

- “election of the committee must take place concurrently with the election of board members;
- “the committee must encompass members that do not hold directorship posts;
- “the establishment of the committee is based on whether the constitution of the co-operative allows for the formation of such body; and
- “the committee must supervise the board and represent members’ interests”.

Section 91(A) regulates the establishment and functioning of the Co-operatives Development Agency. This Agency has the following objectives:

- “assist, promote and support with establishment and development of co-operatives;
- “the provision of non-financial and financial assistance to co-operatives;
- “the provision of business support services, which includes registration, development of a business plan, mentoring programme and accessibility to the market;
- “the provision, facilitation and co-ordination of education and training support;
- “the provision of information in relation to all programmes, products and services accessible to co-operatives;
- “conduct research and promote awareness with regard to any matter that affects the effectiveness, efficiency and sustainable operation of co-operatives;
- “conduct an autonomous review of reports on behalf of the eligible co-operatives and safeguard that these co-operatives submit their respective reports to the registrar; and
- development and maintenance of data on co-operatives in collaboration with the registrar, national, provincial and local government and other relevant stakeholders”.

Furthermore, section 91C(1) necessitates that the Agency should develop financial products so as to support co-operatives’ financial needs and programmes, and that there should be a memorandum of agreement between the agency, other financial institutions

and developmental agencies in order to institute co-funding and other collaborative activities for the betterment of accessibility to funding by co-operatives.

Section 91C subsection (d) (ii) requires the establishment of partnerships between community development practitioners, NGOs, community developmental workers, co-operative associations and community-based organisations for the delivery of support services to co-operatives. Furthermore, subsection (e) (iii) concretises the partnership concept by necessitating cooperative relations with Proudly South African and the South African Bureau of Standards, and other pertinent stakeholders that are in a position to promote the standard of products and services that are offered by co-operatives. In terms of section 91D (a-b), the Agency should have a collaborative relationship with the local municipality or the provincial department responsible for growth and economic development. This includes the availing of a satellite office site by the municipality or provincial department to the agency, to provide co-operatives with easy accessibility to all the products and services that are offered by the agency. Section 91E (a) explicitly subjects the Agency to legal prescripts such as Schedule 3A of the Public Finance Management Act (1999). Section 91CC (a-j) of the Act correspondingly underpins the Intergovernmental Framework Act (IFA) (2005). It necessitates national, provincial and local government, national public entities, provincial public entities, municipal public entities, agencies, tribunals, associations, and commissions to work together in order to achieve the common goal of sustainable growth and development. Section 91EE (a-b) of the Act, which is underpinned by section 41(1) of the Constitution, also advocates co-operative governance and further promotes the spirit of co-ordinated planning, budgeting, the provision of support and services, and the monitoring and evaluation of co-operatives.

It is evident that in section 91 of the Act, all tiers of government, developmental agencies, associations, financial institutions and other stakeholders that promote growth and economic development are obligated to uphold the notion of a developmental local government. The Act sets a developmental tone and expects all the pertinent stakeholders, including government, to comply and implement it effectively and efficiently.

3.2.8 Taxation Laws Act 31 of 2013 (as amended by Act 23 of 2018)

The Taxation Laws Act 31 of 2013 amends, repeals and makes new provisions to related legislation such as the Income Tax Act (1962). Section 83(a) and (b) of the Act stipulates that the Minister of Finance possesses powers to pronounce, in the national annual budget, the market value of all assets in small businesses. These values can be altered and come into effect after they have been adopted by Parliament.

Section 29(c) of the Act further guides enterprises such as venture capital companies on their shareholding, participation and voting rights. In principle, enterprises are expected to comply with the Act or be confronted with legal action or being restricted due to non-compliance. The objectives of the Act, among others, are the facilitation of the normalisation of small business's tax affairs, the improvement of a tax compliance culture, and the broadening of the tax base. The Taxation Laws Amendment Act (TLAA) (2018) corroborates with the South African Revenue Services (SARS) tax regulations that govern enterprises.

In relation to SARS, the tax regulations obligate enterprises to register for Turnover Tax, which is a basic tax system with a legible turnover of R1 million or less per year. These enterprises include partnerships, close corporations, sole proprietors, co-operatives and companies. Over and above that, enterprises are obligated to register for Value Added Tax (VAT), Pay as You Earn (PAYE), Unemployment Insurance Fund (UIF) and a Skills Development Levy (SDL), depending on the size, classification and annual turnover of an enterprise. Specific tax rates are applicable to enterprises that have registered as Small Business Corporations (SBCs), because they qualify for extra tax incentives. Table 3.1 below reflects the applicable tax rates.

Table 3.1: SBC tax rates for 1 April 2018 and 31 March 2019

Taxable Income (R)	Rate of Tax (R)
0 – 78,750	0%
78,151 – 365,000	7% of taxable income above 78,150

365,001 – 550,000	20 080 + 21% of taxable income above 365,000
550 001 and above	58,930 + 28% of taxable income above 550,000

Emanating from the above elucidation, it is observable that the TLAA (2018) correlates with SARS tax guidelines that govern enterprises. Both the Act and regulations uphold the notion of sound financial management and good governance, because enterprises are obligated to comply with the stipulated rules in order to keep their enterprises functioning and compliant. Furthermore, the same funds or penalties that are paid by enterprises trickle down back to communities, including enterprises, through government initiatives such as SEDA, which offers both financial and non-financial support to enterprises.

3.2.9 Red Tape Impact Assessment Bill 13 of 2016

The Red Tape Impact Assessment Bill makes provision for the evaluation of regulatory prescripts established by the legislatures, and executive and self-regulatory entities in all the three tiers of government to identify and lessen red tape, and the cost implication thereof to enterprises. It further provides for the development of administrative units that will help in the impact evaluation process that looks into aspects such as the compliance of enterprises with requirements, processes and procedures that are expensive, time-consuming and complicated systems. This includes the completion of paperwork, filing, reporting, business registration, certification and licensing.

Chapter 3, section 11(3) of the Bill also necessitates that government should improve transparency and public participation when initiating and implementing regulatory measures in relation to enterprises. The parliamentary committee is expected to issue an advertisement in which it calls for public proposals or comments in relation to the red tape impact statement. It is only after the public comments and proposals have been submitted that the statement can be tabled in the National Assembly for the perusal of the parliamentary portfolio committee that is responsible for enterprise development. The Bill also advocates the improved accountability of lawmakers in the highest political office. In essence, the Bill gives guidance to enterprises and gives them the right to hold government accountable if they realise that their rights have been infringed through government

imposing excessive red tape on them. In this regard, Chapter 4, section 15(1) stipulates that self-regulatory bodies and Ministers are obligated to reduce red tape in all regulatory measures within their ambits. It also specifies that responsible political and administrative heads conduct regular audits to determine whether legislation and regulatory documents make adequate provision for a business-friendly environment. Such audits should include an analysis to ascertain whether there are any substantive costs that are unduly imposed on enterprises. The Bill also propagates that measures should be established to improve customer satisfaction and general service delivery, as well as user-friendly procedures and processes. In this respect, the Bill upholds the objects of developmental local government and sound financial management in municipalities.

This concludes the exposition of the statutory framework governing SMMEs and co-operatives in South Africa. In the next section, the focus will shift to the regulatory framework inclusive of white papers, regulations, official documents and municipal by-laws.

3.3 REGULATORY FRAMEWORK GUIDING SMME AND CO-OPERATIVE FUNDING IN LOCAL GOVERNMENT

The South African government has established comprehensive regulatory parameters to guide and facilitate the establishment, maintenance and support of SMMEs and co-operatives in the country. Below, some of the most pertinent documents are analysed in chronological order to trace the history of development thinking in the local sphere of government.

3.3.1 White Paper on National Strategy for the Development and Promotion of Small Business of 1995

The DTI (2005:3) asserts that the advent of a democratic dispensation in 1994 can be regarded as a turning point, whereby government took measures to ensure that enterprise development turns into a policy priority. Hence, in 1995 a significant milestone was realised when government issued the White Paper on National Strategy for the Development and Promotion of Small Business (WPNSDPSB). The DTI (2005) further affirms that enterprise

development continues to be a significant priority and government remains committed to ensuring that enterprises progressively intensify their input in the socioeconomic growth of the country through employment creation, access to markets, and equity.

The White Paper (1995) guides both business and government to create an enabling environment through initiatives that ultimately ensure that enterprises become equal partners in all sectors of the economy. The creation of an enabling environment should include the standardisation and simplification of the registration and licensing of businesses, applications for funding, tendering processes, exports and imports, as well as the submission of tax returns. The idea of facilitation, co-operation and coordination between the private sector, NGOs and government is thus a key characteristic of the White Paper. Furthermore, the White Paper (1995:8) outlines that government should be both a “facilitator” and an “interventionist” in economic development affairs.

From this brief exposition, it is evident that the White Paper (1995) indicated a positive trajectory for outcomes-based and good developmental local governance that supported broad-based socioeconomic development in general and the promotion of small business in particular.

3.3.2 White Paper on Local Government of 1998

The White Paper on Local Government (WPLG) (1998) is a comprehensive regulatory document that guides almost all domains of municipal responsibilities and functions. The White Paper in general intends to advance social and economic development in the local sphere of government. This intention is derived from the Constitution (section 153(a)), in which municipalities are obligated to “structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and to promote socioeconomic development”.

Hindson (2003:145) posits that a substantial component of developmental local government is policies and regulations that are aimed at LED. This includes the view that local enterprises should be supported through the mobilisation of public resources and the

establishment of PPPs. Furthermore, these policies and regulations should create and stimulate the economic empowerment of local communities, especially disadvantaged groups. It is thus imperative that local enterprises gain access to all available developmental opportunities. Such developmental opportunities are congruent with the mandate and functions of local government, such as the provision of basic infrastructure, water, electricity, sanitation and municipal roads. Some of these functions could be outsourced to local businesses through PPPs.

The WPLG (1998) furthermore encourages municipalities to scrutinise the manner in which they operate and their relations with communities. Their operations and community engagement endeavours should always be aimed at promoting economic and social development within local communities. Koma (2012:112) and Dean *et al.* (2003:361) concur with this view. They assert that municipal strategic plans such as Local Growth and Development Strategy (LGDS) should play a fundamental part in community empowerment and the development of local enterprises.

In principle, the WPLG (1998) mandates and guides municipalities on how to become more community-centred and development orientated, as well as how to promote and empower local enterprises. Through their strategies, plans and by-laws, municipal councils should stimulate entrepreneurship and business initiatives that could contribute to job creation, poverty alleviation and economic prosperity in general.

3.3.3 National Framework for Local Economic Development (2006 – 2011)

The main intention of the National Framework for Local Economic Development (NFLED) is to make provision for the development of viable local economies through a variety of government initiatives. These initiatives are fundamentally developmental in nature and it is the aim of the framework to “ignite economic growth”, including the promotion of local enterprises operating in municipal areas.

The National Framework acknowledges the crucial role that municipalities play in LED. This realisation encourages municipalities to provide guidance and leadership to start up local

businesses and to establish a conducive business environment that lessens the costs and frustrations of local enterprises. Furthermore, the National Framework recognises that municipalities are often the initiators of developmental projects and, as such, could make financial and non-financial support available to businesses to partake in such ventures. In this regard, the framework emphasises that local enterprises are often skilled, resourceful and capable of taking advantage of such opportunities. They are perceived as “innovators that are able to form and grow prosperous enterprises through the production of locally manufactured goods that are of high quality and competitive enough to be in the business market” (NFLED, 2006:6). Furthermore, local enterprises are typically familiar with and attuned to local needs. As such, they provide essential goods in a relatively inexpensive manner.

The NFLED guides municipalities, business, NGOs and other actors to collaborate and develop thriving local economies. The framework also empowers enterprises to exercise their constitutional rights and to approach municipalities for general support. Municipalities are expected to design their local economic plans and strategies in accord with this framework.

3.3.4 National Informal Business Upliftment Strategy (NIBUS), 2019

The National Informal Business Upliftment Strategy (NIBUS) (2019) constitutes an attempt to enrich informal enterprises and offer support to business associations, local business chambers and LED units within local government for the delivery and facilitation of access to upliftment programmes. The strategy targets youth, disabled persons and women in disadvantaged places such as rural areas and townships. The NIBUS is underpinned by the NDP and it takes cognisance of the fact that informal enterprise activities dissect across several economic sectors. National government identified five economic sectors, namely services, construction and maintenance, retail, agriculture and manufacturing. However, provincial and local governments are at liberty to initiate other economic priorities, depending on particular local conditions and economic realities. Furthermore, NIBUS enhances government’s priorities and developmental objectives by accelerating economic

transformation to generate employment opportunities that promote sustainable living and curb inequality through comprehensive economic growth and development initiatives.

The NIBUS encourages public participation through broad consultation processes with numerous stakeholders, namely local government, provincial government, national departments, agencies, associations, chambers, treasury (national and provincial), the Department of Co-operative Governance and Traditional Affairs (COGTA), the South African Local Government Association (SALGA), the National House of Traditional Leaders (NHTL) and National Economic Development and Labour Council (NEDLAC). Other pertinent stakeholders are the private sector, service providers, donors, informal business organisations, civil society and national funding institutes.

The strategy upholds the economic growth and development intent and is generally perceived as an effective initiative, since enterprises now have an opportunity to be supported by government, inclusive of financial and non-financial support.

3.3.5 Consequence and Accountability Management Framework, 2018

The development of the Consequence and Accountability Management Framework was conceived at SALGA's National Assembly in 2015. The main objective of the framework is to serve as a succinct guiding tool on alternative measures that can be taken in cases of underperformance and transgressions by both administrative and political offices (SALGA, 2018:2-3). In addition, the framework strives to inculcate the values of accountability, the principles of sound public administration, and professionalism that prioritises effective service delivery and good governance within the local sphere of government. The framework also underpins local government legislation such as the MSA (1998), the MFMA (2003) and the WPLG (1998).

In terms of Section 133(1) of the MFMA (2003), a failure by the accounting officer to submit municipal financial statements to the Auditor General (AG), or the Mayor not tabling a municipal annual report in council will be regarded as "non-compliance". According to SALGA (2018:10), non-compliance with the framework may result in a situation in which

councils may “institute disciplinary actions against the accounting officer or any committee” responsible for non-submission of reports to the AG. Furthermore, section 32(1a-d) of the MFMA (2003) stipulates that a municipal official or political office bearer is accountable for fruitless or irregular, unauthorised and wasteful expenditure if the official or politician is aware or has been warned by the accounting officer that the expenses will probably result in wasteful expenditure. In such instances, municipal councils should recover unauthorised expenditure, unless the expense is authorised in the budget adjustment or an investigation is conducted by a council committee that recommends that the debt is irreversible and must be written off.

3.3.6 National Treasury Regulations (NTR): Municipal Cost Containment, Notice 317

According to section 4 of the National Treasury Regulations (NTR, 2019:73), municipalities are obligated to develop, implement and review cost-containment policies. Such policies should be adopted by municipal councils. In the case of municipal entities, the board of directors are supposed to adopt such policies. Cost containment policies must give effect to the NTR. Furthermore, the policy should have monitoring mechanisms in place to safeguard the effective execution of the policy. Additionally, the policy is to be revised annually and should include consequences for non-compliance to the monitoring mechanisms contained in the policy.

Section 5 of NTR (2019:73) states that the municipality or municipal entity should desist from utilising consultants in order to save on costs for the municipality. In cases in which the municipality wants to appoint consultants, a needs assessment should be conducted to ascertain whether the municipality has qualified and competent employees who are competent to execute such functions in an effective and efficient manner. In situations in which municipalities do not have the required capacity and competency to execute certain functions, the Accounting Officer may make use of consultants and budget for their appointment. Section 5(5-7) furthermore stipulates that consultants should be appointed only if there is an explicit and detailed scope of work for him or her to carry out. This includes clear specifications, performance and quality standards, cost parameters and timeframes.

The detailed scope of work should be utilised by the municipality to monitor and evaluate the performance and outcomes of the work undertaken by the consultant. Another pertinent issue that the regulations emphasise is that the Municipal Supply Chain Management Regulations (MSCMR) (2005) must be adhered to and that all contracts must include penalty clauses or retention fees for poor execution of projects and programmes undertaken by consultants. The regulations also stipulate that there must be a skills transfer from consultants to municipal officials. This will decrease the dependency on consultants and lessen the costs of similar municipal programmes and projects in the future.

Section 13(4) of the NTR (2019:77) stipulates that municipalities must avoid costly, low-priority expenditure such as office furniture, since funds should rather be channelled to prioritised, high-impact projects aligned with the IDP. This stipulation also has a bearing on the functioning of enterprises. In as much as municipalities contain costs, enterprises that are being funded by the municipality should also follow suit. This implies that services or goods that are procured by the municipality on behalf of enterprises must be cost effective yet of good quality. Section 14 of NTR (2019:77) furthermore emphasises that if the municipality fails to adhere to or implement NTR, it may result in municipal officials, councillors or boards of directors of municipal entities being liable for financial offences or financial misconduct. This stipulation is aligned with the content of Chapter 15 of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings (2014). Section 15 of NTR (2019:77) also highlights that the annual report should encapsulate the in-year budget reports and yearly costs reserves. Furthermore, it is expected that cost containment measures and monies saved, as well as information pertaining to the reprioritisation of savings on goods and services, should be tabled at council for review, recommendation or adoption.

This concludes the brief exposition of the regulatory framework governing financial matters in municipalities, inclusive of enterprises supported by municipalities. It is evident that a comprehensive framework exists to cover all relevant domains and activities associated with the funding of local enterprises and co-operatives. In the following section, the focus shifts to the structures established to perform oversight over municipal financial processes

and transactions. The responsibilities and functioning of these structures have a direct bearing on the way enterprises are funded.

3.4 FINANCIAL OVERSIGHT IN LOCAL GOVERNMENT

COGTA (2010:46-47) cited in Van der Waldt (2015:5) advances that monitoring “the extent to which service delivery projects are implemented within municipalities” is essential for good financial governance. This requires effective oversight of political and administrative functions and processes, as well as oversight over the way enterprises are financially supported. Oversight in general yields positive outcomes due to increased accountability, enhanced delivery of services, and the reorientation of policies, budgets and by-laws to favour communities. Furthermore, oversight may curb maladministration, fruitless and wasteful expenditure, underspending and corruption. Oversight structures are thus established for the purpose of upholding Constitutional principles of good municipal governance and safeguarding public resources and assets. Some of the most significant accountability and oversight instruments in this regard, according to Makhado (2012:10-11), include annual financial statements, accounting and auditing practices, and annual, quarterly and monthly performance reports.

In light of the significance of sufficient political oversight, the local government sphere has in recent years developed an extensive framework of structures that are tasked with political and administrative oversight of municipal finances and related matters. Several oversight structures within local government are briefly described in the following sections.

3.4.1 Council Portfolio Committees

Council Portfolio Committees are established in sections 79 (1-2) and 80 (1-4) of the MSA (1998). Van der Waldt (2015:7) points out that sections 79 and 80 of the MSA outline the responsibilities of these committees as follows:

- “evaluate and recommend projects that are residing (sic) within municipal key performance areas;

- “obtain, consider and monitor the implementation of business plans for programmes and projects residing within (sic) portfolio committees;
- “monitor the review of fiscal performance against the budget that was adopted concurrently with the IDP;
- “formulate and prepare the draft budget in consultation with the appropriate head of department;
- “safeguard that programmes and projects’ initiation and implementation is in compliance with the relevant legislative and regulatory prescripts; and
- “consider project reports and make recommendation with regard to items that are submitted to Council for approval”.

3.4.2 Internal Audit Committees

Sections 165 and 166 (1-3) of the MFMA (2003) stipulate that municipalities must establish internal audit units as well as audit committees. These units and committees are responsible for advising the Accounting Officer on matters pertaining to the municipal audit plan and aspects involving internal controls, loss control, internal audits, performance management, accounting procedures and practices, risk management, effective governance, submission of reliable and accurate financial information, and compliance with the Division of Revenue Act (DORA) and other relevant legislative prescripts.

In the case of the Dr KKDM, its municipal audit plan (2018/2019) stipulates that the audit committee must convene monthly in order to deal with fiscal matters and any other pertinent issues relating to municipal performance and service delivery.

3.4.3 Office of the Auditor General

The Office of the AG is a Chapter 9 institution that was established in terms of the Constitution (1996) to safeguard the country’s constitutional democracy. The Office is mandated to audit and report on financial statements, financial management and accounts of municipalities and all government departments and entities (Woods, 2011:24). The

mandate is underpinned by section 188 of the Constitution and regulated by the Public Audit Act 25 of 2004.

In the case of Dr KKDM, it was one of the municipalities in the North West province that was audited in the financial year 2018/2019. The AG's report (2018:145) highlighted that the municipality had "material outcomes on legislative compliance, especially in aspects of irregular, unauthorised, wasteful and fruitless expenditure, including contract and procurement management". Furthermore, cases of "prejudiced procurement and uncompetitive procedures" were unearthed (AG, 2018:145).

3.4.4 Municipal Performance Audit Committees

According to Van der Waldt (2015:10), the Municipal Planning and Performance Management Regulations (MPPMR) compel municipalities to appoint a Performance Audit Committee that must undertake regular audits in order to establish whether the municipality complies with all relevant legislative prescripts and performs as per its constitutional mandate. The committee plays a pivotal oversight role and has rights to access municipal archives and records for auditing purposes. The MPPMR further contains guidelines for undertaking performance audits, which includes the revision of quarterly reports and the municipal performance management system, and making recommendations to council on how the municipality can improve its financial viability and standard of delivering effective and efficient services.

3.4.5 Municipal Project Steering or Oversight Committees

Van der Waldt (2008:15) and (2015:11), state that municipalities increasingly utilise projects as service delivery instruments. In cases where projects are designed and executed, project steering or oversight committees are typically constituted to oversee all aspects of the project, inclusive of its financial transactions. A project steering committee can be regarded as a key governance structure that is responsible for all project deliverables. The typical responsibilities of a steering or oversight committee include the following:

- “approval of project budget;
- “definition of deliverables;
- “monitoring of detected risks and project performance;
- “decision making with regard to resources; and
- “approval of changes in the work scope” (Van der Waladt, 2015:12).

These committees generally comprise representatives of sector departments (national and provincial), project beneficiaries, councillors of the wards in which projects are undertaken and other key stakeholders.

3.4.6 Project Management Units

DPLG (2007:7) cited in Van der Waladt (2015:11) highlights that every municipality partaking in the Municipal Infrastructure Grant (MIG) must establish project management units (PMU) that are responsible for infrastructure project implementation and monitoring. The monitoring of infrastructure projects must consider all legislative requirements and utilise accounting systems such as MSCOA (Municipal Standard Charts of Accounts). The responsibilities of the PMU, among others, includes the following:

- “coordination of project identification and design in the municipality;
- “management of the viability process of the projects by including relevant directorates within the municipality as per the outlined and budgeted projects within the IDP; and
- “adopt a particular project management methodology for projects, inclusive of templates, procedures and best practices” (Van der Waladt, 2015:13).

3.4.7 National Council of Provinces (NCOP)

According to the South African Parliament (2009:5), parliament comprises two Houses, namely the National Council of Provinces (NCOP) and the National Assembly (NA). The NA’s mandate is to ensure that executive state organs in the national government are

accountable for their actions, whereas the NCOP represents the provincial sphere of government and ensures that provincial concerns are taken into account by national government, as stipulated in section 42(4) of the Constitution. The other pivotal role that the council plays is to “exercise oversight over national aspects of provincial and local government”. Furthermore, the council ensures that the notion of effective and efficient government is realised by making sure that local and provincial priorities are acknowledged in the national policy initiation and implementation process.

Parliament (2019) posits that when the NA and NCOP exercise their oversight powers, the houses focus on the following aspects:

- “budget applications;
- “effective management of all spheres of government; and
- “compliance and implementation of legislative prescripts”.

Correspondingly, parliament conducts oversight functions for the following reasons:

- “detection and prevention of abusing public funds;
- “the prevention of unconstitutional and illegal activities of all the spheres of government;
- “the promotion of good governance and public participation; and
- “enforcing the accountability of government with regard to the spending of taxpayer’s monies”.

According to SALGA (2019), the NCOP conducted site visits in municipalities in the fourth quarter of the 2018/2019 financial year. SALGA, together with other provincial sector departments, accompanied NCOP on its visits to district municipalities (including Dr KKDM) within the North West province. SALGA aligns itself with NCOP’s initiative because the organisation subscribes to the ideology that project site visits are one of the crucial hands-on oversight tools that are utilised to determine whether government is fulfilling its constitutional mandate and whether service delivery project stakeholders are misusing government funds.

3.4.8 Provincial Standing Committee on Public Accounts (SCOPA)

According to Parliament (2019), the NA has formed a variety of committees with particular oversight authorities and responsibilities. These oversight committees are obligated to report on their undertakings on a regular basis and submit recommendations to parliament for debate and decision-making. The Standing Committee on Public Accounts (SCOPA) is one such committee established in terms of the Constitution. It focuses on the following domains:

- “adherence to supply chain management regulations;
- “irregular, unauthorised, wasteful and fruitless expenditure;
- “internal controls;
- “accountability and consequences management against government employees that transgress and defy legislative prescripts;
- “financial stability of government and its entities, including contingent liabilities, commitments and accruals); and
- “management of human resources, which includes the vetting of government officials” (Parliament, 2019:7).

SCOPA is represented by provincial SCOPAs that have the additional responsibility to perform an oversight function over the way provincial departments and municipalities allocate and spend money. The provincial SCOPAs may subpoena any person, including municipal officials, and should reinforce and conserve good working relations with law enforcement institutions such as the HAWKS (South Africa's Directorate for Priority Crime Investigation) and the Special Investigation Unit and the Anti-Corruption Task Team in order to investigate cases of fraud, corruption and maladministration. SCOPA must also monitor and evaluate the application of the Public Audit Amendment Act, which empowers the AG to prosecute any person misusing taxpayer’s monies. The provincial SCOPAs must, furthermore, conduct oversight visits in order confirm whether municipal projects and programmes are rolled-out according to the specified budgets and timeframes.

The Intergovernmental Monitoring, Support and Intervention Bill (IMSIB)(2018) reinforces the abovementioned municipal oversight structures. Part 3, section 6 of the IMSIB (2018) obligates a municipality to establish a reporting and self-monitoring system that is underpinned by section 37(3) of the IMSIB (2018). The application of the Bill alerts both the local and provincial government to risks or “impending non-fulfilment of executive constitutional and legislative obligations”. However, the reporting and self-monitoring system must be aligned with the municipal Performance Management System (PMS) and strengthen the functioning of municipal financial oversight structures such as Municipal Public Accounts Committees (MPAC), internal audit committees and section 79 committees.

Having explored the oversight structures within local government, it can be deduced that the abovementioned regulatory prescripts and oversight functions are significantly comprehensive to regulate, guide and create a conducive environment for municipal financial processes and transactions, inclusive of the way enterprises are funded. Perspectives on the nature and scope of municipal financial oversight, statutory obligations and regulatory prescripts are further explored in the next section.

3.5 PERSPECTIVES REGARDING STATUTORY AND REGULATORY PRESCRIPTS FOR SMMEs AND CO-OPERATIVES

According to DSBD (n.d:9) and DSBD (2017:4), it is apparent that government prioritises the development of SMMEs and co-operatives. This includes so-called “township enterprises” (i.e., informal business ventures), and formally-established and regulated SMMEs and co-operatives. It is evident that government intends to support enterprises so that they can make a contribution to broad-based economic development. Such economic development could make a significant difference to addressing key socioeconomic challenges, such as chronic poverty, unemployment and social inequality. Evidence of this lies in the fact that government earmarked R3.9 billion to be provided to SMMEs in the 2017 to 2019 period (DSBD, n.d:13). Furthermore, the Department of Small Business Development (DSBD) was established to support and regulate SMMEs. This includes

policy matters and the coordination, implementation and support of interventions to promote a user-friendly environment for enterprises (DSBD, n.d:72).

It is further evident that government established a comprehensive legislative framework and prescripts to regulate business entrepreneurship in the country. Legislative prescripts are generally aimed at establishing an enabling environment for enterprises and reducing bureaucratic red tape. Acts such as NIBUS (2019), MPRA (2014), PPPFA (2000) and the Red Tape Impact Assessment Bill (2016) testify to this. Further evidence of government's commitment to supporting enterprises lies in the fact that agencies such as the SEFA and SEDA were established. Moreover, it is expected that municipalities will provide hands-on support to local enterprises and that the activities of SMMEs and co-operatives are included in municipalities' LED strategies and plans.

In spite of the intentions of government to support enterprises, there is still evidence that serious challenges exist. The DSBD, as a custodian of enterprise development, and the SEA Africa Survey articulated that the existing regulatory environment is generally designed only for large enterprises (DSBD,n.d:52). In addition, the procurement processes of government and state-owned enterprises act as barriers to market entry for small enterprises. Furthermore, a study conducted by SIMODISA (an association that was established as an industry-led initiative to address barriers that SMMEs and start-up enterprises face; see <http://www.simodisa.org/>) in 2018 highlighted that business incubators, mentors and financiers have stated that relations and interface with the state are typically not functional due to bureaucratic and burdensome administrative processes. In response to these challenges, the Department of Performance, Monitoring and Evaluation (DPME) and DSBD submitted a request to the management of the Employment Promotion Programme (EPP) to design Trade and Industrial Policy Strategies (TIPS) to decrease regulatory and administrative burdens on enterprises. These TIPS should also propose practical and feasible mechanisms to reduce costs and amend policies to make it easier for enterprises to register and conduct their business operations (TIPS, 2017:1).

Although there are still challenges, the DSBD (n.d:53) has indicated that significant progress has been made to support enterprises. Evidence of this includes the fact that

South Africa outclasses most sub-Saharan African countries and, when gauged against BRICS countries, it is equivalent to India and China because the country exhibits “virtual strength in high-growth firms and process innovation, product innovation, competition, risk-capital and internalisation” (DSBD, 2014d:53). Furthermore, various structures and measures are in place to support enterprises. Table 3.2 below reflects some of these support measures in the SMME and co-operative arena.

Table 3.2: SMME and Co-operative support measures

Support measures in the field of SMMEs and co-operatives		
Entrepreneurship Research	Township and Rural Enterprise Development	Export development
Microfinance	Advocacy	Business Incubation and Information
Business Finance	Informal Business Development	Women Business Development
Corporate SMME investment/finance	Youth Enterprise Development	Small Business Exhibitions
Enterprise Education	Venture Capital	Technology Transfer and Advise
Small Business Development	Product Design and Innovation	Mentorship and Business advise
Small Business Media	Public policy	Business Skills Development

Source: DSBD (2014:12)

Although government is taking charge and initiating support measures through legislative prescripts, TIPS (2017:15) asserts that underperformance in self-employment and enterprises in South Africa originate directly from the former apartheid regulations and laws, which suppressed black enterprises by preventing them from undertaking trade and small-scale production. These enterprises were similarly prohibited from ownership of land for farming, or industrial and retail locations in economic centres. Furthermore, their

accessibility to credit facilities was restricted and they typically did not have access to significant infrastructure (piped water, roads and electricity).

Having outlined the generic laws and regulations stated above that cannot be bypassed, TIPS (2017:15) states that the consequence of legislation and regulations on enterprises differ, depending on the sector, formalisation, size, ownership and regional location. However, there is legislation that obligates formal enterprises to comply regardless of their sector. These include the Companies Act and Cooperative Development Act that are overseen by the Companies and Intellectual Property Commission (CIPC) that is under the umbrella of DTI; the tax regulations overseen by the SARS; and, lastly, the labour laws overseen by the Department of Labour (TIPS, 2017:4).

TIPS (2017:2) further undertook a study in which it addressed the following regulatory zones, namely:

- Registration and reporting prerequisites, with an emphasis on national laws, principally with regard to labour laws, taxation and CIPC. In this instance, government is interested in the identification of relevant and compliant enterprises for determination of their liability in contracts and legal standing. Subsequently, reports should be submitted in relation to the rates and levying of taxes and provision of appropriate infrastructure and other pertinent services to enterprises and, where necessary, safeguard timeous payment to them. Through the report, government ensures that enterprises adhere to standards, particularly in terms of consumer, environment and labour safety.
- In relation to co-operatives and company registration, TIPS (2017:4-5) highlighted that there was a burden on yearly returns for companies and obligatory annual audits for co-operatives. In addition, enterprises pointed out that yearly returns necessitated by CIPC were burdensome because there was no fixed period for submission; however if enterprises did not comply with returns regulations, it could result in deregistration of their businesses. Despite the fact that enterprises argue that it is burdensome to submit

annual returns, CIPC maintains that yearly returns are significant in order to ensure good governance of registered enterprises.

- Government procurement processes that militate against enterprises in various manners, which range from large scale contracts to regulations contrary to upfront imbursement.
- The construction industry, which has a myriad sector-specific laws by national, provincial and local government with which enterprises are supposed to comply. According to TIPS (2017:82), enterprises argue that it is a mammoth process to acquire official contracts, which includes tenders with state entities. Consequently, enterprises argue that government programmes that are expected to promote them, especially the formation of the Construction Industry Development Board (CIDB) is, on the contrary, one of the regulatory hindrances.
- The BBBEE, which concurrently burdens smaller white enterprises and lessens obstacles to entry for black enterprises. This implies that the regulation benefits some enterprises, specifically black and, on the other hand, it is a stumbling block for white enterprises as they are perceived as beneficiaries of the apartheid regime.

The construction industry is, however, regulated in order to protect workers, the environment and consumers. On the other hand, local government is depicted as an environment in which these rules and regulations are imposed through municipal by-laws. The national laws that affect construction include the Housing Consumer Protection Measures Act 95 of 1998), the Council for Built Environment Act 43 of 2000), and the Quantity Surveying Profession Act 49 of 2009.

3.6 LEGISLATIVE PRESCRIPTS FOR SMMEs: LESSONS FROM SOME INTERNATIONAL CASES

The DSBD (2017b:1), in its analysis of legislative prescripts, points out that there is a degree of dissimilarity among different countries' enterprise laws and regulations, because certain legislative prescripts are more procedural and administrative, while other laws are substantive. In the case of South Africa's legislative framework, it rests more on procedural and administrative laws. The DSBD (2017b:2) further posits that administrative and regulatory simplicity is a significant remedial measure to lessen the cost and administrative burdens enforced on enterprises by state compliance processes, legislation and regulations. The simplicity is also evident in Brazil, where enterprises are strongly promoted and receive favourable treatment from government.

Correspondingly, in the case of the United Kingdom, India and Malaysia, enterprise legislative prescripts take a firm stand on late payment to service providers. The penalties in relation to the contravention of the late payment law are significant legislative tools for dealing with non-compliance and for the inculcating of good governance by government, suppliers and other key stakeholders.

In the case of Taiwan it is evident that there are no significant differences to South Africa as far as tax exemption under particular terms and conditions is concerned. Taxation is used as an instrument to attain goals involving the promotion of employment, enterprise development and technology dissemination.

In the USA, legislation correspondingly takes enterprise development into account, with an emphasis on technology transfer, and development and research as tools to reinforce competitiveness in the market economy. Subsequently, the USA has special exemption for nominated persons in government procurement processes and procedures. The exemption targets ethnic minorities, military veterans, women, enterprises in disaster zones and any other designated groups that government deems it fit to exempt. The case of USA can be aligned to the BBBEE Act in South Africa, where previously advantaged individuals are given preferential treatment to redress issues emanating from the apartheid regime.

Kenya has distinctive legislation in terms of the licensing and accreditation of enterprise development service suppliers. Its government upholds the notion of enterprise development; hence it is strict on licensing and accreditation of service providers in order to ensure that enterprises receive the most effective and efficient business services and guidance that is acceptable universally. Furthermore, the establishment and functionality of business associations are regulated by government to promote and improve the spirit of entrepreneurship and competitiveness in the market and trade economy.

The DSBD (2017b:3) distinguishes South Africa from countries such as Nigeria, Kenya, India and Malaysia. The distinction is informed by the formation of enterprise promotion agencies, in which boards are highly eligible to participate in different government entities and ministries. The effective participation of these agencies help government to play an oversight role in the promotion of enterprise development and, most significantly, to safeguard effective planning and coordination among government entities and sector departments. Owing to the good practices of these countries, South Africa can indeed emulate these practices, because they can be beneficial to the nation.

3.7 CONCLUSION

This chapter comprised an outline and assessment of the legislative frameworks, statutory prescripts and regulatory guidelines guiding SMMEs and co-operatives in local socioeconomic development. The overall finding is that all government policies and regulations (local, provincial and national) strive to achieve common objectives, which include the creation of an enabling environment for enterprises to conduct business and the creation of sustainable socioeconomic growth and development.

The focus of following chapter (Chapter 4) is on the case study of Dr KKDM. The parameters of a preliminary funding model for SMMEs and co-operatives are outlined and the challenges associated with the existing funding model are identified.

CHAPTER 4

THE STATUS OF SMME AND CO-OPERATIVE FUNDING IN LOCAL GOVERNMENT: THE CASE OF DR KKDM

4.1 INTRODUCTION

In the previous chapter, it was established that legislative frameworks, statutory prescripts and regulatory guidelines guiding SMMEs and co-operatives were imperative in all the three spheres of government. This is because they are a pertinent compass that directs government on how to co-exist with SMMEs and co-operatives, and vice-versa. This co-existent relationship translates into government executing its constitutional mandate and enterprises rightfully benefitting from their constitutional rights. Moreover, because of these legislative, statutory and regulatory prescripts, the country's social and economic landscape can be transformed positively through initiatives aimed at fighting poverty, unemployment and inequality.

The purpose of this chapter is to establish the status of funding and to outline the parameters of a new funding model for SMMEs and co-operatives on the basis of a case study, namely Dr KKDM. Ridder (2017:2) asserts that a case study scientifically reveals a real-life situation within its particular environmental context. The case study presents an opportunity for in-depth comprehension of the phenomenon under investigation, namely SMME and co-operative funding. The case study also serves as a further source for data triangulation and verification purposes. The chapter begins with a synopsis of Dr KKDM, inclusive of the demographic and economic profile of the district and municipal organisational arrangements for economic activities. This is followed by an overview of the nature and scope of SMMEs and co-operatives activities in the district, inclusive of existing funding arrangements.

4.2 THE ECONOMIC PROFILE DR KKDM AS CASE STUDY

The Dr KKDM is a category C municipality that comprises three local municipalities, namely JB Marks, the City of Matlosana, and Maquassi Hills. It comprises an area of 14,671km² and has a population of 742,822 (Dr KKDEA, 2018:9,10). The map below (figure 4.1) shows how the Dr KKDM is demarcated. JB Marks Local Municipality has two major towns (Potchefstroom and Ventersdorp), the City of Matlosana has four major towns (Hartebeesfontein, Klerksdorp, Orkney and Stilfontein), and Maquassi Hills Local Municipality has three major towns (Wolmaransstad, Makwassie and Leeudoringstad).

Figure 4.1: Municipal areas of Dr KKDM



Source: MSA (2019:1)

Table 4.1 below reflects the population of Dr KKDM.

Table 4.1: Population composition of Dr KKDM

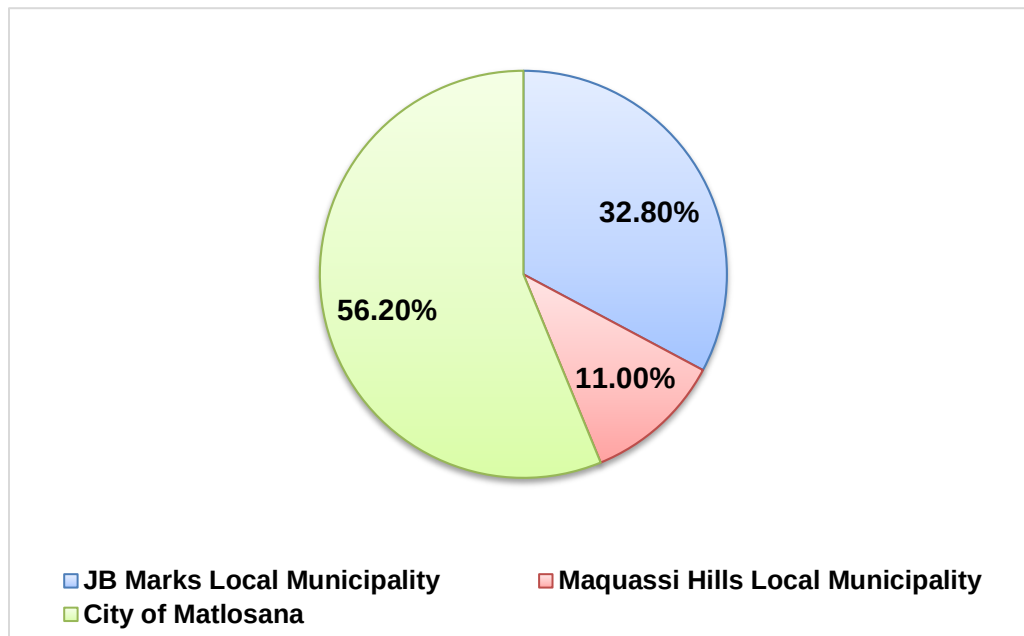
Municipality	Total Population			Population (%)			Annual Growth (%)	
	2001	2011	2016	2001	2011	2016	2001-2011	2011-2016
Dr KKDM (DC40)	599 670	695 934	742 822	100	100	100	1.16	1.07
City of Matlosana (NW 403)	359 202	398 676	417 281	59.90	57.29	56.18	1.11	1.05
JB Marks (NW 405)	171 431	219 464	243 528	28.59	31.54	32.78	1.28	1.11
Maquassi Hills (NW 404)	69 037	77 794	82 013	11.51	11.18	11.04	1.13	1.05

Source: Dr KKDEA (2018:10)

The above table shows the total population, population in percentage and the annual growth of Dr KKDM and its local municipalities. It should be noted that the population for all three municipalities, including the district, has increased significantly from 599,670 in 2001 to 742,822 in 2016. According to Dr KKDEA (2018:10,12), the majority of the district's population lives in the City of Matlosana (56.18%), followed by JB Marks (32.78%) and Maquassi Hills (11.04%). The district has a total number of 221,400 households demarcated in 84 wards, which are apportioned in local municipalities as follows:

- City of Matlosana: 39 wards;
- JB Marks: 34 wards; and
- Maquassi Hills: 11 wards.

Figure 4.2: Distribution of population



Source: Dr KKDEA (2018:11)

Table 4.2: Economic performance and trends

	Dr KKDM	JB Marks	City of Matlosana	Maquassi Hills	
Regional Gross Domestic Product					
	Average Annual Growth				
	2006-2011	-0.8%	2.1%	-2.5%	2.7%
	2011-2016	-1.2%	0.7%	-2.4%	-0.1%

Source: Dr KKDEA (2018:24)

The above table shows the economic performance and trends of Dr KKDM and its local municipalities. From 2006 to 2011, the average annual growth depreciated by -0.8% and from 2011 to 2016, it depreciated by -1.2%. The only municipality that experienced appreciation was JB Marks, which showed a 2.1% increase in the 2006 to 2011 period and 0.7% from 2011 to 2016.

Table 4.3: Gross Domestic Product, Share and Change

	Current Prices - 2016	Share of District Municipality	Constant Prices - 2006	Constant Prices - 2016	Annual Average Growth
Maquassi Hills	3.25	5.40 %	1.78	2.02	1.29%
City of Matlosana	35.40	58.88%	26.15	20.40	-2.45%
JB Marks	21.48	35.72%	12.08	13.83	1.37%
Dr KKDM	60.13		40.01	36.26	

Source: Dr KKDEA (2018:24)

The table above shows the current prices, share of district municipality, constant prices and annual average growth. The City of Matlosana has shown an annual average decrease of -2.45%, in contrast to both Maquassi Hills and JB Marks, the economic annual growth of which has depreciated by 1.29% and 1.37% respectively.

In relation to the share of district municipality, the City of Matlosana has the biggest share of 58.88%, or R35.4 billion, and appreciation from R17.1 billion in 2006. Maquassi Hills has the lowest contribution of R1.3 billion, which increased to R3,25 billion in 2006. The Statistics South Africa (SSA) (2019:1) states that unemployment rate appreciated by 0.5% to 27.6% in comparison to quarter four of 2018. The increment in the unemployment rate is due to the decline of 237, 000 in the number of employed populace and increment of 62 000 of the unemployed populace between quarter four of 2018 and quarter one of 2019. The working-age populace appreciated by 149, 000 in quarter one of 2019 in comparison to quarter four of 2018, and the labour force depreciated by 176, 000. The statistics additionally points out that there are 169, 000 non-economically active populace and an increment of 156, 000 discouraged job-seekers which result in the net appreciation of 325, 000 people who were economically inactive.

Table 4.4 below illustrates the official unemployment rate per province.

Table 4.4: Official unemployment rate

	Official unemployment rate					Expanded unemployment rate				
	Jan-Mar 2018	Oct-Dec 2018	Jan-Mar 2019	Qtr-to-Qtr change	Year-on-Year change	Jan-Mar 2018	Oct-Dec 2018	Jan-March 2019	Qtr-to-Qtr change	Year-on-Year change
	Percent			Percentage points		Percent			Percentage points	
Eastern Cape	35.6	36.1	37.4	1.3	1.8	46.0	46.8	48.3	1.5	2.3
Free State	32.8	32.9	34.9	2.0	2.1	38.4	39.3	40.1	0.8	1.7
Gauteng	28.6	29.0	28.9	-0.1	0.3	33.6	33.6	33.6	0.0	0.0
Kwa-Zulu Natal	22.3	25.6	25.1	-0.5	2.8	40.6	41.3	42.4	1.1	1.8
Limpopo	19.9	16.5	18.5	2.0	-1.4	37.6	38.8	43.1	4.3	5.5
Mpumalanga	32.4	32.0	34.2	2.2	1.8	42.5	41.1	43.0	1.9	0.5
North West	25.8	26.6	26.4	-0.2	0.6	41.8	42.9	44.4	1.5	2.6
Northern Cape	29.5	25.0	26.0	1.0	-3.5	41.0	38.6	41.5	2.9	0.5
Western Cape	19.7	19.3	19.5	0.2	-0.2	22.5	23.1	22.7	-0.4	0.2
South Africa	26.7	27.1	27.6	0.5	0.9	36.7	37.0	38.0	1.0	1.3

Source: SSA (2019:7)

The above table depicts the provincial unemployment rate, together with quarter-to-quarter changes and year-on-year changes, from January 2018 to March 2019. In further detail, table 4.5 below reflects the contribution of Dr KKDM to the GDP of North-West Province in particular and the national GDP in general. This perspective is important, since it contextualises local economic activity in the municipal area.

Table 4.5: Contribution of Dr KKDM to the provincial and national GDP

	National Total	North West	Dr KKDM	Dr KKDM as % of province	Dr KKDM as % of national
2011	3, 023.7	185.8	43.0	23.2	1.42
2012	3, 253.9	191.0	45.5	23.8	1.40
2013	3, 539.9	222.1	50.4	22.7	1.42
2014	3, 807.7	227.2	51.3	22.6	1.35
2015	4, 049.8	243.2	54.7	22.5	1.35
2016	4, 338.9	263.8	60.1	22.8	1.39

Source: Dr KKDEA (2018:25)

The statistics for 2018 show a contribution pattern whereby the district contributed R4,338.9 billion to the national total, R263.8 billion to the provincial GDP, and R60.1 billion within its jurisdiction, encompassing the budgets of the three municipalities. In essence, the district contributes 1.39% of the R434 trillion that is generated by economic growth and development activities, programmes and projects. This reflects the scope of SMME and co-operative activities in the district. In a similar vein, Table 4.6 below illustrates the sectoral comparative advantage of Dr KKDM.

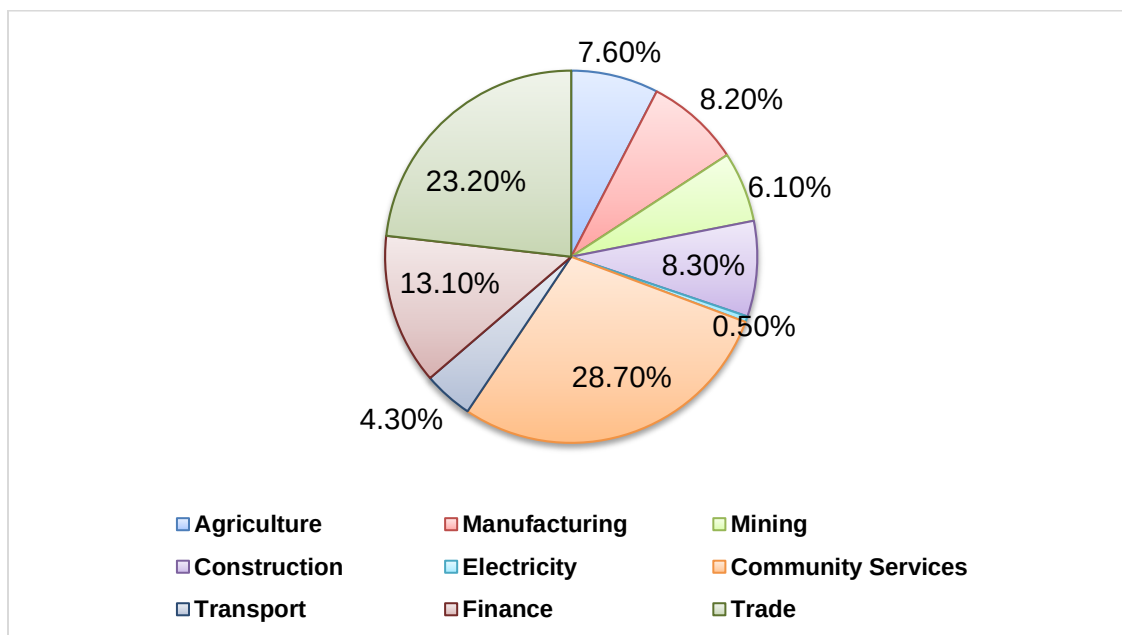
Table 4.6: Dr KKDM sectoral comparative advantage

Economic Sector	Maquassi Hills	City of Matlosana	JB Marks	Dr KKDM
Mining	1.5	3.4	1.2	2.6
Electricity	0.5	0.8	1.3	1.0
Finance	0.7	0.8	0.8	0.8
Trade	1.0	1.0	1.0	1.0
Manufacturing	0.4	0.3	0.5	0.4
Agriculture	5.5	0.5	2.0	1.3
Construction	1.3	0.8	0.9	0.9

Source: Dr KKMEA (2018:26)

It should be noted that the manufacturing sector is the lowest contributor, with a range of 0.4, and the mining sector is the highest, with a range of 2.6, although the sector has dropped dismally, mainly due to the closure of mining houses. This has led to unemployment (a reduction of 15.9%) and the limited buying power of local communities. It has also affected local industries that supplied resources and equipment to the mining sector. Due to severe drought, the agricultural sector also had limited capacity to stimulate economic growth. These and other factors caused the unemployment rate in Dr KKDM to currently stand at 31.5%. This unemployment rate is higher than the provincial average. Figure 4.3 reflects the sectoral contribution to employment in the North-West Province. These sectoral contributions also reveal the potential nature of SMME and co-operative activity in the district.

Figure 4.3: Sectoral contribution to employment



Source: Dr KKDEA (2018:31)

Having dealt with the demographic and economic profile of Dr KKDM, it is worth noting that various organisational arrangements of the district municipality were made to support the economic growth and development of the municipal area. These arrangements were intended to promote private enterprises and the operations of co-operatives. These aspects will receive attention in the next section.

4.3 MUNICIPAL ORGANISATIONAL ARRANGEMENTS FOR ECONOMIC ACTIVITIES

Dr KKDM has made a number of organisational arrangements to facilitate economic activity in the district. These arrangements typically entail the establishment of directorates, agencies and co-operatives to initiate, plan and coordinate the implementation of the economic interventions for economic growth in the area. It also includes the allocation of resources, the appointment of staff, and the design of strategies to successfully implement economic growth initiatives. Some of the most significant arrangements in this regard are highlighted below.

4.3.1 Dr KKDM District Economic Development and Tourism Directorate

The Dr KKDM council has approved the establishment of the Directorate of District Economic Development and Tourism. The main purpose of this directorate is to design and coordinate economic activities at a local level and to create a conducive environment for enterprises. The directorate is expected to network with businesses in order to overcome the challenges they experience and to create tourist attractions. Through these networks, the directorate aims to:

- create jobs;
- alleviate poverty;
- promote trade and investment in the district;
- promote the province's growth strategy;
- facilitate the development of economic infrastructure for the tourism industry; and
- retain business and promote competitiveness.

The staff complement is constituted as follows, although two posts are vacant:

- Acting Director: DEDT;
- Manager: Economic Development;

- Manager: Tourism Development;
- Tourism Officer;
- Tourism Coordinator;
- Agriculture and Mining Officer; and
- Coordinator Agriculture and Mining (Dr KKDM, 2018).

4.3.2 Dr KK District Economic Agency (Dr KKDEA)

The Dr KKDEA is a municipal entity that was established in 2007 under the auspices of Dr KKDM. The agency designs and executes various manufacturing and agricultural projects and its key performance areas include identifying, facilitating and implementing programmes and projects identified in the municipal IDP (Dr KKDEA, 2018:8). The agency's board is answerable to the Dr KKDM council, and is governed by the legislative and regulatory prescripts that govern local government in general.

The agency's vision is "to be a catalyst for Dr KKDM's economic development that benefits communities within its municipal jurisdiction. Its mission is to efficiently and effectively implement identified projects, attract investors for business growth and development initiatives, support and inspire enterprise participation in spatial development opportunities and rejuvenate and empower business sectors within the district" (Dr KKDEA, 2018:8). The agency's goal is to be in partnership with all municipalities within the district (i.e., JB Marks, Maquassi and the City of Matlosana), in implementing growth and economic development projects that can translate into opportunities such as job creation and the diversification of the local economy.

4.3.3 Dr Kenneth Kaunda District Secondary Co-operative (Dr KKDSC)

According to DSBD (2019:10), the Dr KKDM Secondary Co-operative is a registered company that complies with the Co-operatives Amendment Act 6 of 2013. The Dr Kenneth Kaunda District Secondary Co-operative (Dr KKDSC) was established through the amalgamation of registered primary co-operatives within the district. The Secondary Co-

operative has a functional official committee that supports other primary co-operatives, and implements and monitors secondary co-operative programmes that were budgeted for by the district. The Secondary Co-operative also advises and supports the municipality in matters relating to the economic growth and development of Dr KKDM (Dr KKDM, 2018).

4.3.4 Other municipal support departments and directorates

The IDP of Dr KKDM (2018) states that the municipality has six directorates that are mandated to support SMMEs and co-operatives in the district. These directorates are the District Economic Development and Tourism (DEDT), Corporate Services (CS), Budget and Treasury (BT), Environmental Health (EH), Disaster and Risk Management (DRM), and lastly, Infrastructure and Community Services (ICS). The departments of Budget and Treasury and District Economic Development and Tourism are especially directly responsible for financial arrangements and transaction pertaining to SMMEs and co-operatives. Depending on the scope of the project and type of business, some of the municipal directorates can be involved through non-financial support as and when a need arises. For example, an enterprise that implements a piggery project might require advice from ICS in relation to the technical aspect of the structure, equipment or machinery.

4.4 OVERVIEW OF SMMEs AND CO-OPERATIVES IN Dr KKDM

The Dr KKDM and the DEDT have prioritised the development of SMMEs and co-operatives because they consider these enterprises to be catalytic instruments for LED. The District Growth and Development Strategy (DGDS) (2009) that was developed in collaboration with the DTI gave direction to the district on how to prioritise and support enterprises within its jurisdiction. The strategy propagates concerted collaborative efforts between the district, sector departments and private sector. The collaboration is for the purposes of planning, coordinating, implementing and monitoring SMMEs and co-operatives programmes and projects that are initiated by either the district or the enterprises themselves. Over and above that, enterprises are supported with non-financial assistance such as training and financial support. Financial assistance is also offered in the form of a grant to the value of R1 to R30,000. The district economic agency also offers grants of R1

to R3 million, depending on the project's needs. The key objectives for grant allocations are to:

- “bring in categories of enterprises that are inhibited by limited access to funding;
- “broaden access to funding through collaboration with sector departments and the private sector;
- “support enterprises to expand businesses so that they can be able to have access to the market economy;
- “procurement of goods, equipment or machinery for ease of production; and
- “provide an incentive that promotes black economic empowerment” (Dr KKDM, 2014b:3).

The following entities within the tourism, creative industries, manufacturing, and agriculture and agro-processing sectors are eligible for grant funding:

- “those that are registered by the Companies and Intellectual Property Commission and with SARS;
- “those that are in operation or envisage operating in an emerging sector;
- “those that are emergent enterprises owned by previously disadvantaged persons;
- “those that are situated in semi-urban or rural areas;
- “those that are inclined towards people living with disabilities, youth and women; and
- “those that have been in operation for at least one year and above” (Dr KKDM, 2014b:9).

Sibonkile and Thaba (2015:1-2) argue that “the ruling political party reassured the masses that government would concentrate more on the development of enterprises, including co-operatives, in order to combine labour, finance and other significant resources to rebuild societies and engage them in matters relating to sustainable economic development”. Additionally, government initiated policies that created conducive environs for societies and encouraged them to establish enterprises that would be promoted and supported by the state in terms of financial and non-financial provisions. The promotion and establishment of enterprises to foster LED is thus high on the political agenda. In this respect, Dr KKDM

was among 17 district municipalities that were identified in the *Khulisi Umnoto* Project that was aimed at building capacity within district municipalities through the development of feasible LED strategies. The objective of the overarching strategy was to gather all economic data and explore opportunities and alternatives available to expand the district municipalities' economic base. The strategy was developed as an implementation framework to address investment, employment creation opportunities, business development, and positive outcomes within districts (DGDS, 2009:2).

Ensuing from the above elucidation, SMMEs and co-operatives within the Dr KKDM were established in response to the national government's call to all three spheres of government to promote and support enterprises. It should also be noted that enterprises are established as and when community members deem it feasible to do so. Both district and local municipalities play an advisory and supporting role, but cannot restrict the establishment of enterprises unless there are compelling reasons to do so, such as the non-viability thereof.

SALGA (n.d:3) posits that district municipalities play a facilitating and coordinating role among its local municipalities in order to safeguard coordination and the integration of government programmes and projects, and thus eliminate the replication of efforts. District municipalities should thus prevent wasteful and fruitless expenditure. District municipalities are, however, not directly responsible for the registration of enterprises, but rather play a coordinating role so that enterprises can be established and be officially registered with the CIPC, SARS and any other council that is regulated. An example of such a council is the National Home Builders Registration Council. District municipalities also play an important coordinating role by liaising with either the local municipality within which the enterprise is located or relevant institutions that offer services or products that enterprises require.

Local municipalities are at the coalface of LED and the ultimate establishment of local enterprises. Prospective enterprises usually approach LED offices within local municipalities to request assistance for business registration or any other matter related to business development. In essence, district municipalities, together with their local municipalities, play a strong supportive and collaborative role in striving to enhance local growth, prosperity and economic development. In this regard, Masuku (2016:3) argues that

LED units in municipalities are crucial instruments for the coordination of local economic initiatives that endeavour to make a positive impact on communities.

The MSA (2000) advocates for strong public participation in LED initiatives. It is thus necessary that district and local municipalities establish participation platforms such as mayoral *imbizos*, IDP representative forums, intergovernmental relations forums, ward committee meetings and business forums. Apart from their general consultative and engagement functions, these platforms also offer an opportunity for municipalities to interact with community members in relation to matters of enterprise development, such as establishing enterprises, skills development, marketing, funding, and the development of business plans and municipal-by laws relating to the operations of enterprises. It is also through these platforms that community members are encouraged to become entrepreneurs and establish enterprises to fight poverty and unemployment in the community. It is, however, important to emphasise that such enterprises are established in accordance with community member's economic interests and passion, as opposed to ideas being imposed on them.

Apart from these platforms, SEDA was established as a government agency mandated to assist new enterprises through financial and non-financial support. Non-financial support includes the registration of enterprises with the CIPC so that they can be fully compliant with business registration regulations and other pertinent business laws. The attainment of a business registration certificate confirms that the business is officially recognised by the private and public sector, and can undertake business activities that are related to the sector of the enterprise's main economic activities (e.g., agriculture or manufacturing).

The Dr KKDM has strategic goals and plans that are aligned to the national, provincial and local governments. In order for the district to implement one of its key performance, areas which is the development of enterprises, it utilises the prioritisation model, which has particular criteria, including the following (DGDS, 2009:7):

- Project feasibility: Are technology, resources and skills available for the effective operation of the enterprise? The operation depends on its financial viability; hence it is

essential to take account of financial viability indicators during the enterprise assessment.

- Alignment and strategic significance: Will the enterprise yield any positive spin-off outcomes and are those outcomes in alignment with the district's strategic goals? Is there exploitation of the district's comparative advantages? Is there creation of forward or backward strengthening of linkages with other sectors within the district? Is the enterprise aligned with LED and IDP values?
- Economic impact: Will the enterprise have a positive impact on the overall growth and economic development aspects, such as potential multiplier effects, extra income, quantity of jobs generated, sustenance of jobs generated and sales of new business?
- Skills development: Will there be skills transfer and the capacitation of employees within the enterprise? Will the enterprise utilise local skills and resources? Will there be promotion of expansion or establishment of the local enterprise?
- Potential anchor venture: Will the enterprise be in a position to attract other economic activities within the district's jurisdiction? Is there potential for the establishment of associations with existing enterprises? Is there ability for the creation of multifarious advantages within the local economy?

It is through the execution of the abovementioned model that enterprises are invited to submit their applications for grant funding.

4.4.1 Interface between the NWPGDS, the NWPDP and the DGDS

From a co-operative governance, intergovernmental relations and whole-government perspective, it is essential that the various broad-based development plans of the South African government are aligned and integrated. There should thus be a clear interface between the North-West Provincial Growth and Development Strategy (NWPGDS), the

North-West Provincial Development Plan (NWPDP) and the District Growth Development Strategy (DGDS).

From a provincial perspective, the North-West Provincial Growth and Development Strategy (NWPGDS) is aimed at collaboration between the private sector and government in order to achieve the growth at an economic rate of 6.6% per annum, which is the minimum essential growth rate required to lessen unemployment levels over a decade and decrease the backlog of basic service delivery (DGDS, 2009:26). Furthermore, the NWPGDS's growth and development targets specify the optimum balanced input that each district municipality and economic sector must contribute in order to achieve the targeted 6.6% economic growth rate. Diverse developmental "pillars" were selected for formulation of the strategy, identification of dire needs and exploration and funding of developmental opportunities. The following developmental pillars were identified within the NWPGDS:

- tourism;
- training and skills development;
- manufacturing;
- growth and investment;
- mining and energy;
- construction and infrastructure;
- agricultural and rural development; and
- SMME development.

Emanating from the NWPGDS, the DGDS (2009:75) identifies opportunities for economic growth and development. A synopsis of strengths and existent economic activities, including restraints to development, are outlined for every economic sector, including construction and utilities, tourism, business services and finance, manufacturing, community services, communication and transport. The economic growth potential for every sector is identified in accordance with the existent and underlying comparative advantages, notwithstanding the prevailing technology and market trends. Furthermore, the identified economic growth opportunities are clustered in terms of economic

connections with other sectors. Correspondingly, the following aspects are taken into account when economic sectors are evaluated, according to their developmental potential, namely:

- market tendencies;
- conducive policy environment;
- readiness of raw materials;
- readiness of working force;
- economic linkages;
- technological transformation; and
- value chain.

As mentioned in Chapter 1, government developed a visionary plan to be realised by 2030, which envisions a better future for the country, namely the NDP. Correspondingly, the North West Provincial Government (NWPG) aligned itself with the priorities and goals set out in the NDP (NWPG, 2013:xvi). Because the NDP informs the entire strategic framework of all three spheres of government, municipal IDPs and strategic plans must be aligned with the NDP's Vision for 2030.

The NWPG selected eight priorities that emanated from the NDP. These priorities were customised to be strategic focus areas of the NWPDP, which was enacted in 2013. The identified areas are a representation of the central challenge areas impeding provincial economic growth. In this instance, the focus is on the rural economy and the improvement, provisioning and preservation of economic infrastructure as a prerequisite for inclusive economic growth and development, because the latter has important potential in terms of employment sustenance (NWPG, 2013:xvi). The NWPG (2013:xvii-xviii) stipulates that the economy within the province needs to become more diversified, competitive and productive. In addition, training and skills development within the prioritised focus areas are significant elements that create opportunities for employment-oriented economic growth and development. Continuous technological innovation, development and research are also key to improving the level of competitiveness and production. The creation of a

conducive environment with regard to institutional and physical aspects is crucial to preserving and attracting partnership and investment to allow for proficiency in the provincial economy. The achievement of provincial proficiency is based on the prioritisation of particular economic sectors that can direct the diversification of its structures and reinforcement of its competitive advantages.

According to the NWPG (2013:xviii), the key objectives of the NWPDP are to:

- “reduce poverty levels from 46% to 0 by 2030 and the reduction of inequality from 0.61% to 0.53%;
- “reduce the unemployment rate from 24% in 2010 to 14% in 2020 and 6% in 2030, meaning that 770,500 jobs are required whereby overall employment must increase from 748,000 to 1,563,000;
- “increment of the labour force involvement must increase from 52% to 58% in 2020 and 64% by 2030;
- “increment of the provincial Gross Value Added (GVA), meaning that an annual growth average of 5.4% is required;
- “increment of the per capita income from 67,700 to 120,000 in 2030; and
- “depreciation of the dependency ration, whereby a number of persons who are dependent on one salary will reduce from 3.4 in 2010 to 1.5 in 2030”.

There are two crucial economic sectors within the province that have a comparative advantage, namely the mining and agriculture sectors. This does not mean, however, that other sectors are not significant. Certain sectors are not prioritised since they have not adequately demonstrated their potential for the creation of employment and growth without significant and sustained institutional support. Envisioned outcomes for the agricultural sector are the following:

- “135,734 jobs need to be generated through farming, agro-processing and related sectors in 2010, meaning that this will necessitate 71,000 extra jobs to be generated;

- “maintenance of progressive trade equilibrium for both primary and processed agricultural produce; and
- “maintenance of an average development rate of 8.5% between 2014 and 2030, which can translate into increasing of the GVA contribution of the agricultural sector from 3.39 million to 17.31 million in 2030, meaning that there will be an expansion of the GVA contribution from 2.3% from 2010 to 4.1% in 2030”.

Envisioned outcomes for the mining sector are the following:

- 55,000 additional jobs must be created by 2030 for the sustenance of 218,000 direct jobs that represent 13.9% of the entire employment in the province; and
- maintenance of 2.5% average growth rate from 2014 to 2030, which will translate into increment of the sector’s contribution from 54.97 million to 90.08 million in 2030.

Envisioned outcomes for the manufacturing sector are the following:

- identification of big sector value chain activities for the creation of better livelihoods;
- provision of good infrastructure for support of big value chain activities; and
- intensification of development and research support for innovation, commercialisation and product development.

The envisioned outcomes for the tourism sector are:

- establishment of a television channel demonstrating all tourism products, activities and establishments in the province;
- promotion of creative and cultural industries, which includes the performing arts, and advocacy for local art procurement; and
- exploitation of a productive tourism market through promotion of the province as a business and conference destination.

The envisioned outcomes for the expansion of enterprises are:

- establishment of enterprise incubators, including partnering with the private sector for the promotion and capacitation of entrepreneurs in different sectors; and
- broadening of access to finance for enterprises that are still struggling to secure funds due to the predetermined requirements and criteria set by financiers.

4.4.2 Sector contributions to economic prosperity in Dr KKDM

Dr KKDM selected sectors to make a positive impact on the economic growth of the district. These sectors are qualifying requirements in the grant application form. The sectors are agriculture, manufacturing and tourism. The nature and contributions of the respective sectors are briefly outlined below.

4.4.2.1 *Agriculture*

The potential of the sector to make a contribution to the creation of employment opportunities and value added within the district economy surpasses other economic sectors. It has an important multiplier effect throughout the entire district and also supports endeavours in other sectors. The major agricultural produce within the local economy of Dr KKDM includes wheat, sorghum, sunflowers, poultry, beef, maize and groundnuts.

The DGDS (2009:77-101) identifies the following as essential components to further stimulate the developmental potential of the agricultural sector:

- a) The accessibility of resources, namely:
 - infrastructure such as irrigation farming systems;
 - ground water;
 - climate conditions;
 - availability of agricultural land; and
 - quality products.

b) Economic linkages:

- proximity to major markets; and
- local food processing houses.

c) Market trends:

- strong transnational demand for native curative plants; and
- increasing demand for niche and organic produce.

d) Enabling environment:

- funding for both subsistence and intensive farmers;
- usage of agricultural extension officer's services;
- supportive services for farmers; and
- effective representation of farming communities' interests.

e) Policy alignment: National strategic goals such as the Industrial Policy Action Plan (IPAP), the National Industrial Policy Framework (NIPF) and Accelerated Shared Growth Initiative of South Africa (ASGISA) placed a solid emphasis on the growth of agro-processing undertakings to enhance the value of local agrarian products.

4.4.2.2 *Manufacturing*

Manufacturing in Dr KKDM is comparatively small but has immense potential for growth through production and the beneficiation of local products. The production within the sector is dominated by machinery and household appliances, metal products, petroleum, fuel and rubber products, and non-metallic mineral products. The following components are deemed influential for the developmental potential of the manufacturing sector:

a) Economic linkages, namely:

- potential for the development of clusters and reinforcement of backward and forward connections between mining, manufacturing and agriculture;
- advantage of proximity to big markets.

b) Availability of skills and labour:

- critical skills required within the sector, such as artisan and technical skills; and
- skills such as science and technology, quality control, engineering, research and design.

c) Technology:

- The proximity of North-West University has a positive effect for research, development and innovation;
- the pharmaceutical research and training facility at the University is also an added advantage; and
- inadequate exploitation of international manufacturing tendencies towards the “new economy”, which includes food supplements, herbal and natural remedies, cosmetics and pharmaceuticals.

d) Enabling policy environment:

- The creation of an enabling environment is extremely significant. One of the district’s developmental objectives is to provide investment incentive packages that will stimulate both domestic and foreign investment.

4.4.2.3 *Tourism*

There are various tourism amenities, services and attractions within the district, although some are underdeveloped in terms of economic prospects. The majority of tourism attractions are in JB Marks and Matlosana due to their spatial dispersal. Tourism attractions, facilities and activities such as dams, nature reserves, the dome, recreational facilities, accommodation establishments and festivals contribute to the district’s GDP and economic growth.

The tourism sector requires a large workforce; thus both urban and rural areas could benefit from these activities and economic spin-offs. The sector is one of the key priorities within the NWPGDS developmental objectives and it trickles down to the district and local

municipalities. Furthermore, there is great potential for packaging and diversifying of tourism products, particularly with regard to strengthening and establishing connections and packages for noticeable tourism routes and destinations. In this regard, sufficient infrastructure plays a pivotal role in the prosperous development of the tourism sector.

In economic terms, the tourism sector provides spin-offs for industrial development in terms of the supply and delivery of services and goods, such as the provision of accommodation for tourists. There are also collaborative efforts between the district and its local municipalities, together with other counterparts. The selling and exchanging of tourism products and services generally creates investment and employment opportunities. Dr KKDM also made significant progress in marketing the district as a tourist destination.

As far as the establishment of an enabling environment is concerned, the tourism sector is one of the key priorities of the NWPDP. There is generally also sufficient infrastructure such as airports, a railway, bulk services, roads and dams. It seems that the establishment of a tourism management system and the inculcation of a tourism service culture deserve particular attention to further enhance tourism development within the district.

4.4.3 Current interaction and funding arrangements

Current and future programmes and projects of the district municipality (Dr KKDM) are approved by the municipal council through the adoption of the budget and IDP (Dr KKDM, 2018). Due to the limited budget, enterprises generally receive once-off funding so that an opportunity can be availed to other enterprises to apply for funding. The funding process and requirements are underpinned by the grant application form and the grant policy that was adopted by the municipal council. The application forms have an inbuilt guiding tool that directs applicants how to complete the form and indicates the additional documents required. The application is disqualified if the applicant fails to submit the required document.

Even though the district has an approved budget, there is no guarantee that all the enterprises will receive funding. The district calls for the submission of application forms by

enterprises, but only compliant enterprises are funded with an amount of R30,000. The funds are not directly transferred to the enterprise's account; the district rather procures the requested goods or equipment, which are then delivered to the benefitting enterprises (Dr KKDM, 2014). The district municipality, in collaboration with the local municipalities in which enterprises are located, ensures that these enterprises are incorporated into the planning and budget cycle.

The IDP consists of proposed funds that will be allocated to enterprises. This is approved, together with the budget, by council. Thereafter, funds can be dispersed to befitting enterprises. It should also be noted that the district allocates a budget for the grants for every financial year and the grant is administered by the DEDT and Dr KKDEA. Furthermore, the grant funding is a once-off funding and it is received by the enterprises following the approval of the validation committee.

4.5 THE EXISTING FUNDING MODEL OF THE DR KKDM AND ITS LIMITATIONS

According to Dr KKDM (2014b:3-4), a funding model process is currently utilised by the district to assist enterprises with grant funding. The processes and steps in this funding arrangement include the following:

- Call for entries: An invitation for application is disseminated by means of local newspapers, the Dr KKDM notice board and local municipalities' notice boards.
- Site visits: Officials conduct site visits for confirmation of whether the business is in existence.
- Assessment (verification committee): Applications are assessed by the verification committee and thereafter approved or disapproved.
- Internal approval: Director DEDT and Municipal Manager approve all the documentation related to grant funding.
- Notification of successful and unsuccessful applicants: Applicants are notified whether they were successful or not.
- Contracting: Equipment and goods are procured by the district for successful enterprises.

- Disbursement: The procured equipment and goods are disbursed to successful enterprises.

According to the Dr KKDM's annual reports, the district has made significant progress in striving to achieve the NDP Vision 2030 goals through the development and support of local enterprises. In this regard, the district municipality initiated a grant funding policy and it has been annually supporting enterprises through funding. The policy includes a process and specific requirements that enterprises must adhere to in order for them to acquire funding. The policy, however, lacks crucial components that can be beneficial for SMMEs and co-operatives, which necessitate the design of a new funding model.

4.6 TOWARDS A NEW FUNDING MODEL FRAMEWORK FOR SMMEs AND CO-OPERATIVES

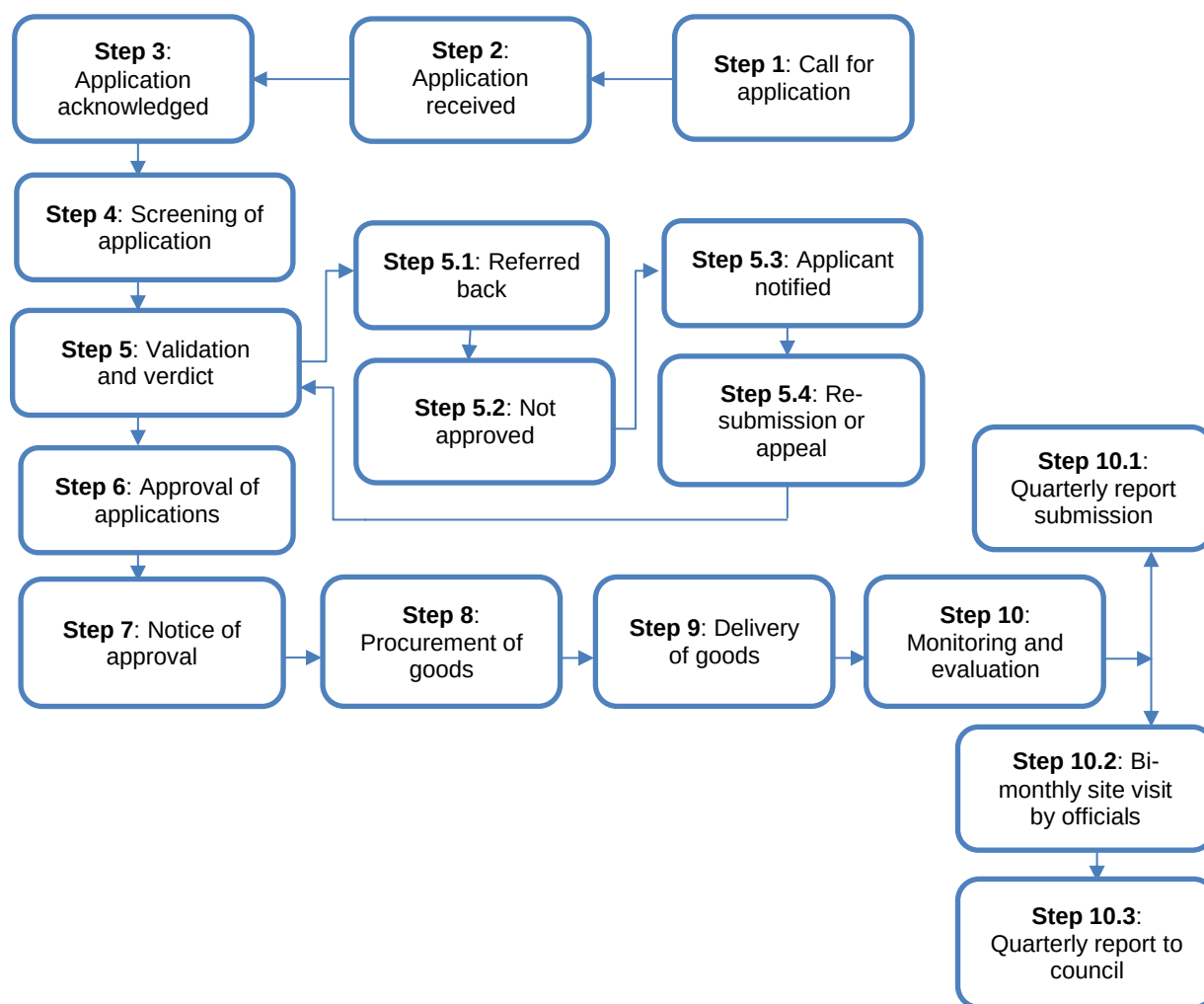
In this section, which constitutes the main focus and contribution of this study, an attempt is made to pinpoint key processes and steps as part of a framework for the funding of SMMEs and co-operatives in South African district municipalities, with specific reference to Dr KKDM. This is based on the synthesis of an extensive literature review and document analyses regarding funding arrangements. This proposed framework could serve as the basis for a detailed model of SMME and co-operative funding. It will be empirically verified and refined in the next chapter. The final proposed model will be presented in the last chapter of this study.

The figure (4.4) depicts a proposed grant funding process model that Dr KKDM can administer when supporting enterprises with funds. One of the important issues in relation to this process is that it includes the post-funding monitoring and evaluation of enterprises. The monitoring is not only through submission of quarterly reports and financial statements by enterprises. It also includes physical site visits by district and local officials, as well as officials from other government departments, private sector representatives and councillors of the wards in which these enterprises are located. It should be noted that the monitoring is not confined to ward councillors, but any member of council within Dr KKDM and its local

municipalities. It is through these monitoring and evaluation sessions that enterprises can be held accountable for their business undertakings.

The other pertinent matter is communication between the municipality and enterprises. Even if the enterprise's application is unsuccessful, there should be an open line of communication, by which means these enterprises will be given feedback and be advised accordingly to enable them to secure funding. It is through communication that enterprises will be empowered because this will place the district in a position to initiate certificated or non-certificated workshops and training programmes at which enterprises will be capacitated in relation to funding requirements and other pertinent business-related issues. The draft model below is the proposed grant funding process model, which can also serve as a content model for grant applications.

Figure 4.4: Proposed process model for grant funding



Source: Researcher's own

4.6.1 Explanation of the proposed process model for grant funding

The proposed process model for grant funding consists of 10 steps and seven sub-steps. Below, these steps and associated sub-steps are briefly explained through the literature review, regulatory and statutory framework.

Step 1: Call for application

Martin (2001) and Sharp (1999) assert that black enterprises were deprived of economic opportunities by the apartheid government; hence enterprises started to become

emancipated only in the new democratic dispensation. In order to redress the unjust legacy, the democratic government called for an economic, social and political redress through strategies, programmes, plans and policies (KZNH, n.d), Faulkner *et al.* (2008), Engdahl *et al.* (2001) and Terry (1994). The WPLG (1998) amplified the above statement by elucidating that local government must be developmentally orientated and should follow a community-centred approach so as to restore and transform the socioeconomic development landscape of societies.

The Dr KKDM, as a government agent and a local government sphere also responded to the constitutional mandate of promoting economic and social development. The district initiated a grant funding model, despite the fact that there are other funding models, such as venture capital, debt finance and angel investors for which enterprises can apply. However there are terms and conditions that are attached to those models. The reason behind the district's grant funding is to provide deserving enterprises with an opportunity to apply for funding where successful applicants are neither expected to reimburse government nor to be bound by any terms and conditions.

The grant funding process starts when the district develops and disseminates an invitation for application for funding to the local newspapers and municipal LED offices.

Step 2: Application received

Eligible applicants are expected to submit their applications to the municipal LED offices or district municipality timeously, as per the stipulated closing date and time provided in the invitation. The closing date and time should be treated seriously, because the district must also adhere to its predetermined implementation and delivery timeframes set out in the Service Delivery Budget Implementation Plan (SDBIP). Applications submitted after the closing date and time should be deemed null. They should be recorded as late submissions and the applicant advised to apply during the next invitation window.

Step 3: Application acknowledged

All the timeously-received applications should be acknowledged by the district municipality. The acknowledgement of applications will demonstrate that the municipality is respecting the intent of the MSA (2000), which calls for an open communication and consultation platform between the municipality and its local communities. Open communication will build the trust and confidence of communities in local government, because they will notice that government is taking their endeavours into account.

Step 4: Screening of applications

According to Terry (1994), agents concentrate on the interests and wellbeing of societies. Moreover, societies perceive these agents to be experts in the execution of government policies, strategies and programmes. Local municipalities within the district are recognised as agents; hence the LED units should conduct the screening process locally before the applications are submitted to the district. This process will assist applicants in terms of making them aware of any outstanding documentation or incomplete application forms. On the other hand, it will assist municipal officials to work smartly and be certain about the number of applications that were received, and to cluster them according to their sectors, such as agriculture or tourism. The screening process will also provide an opportunity to officials to confirm whether the business site physically exists and business is operating.

Step 5: Validation and verdict

According to Bull *et al.* (1993), some enterprises are poorly formed as a response to current economic and political environmental conditions; hence most enterprises fail. Conversely, the formation of enterprises is often fuelled by the desire to be self-sufficient and to create economic opportunities. Ensuing from the above statement, the validation committee has a mammoth task, because it is expected to thoroughly scrutinise the submitted applications and give a verdict on whether the application is approved or disapproved.

As Timmons *et al.* (2009) point out, the team, opportunity and resources are the fundamental powerful forces behind business success. Moreover, these forces are governable, can be reformed, evaluated and influenced. Over and above that, these forces

are taken into consideration by funders throughout the validation and verdict process so as to determine any underlying threats and to decide whether to fund the enterprise.

Berry *et al.* (2002) introduce another line of thought. They posit that access to funding is central to enterprises that demonstrate entrepreneurial capabilities and expertise to grow. In addition, the requisite for funding is dependent on aspects such as business sector, business size, age and ability to grow. Free Management e- Books (2013) also contain fundamental aspects that should be taken into account while assessing an enterprise for funding purpose. Essential aspects include the following:

- the identification of key concerns beyond the enterprise's control;
- holistic identification of the consequences of the key concerns;
- the degree of its significance, whether it is severe, moderate or minor; and
- the likelihood of the event happening – whether it is certain, likely or extremely likely.

Following from the above explication, the district must at all times adhere to the constitutional mandate encapsulated in Chapter 3 of the Constitution, section 41 (c), which states that “all the three spheres of government must provide effective, transparent, accountable and coherent government for the Republic as a whole”. In essence, the validation committee must validate with integrity and the validation verdict must be unbiased so that deserving enterprises can be granted with funding.

Step 5.1: Referred back

The NLF (2006) recognises that local government plays a critical role in local growth and economic development. The framework further inspires municipalities to offer leadership and guidance to both emerging and established enterprises so as to decrease the daily impediments that enterprises are faced with while trying to thrive in the volatile economic landscape.

In this instance, if the application is referred back by the validation committee, it is again incumbent upon the committee to give guidance to the conditionally-approved or referred back enterprises on how they can increase their chance of securing a grant through the submission of all the relevant information and documentation.

Step 5.2: Not approved

Berry *et al.* (2002) and Smeaton *et al.* (2011) state that securing of funding by enterprises is not a guarantee; hence they should be responsible for submission of relevant documents and follow all due processes. Over and above that, there are other pertinent factors that contribute towards the disapproval of the enterprise's application. These include the submission of inadequate information, disregarding of application processes, incompetence with respect to outlining the enterprise's aspirations by means of a succinct business plan and/or the absence of the enterprise's financial credit records.

The DTI (2018) and Standard Bank (2018) mention other factors, which are applicable in private equity financing, and which determine the disapproval or approval of the application. These include the following:

- conversant leader and team with balanced knowledge and abilities;
- goods or services with competitive and comparative advantage; and
- demonstration of determination to develop and grow to greater heights.

In this case, if applications are disapproved, enterprises are given an opportunity to apply in the next window of invitation.

Step 5.3: Applicant notified

Proceeding from stage 3 (application acknowledgement) of the grant application process, in which an acknowledgement letter is written to the applicants, step 5.3 calls for applicants to receive feedback on whether their applications were referred back, approved or

disapproved. The feedback is extremely important because it will enlighten applicants about the processes that unfolded until the verdict stage. In this stage, municipalities are similarly compelled to comply with the MSA (2000).

Section 23 (2) of the Constitution (the Bill of Rights) stipulates the following;

- a. "Every person has the right of access to all information held by the state or any of its organs in any sphere of government in so far as that information is required for the exercise or protection of any of their rights."; and
- b. "Every person has the right to:
 - "lawful administrative action where any of their rights or interests is affected or threatened;
 - "procedurally fair administrative action where any of their rights or legitimate expectations is affected or threatened;
 - "be furnished with reasons in writing for administrative action which affects any of their rights or interests, unless the reasons for that action have been made public; and
 - administrative action which is justifiable in relation to the reasons given for it where any of their rights is affected or threatened".

Given the MSA (2000) legislative prescript that is also underpinned by the constitutional mandate, it is crucial that applicants must receive feedback from the district.

Step 5.4: Re-submission or appeal

Subsequent to the validation and verdict of applications, the feedback that is addressed to unsuccessful applicants should advise them to either resubmit or appeal the decision taken by the validation committee. In cases where the applicant desires to resubmit, the submission can only be done following the next invitation for grant funding. By the same

token, if the applicant desires to appeal, the appeal should be in an official written letter. Applicants are empowered to appeal by the Red Tape Impact Assessment Bill (2016), which advocates enhanced accountability and the legislative right of applicants to hold government responsible if they are aware that their rights were not taken into consideration due to government imposing undue red tape in the application for grant funding processes.

Step 6: Approval of applications

The approval of applications should be based on the enterprise's compliance with all the predetermined requirements. The latter can be amplified and validated against other pertinent factors, such as the commitment of an entrepreneur and explicit objectives, notwithstanding the ambition to thrive (Kambikambi, 2003).

The above statement is significant because these requirements assist in providing an opportunity to genuinely indigent and deserving enterprises. The requirements are also significant in terms of the "pro-state" view (Temu, 1998), namely that government is the regulator of various financial markets and that, through its agencies and institutions, it provides low-cost finance or grants, as opposed to banks. The problem with the pro-state view is that:

- enterprises save minimally or do not save at all;
- the system is bloated by non-needy enterprises;
- low interest rates;
- lack of determination;
- absence of collateral; and
- lack of terms and conditions.

It is crucial that when the validation committee approves the applicants, they should also take the "social market" view, as cited by Temu (1998), into account. That is, that enterprises are treated as components within their financiers' financial system. This means the credit or grant terms and conditions dictate that it is an obligation for enterprises to have

savings, because this will translate into the promotion of debt repayment, own equity to grow the business, and inculcate optimism and innovative entrepreneurial spirit.

The validation committee can furthermore emulate Mjema (2002) in relation to the donor aid-funding model that is similar to the current district grant funding model. However, the district's model does not have any terms and conditions attached to the approval of grants; hence it is advisable to add terms and conditions that are flexible, depending on the contents of the enterprise's business plan.

The approval of applications should also be informed by section 41 (c) of the Constitution, which sets the tone for transparency and accountability. Furthermore, the approval is underpinned by the principles and values contained in Chapter 1 of the MFMA (2003), section 2 (a), which states that the municipality should maintain good governance and sound financial management through "safeguarding accountability, municipal expenditure management and transparency" in all municipal financial transactions.

Step 7: Notice of approval

Step 3 (application acknowledgement), step 5.3 (applicant informed) and step 5.4 (re-submission or appeal) facilitate open lines of communication between the municipalities and applicants. This stage follows suit, because it is important for applicants to continuously receive feedback, whether it is positive or negative. Access to information by applicants is also underpinned by Chapter 2, section 32 (1) (a) of the Constitution, which states that "everyone has the right of access to any information held by the state".

Step 8: Procurement of goods

The grant application explicitly state that the successful applicants will not be granted money, but that the district will procure equipment and material on their behalf. The procurement process must adhere to the values and principles of MFMA (2003), which calls for sound financial management through effective and efficient implementation of the supply chain systems and processes.

One of the requirements in the application form will be that the applicant must submit three valid, cost-effective quotations. These should be attached to the application forms. If they are not satisfactory, the supply chain unit can assist with a database of local service providers. The route of utilising the supply chain unit to procure equipment and goods is reinforced by the NTR (2019), which explains that municipalities must desist from the use of consultants as a means of saving monies that could be utilised to fund other enterprises, because the allocated budget is limited to a certain number of enterprises.

In the case of Dr KKDM, for the financial year 2014/2015 and in the subsequent financial years (2015/2016, 2016/2017, 2017/2018 and 2018/19), service providers were utilised to procure equipment and goods for enterprises. The district utilised emerging local service providers because it was cost effective, meaning that no monies were wasted. Moreover, equipment and goods were sourced locally; thus emerging service providers benefitted from the profits made from the procurement of goods on behalf of the district. Ultimately, the district, beneficiaries and service providers benefitted and local economic growth was boosted.

Step 9: Delivery of goods

Once equipment and goods are procured by the district, delivery is done through the assistance of local municipalities. The district officials are accompanied by municipal officials to confirm that the enterprises have indeed received what they have requested. A delivery note is also crucial because it serves as evidence for the affected parties (enterprises, local and district municipality). The beneficiary is expected to sign the delivery note that contains a list of the equipment or goods that were requested. The attachment of a signature to the delivery note confirms that the beneficiary is satisfied with what was delivered. In cases where the beneficiary is not satisfied, the affected local municipality, together with the district, must come up with remedial action in order to resolve the dispute or challenge, to ensure that continuous good working relations and trust prevail between the beneficiary and both the local and district municipality.

Step 10: Monitoring and evaluation

According to the Presidency (2015), the Department of Planning, Monitoring and Evaluation (DPME) was created in 2014 and the roles of the National Planning Commission were relocated from the Presidency to DPME. The rationale behind the creation was to “institutionalise planning, as well as monitoring and evaluation in government”, meaning that the execution of functions was to be cohesive and collaborative across the three spheres of government, which would in turn translate into effective and efficient service delivery.

Van der Waldt (2006:128) amplifies the above statement by advancing the notion that local government should take the lead in issues of service delivery because the national sphere of government expects local government to be innovative, strong, responsive and vibrant in delivering good governance and the quality services needed by communities. In this instance, government attempted to establish a “new public service culture” that made communities a priority with regard to service delivery. Progressively, local government needed to show that public funds were being utilised as per the legislative mandates and that there was value for money in services rendered. Over and above that, local government needed to “strengthen its focus on performance improvement, monitoring and evaluation, from both a strategic and operational perspective” because this could be a basis for knowledge and insight on the functionality of local government and the detection of barriers that could be remedied to enhance service delivery.

According to the UNDP (2009:81), monitoring and evaluation have a significant purpose, otherwise it would be difficult to ascertain whether the projected outcomes are being attained as projected, what remedial measures might be required to safeguard the delivery of the intended outcomes, and if initiatives have a progressive and constructive impact on the livelihoods of societies. Correspondingly, monitoring and evaluation “provides opportunities at regular predetermined points to validate the logic of a programme, its activities and their implementation and to make adjustments as needed”. Information that emanates from monitoring and evaluation can be utilised as a “fact base” to take informed corrective decisions, or to strengthen plans or inspire developments.

According to UNDP (2009:82), the significant questions that monitoring pursues to answer comprises of the following aspects:

- Are predetermined outputs being achieved as envisioned and competently?
- Are there any challenges and risks that needs to be taken into account in order to ensure that results are achieved?
- Will the premeditated and delivered outputs remain significant for the attainment of the intended outcomes and national agenda?
- Are there decisions that need to be taken regarding alterations to the previously intended work in the ensuing phases?

According to the UNDP (2009:82), monitoring and evaluation are central components of successful programme management and are essential and fundamental management instruments. Evaluation balances monitoring through the provision of an autonomous and in-depth valuation of what functioned and what was non-functional and why this were the circumstances. A good evaluation generates feedback that can be utilised for the improvement of strategy, policy and programming. Evaluation similarly “identifies the unintended results and consequences of development initiatives” that are sometimes not apparent in monitoring. Consequently, information produced by the evaluation and monitoring process makes a contribution to organisational learning, notwithstanding national knowledge on the effectiveness and efficiency of development. The NDP (2013) similarly posits that business incubation in the public and private sectors is acknowledged as a method to achieve the 2030 developmental goals. The NDP (2013) is fortified by pertinent legislative prescripts such as the MSA (2000), MSA (2030) and IFA (2005). These prescripts appeal for public-private partnership between the three spheres of government, public agencies and entities, private sector, NGO and community-based organisations.

The multilateral partnership is crucial because it can curtail socioeconomic development infirmities and obstacles that enterprises are faced with as Cant *et al.* (2003), Kambikambi (2003), Perera *et al.* (2005), NCR (2011), NT (2015), Masuku (2016) and GEMS (2017)

articulate. The identified infirmities and obstacles include expensive rental costs, access to business land, limited or lack of financial management expertise, access to market, administrative red tape, restricted access to funding, and limited or lack of technological innovation, entrepreneurial skills and education. It is similarly through this multi-lateral partnership that “monitoring and evaluation” of the funded enterprises is conducted. On this platform, the above barriers are identified and all the partners combine their resources (financial and non-financial) to unblock these barriers and remedy the state of affairs. Subsequently, monitoring and evaluation assist in improving the overall enterprise performance and growth, notwithstanding to be a reminder to enterprises that they must be committed and driven as Kambikambi (2003) points out that one of the elements that leads to business failure is lack of commitments of entrepreneurs.

Apart from the multilateral partnership, Van der Waldt (2015) cites that local government also has its internal monitoring and evaluation systems, processes and committees (council portfolio committees, internal audit and project steering) that are utilised to assess the following, namely:

- financial performance compared to the adopted budget and IDP;
- effective implementation of projects through adherence to regulative and legislative prescripts;
- efficiency of performance management, governance and timeous submission of trustworthy financial statements; and
- risks attached to the funding and implementation of the project.

During the monitoring process, the principal may probe the agent with critical relatable questions that emanate from different scholars such as Cant *et al.* (2003) and Perera *et al.* (2005). The following issues are fundamental in this regard:

- monthly business sales and three months of financial statements;
- training needed to enhance entrepreneurial skills and business growth;
- stable target markets for enterprises and the prevalence of market barriers;

- user-friendliness and simplicity of municipal by-laws, depending on business location;
- risks detected by the enterprises that can lead to business failure;
- availability of business infrastructure sites (government or private); and
- affordability of rates, taxes and the renting of business premises.

Step 10.1: Quarterly report submissions

Circular 63 of NTR (2012:1) stipulates that a municipality and its entity are obligated to draw up an annual report that contains information about progress made with service delivery. The report must be aligned to the SDBIP, IDP and quarterly reports. The report is also utilised as an instrument for decision making and the content similarly helps with regard to annual audit information. Over and above that, a municipality is obligated to formulate an annual performance report, which should be incorporated into the annual report as per the stipulation of section 121 of MFMA (2003) and section 46 of MSA (2000). The annual report should have the following characteristics:

- standardised report that enables a municipality or its entity to submit a similar annual report;
- alignment of non-financial and financial reporting;
- creation of a standardised reporting framework that will improve meaningful evaluation, inclusive oversight and enhanced comprehension of service delivery deliverables;
- standardised terminology for ease of understanding and reference; and
- reduction of extra reporting terms that can emanate from monitoring agencies, provincial and national departments.

The development of reporting questions, whether in units, directorates or municipalities as a whole, is also informed by legislative prescripts such as the MFMA Circular 11 (Annual Report Guidelines), MFMA Circular 32 (Oversight Report), MFMA Circular 13 (SDBIP), Municipal Public Accounts Committee Guidelines (MPACG) (2012) and Local Government Management Improvement Model (LGMIM) (2014).

Step 10.2: Bi-monthly site visits

According to the UNDP (2009:11), site visits are important and the following contemplations might be crucial when conducting site visits:

- Objectives of the visit in relation to monitoring – site visits authenticate the outcomes reported by projects and programmes and they encompass a valuation of progress, outcomes and challenges.
- Timing – site visit may be conducted at any given time of the financial year. The visit provides current information on progress made and the submitted information contributes to the outcome and annual review processes. It can be further utilised to develop action plans on how to remedy the prevailing situation or to enhance the positive progress that is evident.
- Participants during the site visitation – visitations are progressively the collaborative monitoring efforts of stakeholders that pursue common outcomes. Collaborative visits similarly promote ownership of the report and the participation of all stakeholders, including beneficiaries. Furthermore, issues can be addressed in a holistic manner if members plan in advance what issues should be observed when they are physically at the project site.
- Consultation and dialogue – emphasis ought to be placed on detecting and establishing whether information on achievement of outcomes, including the sustainability and quality thereof, is credible. An important factor that should also be taken into consideration is that there should be no in-depth deliberations on comprehensive implementation during the consultation. These issues can be noted for further deliberations with appropriate partners who might be able to find solutions for the issues raised.

Having stated the significance of site visitation, SALGA (2019) subscribes to the notion of project visitation by government and the other legislated oversight bodies, such as the NCOP and Select Committee on Public Accounts (SCOPA). The site visit is fundamental because it is one of monitoring tools utilised to ascertain whether government's

developmental agenda is being realised without fruitless and wasteful expenditure, and whether grant beneficiaries are misusing government funds. In this instance, government and private sector collaboration will ensure that these enterprises thrive and develop their businesses.

Step 10.3: Quarterly report to council

MFMA (2003) mandates municipalities to table annual reports that encompass records of the entire municipal activities for the financial year. The report must outline municipal financial performance against the allocated budget that was approved, with an IDP.

DEDT financial performance must also form part of the annual report, meaning that, on a quarterly basis, items should be submitted to the portfolio committee together with a portfolio of evidence that includes answers to the following questions that emanate from legislated documents, such as the annual report templates and SDBIP:

- number of enterprises funded;
- number of employment (contract or permanent) opportunities created by the enterprise;
- municipal jurisdictions where enterprises are based;
- the sector in which enterprises are operating;
- equipment and goods procured for enterprises;
- the profile of beneficiaries (e.g., disadvantaged individuals, youth, women or people with disabilities);
- training to be coordinated for funded enterprises; and
- identified challenges and remedial measures that were put in place.

The report containing this information will then be tabled in council for noting and/or adoption. The non-submission of annual reports to the AG calls for “institutionalisation of disciplinary actions” against responsible committees or municipal officials (SALGA, 2018). Furthermore, such reports should also be scrutinised by internal auditors to establish whether appropriate supply chain systems and processes were followed. The supply chain

processes must be aligned with the NTR (2019), which dictates that municipalities must circumvent overspending on low-priority municipal programmes and projects. Costs must be contained and spent on high-impact programmes that will make a positive impact on societies' livelihoods.

It should be noted that all essential documents involved in the grant funding process, such as notices of acknowledgement of application, approval or disapproval and resubmission or appeal, supply chain documents, and any other related documents connected to the grant funding, are fully endorsed by the Director DEDT and the Municipal Manager.

4.6.2 Content model of grant application

It became apparent from the content of chapter 2 that access to funding for enterprises was a key issue; hence the fact that there are various government agencies, entities and departments that strive to support enterprises by means of financial assistance. However, financial institutions such as banking corporations have their own particular financial aid criteria and requirements that must be complied with in order to secure funding. In this regard, Breiling (2017:40), Seed Academy (2019:6-19) and the National Research Foundation (NRF) (2016:25) outline general requirements and criteria that enterprises are expected to comply with. These include the following:

- a list of shareholders or directors with their curriculum vitae and certified identity documents;
- proof of banking details, bank statements and estimated financial statements;
- an outline of the circumstances and context in which the identified problem or financial opportunity occurs that might affect the envisioned results;
- the identification of inputs and resources that will assist in achieving the envisioned goal, notwithstanding obstructions that can translate into the enterprise's failure;
- an explanation of the interventions or activities that the enterprise will pursue, inclusive of the expected positive impact of the enterprise, such as the empowerment of women, youth and the disabled through skills development;

- projected outcomes, including long-, intermediate- or short-term effects;
- the credit history of all enterprise members or key shareholders;
- a comprehensive business plan;
- the enterprise's contractual capacity and capability to repay the financial loan;
- the fact that the entrepreneur applying for funding must actively partake in the day-to-day operation of the enterprise;
- the entrepreneur should possess experience, knowledge and skills that are aligned to the type of the industry or business;
- the entrepreneur should contribute financially to enterprise expansion or start-ups (e.g., collateral);
- enterprise activities must be undertaken with a profit-making motive and be economically viable;
- evidence of a premeditated path for uniqueness and innovation within the business industry;
- alignment with the national, provincial and local government policies and priorities;
- the extent and nature of partnerships that provide funds and other non-financial support;
- the availability of a contingency plan or risk mitigation plan;
- the enterprise's cash-flow projection should be a true reflection; and
- entrepreneurs must demonstrate understanding of the volatile and competitive nature of the business landscape.

Having stated the general requirements of various institutions, Dr KKDM also has its specific requirements and compulsory documents for financial applications. If these documents are not completed in detail or if some documents are not submitted, the application will be considered “unresponsive”. The following are the required documentation for SMME and co-operative funding applications (Dr KKDM, 2014a:4):

- application letter;
- business plan and company profile;
- quotations;

- copies of identity documents;
- registration certificate;
- proof of residence (rates and taxes statement);
- proof of banking details; and
- tax clearance certificates.

Below are the qualifying criteria for enterprises that desire to be funded by Dr KKDM (Dr KKDM, 2014a:2):

- Application form: The application form should be completed in full, dully signed and submitted to the Dr KKDM by the applying enterprise.
- Proof of registration: Applications must provide proof of incorporation in the form of a certificate of registration that indicates the name of the business, its registration number, information about the registered office and the names of directors.
- Proof of decision to apply for funding: The applying enterprise must be able to provide a resolution for it to apply for the grant. This could be by way of attaching the minutes of the enterprise taking a decision to apply for the grant.
- Business Plan: The applicant must attach a business plan.
- Quotation: Should an application include the purchase of goods, three valid and comparable quotations should be attached to it.
- Tax clearance: The applicant must submit a valid tax clearance certificate.
- Certified copies of IDs of directors: The applicant must submit certified copies of the identity documents of directors
- Constitution: The applicant must submit a certified copy of its constitution, depending on the type of registration of the enterprise (co-operative).

Deriving from the above exposition, and the funding requirements and financial assistance criteria outlined, it can be deduced that Dr KKDM does have requirements and criteria for the funding of SMMEs and co-operatives. However, these requirements and criteria

- are not systematically incorporated into a comprehensive funding model;

- do not adequately make provision for the unique circumstances of enterprises;
- do not make provision for some other pertinent elements required in funding emanating from the literature review.

As far as the latter limitation is concerned, the following additional elements should be incorporated into a comprehensive model:

- the identification of inputs and resources that will assist in achieving the envisioned goal, notwithstanding obstructions that can cause the enterprise's failure;
- the fact that entrepreneurs should partake in the day-to-day operation of the enterprise;
- an assessment of enterprise's contractual capacity and exhibition of capability to make profit;
- an indication of the projected outcomes of the enterprise and benefits to the community;
- the inclusion of a detailed risk assessment inclusive of contingency and risk mitigation strategies;
- evidence of the unique nature of the new business venture;
- an assessment of the entrepreneurs' experience, knowledge and skills in line with the nature of the business;
- a continuous audit to confirm that entrepreneurs contribute financially towards the expansion and growth of the enterprise; and

These aspects will be verified in the empirical investigation in the next chapter. The participants will be requested to add potential additional issues to this list and to assess limitations in the existing financial arrangements of Dr KKDM. The refined and updated list of aspects will then be incorporated into a final funding model in the last chapter of this study.

4.7 CONCLUSION

In relation to the above exposition, it is evident that Dr KKDM has a track record of aligning its LED programmes with national imperatives. It was also established that the municipality has established organisational structures in support of SMMEs and co-operatives. As such, it acts as an agent of fostering enterprise development in line with national government's grant funding scheme. Funding of SMMEs and co-operatives should be accompanied by economic spin-offs for society because employment opportunities are created, where local service providers are afforded an opportunity to procure equipment and goods for local beneficiaries. Furthermore, the availability of resources and economic infrastructure can create employment opportunities, which can ultimately contribute to reducing poverty and curtailing prevailing social challenges. As a service delivery agency, the Dr KKDM must, however, ensure that taxpayers' money is managed and accounted for in order to inhibit fruitless and wasteful expenditure. In this regard, the district has formulated criteria and requirements that applicants should comply with during the funding application process. However, existing funding arrangements have certain limitations and further improvement is required. In this regard, particular funding challenges have been identified.

The following chapter comprises the report on an investigation of the limitations in existing funding arrangements between Dr KKDM, SMMEs and co-operatives. Furthermore limitations are identified by mean of a literature review and case study analysis. The final funding model will be presented in the last chapter.

CHAPTER 5

A FUNDING MODEL FOR SMMEs AND CO-OPERATIVES IN DR KENNETH KAUNDA DISTRICT MUNICIPALITY: EMPIRICAL FINDINGS

5.1 INTRODUCTION

In the preceding chapter the parameters of a Dr KKDM funding model for SMMEs and co-operatives was outlined. An overview of Dr KKDM in general was provided. SMMEs and co-operatives within the district were similarly discussed, with specific reference to what led to their establishment, how were they established, and their current interaction and funding arrangement with the district. Furthermore, the existing funding model and its limitations were described whereby both the content and processes of grant applications were scrutinised, as well as proposals on how the existing funding model can be reviewed.

The purpose of this chapter is to report on the empirical findings emanating from the investigation into SMME and co-operative funding arrangements by means of the utilisation of semi-structured interviews. First the research design and method is described, as well as the limitations and challenges that the researcher encountered during the data collection. The research results that assist with addressing the main research problem are then presented. The results provide a trajectory for a more feasible funding model for SMMEs and co-operatives.

5.2 RESEARCH METHODOLOGY

Igwenagu (2016:5) asserts that research methods can be regarded as “a set of systematic techniques used in research”. The methodology therefore serves as a blueprint for scientific inquiry, since it outlines how the research endeavour will be conducted. A clear exposition of the applicable research methodology has, according to Igwenagu (2016:6), the following advantages:

- it assists in the capability to evaluate and utilise research outcomes with assurance and to make informed decisions;
- it guides the development of a scientific and critical approach to research; and
- it provides an ethical orientation and advances the ability to learn from findings.

Brynard and Hanekom (2006:36) furthermore maintain that research methodology directs the plan, structure and execution of studies so that one can adhere to the scientific demands of validity, truth and objectivity.

5.2.1 Research design

The research design is fundamentally a framework on how the research will be conducted, from the initial stage of formulating a hypothesis and its operational effects to the analysis of data. In this regard, Kothari (2004:31) asserts that a research design is “the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is also a decision with regard to how much, when, what, where and by what means a research study translates into a research design”. Furthermore, the design facilitates the systematic gathering, measurement and analysis of data.

According to Kothari (2004:33), a research design applicable for a certain phenomenon regularly includes contemplation of the following aspects:

- the means of information gathering;
- the abilities and availability of the researcher;
- the purpose of the problem to be researched;
- the nature and extent of the problem to be researched; and
- the availability of resources such as funds and time for the research.

A good research design is habitually characterised by elements such as efficiency, flexibility and applicability. In general, the design reduces preconceptions and increases data analysis reliability.

5.2.2 Qualitative research design

Mouton (2001:94) reasons that qualitative research designs have a distinctive character because they offer a researcher an opportunity to understand how and why participants perceive particular events, circumstances or situations. Kothari (2004:3) posits that the primary objective of utilising a qualitative research design is to “discover the principal desires and causes for research purposes”. Kumar (2011:40) similarly states that a qualitative design is most applicable if the study’s aim is principally to describe a circumstance, event, phenomenon or problem. As noted in Chapter 1, a qualitative research design was utilised in this study, since the participants’ opinions and perceptions were studied. Information was collected by means of semi-structured interviews.

5.2.3 Case study design

Yin (1984:23) defines the case study research method “as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between the phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”. Mocko, Teegavarapu and Summers (2008:4) define a case study as an “empirical research method used to investigate a contemporary phenomenon, focusing on the dynamics of the case, within its real life context”. These cases can either be explanatory, exploratory or descriptive (Zainal, 2007:3). Kothari (2004:108) states that a case study design involves a “cautious and thorough observation of a family, a cultural group, a person, an entire community or even an institution”. The emphasis is placed on the analysis of a restricted number of happenings or conditions and how they are interrelated. The case study further entrenches perception, offers clear insight in relation to life events and the researcher ultimately proposes ways of reform. Igwenagu (2016:6) adds that a case study design constitutes an attempt to outline relations that exist in reality.

For the purpose of this study, Dr KKDM served as the case. The units of analysis within this case were 24 purposively sampled participants comprising both enterprise representatives and local government officials.

5.2.4 Sampling and target population

Collins *et al.* (2007:147) state that sampling can be regarded as “a selection technique that is utilised for identification of certain people who will eventually be a depiction of the whole group”. Wood and Ross-Kerr (2011:71) similarly state that the main objective of sampling is to acquire a representation of the target population. In other words, the representative sample should share common characteristics, opinions or attributes of the target population. Kumar (2011:177) confirms that sampling “is the process of selecting a few (a sample) from a bigger group (the sampling population) to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group”. In essence, a sample is a subgroup of the population the researcher is interested in, and sampling is intended to either acquire in-depth data in relation to the circumstance, episode or event, or to elicit more information about various facets of a person, assuming that the person is representative of the group and is the appropriate individual from whom to seek insightful information (De Vos *et al.*, 2011:232).

According to Kumar (2011:176), sample selection is typically influenced by the following:

- “the simplicity in gaining access to potential participants;
- “the researcher’s judgment that the participants possess broad knowledge with regard to the phenomenon;
- “the phenomenon or situation is of interest to the researcher; and
- “the distinctiveness of the subject matter and individuals who conform to it”.

Purposive sampling was used for this study, whereby the researcher purposefully selected participants. The decision for their selection was primarily based on the expertise, knowledge and experience they possessed in relation to the phenomenon under

investigation. A sample size of 24 participants was selected to represent the target population consisting of SMME and co-operative representatives and Dr KKDM officials.

5.2.5 Data collection method

Bless *et al.* (2006:116) assert that face-to-face interviews can be regarded as an “interface between the participant and the researcher, whereby questions are posed to the participant and he/she answers according to the presented problem”. Kumar (2011:137) also asserts that “an interview is a verbal interchange, often face to face, though the telephone may be used, in which an interviewer tries to elicit information, beliefs or opinions from another person”. Thus, an interview can be defined as individual-to-individual interaction, either face to face or else among two or more persons with the specific objective of soliciting information. Furthermore, Kothari (2004:97) and De Vos *et al.* (2011:352) hold that an interview is the preferred data collection method to obtain rich information regarding a phenomenon, since it contains reciprocity with regard to the verbal responses of participants.

Kumar (2011:137) further explains that when a researcher interviews a respondent, the researcher has independence to take a decision in relation to the content and layout of the research questions, the wording and the order, and manner in which questions will be probed. The interview process could either be flexible, whereby the researcher can think and immediately formulate questions about the subject matter being studied, or inflexible, whereby the researcher maintains strictness with regard to questions that were formulated beforehand, together with their sequence, wording and the way in which questions are probed.

A semi-structured interview technique was utilised for the purposes of data collection in this study. An interview schedule was designed based on the theoretical and statutory perspectives obtained in chapters 2, 3 and 4. It was pre-tested (piloted) using four participants. Van Teijlingen and Hundley (2002:2) define pilot studies as “mini versions of a full-scale study (also called “feasibility studies”), as well as the specific pre-testing of a particular research instrument such as a questionnaire or interview schedule”. Doody and

Doody (2015) cited in Fraser *et al.* (2018:263) state that pilot studies are administered to test the viability of procedures, interviews, techniques and surveys and in what way they work together in a certain environment. The pilot furthermore typically exposes practical and ethical matters that can impede data collection.

The original interview schedule was adjusted based on the responses of the participants. These responses revealed that some questions contained ambiguities. The researcher also recorded the time it took to complete the interview sessions and this made it possible to set more realistic schedules for the appointments made with selected participants.

The interview schedule comprised questions to obtain the biographical profiles of the participants, and consisted of closed- and open-ended questions. The open-ended questions gave the participants the opportunity to make detailed submissions of their perspectives. Follow-up questions were posed by the researcher to clarify responses and to obtain more in-depth insight into the issue under investigation.

5.2.6 Analysis of data

Flick (2013:5) defines qualitative data analysis as “the classification and interpretation of linguistic (or visual) material to make statements about implicit and explicit dimensions and structures of meaning-making (subjective or social meanings) in the material and what is represented in it”. Furthermore, data analysis combines methods of a coarse analysis of material (e.g., summaries, overviews, condensation) with methods of exhaustive analysis (e.g., identified structures, elaboration of categories or hermeneutic interpretations) (Kothari, 2004:372).

For the purpose of this study, data analysis was facilitated by using Microsoft Excel spreadsheet. The coding of data led to the identification of themes. These themes were made applicable to analyse and quantify (e.g., number of positive or negative responses) the results per open-ended question.

5.2.7 Study limitations

The study was limited to the three local municipalities of Dr KKDM, namely JB Marks municipality, the City of Matlosana and Maquassi Hills municipality, and the SMMEs and co-operatives operating within the municipal borders. The findings can thus not be generalised to all district municipalities in the country or any other SMMEs or co-operatives. There are, however, some findings that are generic in nature. This implies that there may be some similarities across all municipalities in South Africa and that some findings might be repeated elsewhere. It also implies that the proposed funding model has more universal application value than only this particular case.

A further limitation of the study is that the results are time sensitive. Individual local municipalities might improve their financial engagements with SMMEs and co-operatives within their area of jurisdiction and the nature and scope of business operations could change over time. Different findings might thus be obtained should the study be repeated in future.

5.2.8 Ethical considerations

The researcher adhered to stringent ethical guidelines and rigorous procedures of North-West University. Ethical clearance was obtained from the Ethics Committee (Ethics Registration Number: NWU-00719-17-A7). Permission was also obtained in writing from the “gatekeeper” (Dr KKDM, Office of the Municipal Manager). Furthermore, the confidential treatment of information obtained, the anonymity of participants and their voluntary participation were ensured.

5.2.9 Challenges that surfaced during data collection

A number of challenges emerged while conducting the interviews. These challenges could serve as valuable lessons for similar future research planned and executed in other district municipalities. Some of the most significant challenges encountered included the following:

- last-minute postponements of interview appointment by participants due to changing work demands;
- COVID-19 posed a significant challenge for face-to-face interviews, but all the required safety protocols prescribed by both the University and Dr KKDM were strictly adhered to (i.e., the wearing of masks, social distancing and sanitisation);
- some interviews were interrupted by urgent phone calls and other work obligations; and
- invitations and consent forms were sent to SMMEs and co-operatives, but some of them were unable to print and resend the documents, causing some delays.

5.3 RESEARCH RESULTS AND ANALYSIS OF FINDINGS

The interview schedule made provision for two sections; Section A elicited information on the demographic profile of the participants (both Dr KKDM officials [cohort 1], and SMME and co-operatives [cohort 2]), and Section B elicited the responses of the participants to questions posed.

5.3.1 Section A: Demographic profile of participants

This section outlines the demographic profile of cohort 1, namely Dr KKDM Officials.

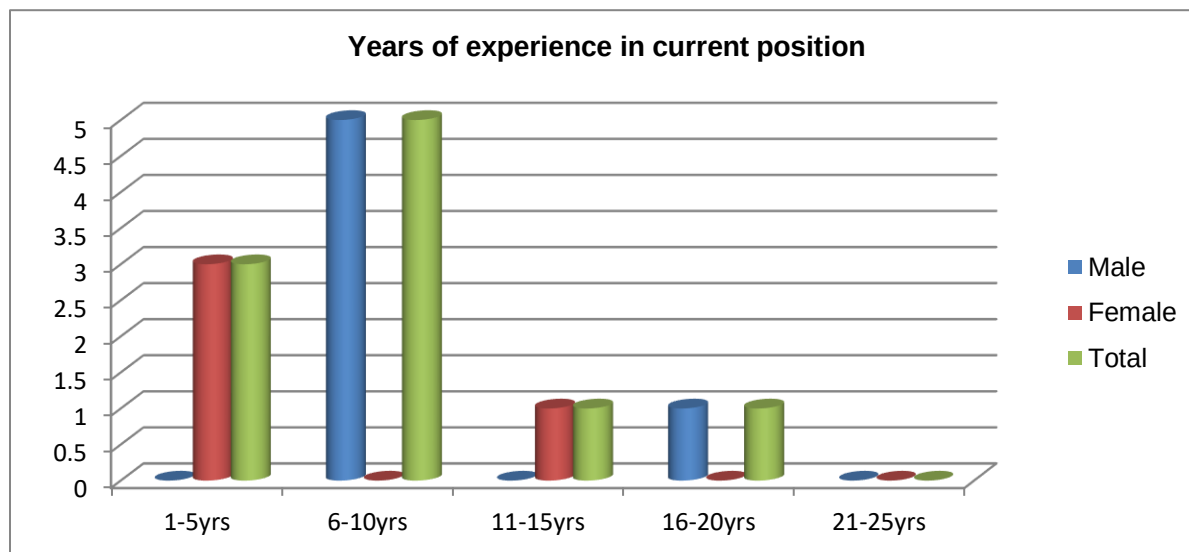
5.3.1.1 Dr KKDM Officials

The gender profile of the participants from cohort 1, as well as their years of experience in their current positions, are presented in tables 5.1 and 5.2, and figure 5.1 below.

Table 5.1: Gender profile of cohort 1

Male	Female
6	4

Figure 5.1: Years of experience in current position



The majority of the participants from cohort 1 had between six and 10 years of experience. This number of years meant that they were in a position to provide reliable and relevant information regarding the funding realities pertaining to SMMEs and co-operatives.

Table 5.2: Years of experience in local government

Nr of years	1- 5	6-10	11-15	16-20	21-25
Male	-	4	1	1	-
Female	2	-	1	-	1
Total	2	4	2	1	1

Similarly, the majority of the participants from the local government sector had between six and 10 years of experience.

5.3.1.2 Demographic profile of enterprises

Tables 5.2 to 5.4 and figures 5.2 and 5.3 below show the demographic profile of the participants in Cohort 2, namely representatives of SMMEs and co-operatives (collectively referred to as “enterprises”).

Table 5.3: Gender profile of Cohort 2

Male	Female
8	6

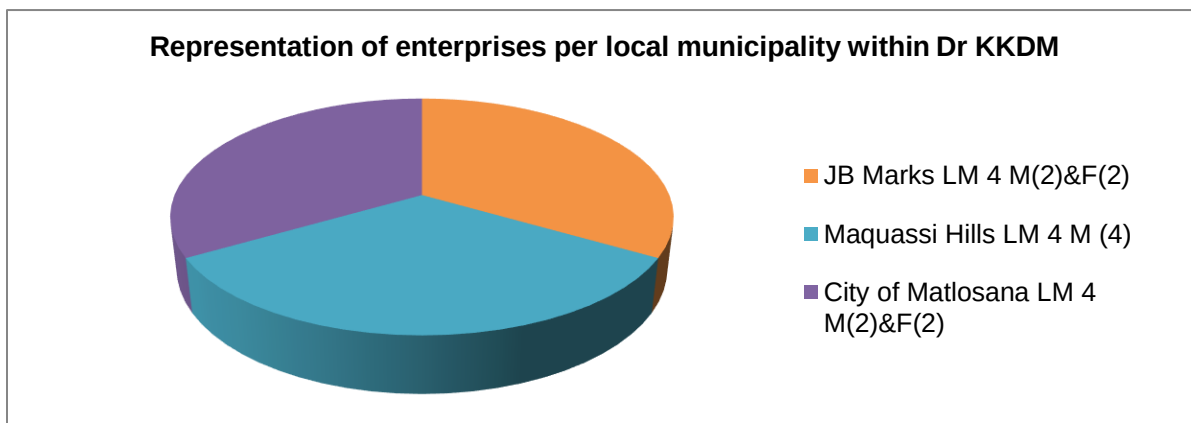
An effort was made to obtain a representative sample of genders. The almost equal spread of genders testifies to the success of this effort.

Table 5.4: Age profile of Cohort 2

Nr of years	18-25	26-32	33-39	40-46	47>
Male	-	-	5	1	2
Female	-	-	-	2	4
Total	0	0	5	3	6

The majority of the participants were older than 40. This confirms the experience profile of the participants (figure 5.3).

Figure 5.2: Representation of enterprises per municipality in Dr KKDM



This figure confirms the high level of representation of the target population by reflecting that the three local municipalities with the district (JB Marks LM, Maquassi Hills LM, and the City of Matlosana LM) were almost equally represented.

Figure 5.3: Years of experience in business



The findings confirm that the majority of participants had between six and 10 years of experience in local business. This was adequate to obtain valid and reliable input regarding SMME and co-operative funding realities in the district.

Table 5.5: Qualifications

Qualifications	<Matric	Matric	Diploma	Degree	Hons >
Male	1	5	2	-	-
Female	-	3	2	1	-
Total	1	8	4	1	0

The relatively high educational profile of Cohort 2 in conjunction with the number of years of experience were sufficient to obtain accurate and rich data.

5.3.2 Section B: Results emanating from the interviews

This section comprises an analysis of the responses obtained from Cohort 1 (Officials of Dr KKDM). The question posed and the resultant responses of participants are indicated, where possible, verbatim responses are reported.

5.3.2.1 Responses of Cohort 1 (Dr KKDM Officials)

Q1: What, according to your expert opinion, are the main challenges as far as the funding of SMMEs and co-operatives in the local government sphere in general and in this municipality in particular is concerned?

The question was aimed at obtaining expert opinion from officials regarding the main challenges pertaining to the funding of SMMEs and co-operatives in the local government sphere in general and in Dr KKDM in particular. The differing opinions expressed were underpinned by the diverse experiences of officials. The majority of the participants (70%) were of the opinion that the departmental funding available was not adequate to address the significant funding needs of enterprises. Although the grant provided assisted enterprises to some extent, only a small percentage of enterprise's challenges could be addressed. The demand was substantial since enterprises wanted to tap into all the funding opportunities availed by government. In this regard, four participants (28.5%) highlighted that although the grant funding made a positive contribution in relation to the initial establishment of enterprises, it was not sufficient to place them on a sustainable financial growth trajectory. Two participants asserted that the funding was not differentiated. It therefore did not make adequate provision for the nature, business scope and size of the enterprises. This response confirms the opinions held by scholars such as Berry *et al.* (2002) and Caner (2014) that were outlined in Chapter 3 above. Caner (2014) reasons that enterprises tend to fail at the initial stages of their activities; hence it is fundamental that they obtain sufficient funding at their initial developmental stages, and that their growth should be sustained through ongoing assistance and support.

Municipalities are obligated to comply with all the financial legislative and regulatory prescripts, such as MFMA (2003), PPPFA (2000) and NTR: Municipal Cost Containment, Notice 31. These prescripts and regulations are also applicable to grant funding. It can be deduced that, whereas there is a call for incremental increases of grant funding, the scarcity of financial and other support resources constrain the efforts of municipalities. It is evident that municipalities should allocate more money to IDP and LED projects that are aimed at

supporting local business development. Asset Insights (2018) advises that an informed decision with regard to resource allocation should be taken by municipalities in order to avoid the underfunding of critical projects.

A further challenge identified by two participants was that proper planning and budgeting were largely absent. Without detailed planning and budgeting, the funding of enterprises remains a serious challenge. Coupled to this challenge is the fact that grant funding is “shifted” from one department to the next. This means that funding from the LED unit might be reallocated to another municipal department. Shifting priorities occur mainly because infrastructural projects are usually prioritised on account of the fact that they are considered “emergencies”, depending on the dynamics and circumstances during the time of funding allocations. The aspect of proper planning and budgeting is mandated by Section 153(a) of the Constitution, which stipulates that each municipality must “structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”. Indeed proper planning and budgeting are essential, because there will be no need for deviations and virements if each department manages its budget without any encroachment from other departments.

In relation to the funding requirements and criteria, four participants (40%) were of the opinion that the criteria were synonymous with “red tape”, since enterprises had to already be in operation in order to apply and qualify for funding. The challenge is centred on the fact that some enterprises do not have the required start-up capital to commence business operations, but often have the necessary business acumen and zeal to make a success of their enterprises. They thus might have a viable business proposition and plan, but since they are not in operation they do not qualify for funding.

A further challenge, which was identified by participant 3, was the fact that enterprises in general have little knowledge of all the funding requirements and criteria. This leads to a situation in which worthy enterprises simply do not apply for funding or they do not adhere to all the administrative requirements in their applications. In this instance, some applications are thus disapproved. This finding should be considered in conjunction with

the fact that most of the participants from Cohort 2 have adequate educational qualifications and business experience. It can thus be deduced that the problem of limited knowledge about funding applications is not due to inexperience or the educational limitations of enterprise owners. The reason is more likely situated in aspects such as limited marketing and advertisements, exposure, explanation and information on official websites and other official documentation. The application process and administrative requirements are rather complex. Various support documents, for example, need to be attached when submitting an application. Applicants often comprehend the funding information (requirements and criteria), but do not submit all the relevant documentation; hence the disapproval of their applications. Participant 6 observed that it seemed that the advertisement inviting enterprises to apply for funding did not allow adequate time to comply with all the administrative requirements. Currently, such advertisements are placed in local newspapers and forwarded to local municipalities. The closing date for applications is two weeks later. It seems that this period is too short for enterprises to apply and should be balanced with the funding planning and approval processes in the municipality.

In relation to supply chain processes, participants 4, 5 and 7 stated that these processes in general frustrated applications. The appointment of service providers by the municipality was often detrimental to their business, since some service providers purchase low-cost and poor quality goods with high profit margins. These participants reasoned that this constituted a significant challenge. In some instance, although funding might be approved, not all goods and material required are delivered. When these goods and material are eventually provided, they often do not conform to the specifications submitted by enterprises during the application process. The non-compliance with supply chain rules and regulations might translate into municipal officials, councillors or boards of directors of municipal entities being liable for financial delinquency. With regard to the appointment of service providers, in Chapter 3 above it was explained that sections 9(1-5), 22, 33(1-2) and 217(2) of PPPFA (2000) stipulated adherence to supply chain regulations and related legislation. This implies that municipalities have both a moral and legal obligation to intervene if procured goods are not of acceptable quality and price. The NTR (2019) also advocates for cost containment and stipulates that quoted prices should be cost effective yet of good quality.

A further challenge highlighted by participant 9 concerns unethical conduct and favouritism. This includes political interference in funding processes. The CAMF (2018) serves as a regulatory mechanism on alternate actions that could be taken in a situation in which either municipal officials or councillors have underperformed or transgressed legislative and regulatory prescripts. The MFMA (2003) also emphasises ethical conduct by asserting that political office-bearers and municipal officials are answerable for fruitless or irregular, unauthorised and wasteful expenditure if they are cognisant or have been cautioned by the Accounting Officer. The NTR (2019) and FMPCP (2014) stipulate the actions that should be taken against transgressors and the criminal proceedings thereof.

Q2: What do you think should be done to address these challenges?

The question required recommendations on how the challenges can be addressed and how existing funding arrangements can be amended. In relation to grant funding, five participants (50%) mentioned that the grant (amount) should be increased.

Participant 2 proposed that a three-year enterprise support programme should be developed. Such a support programme should assist enterprises with normal business operational funding and after three years they should be self-sufficient and exit the programme.

Participant 3 proposed that funding should be dependent on and subject to a thorough assessment conducted by municipal officials to determine the business functionality and general performance of enterprises. This notion was supported by participant 4, who stated that some enterprises had business potential but failed to secure adequate funding to place it on a viable financial footing. Enterprises not require only start-up capital, but should be supported during critical business development initiatives. If these incremental business needs could be addressed, these participants argued that enterprises would have good business prospects and significantly contribute to LED through job creation and the promotion of financial prosperity.

In relation to funding requirements and criteria, participants 7 and 9 were of the view that the funding criteria should be revisited in order to accommodate enterprises that were currently not operating. It was suggested that the municipality should utilise the amended criteria as a tool to safeguard public money. This suggestion confirmed the view of authors such as Cant *et al.* (2003), Kambikambi (2003), and Perera *et al.* (2005), noted in the literature review, who argued that unnecessary bureaucratic red tape hampered small business support.

Participant 10 proposed that funding agencies should appoint officials with business experience so that they could appreciate the challenges that small business typically encountered and consequently design more business-friendly and developmental-orientated policies. The participant continued that “the appointment of experienced personnel in business will also have a positive trickledown effect on municipal officials and councillors, as there will be knowledge transfer from business specialists ... meaning that, in the near future, municipal officials will be experts and be in possession of both public and private sector knowledge and skills”.

Participant 3 suggested that the municipality should be more “technologically innovative” in order to make the application process more user-friendly and cost effective, and also reduce paperwork. In a similar vein, participant 6 suggested that information should be availed on all media platforms so that enterprises that were located in deep-rural and disadvantaged areas could have access to funding information.

Participant 8 recommended that a database of all funded and unfunded enterprises should be developed and continually updated. Such a database would assist in municipal LED planning and budgeting. The participant further suggested that the database could reflect on how the municipality had made strides as a developmental agency and the unfunded ones could provide desktop information on how much funding was required. In a similar vein, participant 3 suggested that it would be ideal if the municipality could register as an administrator on the Central Supplier Database (CSD) in order to access enterprise information. Then, if the enterprise was not compliant, the municipality could immediately identify missing information. CSD functions as the only source of supplier data for state

organs. It provides consolidated, updated, complete and certified supplier data (National Treasury, 2016). The system is credible and administered by National Treasury, and there are no financial implications, so the municipality could register and access relevant information.

Q3: Please review the draft funding framework and answer the following questions:

Q3.1: Does this framework make provision for all the processes and steps associated with SMME and co-operative funding?

The participants were exposed to the draft funding framework outlined in Chapter 4 and requested to provide input regarding the elements and process steps in the model with a view to refining and improving it. This question's objective was thus to seek responses on whether the framework made adequate provision for all the processes and steps associated with SMME and co-operative funding and whether it was congruent with the challenges highlighted by Cohort 1.

All the participants (100%) responded that the framework indeed made adequate provision for all the processes and steps associated with SMMEs and co-operative funding. However, some participants made some recommendations to further refine the framework. One participant indicated that Step 5.1 in the framework should be amended to make provision for the substantial delay should an application be referred back, usually due to outstanding support documentation. Enterprises should have adequate time to respond and resubmit the application before the supply chain processes commenced. It should be noted, however, that this could disrupt established municipality workflow processes. Adequate administrative systems should therefore be put in place to keep track of submissions, referrals and resubmissions.

With reference to Step 10 in the framework, three participants (30%) suggested that a proactive monitoring tool should be developed that could detect, in the early stages, whether there was adequate business growth, whether more funding was required, or whether there were any unresolved challenges such as enterprise capacity, business turnover, or health and safety concerns. The presence of a performance management

official in the municipality evokes hope that such a monitoring tool might be developed. This suggestion was confirmed in the literature review, where it was noted that authors such as Van der Waladt (2006) reflected that the PMS should assist municipalities to become more innovative, responsive and accountable in the delivery of services.

With reference to Step 9, two participants (20%) were of the opinion that when goods were delivered, officials from the supply chain and LED, as well as representative of enterprises, should sign the delivery note. This is necessary to confirm that goods of the required quality and quantity have been procured and delivered to the appropriate beneficiary. The signing of delivery notes is essential, but it is also crucial that enterprises scrutinise goods delivered before they attach their signatures to the deliver note.

Q3.2: What do you think should be added or adjusted to make the model more operational?

This question was intended to further refine the model with the specific purpose of making it more operational, that is, practical. Eight participants (80%) mentioned that the draft model was appropriate because it included the monitoring and evaluation aspect (Step 10). One participant added that “tools of the trade” should be in place and that the capacity of the municipality to monitor and evaluate enterprises should be improved. The participant argued that the existing LED unit was not fully capacitated and it was consequently a challenge for them to discharge their oversight duties.

Participant 7 echoed that officials were usually not business analysts and that they in general did not have the required expertise to monitor the growth of enterprises. The participant therefore urged that officials should be empowered and capacitated to adequately perform such a function.

In relation to supply chain processes, one participant was of the opinion that Step 6 should make provision for the fact that, immediately after the approval of application, supply chain processes must unfold and budget spending timeframes should be adhered to.

Based on the limited responses of participants from Cohort 1 (i.e., officials), it can be deduced that the proposed draft framework or model is indeed adequate to address current funding realities. In light of the additions and amendments proposed by participants (inclusive of the responses of Cohort 2), it could be argued that the proposed model will indeed make a significant contribution to improve funding arrangements with SMMEs and co-operatives.

Q4: Elaborate on the effectiveness of control mechanisms to improve the enterprises funding model

This question's intent was to gather views on how the effectiveness of control mechanisms could be improved.

With regard to monitoring and evaluation, participants 1 and 3 stated that it should cut across all the stages of the model. Monitoring should also be focused on the achievement of the specified timeframes. Four participants (40%) were of the view that there should be specific target dates that had to be strictly adhered to for every step in the funding process. This would ensure the smooth transition from one step to the next and would also accelerate the respective steps. The monitoring and evaluation of enterprises would also assist in guarding against the deviation of enterprises from their core business. The notion of monitoring was also mentioned in response to Q3.1 by three officials (30%), suggesting the need for a proactive monitoring tool.

Participant 5 proposed that better planning and more effective budgeting would improve the effectiveness of the model. The matter of budgeting and planning was also mentioned in response to Q1.

Q5: Are the current requirements and criteria used in the existing funding arrangements of the Dr KKDM still relevant and, if not, what changes can be effected?

Nine participants (90%) argued that the requirements and criteria were still relevant. They substantiated their statements by asserting that the requirements fully complied with National Treasury regulations. One participant, however, reasoned that the criteria should accommodate start-up enterprises. In other words, enterprises that are not in operation should also be given an opportunity to apply for funding. This matter was also highlighted in responses to Q2.

Q6: What are the two major challenges that enterprises face when applying for funding?

Five participants (50%) maintained that non-adherence to compliance criteria, and in particular the submission of documents (e.g., proof of bank account), was one of the major challenges faced by enterprises while applying. This assertion is supported by Berry *et al.* (2002), who states that factors such as the submission of poor information, the absence of enterprises' credit records and an inability to outline and explain business plan contents were some of the compliance challenges.

Other challenges mentioned included the following:

- some quotations were hard to obtain because there were only one or two suppliers, such as for specialised heavy duty machinery (frequency: 3)
- limited funding (frequency: 1)
- absence of a complete municipal database (frequency: 1)
- lack of knowledge regarding the requirements and criteria of grant funding (frequency: 1)
- unnecessary bureaucratic red tape in funding applications and approvals (frequency: 1)

Q7: What measures can be put in place to ensure that government monies are not wasted?

Participants 1, 3 and 7 postulated that enterprises should be comprehensively assessed in order to obtain clarity on whether their businesses were sustainable. Business plans were submitted in the application process, but these plans did not adequately indicate whether the business is indeed feasible. As was confirmed in responses to Q3.2, officials are not business analysts *per se* and find it difficult to determine the viability and feasibility of enterprises. They thus struggle to thoroughly scrutinise business plans and make informed decisions. The participants thus suggested that business analysts should be recruited to monitor enterprises.

Other measures proposed included the following:

- effective monitoring and evaluation (frequency: 3)
- mentorship from government development agencies (frequency: 2)
- compliance with public-private partnership regulations, as advocated by MSA (2000) (frequency: 1)
- screening of service providers (frequency: 1).

Q8: What measures can be put in place to ensure that enterprises remain committed to their businesses after receiving funding?

Participant 2 stated that “entrepreneurship is a calling, but unfortunately in South Africa it is regarded as an alternative when one is unemployed”. Enterprises need “self-drive” rather than being monitored. Furthermore, municipalities do not have the capacity to monitor them full time. This opinion is confirmed by Mjema (2002), who asserts that there are “high birth rates and high death rates” of enterprises due to the fact that they were not established due to aspiration and commitment but because funding was available. Kambikambi (2003) also asserts that the lack of commitment, clear business objectives and personal drive can impede enterprise growth, leading to business failure.

Four participants (40%) reiterated that monitoring and evaluation were essential to hold enterprises committed and accountable. In more practical terms, participants 3 and 9 suggested that there should be an official agreement between enterprises and the municipality confirming that the support material and equipment provided to them would remain the property of the municipality for a period of at least five years. If enterprises were not operational, the municipality would then have the right to confiscate such support material and equipment. Such an agreement should commit enterprises to the cost-effective and efficient utilisation of resources for business growth. This view is supported by Roach (2016), who postulates that government as a “principal” should safeguard its funds by means of a contractual agreement that will comprehensively capture the principal’s expectations from the agent.

Participant 2 suggested that government should procure goods and services from enterprises funded by the municipality because this would boost their morale and they would be committed if they received support from government. It should be noted, however, that the stipulations of the MFMA (2003) and National Treasury in relation to business undertaking cannot be contravened.

Q9: After the procurement and delivery of goods and equipment to enterprises, what, according to you, are the main challenges that they experience as far as interaction with the municipality is concerned?

Three participants (30%) stated that there was a “communication breakdown” between enterprises and officials after the goods were delivered. They suggested that there should be continuous communication between the two parties to maintain the partnership. Hence, the officials deemed monitoring and evaluation an important measure that could assist in opening the lines of communication.

Participant 4 reasoned that when enterprises had received goods, they had no obligation to interact with the municipality. Instead, it was the municipality’s responsibility to do follow-ups on their investments. The above opinion is confirmed by Attila (2012), who states that

“the principal invested in the agent with taxpayer’s monies; therefore it is imperative that the principal must safeguard its investments”.

Participant 6 insisted that “infighting among members with regard to management and finances” was a significant challenge. The participant suggested that conflict management training should receive priority.

“Market volatility” was identified by three participants (30%) as a challenge, since market demand was often too low for viable business. This statement is confirmed by Cant *et al.* (2003), Kambikambi (2003), and Perera *et al.* (2005), who state that minimal business opportunities and market impediments hamper new business entry.

Three participants alluded to the fact that enterprises were producing on a relatively small scale. After acquiring support and equipment, their level of production usually increased and they suddenly had to cope with operational costs such as electricity and water usage, bills and salaries. One participant suggested that enterprises should be alerted to the fact that they needed to develop contingency plans to make provision for market fluctuations, safety and security concerns, and other typical business risks.

Q10: Are there any statutory, regulatory and legislative prescripts that act as obstacles to the effective operation of enterprises?

Three participants (30%) alluded to the fact that there were various statutory, regulatory and legislative prescripts that were obstacles to the effective operation of enterprises, but that they varied from sector to sector. TIPS (2017) confirm the view that there are some penalties prescribed by legislation and regulations on enterprises. These vary in terms of sector, formalisation, size, ownership and regional location. However, there are prescripts that compel formal enterprises to be in compliance irrespective of their sector, such as the Companies Act, Cooperative Development Act, SARS and the labour laws administered by Department of Labour.

With particular reference to municipal by-laws, three participants asserted that, in some instances, hawkers were allocated a business site that was not viable (i.e., there is no clientele at the allocated site). Furthermore, some enterprises operated from their homes, in contravention of the Spatial Planning Land Use Management Act (SPLUMA) (2013), which stipulates that residential property cannot be used for business. This implies that the property must be rezoned as a business site. This is a rather tedious process and has significant financial implications for small businesses. Furthermore, the municipality has earmarked specific sites for business development. The problem is, however, that no permanent structures may be erected on these sites. This makes business development extremely difficult.

Participant 7 mentioned that, according to the Occupational Health and Safety Act (OHSA) (1993), businesses had to be in possession of a certificate of compliance. Such a certificate must be reissued annually and non-compliance can result in penalties. This certificate is only issued when a safety plan is submitted and is subject to the inspection of the business premises by accredited inspectors. These inspectors charge a fee for work done. It can thus be observed that there are some prescripts that hamper business development.

Q11: Please make suggestions on how government in general and this municipality in particular can strengthen its support of enterprise development?

This open-ended question led to a broad range of suggestions. Participants 1, 3 and 8 suggested that enterprises should attend accredited training workshops instead of the mere two-day workshops, as is current practice. They further suggested that there should be “multi-disciplinary training” for enterprises and private and government institutions such as SEDA, SEFA, IDC, CIPC, DTI and BASA. This suggestion is confirmed by Cant *et al.* (2003), Perera *et al.* (2005), NCR (2011), NT (2015) and GEMS (2017), who state that the lack of entrepreneurial skills, education and technological innovation is barrier to the growth of enterprises.

Participant 2 suggested the establishment of “incubation centres”, taking into consideration youth innovation initiatives. Similarly, participant 4 contended that it would be ideal for the

municipality to establish a “one-stop shop” that housed both government and private institutions such as SARS, CIPC, DTI, NHBRC, SEDA and SEFA. Participant 5 also reasoned that the municipality should establish “small business industry sites” in all major townships.

Participant 7 proposed that the municipality should develop a website specifically for enterprises, on which enterprises should have a profile according to their sectoral business activities and obtain information regarding market opportunities.

Participant 9 proposed that, during the advertisement and awarding of tenders, the municipality should prioritise the enterprises that received funding because this would encourage them to strive to be better competitors in a volatile market economy. Similarly, participant 10 asserted that the municipality should monitor fair competition, ensure that barriers to entry were lowered and make an effort to foster a sustainable environment. It should be noted that tendering processes are regulated by legislative prescripts such as MFMA (2003) and the municipality does not possess authoritative power to amend such prescripts. The notion that enterprises could be encouraged if they acquire tenders from the municipality is ideal. However, their encouragement should not be dependent on being awarded tenders. The notion that fair competition should be monitored is confirmed by regulations such as FMPCP (2014) and NTR (2019) as they guard against deals with any unjust financial processes and procedures.

Other suggestions made included budget increments for enterprise development and support, as well as continuous political and administrative commitment to issues regarding enterprise development and support.

Q12: Are there any specific training needs that can be undertaken that will assist enterprises to have solid internal control systems?

The following training needs were identified by the participants:

Needs	Frequency (priority)
Financial management	5
Conflict management	3
Marketing	3
Accredited NQF Level 4,5,6 LED courses	1
Business management	1
Business plan development	1
Governance	1
Government regulations and policies regarding enterprises (UIF, OHS)	1
Human resources management	1
Information technology	1
Labour relations	1
Training on document completion (e.g., SARS, Compensation of Occupational Injuries and Disease Act, funding applications)	1

In addition, one participant suggested that although team building was not training, it would be appropriate if enterprise members could attend such sessions because they would assist in issues such as conflict management and group dynamics. Deriving from this discussion, it is observable that training is fundamental for the business empowerment of enterprises.

5.3.2.2 Responses of Cohort 2 (Enterprises)

In this section, the responses of the 14 sampled participants who represented enterprises in Dr KKDM are outlined. The responses of Cohort 2 are compared and contrasted with those of Cohort 1 to highlight any discrepancies or gaps. Such discrepancies or gaps will be absorbed into the adjusted funding model that will be presented in the final chapter.

Q1: What, in your opinion, are the main advantages of SMME and co-operative funding allocated by the municipality?

All 14 participants ($n=14$; 100%) unanimously highlighted the following benefits:

- boosting of existing and newly-established enterprises through the procurement of equipment that will assist in improving and growing the enterprise;
- market accessibility, opening of lines of communication and an increment in professionalism. For example, tour operators received gadgets such as tablets in order to make their work easy; and
- it gives enterprises an opportunity to own equipment rather than to hire.

These opinions are confirmed by Mathunyane (2016), Stan (2014), MSA (2000) and NFLED (2006), who report quicker and inexpensive production of goods and services that are reasonably priced and locally manufactured. Over and above that, the objectives of the WPLG (1998) and NFLED (2006) are achieved, because these prescripts obligate the municipality to stimulate entrepreneurship that can contribute to growth and LED. Deriving from the above statements and confirmations, it can be deduced that the municipality (Dr KKDM) is indeed making strides to be a developmental local government.

Q2: What are the current main challenges associated with SMME and co-operative funding?

Four participants (28.5%) stated that the funding was limited, although it made a positive contribution to establishing and growing their businesses. A suggestion was that enterprises should be funded according to their sizes and activities.

Another pertinent issue that was raised, also by four participants (28.5%), was that the enterprises' expectation was to benefit fully from the grant; however, the service provider gained more due to the high profit mark-up. The dissatisfaction of enterprises with regard to service providers was echoed by officials (Cohort 1). Subsequently, two participants

(14.2%) highlighted that not all the material was delivered by the service providers and there was no correspondence that explained the reason for this. Furthermore, some of the procured goods did not comply with the specifications submitted by enterprises during the application process. This was substantiated by the responses of Cohort 1.

It can be deduced that municipal intervention in relation to the abovementioned challenges is critical so that a relationship of trust between enterprises and the municipality can be established.

Q3: What are the major two (2) challenges that enterprises face when applying for funds from the municipality?

Five participants (35.7%) stated that the turnaround time, from the submission of the application until the delivery of goods, was too long and there was no communication from the municipality to enterprises on how far along the process was.

One participant (10%) was of the opinion that enterprises had little knowledge of how to complete the forms and to submit the relevant documents; hence some applications were not approved. The same opinion was raised by officials in response to Q1. Only one participant (10%) stated that the application process was easy and user-friendly. The two contradictory statements confirm the observation, made above, that some enterprises are able to comprehend and submit the required information and documents, while others are struggling to do so. In order to ensure that all the enterprises are on board and that applications are not disapproved or referred back due to inability, the suggestion made by Cohort 1 regarding an in-house workshop is probably the best way forward.

In relation to compliance documents, two participants (14.2%) stated that obtaining quotations was a challenge, since some of the retailers charged for quotations, arguing that enterprises simply sought quotations and did not return to procure the goods that were quoted for. If quotations are not attached to the application forms, the application is incomplete and the enterprise will be penalised. A similar challenge was raised by Cohort 1 participants in their responses to Q6.

Another challenge, identified by two participants, was that the criterion that enterprises must already be in operation to become eligible for funding was an impediment. Some enterprises had significant business potential and it was therefore argued that such enterprises should also be afforded an opportunity to apply for funding. This challenge was also highlighted in Cohort 1's response to Q2 and Q5.

Two participants stated the fact that municipal officials were not experts in business development and were not always in a position to provide adequate advice and support. Again, this challenge was reflected in Cohort 1's responses to Q7.

In relation to the fairness and transparency of the application process, one participant (10%) indicated that all the applicants should be treated in an equitable manner without favouritism and political interference – as Cohort 1 participants also mentioned in relation to Q1.

Q4: Are there any suggestions on how government can strengthen or improve its support of enterprise development? What can municipalities, in particular, do in their support and oversight function?

As could be expected from an open-ended question such as this, several suggestions were made by the enterprise participants.

Two of them (14.2%) proposed that grant money should be increased, taking into account each enterprise's size, activities and specific needs. A "one-size-fits-all" or "blanket-approach" should not be followed. Another participant (10%) suggested that if the funding need was more than the allocated R30,000, an enterprise should be able to submit a motivation on why the grant should be increased. The suggestion of a grant increment was also raised by Cohort 1 in relation to Q1 and Cohort 2 in relation to Q2. Deriving from these responses, it can be inferred that there are shared sentiments in relation to grant increments and disbursements being more aligned with the particular business needs of SMMEs and co-operatives.

Another suggestion made by two participants (14.2%) was that the municipality should eliminate the need for external service providers, since they increase the prices of their goods and material. They recommend that goods and material should be procured through ordinary supply chain processes in the municipality. This would ensure that goods and material are of the right quality, correct quantity and specifications and that R30,000 is optimally spent.

One participant (7.1%) mentioned that government (inclusive of municipalities) expects enterprises to have adequate experience when they apply for funding. However, start-up small businesses have not yet developed such experience. Such businesses should receive support to gain experience. In the same vein, another participant (7.1%) suggested that emerging enterprises should eventually “graduate to another level” by becoming more “independent”, but this required adequate government support. Consequently, four participants (28.5%) suggested that when government advertised for tenders, it should prioritise and give an opportunity to enterprises (whether emerging or established), and the requirements for acquiring a tender should be in a manner that accommodates even enterprises with a small annual turnover or that do not yet have a turnover. This would help enterprises to grow and access larger markets. These suggestions are confirmed by scholars such as Berry *et al.* (2002) and Smeaton *et al.* (2011), who argue that there is no guarantee that enterprises will obtain funding from financial institutions since they are not creditworthy. This fact is also highlighted by Asian Women in Business (2018), Asset Insights (2018), DTI (2018), Entrepreneur Magazine (2018), and Standard Bank (2018), who note that banking institutions lend only to entrepreneurs who contribute to their enterprises using own resources and who have trustworthy credit histories.

Two participants alluded to the fact that municipalities should establish a conducive business environment that makes it easier for small businesses to contribute to the local economy. Application processes should be simplified. Government departments in the provinces should contribute in this regard by supporting local businesses through the formation of PPPs and the mobilisation of resources. Masuku (2016:2) endorses these sentiments by stating that LED becomes effective when local stakeholders establish a

partnership with government to conjointly design and implement economic development initiatives. Similarly, two participants proposed that the municipality should establish a district development centre and/or municipal business sites with proper structures that are serviced (e.g., with water, electricity and sanitation) to support local businesses. This initiative would offer accommodation for enterprises so that they did not have to rent business sites for which owners charge exorbitant amounts of money. The above suggestions correlate with the suggestions made by Cohort one in response to Q11.

Q5: What are the limitations as far as requirements and criteria used in the existing funding model are concerned?

Six participants (42.8%) mentioned that there were no limitations in the requirements and criteria in the existing funding model because these requirements assisted enterprises to be compliant at all times.

The limitation of proof of bank account was again raised by two participants (14.2%), who explained that some enterprises could not keep their bank accounts open due to the unavailability of funds. Similarly, three participants again alluded to the fact that the grant funding amount of R30,000 was simply not adequate to support their businesses.

Another limitation that reappeared was raised by one participant (7.1%), who stated that the funding of only operating enterprises should be reviewed. The issue was also raised in response to Q3 and was highlighted by Cohort 1 participants in response to Q2 and Q5.

In relation to acquiring a tax clearance certificate, two participants (14.2%) were of the opinion that enterprises submitted taxes by means of e-filing. This was a challenge for enterprises that were “technologically disadvantaged”.

Deriving from the abovementioned limitations and how the same issues resurfaced in response to differing questions, it should be noted that the WPNSDPSB (1995) guided both government and business to establish a conducive environment with respect to tendering processes, applications for funding, submission of tax returns, exports and imports, and the

standardisation and simplification of registration and licensing of businesses. However, the limitations that were detected by WPNSDPSB (1995) were still prevalent, as confirmed by the participants.

Q5.1: Are these requirements and criteria still relevant? If not, what changes should be effected?

All 14 participants (100%) unanimously agreed that the requirements were still relevant and that they served as a proof that the enterprise was still operational and legitimate. Even though it was a unanimous agreement, one participant (7%) emphasised that enterprises that were not in operation should also be given an opportunity to apply for funding. The matter was also raised by Cohort 1 in relation to Q3 and was comprehensively deliberated in response to Q2 and Q5 by Cohort 1.

Q6: Are there any specific orientation and training needs that should be undertaken that will assist enterprises to have more effective internal control systems in place?

The following categories of training needs were suggested by Cohort 2 participants:

Needs	Frequency (priority)
Business management	7
Financial management	7
Marketing	4
Excursions and benchmarking	4
Accredited NQF Level 4,5,6 LED courses	1
Business plan development, application document completion and submission	1
Conflict management	1
Communication skills	1
Environmental management	1
Entrepreneurial skills	1

Funding opportunities and processes	1
Governance	1
Government regulations and policies regarding enterprises (UIF, OHS)	1
Information technology	1
Human resources management	1
Information technology	1
Occupational Health and Safety	1
Legislation, acts and policies relating to the business environment	1

One of the enterprises suggested that all the staff members of the particular business should attend training sessions rather than only one member, as is the current practice.

Q7: Do you have a contingency plan in place should the overall operations and performance of the enterprise not be satisfactory?

Six participants (42.8%) said that they did not have contingency plans but that they planned to design them in the near future. One participant (7.1%) stated that it was difficult to develop a contingency plan, since entrepreneurs start a business with the intention of growing an enterprise rather than planning for business failure. Another two participants (14.2%) stated that they did not previously have contingency plans in place, but that they had developed such plans due to the COVID-19 situation.

Five participants (35.7%) indicated that they did have contingency plans, although they were not documented. They suggested that the municipality make examples of such business plans available on the website.

The above statistics are confirmed by NCR (2011), NT (2015) and GEMS (2017), which state that there are high operational business expenses without contingency plans. Seed Academy (2019) similarly confirms that the general requirements and criteria that

enterprises are expected to comply with when applying for funding include the availability of a contingency or risk mitigation plan.

Q8: Please assess the draft funding model and provide input to improve the operational functionality and application of the model.

The overall opinion of all 14 participants (100%) was that the model was adequate and comprehensive. Moreover, three participants (21.4%) emphasised that all enterprises that had applied for funding should have access to information, meaning that enterprises should be informed about every step and must know the details of the activities associated with each step. This includes the allocation of reference numbers and a follow-up SMS system that updates enterprises about the status of their application. In relation to step 10.3 (quarterly reports to council), one participant (10%) suggested that they should also have access to the reports and resolutions that were taken in council.

One participant (7%) added that the submission of quarterly reports should be strictly adhered to, because this would keep enterprises committed. Reports would also assist both government and the enterprises to detect current and future challenges. The matter of commitment was comprehensively discussed by Cohort 1 participants in relation to Q8.

In relation to step 10 (monitoring and evaluation), two participants (14.2%) stated that it should be emphasised, since it would result in a positive shift towards enterprise development. The importance of monitoring was also echoed by one participant (7.1%), who stated that officials should be at the enterprise site when the supplier delivered goods in order to check whether the correct goods were delivered, and whether they were of the correct quality and quantity.

In relation to record keeping, two participants (14.2%) deemed the development of a database on all funded enterprises important. Furthermore, another participant (7.1%) suggested that officials should keep track of the business activities of the funded enterprises, which could be done by means of a yearly follow-up. This suggestion was also made by officials in response to Q2.

With regard to the unfolding processes of the model, two participants (14.2%) highlighted that there should be timeframes that should be adhered to, because the process takes a long time to complete.

Q8.2: In your opinion, will the proposed grant funding process model make a positive contribution towards the grant application process and financial accountability in the municipality? Please provide reasons for your answer.

All 14 participants (100%) unanimously agreed that the proposed model would make a positive contribution towards the grant application process and financial accountability of both the enterprises and the municipality as a funding agency. One of the participants reasoned that, because there was a monitoring and evaluation element in the model, there would be accountability and monitoring of the equipment that was procured for enterprises and the rate of collapsing of enterprises would therefore lessen.

Q9: Are the proposed process model stages all relevant or are there certain steps that should be excluded?

All 14 participants (100%) maintained that all the proposed process model stages and steps were relevant and emphasised that there should be timeframes that should be adhered to for every stage.

One participant (7.1%) highlighted that in Step 8 (procurement of goods), neither the specifications nor the quantity and quality of goods should be changed because enterprises had good reasons for choosing those specifications. While on the procurement of goods, another participant (7.1%) mentioned that service providers should be familiarised with specifications in order to avoid procuring incorrect items. This was because they wanted to avoid a situation in which an enterprise might request specific heavy duty machinery but the service provider procures something different to what was requested. A representative of another enterprise stated that both before and during the delivery, officials should make

sure that the right quality and quantity of goods has been procured. A similar response was also cited in relation to Q8.1.

Deriving from the above discussion, it can be deduced that all the participants were content with the proposed model stages. However, certain pertinent issues, such as the procurement of incomplete and incorrect goods, were raised and these are incorporated into the final model. This further validates the proposed funding model.

Q10: Do you think that collateral should be used as a measure to ensure that enterprises remain committed to their businesses post-funding?

Five participants (35.7%) indicated that collateral was a good concept, but that not all enterprises could afford it. An enterprise could prove itself by submitting evidence of the work that had been carried out, the business activities that are underway and potential opportunities. One participant (7.1%) substantiated this response by asserting that collateral should be used, but it should not be only monetary. This was because some people could be desperate to acquire the money for collateral to such an extent that they secure it by illegal means, or they could loan money from the bank, which in turn becomes a financial burden to the enterprise. Past and planned activities can attest to whether a business is operational or not and whether it has been progressing.

Nine participants (64.2%) stated that collateral should be used as measure to ensure that enterprises remain committed or else there would be wasteful expenditure and enterprises would take advantage of the grant without even showing any commitment. Over and above that, government cannot invest in businesses without proof of commitment, because there are numerous fraudulent activities with regard to funding. This opinion is confirmed by Roach (2016), who notes that some agents engage in non-compliant undertakings through gaming, whereby the realisation of objectives in numerical terms is concocted but there is no tangible achievement with respect to the pre-set priorities.

Deriving from the above discussion, it is observed that collateral is essential. However, as 35.7% participants stated, not all can afford it. It is advisable that enterprises be

knowledgeable with regard to collateral so that when applying for funds in future they should know the required information. In the case of the municipality, if collateral was to be approved as a requirement, the municipality should consider enterprises that genuinely do not have collateral but have potential to grow.

Q11: Are quarterly site visitations and submission of enterprise reports relevant and can they be used as one of the terms and conditions of grant funding?

All fourteen participants were of the opinion that site visitations and submissions of enterprise reports could be used as one of the terms and conditions of grant funding. It serves as evidence that enterprises are committed to their growth. Moreover, challenges can also be identified and dealt with during site visitations. One of the participants (7.1%) indicated that enterprises should not wait for site visitations and quarterly reports in order to report challenges. They should be reported as and when they arise.

Deriving from the above responses, it can be deduced that the participants were aware that quarterly site visitations and submissions of their reports were essential to their growth and development. It is through these site visitations and their reports that the problems and barriers can be remedied, as noted by Cant *et al.* (2003) Kambikambi (2003) Perera *et al.* (2005), NCR (2011), NT (2015) and GEMS (2017).

Q12: In your opinion, does the municipality have the right to repossess equipment or goods if the enterprise is no longer in operation?

Ten participants (71.4%) indicated that the municipality had the right to repossess equipment or goods, because it was paid for with taxpayers' monies. Accountability is thus extremely important. The equipment should be transferred to committed enterprises that carry out the same business activities. The repossession of goods would encourage enterprises to do their level best to remain operational. Some enterprise owners sell the goods and close down the business. However, it is only after monitoring and evaluation of monthly reports, which includes reports of the challenges faced by enterprises, that an informed decision can be taken on whether to repossess goods or not. Substantiating the

above opinion, another participant (7.1%) indicated that if the enterprise was not operational after a certain period (e.g., three years), the equipment could be taken back.

Four participants (28.5%) stated that the municipality did not have the right to repossess equipment, because some enterprise owners were passionate about their work, but target market challenges might cause the enterprises to be non-operational, so it was unfair to repossess equipment or goods. Instead of repossessing equipment or goods, the municipality should have discussions with enterprises in order to assess whether any intervention could be made to rejuvenate the businesses and to solicit the reasons for their non-functionality. Another concern that was raised was that if, after repossession, the equipment was stored at the municipality, it would get lost and could not be accounted for. It should thus rather be left on the business site until the business recuperated. It would be unfair to declare enterprises non-operational, because some circumstances are beyond the enterprise's control and the situation differs from one enterprise to the other.

In short, the majority of the participants (71.4%) stated that the municipality could repossess equipment or goods. However, this should be done after all remedial measures to rejuvenate the enterprise had been explored. The smaller group of participants (28.5%) who were against the retraction concurred that the municipality should discuss the situation with enterprises first in order to solicit reasons for the business failure and further discuss how the enterprise could be revived.

Q13: In your opinion, do you think the joint monitoring between the municipality, sector departments and the private sector is relevant, if not why?

All 14 participants (100%) unanimously agreed that joint monitoring was important, because ideas, suggestions and interventions would emanate from the various stakeholders. This would yield positive results that could include new opportunities and services from stakeholders. During joint monitoring, training needs could also be identified and alleviation of the duplication of activities and wasteful expenditure on the part of both the government and private sector could be achieved. If the challenges were dealt with,

referrals to financial and non-financial institutions, such as the Department of Social Development, could also be made.

One of the participants (7.1%) mentioned that there should be a fixed timeframe for monitoring (e.g., two years). After this period, the focus should be shifted to other enterprises and the older enterprises should exit the system. This response was also made in relation to Q8.1. One participant (7.1%) mentioned that, during the monitoring and evaluation process, officials should not control enterprises but rather give guidance, support and advice.

5.4 CONCLUSION

The main objectives of this chapter were, firstly, to uncover potential gaps between grant funding theory and statutory prescripts in comparison with existing practices and realities identified in the case study, Dr KKDM. The second aim was to refine and validate the content of the draft funding model through the empirical investigation. The empirical findings of this chapter emanate from the triangulation of several “datasets” that were sourced, namely:

- a literature review of the theory of grant funding of SMMEs and co-operatives (Chapter 2);
- regulatory and statutory framework governing SMMEs and co-operatives in Dr KKDM (Chapter 3);
- the analysis of the case study, Dr KKDM (Chapter 4); and
- semi-structured interviews with Cohort 1 (officials) and Cohort 2 (enterprises) (Chapter 5).

The ensuing chapter (Chapter 6) will act as synopsis of the entire study by highlighting the key findings of the research. The main contribution of the study is the presentation of a funding model for SMMEs and co-operatives in Dr KKDM. It is argued that the utilisation of this model will assist this municipality, and other similar district municipalities, to address

the problems identified in this study. Specific recommendations derived from the collected and analysed data will also be made. The recommendations resonate from the challenges that were identified during the research, as well as key findings.

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS: A NEW FUNDING MODEL FOR SMMES AND CO-OPERATIVES IN DR KKDM

6.1 INTRODUCTION

The previous chapter comprised an outline of the findings attained through an empirical study conducted at Dr KKDM in relation to the current arrangements, procedures and challenges associated with the funding of SMMEs and co-operatives. The core objective of the interviews that were conducted was to solicit responses from two cohorts of participants for the purpose of validating and refining the proposed funding model framework that was outlined in Chapter 4 of the study.

The purpose of this chapter is twofold. Firstly, the chapter serves as a synopsis of the entire study. As such, it constitutes a reflection on the main findings in relation to the research objectives. In this regard, certain key conclusions are made. Secondly, a revised funding model for SMMEs and co-operatives in Dr KKDM is presented. This model serves as the main contribution of the study and is aimed at addressing the central research problem outlined in Chapter 1. This model is the culmination of data obtained from the triangulations of several datasets, namely the literature study, statutory obligations and regulatory prescripts, international best practice, a case study analysis, and results of the empirical research. Key recommendations regarding the successful implementation of this model are proposed. It should be noted that although the findings of this study are case-study based and, as such, cannot be generalised, it is argued that the model might well address similar funding challenges experienced by other district municipalities in the country.

6.2 RESEARCH SYNOPSIS AND REVIEW OF THE RESEARCH AIM AND OBJECTIVES

The formulation of a research problem in Chapter 1 was informed by the grant that is channelled by Dr KKDM to enterprises in the absence of an integrated funding model

framework that encourages SMMEs and co-operatives to be dedicated and to develop their businesses. Over and above that, no procedures are in place to monitor and evaluate the enterprises that are funded.

Table 6.1 provides an outline of the correlation between the research questions and objectives and the chapter content aligned to each.

Table 6.1: Operationalisation of research objectives and questions

Objectives	Questions	Chapters
To provide a theoretical and conceptual exposition of the nature, role and scope of SMMEs and co-operatives in LED	What is the theoretical and conceptual exposition of the nature, role and scope of SMMEs and co-operatives in LED?	2
To analyse the role of government and the private sector in facilitating LED through SMMEs and co-operatives	What is the role of government and the private sector in facilitating LED through SMMEs and Co-operatives?	2
To explore the principles, dimensions and nature of funding models and to investigate the types of funding available for SMMEs and co-operatives in local government	What are the principles, dimensions and nature of funding models and what types of funding are available for SMMEs and co-operatives in local government?	2
To outline and assess the legislative frameworks, statutory prescripts and regulatory guidelines guiding SMMEs and co-operatives in local socioeconomic development	What are the legislative frameworks, statutory prescripts and regulatory guidelines guiding SMMEs and co-operatives in local socioeconomic development?	3

To empirically establish the status of funding of SMMEs and Co-operative in Dr KKDM, including challenges associated with existing funding models	What is the status of funding of SMMEs and co-operatives in the Dr KKDM, including challenges associated with the existing funding model?	4
To empirically establish the funding model for SMMEs and co-operatives in Dr KKDM	What are the empirical findings in relation to a funding model for SMMEs and co-operatives in Dr KKDM	5
To outline the parameters of new funding model for SMMEs and co-operatives in Dr KKDM	What are the parameters of a new funding model for SMMEs and co-operatives in Dr KKDM?	6

In further detail, the respective chapters contributed to operationalising each research objectives and to answering research questions.

Chapter 1

This chapter contained the orientation and problem statement of the study. Primary and secondary objectives were accompanied by corresponding research questions that would guide the researcher to unearth pertinent issues connected to the phenomenon under investigation. The central theoretical statement included the economic landscape, the significance of enterprises in economy stimulation and government initiatives that grow the economy through investing in enterprise development programmes. In relation to the research methodology, an outline of the research design, sampling and instrumentation was presented. Furthermore, the study's limitation, ethical considerations and significance were outlined.

Chapter 2

This chapter comprised a theoretical and conceptual exposition of SMMEs and co-operatives. It constituted a response to the three research questions of the study and imbedded the study in a particular theoretical orientation. This theoretical orientation was primarily informed by the principal agent, network and entrepreneurial theories. Prominent theorists such as Spence and Zeckhauser (1971), Ross (1973) and Arrow (1971), Harris and Raviv (1978), Shavel (1979) and Holmström (1979, cited by Kivisto (2007) were consulted to align the focus of the research with theoretical underpinnings associated with principal agent theory. Delacroix and Carroll (1983) cited in Bull *et al.* (1993) were also examined as advocates of entrepreneurial theory. Birley (1985) similarly emerged as proponent of network theory.

As far as a conceptual framework is concerned, pertinent aspects received attention, such as the nature, role and scope of SMMEs and co-operatives in LED, the conceptualisation of LED, the role of government in LED facilitation through SMMEs and co-operatives, and the role of the private sector in facilitating LED. Subsequently, the role of SMMEs and co-operatives in facilitating LED and several funding models were discussed. The literature review in this chapter contributed significantly to the crafting of the final funding model.

Chapter 3

This chapter was an outline and assessment of the legislative frameworks, statutory prescripts and regulatory guidelines guiding SMMEs and co-operatives in local socioeconomic development. The Constitution of 1996 underpinned these prescripts. It mandated local government, through its policies, programmes and strategies, to redress the socioeconomic development status that culminated from policies of the former apartheid regime. In addition, the financial oversight role of local government was explored. In particular, Van der Walldt (2008, 2015) described the types of committees, their mandates and authority. Furthermore, the legislative prescripts for enterprises were scrutinised from an international perspective and lessons learnt from countries such as Kenya, Taiwan, United Kingdom and United States of America were presented. This served

as additional data collection method to define gaps between the official statutory prescripts and current funding practices of SMMEs and Co-operatives.

Chapter 4

In this chapter the status of funding SMMEs and co-operatives in Dr KKDM and challenges associated with existing funding models were established. Firstly, the economic profile of Dr KKDM as a case study was outlined. Secondly, an overview of SMMEs and co-operatives in sectors such as tourism, manufacturing and agriculture in Dr KKDM was presented. Thirdly, the existing funding model of Dr KKDM and its limitations were deliberated on. Fourthly, a preliminary funding model framework for SMMEs and co-operatives was developed. The detailed model was to be implemented when the Dr KKDM supported enterprises through funding. The model was empirically verified and refined in the succeeding chapter.

Chapter 5

In this chapter an attempt was made to establish the nature, procedures, arrangements and challenges associated with the current funding model for SMMEs and co-operatives in Dr KKDM. In the course of the quest for empirical evidence, several challenges were indicated. The most distressing one was the disastrous Covid 19 pandemic, during which safety protocols were strictly adhered to for the safety of both the researcher and the participants. In this chapter the research results were analysed and the findings contributed to the crafting of the final model, recommendations and suggestions for future research.

Chapter 6

This chapter serves as the conclusion of the study and contains the parameters of a new funding model for SMMEs and co-operatives in Dr KKDM. Pertinent findings are also highlighted and recommendations are made for the application of the model, as well as for suggestions for future research.

6.3 FINDINGS OF THE STUDY: KEY CHALLENGES IDENTIFIED

The findings emanate from both source and method triangulation. Semi-structured interviews served as the main data collection method. The interviews uncovered key challenges pertaining to existing funding arrangements and the participants provided valuable input regarding possible solutions to address the challenges raised. The following key challenges emerged from the interviews.

6.3.1 Limited funding

The participants from Cohorts 1 and 2 unanimously agreed that grant funding had aided local enterprises by means of the procurement of vital equipment that helped them to improve and grow their enterprises. In addition, the enterprises had an opportunity to own equipment instead of hiring it, which is a saving to the business. However, it is apparent that the current amount allocated for funding is not sufficient to address the wide range of funding challenges enterprises experience. This issue can be singled out as the most significant challenge, as confirmed by 70% of the participants.

6.3.2 Requirements and criteria

The requirements and criteria used in the existing funding arrangements of Dr KKDM were depicted by 90% of officials (Cohort 1) and 100% of enterprises (Cohort 2) as still relevant. However, some of the requirements and criteria were perceived as “unnecessary bureaucratic red tape”, particularly that enterprises are supposed to be already in operation in order to acquire funding. Over and above this requirement, it seems to be a significant challenge for some enterprises to comply with the nature and scope of the documents required during the application process. More than half of the participants (50,4%) from both Cohorts 1 and 2 confirmed this challenge. Pertaining to requirements and criteria, an additional challenge that was uncovered was that a significant number of enterprises operated without sufficient contingency plans in place, which significantly increased their financial risk profile.

6.3.3 Procurement of goods

Appointment of a service provider was portrayed as problematic because it was argued that they provided low-cost goods of low quality and that their prices were inflated. The Cohort 2 felt that the municipality should procure goods itself. The other highlighted issue was that, in some instances, not all the material was delivered and the procured goods were not according to the specifications submitted by the applicants

6.3.4 Operational functionality and application of the model

In relation to the adjustment of the draft model, 80% of the officials asserted that it was appropriate because it included the monitoring and evaluation element. The participants provided input on the operational functionality and application of the model. All the participants (100%) agreed that the model was good and that it would make a positive contribution to the grant application process and financial accountability. In addition, 100% of the officials and enterprise representatives felt that the framework made provision for all the processes and steps associated with funding.

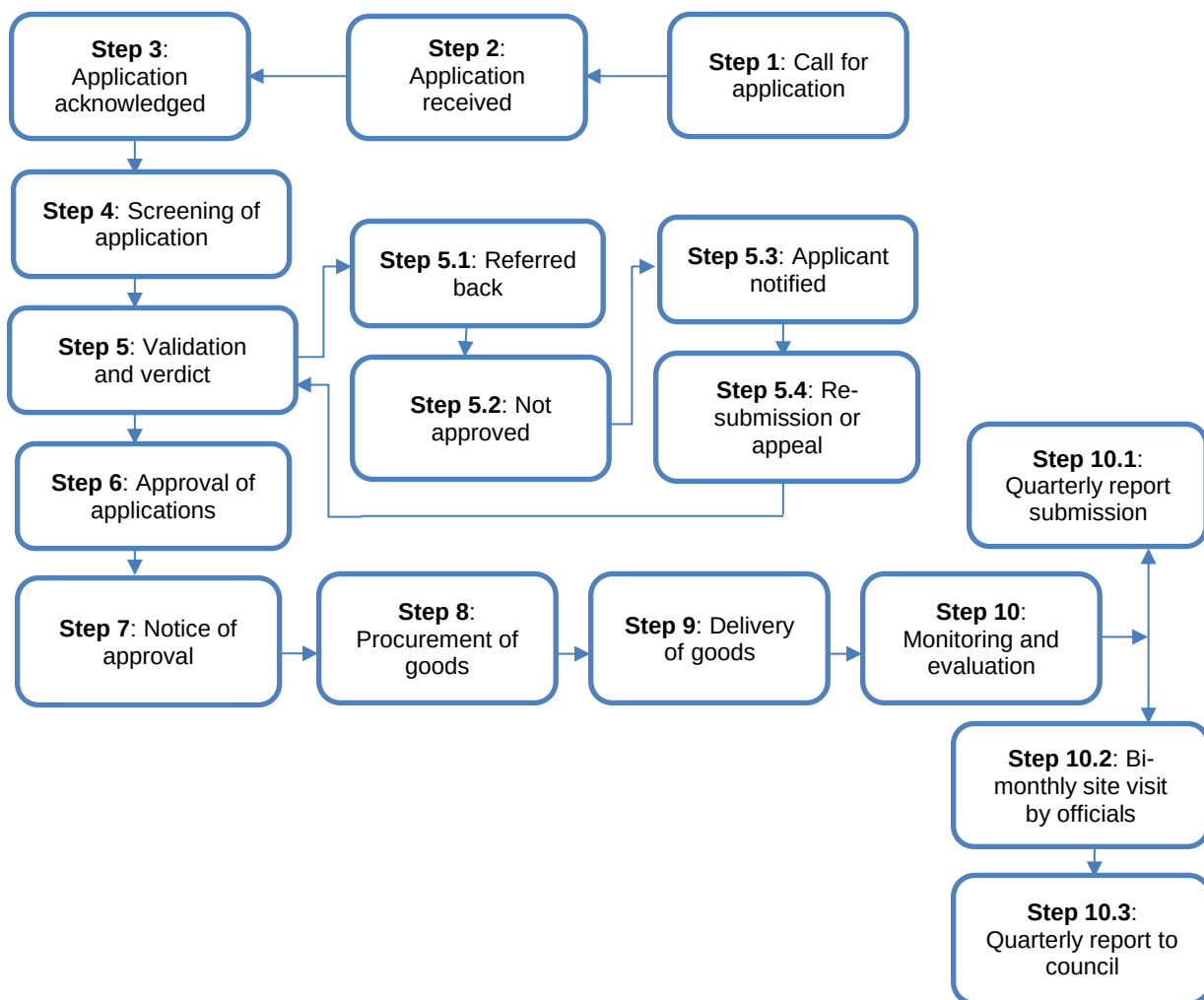
6.3.5 Grant terms and conditions

The repossession of equipment if the enterprise was non-functional was a thorny issue. A significant portion of the participants (71.4%) were of the opinion that the municipality had the right to repossess equipment, while 28.5% stated that the municipality did not have this right. Some common ground was reached whereby all the participants were in agreement that the municipality must engage enterprises to evaluate whether there were any interventions that can be undertaken to resuscitate the enterprise. Collateral was also a highly-debated issue, with 64.2% of the participants stating that it should be paid by the enterprises. However, some participants were of the opinion that it was a sound concept but not all enterprises could afford it. They suggested that it should not be based solely on monetary terms, but rather be based on a portfolio of evidence. The utilisation of site visitations and the submission of enterprise reports as terms and conditions of grant funding was unanimously agreed upon by 100% of the participants.

6.4 PRESENTATION OF A NEW FUNDING MODEL

The proposed model (figure 6.1) is the culmination of the study and serves the main contribution to solving the research problem. As stated above, this model is the result of the triangulation of datasets emanating from the literature study, statutory obligations and regulatory prescripts, international best practice, case study analysis and the results of the empirical survey. The model consists of steps that are sequential in nature. Each step comprises a number of operational activities, processes and procedures to be effected for the successful implementation of the model.

Figure 6.1: SMMEs and Co-operative Funding Model Framework



Source: Researcher's own

The model addresses the main research problem that was identified in Chapter 1 of this study, namely that Dr KKDM was channelling grant funds to enterprises in the absence of an integrated funding framework that motivated SMMEs and co-operatives to be dedicated and to develop their businesses. Moreover, no monitoring or performance evaluation system to follow up on enterprises was in place following the provision of grant funding. The most pivotal component of the funding model is that it includes an element of monitoring and evaluation, which is essential because it will make it possible to assess whether the intended outcomes are being attained as planned and establishes what remedial measures might be required for the attainment of predetermined objectives.

The proposed model that was presented in Chapter 4 emanated from a triangulation system (literature review on theoretical and conceptual exposition of SMMEs and co-operatives, the regulatory and statutory framework governing SMMEs and co-operatives in Dr KKDM and a literary case study of Dr KKDM). The draft model was presented to both officials and representatives of enterprises in the course of conducting semi-structured interviews. During the interviews, the participants were probed regarding existing grant funding processes, procedures and challenges. In addition, they were requested to review the draft funding model and make inputs to further refine it. This refinement was particularly aimed at making the model more operational. The participants were requested to elaborate on the effectiveness of the control mechanism to improve the funding model and further give an opinion on whether the proposed model would make a positive contribution towards the grant application process and financial accountability in the municipality. The inputs, comments and opinions provided by the participants during the interviews, inclusive of other datasets, led to the affirmation and finalisation of the funding model.

6.4.1 Recommendations pertaining to the implementation of the model by Dr KKDM

Aidspan (2014:33) posits that an action plan typically outlines the milestones and target dates. It also incorporates the identification of the key role players involved in the implementation of organisational processes and the determination of key responsibilities. In the case of Dr KKDM, DEDT is mandated to act as the key implementer of funding

arrangements and activities. As such, it should act as the main driver and as the entity responsible for the implementation of the model. The supply chain management unit should act as a supporting structure by discharging its functions by means of an appointment of service providers who will procure goods for the approved grant funding beneficiaries. In addition, other key role-players include the members of the validation committee, officials responsible for joint monitoring and evaluation, as well as officials to whom the business plans from the validation committee are referred. Members of the validation committee should be nominated by their respective organisations to serve on the committee. Other vital role players are councillors, because they play a financial and political oversight role.

It is further recommended that the model be implemented as per the SDBIP, which provides quarterly targets and the annual budget for grant funding. The window of opportunity for the invitation of applications can be in the first and the third quarters of the financial year under review. This will give an opportunity to the disapproved applicants to reapply or the referred back applicants to sort out their documentation and resubmit in the same financial year. The gaps between first and the third quarter allocations should be informed by the consideration of the supply chain processes that must unfold. This will give all role players adequate opportunity to monitor enterprises immediately after they have acquired funding. The next batch of approved enterprises should be integrated into the municipal performance monitoring system.

Table 6.2 serves as an example of an action plan that can be emulated by the Dr KKDM in implementing the grant funding model. The action plan makes provision for the responsible municipal departments and the officials who are responsible for various implementation (operational) activities, inclusive of required resources and proposed target dates.

Table 6.2: Proposed action plan for the implementation of the funding model

Action Plan					
Department	Lead Person/ Stakeholder	Stage	Operational activities	Resources required	Target Date

Dr KKDM/ DEDT	-DEDT Coordinator SCM Unit	Step 1: Call for applications of grant funding	Drafting of advert by DEDT	Budget for advertisement	01/2021
			Publication of advert by Communication Unit		
Dr KKDM/ DEDT	-DEDT Coordinator -LED Units -Applicants	Step 2: Receipt of applications	Submission of applications by applicants at LED units / DEDT	None	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator	Step 3: Acknowledge-ment of applications	Acknowledge-ment of received applications through SMS, phone call and official correspondence	None – utilisation of internal communication resources	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator -LED Units	Step 4: Screening of applications	Screening of applications by LED units at municipal level and screening at Validation Committee level	None – internal process	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator LED Units -Sector Depts -SCM Unit	Step 5: Validation and verdict on applications	Validation by Committee and declaration of outcomes	None – internal process	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator -LED Units -Sector Depts -SCM Unit	Step 5.1: Referred back	Applications not meeting the requirements and criteria referred back	None – internal process	01/2021

Dr KKDM/ DEDT	-DEDT Coordinator -LED Units -Sector Depts -SCM Unit	Step 5.2: Not approved	Applications not meeting the requirements and criteria not approved	None – internal process	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator	Step 5.3: Applicant notified	Notification of status of application through SMS, phone call and official correspondence	None – utilisation of internal communication resources	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator - Applicants	Step 5.4: Re- submission or appeal	Communication with applications for re-submission or appeal of the verdict	None – utilisation of internal communication resources	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator -LED Units -Sector Depts -SCM Unit	Step 6: Approval of applications	Application approved and list of approved application compiled	None – internal process	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator	Step 7: Notice of approval	Notification of approval to successful applicants through SMS, phone call and official	None – utilisation of internal communication resources	01/2021
Dr KKDM/ DEDT	-DEDT Coordinator -SCM Unit	Step 8: Procurement of goods	Tendering committees sittings	None – internal process	02/2021
			Publication of tender		

			Appointment of service provider		
Dr KKDM/ DEDT	-DEDT Coordinator -SCM Unit -Service Provider	Step 9: Delivery of goods	Confirmation of correct specifications, quality and quantity of goods procured		03/2021
			Dispatch of goods	Delivery of goods by service provider to municipality/col-lection by enterprises from municipality	
			Signing of delivery notes by beneficiaries, DEDT & SCM unit	None - internal process	
Dr KKDM/ DEDT	-DEDT Coordinator -Sector Depts. -Enterprises -Private Sector -Agencies	Step 10: Monitoring and evaluation	Plenary meeting with role players	None – internal process	Ongoing
			Compilation and confirmation of schedule of site visits		
Dr KKDM/ DEDT	-DEDT Coordinator -Enterprises	Step 10.1: Quarterly report submission	Timeous submission of progress reports by enterprises to DEDT	None – internal process	Ongoing
Dr KKDM/ DEDT	-DEDT Coordinator -Sector Depts	Step 10.2: Bi-monthly site visits	Joint site visits by all validation committee members	None – members own transport	Ongoing

	-Enterprises -Private Sector -Agencies				
Dr KKDM/ DEDT	-DEDT Coordinator	Step 10.3: Quarterly report to council	-Compilation of a comprehensive report to council	None – internal process	Ongoing
			-Implementation of council resolutions emanating from the submitted report	Dependent on the resolution taken in council	

Source: Researcher's own

The model will address the identified problem through the incorporation of pertinent elements such as the monitoring and evaluation system. It is through this system that government monies will be safeguarded and be accounted for by enterprises. The model also accommodates the notion of PPP, which is one of the cornerstones of growth and LED. In addition, there is an implementation plan that is time-bound and that is aligned to the grant funding process. The proposed model also enables role players such as government agencies, sector departments and the private sector to become involved in the funding process. The advantage of utilising a joint monitoring committee is that resources are centralised, decreasing the likelihood of fruitless and wasteful expenditure, duplication of activities and waste of time. In addition, enterprises are expected to submit a quarterly report that outlines their operational activities, achievements or challenges. The report should be strictly related to funded enterprises and submitted to council.

A further key contribution of the model is the inclusion of bi-monthly visits. These visits could act as an additional control tool to verify the content of the submitted quarterly reports. It is through these site visits that short, medium and long term interventions can be crafted and implemented. However, it will be dependent on the availability of resources and capacity of both the enterprises and the municipality. Councillors should be granted the opportunity to accompany officials to the sites so as to acquire first-hand information and

observe how the enterprises undertake their daily activities. In addition, the model promotes better communication between the municipality and enterprises.

6.5 RECOMMENDATIONS

In order to address the research problem, the following key recommendations are submitted.

6.5.1 Planning and budgeting

Deriving from the literature review in Chapter 1 and the empirical findings from both Cohorts 1 and 2 in Chapter 5, it is clear that access to finance remains a challenge. While the municipality is making an effort to budget for grants for every financial year, it seems to be insufficient because the demand is high for both new applicants and the already funded enterprises. The representatives of the latter stated that the approved grant was limited and could not cater for their needs, although it made a positive contribution towards boosting their businesses. It is against this background that it is recommended that through the planning and budgeting cycle, an assessment of the impact of grant increment must be conducted so that an informed decision can be taken. This could prevent overfunding or underfunding.

The municipality should partner with the private sector and other government sector departments in order to secure additional funding for enterprises. It is also recommended that the criteria stipulating that enterprises should be in operation in order to obtain funding should be revisited.

6.5.2 Procurement of goods

Deriving from the empirical findings, the participants asserted that service providers should be eliminated from the process, since they are charging exorbitant prices. Instead, the municipality should procure goods itself. Others argued that service providers did not procure according to the specifications outlined in the tender document, but rather procured

poor quality goods. Moreover, in some instances not all the goods were delivered to the enterprises. The recommendation is that the municipality should explicitly, through its tendering specifications, instruct service providers on the expected deliverables (correct quality, quantity and complete goods), but over and above that there should be a retention fee, which should be held by the municipality in case the service provider deviates from the set specifications. Furthermore, the municipality should monitor that the service providers are charging prices that are within the acceptable market range and that there is value for money.

6.5.3 Grant terms and conditions

The root problem that was identified in Chapter 1 was that the Dr KKDM was channelling grant funds to enterprises without an integrated funding model framework that encouraged SMMEs and co-operatives to be committed and grow their businesses. Moreover, there was no monitoring or performance evaluation procedure in place to do any follow up after the allocation of grant funding. It is thus recommended that the municipality develop an agreement in which enterprises consent that if they are no longer in operation after a certain period of time and interventions to resuscitate the business have failed, the municipality must repossess the equipment and transfer it to another enterprise with similar business activities. Proposed site visits and the submission of enterprise reports should be part of the requirements and criteria specified in the grant application form, because they can be utilised as tools to safeguard government funds. In addition, since some enterprises cannot offer any collateral in monetary value, a portfolio of evidence on business undertakings should be submitted as part of the required documentation in the application form.

6.5.4 Information, technology and training

Stemming from Chapter 1, in which a lack of entrepreneurial skills, education and technological innovation were cited as barriers to entrepreneurial growth and development, it is recommended that, through private partnership, the municipality should develop an enterprise website containing information that is strictly related to enterprises' profiles, including their business activities. The website should be used as a marketing tool for

enterprises and for the municipality to exhibit success stories of funded enterprises. Furthermore, the municipality should acclimatise and be on par with the latest technological trends, such as uploading funding information and other pertinent information to platforms such as Facebook and Twitter.

In relation to entrepreneurial skills and education, it is imperative that in-house workshops should be conducted at which enterprise owners and staff are trained in relation to municipal internal processes and procedures with regard to funding (requirements, criteria, completion of application forms), supply chain process and legislation, acts and policies relating to the business environment.

6.6 SUGGESTION FOR FURTHER RESEARCH

During the course of the study, the researcher identified various gaps in the corpus of knowledge pertaining to LED and the role of local government in the promotion of local entrepreneurship. In more detail, it is recommended that research be conducted on the following issues:

- the nature of budgeting for the local government funding of SMMEs and co-operatives;
- the nature of entrepreneurship and how it can be promoted through training, development and government support programmes;
- the role that government funding of local businesses plays in addressing chronic poverty and unemployment, as well as in job creation; and
- the scope and nature of different businesses by focusing on their respective potential economic contribution per sector, such as agriculture, the mining industry, transport and social services.

6.7 CONCLUSION

The central objective of this study was to enhance the funding model framework for SMMEs and co-operatives in Dr KKDM. Chapter 1 covered the orientation and problem statement, research objectives, the central theoretical statement, research methodology, limitations of the study, ethical consideration, significance of the study and chapter layout.

The subsequent chapter comprised a description on both the government and private sector's role in relation to the facilitation of LED through SMMEs and co-operatives, the principles, dimensions and nature of funding models and types of funding that are accessible to SMMEs and co-operatives in local government. The statutory and regulatory framework governing SMMEs and co-operatives were discussed in chapter 3. The focus of the following chapter (Chapter 4) was on the status of SMME and co-operative funding in local government with specific reference to Dr KKDM and successively introduced a proposed process model for grant funding. Chapter 5 comprised an analysis of the empirical findings and a presentation of the study results. The study results guided and informed the conclusion of the final process model for grant funding which was outlined in this final chapter.

The proposed model will not only significantly enhance the ability of Dr KKDM to adhere to its developmental obligations by promoting LED through the funding of SMMEs and co-operatives, but will also address current funding challenges experienced by other district municipalities in the country. As such, this study constitutes a meaningful contribution to enhancing LED and entrepreneurship, as well as addressing rapid urbanisation trends through job creation and local business development.

REFERENCES

Abera, G. 2017. Loan and Investment in a Developing Economy: An Ethiopian Perspective. Mekelle, MU: Cambridge Scholars Publishing.

Achtenhagen, L. and Brundin, L. 2016. Entrepreneurship and SME Management across Africa: Frontiers in African Business Research. https://link-springer-com.nwulib.nwu.ac.za/content/pdf/10.1007%2F978-981-10-1727-8_2.pdf. Date of access: 21 Feb. 2020.

Adams, R. and Spinelli, S. 2009. New venture creation: Entrepreneurship for the 21st Century. 9th ed. New York, NY: McGraw-Hill.

African Union Commission (AUC). 2015. Agenda 2063: First Ten-Year Implementation Plan 2014 – 2023. <http://www.un.org/en/africa/osaa/pdf/au/agenda2063-first10yearimplementation.pdf>. Date of access: 4 July 2020.

Ageba, G. 2017. Loan and Investment in a Developing Economy: An Ethiopian Perspective. Tyne: Cambridge Scholars Publishing.

Aidspan. 2014. Understanding the New Funding Model. Nairobi: Aidspan.

Alberti, F., Sciascia, S. and Poli, A. 2004. Entrepreneurship Education: Notes on an Ongoing Debate. 14th Annual Conference, University of Napoli Federico II Italy, 4-7 July 2004.

Aldrich, H. 1989. Networking among Women Entrepreneurs. In Hagen, D., Riuchun, C. and Sexton, D. (Eds.) Women Owned Businesses. New York, NY: Harvard Business School. pp. 103-132.

Araujo, A. and Moreira, H. 2000. Adverse Selection Problems without the Single Crossing Property. Econometric Society World Congress 2000 Contributed Papers. <https://econpapers.repec.org/paper/ecmwc2000/1874.htm>. Date of access: 14 July 2020.

Asian Women in Business. 2018. Types of Capital for Entrepreneurs.
<http://www.awib.org/index.cfm?fuseaction=page.viewPage&pageID=754&nodeID=1>. Date of access: 19 Feb. 2020.

Asset Insights. 2018. Funding Models.
http://www.assetinsights.net/Glossary/G_Funding_Model.html. Date of access: 8 Aug. 2020.

Attila, G. 2012. Agency Problems in Public Sector. Bucharest: Bucharest University of Economic Studies.

Audia, P.G. and Rider, C.I. 2014. Entrepreneurs as Organizational Products Revisited.
http://tuck-fac-cen.dartmouth.edu/images/uploads/faculty/pino-audia/entrepreneurs_as_organizational_products_chapter.pdf. Date of access: 17 July 2019.

Audretsch, D.B. 1995. Innovation and Industry Evolutions. Cambridge, MA: MIT Press.

Badelescu, B. 2014. The entrepreneurial way: calling, chance or opportunity: An essay.
Journal of the Annals of the University of Oradea Economics, 23(1):243-252.

Bajçinca, E. 2013. The Challenges of Financing Small and Medium Enterprises in Kosovo. Conference Working Paper. Tirana.

Banking Association of South Africa. 2018. Small Medium Enterprise.
<http://www.banking.org.za/what-we-do/sme/sme-enterprise>. Date of access: 6 Feb. 2020.

Baptiste-Cornelis, T. and Long, W. 2008. The Impact of Small Business Enterprises on the Economy of Trinidad & Tobago.

Barbagallo, D. and Comuzzi, M. 2008. Towards Understanding the Role of Adverse Selection and Moral Hazard in Automated Negotiation of Service Level Agreements, SIPE Conference.

Beck, T. and Cull, R. 2014. Small and Medium Sized Enterprise Finance in Africa. Brookings: Africa Growth Initiative. Washington, DC: The Brookings Institutions.

Berry, A., Von Blottnitz, M., Cassim, R., Kesper, A., Rajaratnam, B. and Van Seventer, D.E. 2002. The Economics of SMMEs in South Africa.
<http://www.tips.org.za/files/506.pdf>. Date of access: 17 July 2020.

Bless, C., Higson-Smith, C. and Kagee, A. 2006. Fundamentals of Social Research Methods: An African perspective. Cape Town: Juta.

Bonnici-Sammut, T. and Galea, D. 2015. PEST Analysis.
https://www.researchgate.net/publication/257303449_PEST_analysis. Date of access: 21 Feb. 2020.

Botes, C. 2011. Adopting the Public Accounts Committee Model for Financial Oversight in South African Municipalities – A Case Study of the Public Accounts Committee in the City of Cape Town. Cape Town: University of Stellenbosch. (Master Dissertation).

Breiling, D. 2017. Get Funded: Guide Book: A Step-by-Step Guide to Secure Funding For Your Business. Durban: Funding Connection.

Brink, A. and Cant, M. 2003. Problems experienced by small businesses in South Africa. A paper for the Small Enterprise Association of Australia and New Zealand 16th Annual Conference, Ballarat, 28 Sept-1 Oct 2003.
<http://www.smmeresearch.co.za/SMME%20Research%20General/Conference%20Papers/Problems%20faced%20by%20small%20businesses%20in%20SA.pdf>. Date of access: 8 Feb. 2020.

Bruwer, J.P. and Watkins, A. 2010. Sustainability of fast moving consumer goods retail SMMEs. *South African Journal of Business Management*, 4(16):3550-3555.

Brynard, P.A and Hanekom, S.X. 2006. Introduction to research in management related fields. 2nd ed. Pretoria: Van Schaik.

Bull, I. and Willard, G.E. 1993. Towards a Theory of Entrepreneurship. *Journal of Business Venturing*, 8:183-195.

Cafferata, R., Abatecola, G. and Poggessi, S. 2009. Revisiting Stinchcombe's 'liability of newness': A systematic literature review. *International Journal of Globalisation and Small Business*, 3(4):374-392.

Caner, S. 2014. The Role of Small and Medium Size Enterprises in Economic Development. HSE Conference, Moscow.

Canzanelli, G. 2001. Overview and Learned Lessons on Local Economic Development, Human Development, and Decent Work. Working paper 1, ILO Programme. Geneva: Universitas.

Centre for Development and Enterprise. 2010. ASGISA leaves out Critical Obstacles to Growth. <https://www.environment.co.za/east-cape-wild-coast-south-africa/asgisa-leaves-out-critical-obstacles-to-growth.html>. Date of access: 20 Feb. 2020.

Chetty, L.R. 2012. The Importance of Private Sector Growth and Development in Africa. Mail & Guardian, Thought Leader. <https://thoughtleader.co.za/leeroychetty/2012/06/20/the-importance-of-private-sector-growth-and-development-in-africa/>. Date of access: 25 Feb. 2020.

Chigora, F., Tandi, R. and Zvavahera, P. 2018. Entrepreneurship: An Engine for Economic Growth. *International Journal of Academic Research in Business and Social Sciences*, 8(11):55-66.

Clark, M.L. and Saade, R. 2010. The Role of Small Business in Economic Development of the United States: From the End of the Korean War (1953) to the Present. <https://www.sba.gov/advocacy/role-small-business-economic-development-united-states-end-korean-war-1953-present>. Date of access: 22 March 2020.

Collins, K.J., Du Plooy, G.M., Grobbelaar, M.M., Terre Blanche, M.J., Van Eeden, R., Van Rensburg, G.H. and Wigston, D.J. 2007. Research in the social sciences (Study guide RSC201-H). Pretoria: UNISA.

Creswell, J.W. 2007. Qualitative inquiry and research design: choosing among five approaches. 2nd ed. Thousand Oaks, CA: Sage.

Cuervo, A., Ribeiro, D. and Roig, S. 2007. Entrepreneurship Concepts, Theory and Perspective. New York, NY: Springer Berlin Heidelberg.

Davies, W. and Millis, C. 2013. Blueprint for a Co-operative Decade. University of Oxford: International Co-operative Alliance.

De la Garza, G., Jarvis, M. and Petkoski, D. 2006. The Private Sector as a true Partner in Development. Washington, DC: The World Bank Institute.

De Oliveira, C.B. and Filho, J.R.F. 2017. Agency Problems in the Public Sector: The Role of Mediators between Central Administration of City Hall and Executive Bodies. *Brazilian Journal of Public Administration*, 51(4):596-615.

De Vos, A.S., Strydom, H., Fouché, C.B. and Delport, C.S.L. 2011. Research at grass roots. 11th ed. Pretoria: Van Schaik.

Dean, H. and Tustin, C. 2003. Skills Audit of Micro and very Small Business Enterprises in Northern Tshwane: An Exploratory Study. *South African Business Review*, 17(2):36-45.

Dr Kenneth Kaunda District Municipal Economic Agency (Dr KKDEA). 2018. 2017/2018 Annual Report. Orkney: Dr KKDM.

Dr Kenneth Kaunda District Municipality (Dr KKDM). 2014a. Invitation to Submit Request for Funding. Orkney: Dr KKDM.

Dr Kenneth Kaunda District Municipality (Dr KKDM). 2014b. Policy on the Community Projects Technical Support Conditional Grant and Tourism. Orkney: Dr KKDM.

Dr Kenneth Kaunda District Municipality (Dr KKDM). 2015/16/17/18. Annual Report. Orkney: Dr KKDM.

Dr Kenneth Kaunda District Municipality (Dr KKDM). 2018. 2017/2018 Integrated Development Plan. Orkney: Dr KKDM.

Dr Kenneth Kaunda District Municipality (Dr KKDM). 2018. Municipal Audit Plan. Orkney: Dr KKDM.

Dr Kenneth Kaunda District Municipality (Dr KKDM). 2009. Growth and Development Strategy. Orkney: Dr KKDM.

Duvenhage, H. 2011. SA Groeiplan lok gehalte debat. Sake 24, 30 October 2011, 15.

Edmiston, K. 2007. The Role of Small and Large Business in Economic Development. *SSRN Electronic Journal*, 92(Q II):73-97.

Education and Training Unit (ETU). 2012. Local Economic Development. <http://www.etu.org.za/toolbox/docs/government/led.html>. Date of access: 21 June 2020.

Eisenhardt, K. 1989. Agency Theory: An Assessment and Review. *Academy of Management Review*, 14(1):57-74.

Engdahl, C. and Hauki, H. 2001. Black Economic Empowerment: An Introduction for Non-South African Businesses. Sweden: Gothenburg University Press.

Entrepreneur Magazine (EM). 2018. Government Funding and Grants for Small Businesses. <https://www.entrepreneurmag.co.za/advice/funding/government-funding-funding/government-funding-and-grants-for-small-businesses/>. Date of access: 8 Aug. 2019.

Entrepreneur Magazine. 2016. Small Business Funding in South Africa. <https://www.entrepreneurmag.co.za/advice/funding/how-to-guides-funding/small-business-funding/>. Date of access: 19 Feb. 2019.

Entrepreneur Magazine. 2017. How the SA Government Can Help Small Businesses Thrive. <https://www.entrepreneurmag.co.za/advice/starting-a-business/small-business-advice/how-the-sa-government-can-help-small-businesses-thrive/>. Date of access: 2 April 2020.

European Union. 2013. The Role of the Private Sector in Development Assistance and Aid Effectiveness. Sofia: Factor Advertising.

Faulkner, D. and Loewald, C. 2008. Policy Change and Economic Growth: A Case Study of South Africa. Working Paper No.41. Washington, DC: World Bank.

Flick, U. 2013. The SAGE Handbook of Qualitative Data Analysis. London: Sage.

Francesco, L.A. and Ellis, K. 2014. Centrally Managed Donor Funds and Facilities to Promote Business Engagement. London: Oversea Development Institute.

Fraser, J., Fahlman, D., Arscott, J. and Guillot, I. 2018. Pilot Testing for Feasibility in a Study of Student Retention and Attrition in Online Undergraduate Programs. *International Review of Research in Open and Distributed Learning*, 19(1):260-278.

Free Management e-Books. 2013. PESTLE Analysis: Strategy Skills. <http://www.free-management-ebooks.com/dldebk-pdf/fme-pestle-analysis.pdf>. Date of access: 23 July 2020.

Gailmard, S. 2012. Accountability and Principal-Agent Models. [https://www.law.berkeley.edu/files/csIs/Gailmard_-_Accountability_and_Principal-Agent_Models\(2\).pdf](https://www.law.berkeley.edu/files/csIs/Gailmard_-_Accountability_and_Principal-Agent_Models(2).pdf). Date of access: 24 June 2020.

Gebremariam, G.H., Gebremedhin, T.G. and Jackson, R.W. 2004. The Role of Small Business in Economic Growth and Poverty Alleviation in West Virginia: An Empirical Analysis. Regional Research Institute: West Virginia University Press.

Gesellschaft für Internationale Zusammenarbeit (GIZ). 2015. Economic Development and Employment: Private sector development. Germany.

Global Entrepreneurial Monitor (GEM). 2002. South African Executive Report. Cape Town: University of Cape Town. The Graduate School of Business.

Global Entrepreneurship Monitor (GEM). 2014. <http://www.gemconsortium.org>. Date of access: 18 Feb. 2020.

Global Entrepreneurship Monitor (GEM). 2017. <http://www.gemconsortium.org>. Date of access: 8 Feb. 2020.

Global Text Alert (GTA). 2018. Forty-Four African Countries Sign Continental Free Trade Area agreement. <https://www.ey.com>. Date of access: 4 July 2020.

Groepe, F. 2015. The Role of Business in Local Government and Local Economic Development. AHI Conference, St George Hotel, 9 Oct.

Helmsing, A.H.J. 2001. Local Economic Development: New Generations of Actors, Policies and Instruments. Paper delivered at the UNCDF-sponsored Cape Town Participatory Symposium on Decentralisation and Local Governance in Africa.

Hindson, D. 2003. Connecting Economic Growth with Poverty Alleviation: South Africa's LED Challenge. *Hologram*, 1(1):2-7.

Hirsch, A. 2016. Accelerated Growth Initiative of South Africa: A Strategic Perspective. http://www.shisaka.co.za/downloads/asgisa_perspective_hirsch_0611.pdf. Date of access: 8 Feb. 2020.

Hofisi, C., Mbeba, R., Maredza, A. and Choga, I. 2013. Scoring Local Economic Development Goals in South Africa: Why Local Government is Failing to Score. *Mediterranean Journal of Social Sciences*, 4(13):591-595.

Horvat, C.J., Klačmer, M. and Lalić, M. 2014. Analysis of Financing Sources for Start-Up Companies. <https://hrcak.srce.hr/file/196722>. Date of access: 19 Feb. 2020.

Hundley, V. and Van Teijlingen, E.R. 2002. The Importance of Pilot Studies. Guildford: University of Surrey Press.

Hyungsik, E. and Terrasi, E. 2015. Industrial and Service Co-operatives: Global Report 2015-2016. Brussels.

Igwenagu, C. 2016. Fundamentals of Research Methodology and Data Collection. Enugu: Lambert Academic Publishing.

International Co-operative Alliance (ICA). 2017a. 2nd Africa Co-operative Youth Conference Report. Democratic Republic of Congo, Goma. 1 September 2017.

International Co-operative Alliance (ICA). 2017b. Africa Co-operative Development Strategy 2017- 2020. Nairobi, Kenya.

International Leadership Development Programme. 2014. Informal Small Medium and Micro Enterprises (SMME) Retailers in South Africa.

Investopedia. 2018. What Impact does Government Regulation have on the Financial Services Sector? <https://www.investopedia.com/ask/answers/030315/what-impact-does-government-regulation-have-financial-services-sector.asp>. Date of access: 26 June 2020.

Jensen, M.C. and Meckling, W.H. 1976. Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(4):305-360.

Jilli, N.N., Masuku, M.M. and Selepe, B.M. 2017. SMMEs promoting Local Economic Development (LED) in Umlazi Local Municipality. *African Journal of Hospitality, Tourism and Leisure*, 6(11):1-10.

Joseph, G. 2013. Public and Private Sector Procurement from SMME's as a Stimulant for Economic Growth. Johannesburg: South African Supplier Diversity Council.

Joubert, P. n.d. .Constraints and Challenges of Small and Medium Enterprises (SMEs') In Swaziland: A Case Analysis. Kwaluseni: University of Swaziland.

Kale, B.S. 2015. Micro, Small and Medium Enterprises – A Case Study of Maharashtra. *Indian Journal of Applied Research*, 5(8):124-126.

Kamara, R.C. 2017. Creating Enhanced Capacity for Local Economic Development through Collaborative Governance in South Africa. Stellenbosch: University of Stellenbosch. (Thesis – PhD).

Kambikambi, K. 2003. Development plan for emerging entrepreneurs in South Africa. Potchefstroom: NWU. (Master Dissertation).

Kapunda, M.S. and Mutoko. W.R. 2017. Factors Influencing Small, Medium and Micro-Sized Enterprises' Borrowing from Banks: The Case of the Botswana Manufacturing Sector. *Acta Commercii - Independent Research Journal in the Management Sciences*, 17(1):1-9.

Karras, D.M. and Papademetriou, C.R. 2017. A Systematic Review of Analytical Management Techniques in Business Process Modelling for SMEs Beyond What-If-Analysis and Towards a Framework for Integrating them with BPM. https://researchportal.port.ac.uk/portal/files/7399235/BMSD17_paper_post_print.pdf Date of access: 21 Feb. 2020.

Kerr, W.R., Nanda, K. and Nanda, R. 2009. Financing Constraints and Entrepreneurship. <https://www.hbs.edu/faculty/Publication%20Files/1001310253923-5a0e-41e9-85df-e21c75b6c76c.pdf>. Date of access: 23 July 2019.

Keskin, H., Sentürk, C., Sungur, O. and Kiris, H. 2010. The Importance of SMEs in Developing Economies. 2nd International Symposium on Sustainable Development, June 8-9, Sarajevo.

Kivisto, J. 2007. Agency Theory as a Framework for the Government-University Relationship. Tampere: University of Tampere. (Thesis – PhD).

Koma, S. 2012. Developmental Local Government Issues, Trends and Options in South Africa. *African Journal of Public Affairs*, 5(2):105-116.

Kothari, C.R. 2004. Research and Methodology: methods and techniques. New Delhi: New Age International Publishers.

Kumar, R. 2011. Research Methodology: A step by step for beginners. 3rd ed. New Delhi: Sage.

Kuratko, D.F. and Hodgetts, R.M. 2004. *Entrepreneurship: Theory, Process, Practice*. Mason, OH: South-Western Publishers.

Lane, J.E. 2013. The Principal-Agent Approach to Politics: Policy Implementation and Public Policy-Making. *Open Journal of Political Science*, 3(2):85-89.

Laubscher, J. 2010. Hoe nuut is die nuwe groeipad plan werklik? Sake 24, 1 November, 6.

Leruth, L. and Paul, E. 2006. A Principal-Agent Theory Approach to Public Expenditure Management Systems in Developing Countries. Working paper 06/204. New York, NY: IMF.

Lin, S.Y. and Tulchin, D. 2012. Capital Sources for Social Enterprises. <http://www.socialenterprise.net/assets/files/SocEntAssocCapitalSourcesforSocialEnterprises.pdf>. Date of access: 19 Feb. 2020.

Longenecker, C.W., Moore, J.W. and Petty, S. 2003. *Small Business Management: An Entrepreneurial Emphasis*. Nashville, TN: South-Western College Publishing.

Lucas, G.H.G. 1992. Defining a Small Business Enterprise in South Africa. Bureau of Market Research (Research report No.191: I-39). Pretoria: UNISA.

Makhado, R., Masehela, K., Motimele, M., Nyathela, H. 2012. Municipal Public Accounts Committee: The Road Ahead. *SSRN Electronic Journal*, 1-29.

Makhubele, T.A. and Nieuwenhuizen, C. 2016. The Impact of ABSA Enterprise Development on Small and Micro Enterprise Growth. *Science Journal of Business and Management*, 4(2):42-50.

Makinde, J.T., Hassan, A.O. and Olaiya, T.A. 2016. Theory, Principle and Practice of Local Governance in Nigeria. *Journal of Developing Areas*, 50(1):305-308.

Malan, P. 2004. An Investigation of the Support System for Small Medium and Micro Enterprises through Local Service Centres in the Vaal Triangle Region. North West University: Vaal Triangle Campus. (Thesis – PhD).

Malefane, S.R. 2009. Structuring South African Municipalities for Effective Local Economic Development Implementation. *Journal of Public Administration*, 44(1.1):146-168.

Martin, J.H. 2001. Size, Structure and Profile of the Informal Retail Sector. Pretoria: University of Pretoria, Bureau of Market Research.

Mason, D.S. and Slack, T. 2003. Understanding Principal-Agent Relationships: Evidence from Professional Hockey. *Journal of Sports Management*, 17(1):37-61.

Masuku, M.M., Jili, N.N. and Selepe, B.M. 2016. The Implementation of Local Economic Development Initiatives towards Poverty Alleviation in Big 5 False Bay Local Municipality. *African Journal of Hospitality, Tourism and Leisure*, 5(4):1-11.

Mathunyane, L.S. 2016. Export Propensity of SMMEs in South Africa. Potchefstroom: NWU. (Master Dissertation).

Maye, M. 2014. Small Business in South Africa: What the Department of Small Business Development Can Do to Stimulate Growth. South African Bishop's Catholic Conference, Occasional Paper 35, Sept.

Meyer, D. 2013. The New Growth Path for South Africa: Can the Policy be Applied in the Local Government Sphere?

https://repository.up.ac.za/bitstream/handle/2263/57917/Meyer_New_2013.pdf?sequence=1&isAllowed=y. Date of access: 8 Feb. 2020.

Mjema, G.D. 2002. The Role of Foreign Aid in Private Sector Development: Some Reflections for SME Development in Tanzania. *Business Management Review Journal*, 8(2):108-126.

Mocko, G.M., Teegavarapu, S. and Summers, J.D. 2008. Case Study Method for Design Research: A Justification. ASME International Design Engineering Technical Conferences & Computers and Information in Engineering Conference, August 3-6. New York City.

Mouton, J. 2001. How to succeed in your Master's and Doctoral studies. Pretoria: Van Schaik.

Municipalities of South Africa (MSA). 2019. Dr Kenneth Kaunda District Municipality. <https://municipalities.co.za/map/140/dr-kenneth-kaunda-district-municipality>. Date of access: 25 July 2020.

National Research Foundation (NRF). 2016. Infrastructure Funding Instrument: National Equipment Programme - Framework and Funding Guide. Pretoria: NRF.

Nel, E. 2001. Local Economic Development: A Review and Assessment of its Current Status in South Africa. *Urban Studies*, 38(7):1003-1024.

Niska, M. and Vesala, K.M. 2013. SMME Policy Implementation as a Relational Challenge. *Entrepreneurship and Regional Development: An International Journal*, 25(5-6):521-540.

North West Provincial Government (NWPG). 2013. North West Provincial Development Plan (NWPDP). Mahikeng.

Organisation for Economic Co-operation and Development (OECD). 2015. New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments. Istanbul: OECD.

Organisation for Economic Co-operation and Development. 2015. New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments. <https://www.oecd.org/cfe/smes/New-Approaches-SME-full-report.pdf>. Date of access: 19 Feb. 2020.

Padiaychee, T. 2016. Access to Finance: Disconnect between Entrepreneurs and Financiers. Pretoria: University of Pretoria. (Master Dissertation).

Parker, G.D. 2004. The Challenge of Sustainable Land-Based Local Economic Development in Poor Communities of South Africa: The Case of Groblershoop, Northern Cape. Cape Town: University of Western Cape. (Master Dissertation).

Parkinson, M., Owen, H. and Revens, R. 2001. Identifying Opportunities. New York, NY: Plenum Press.

Pearson Education. 2013. Essentials of Entrepreneurship and Small Business Management. <http://www.usheproduction.com/design/8020/downloads/4a.pdf>. Date of access: 19 Feb. 2020.

Pegasys. 2012. Review of Principles and Experience for Infrastructure Finance. Working Paper, 16 Nov.

Pennink, B.J.W. 2014. Dimension of Local Economic Development: Towards a Multi-level, Multi-actor Model. *Journal of Business and Economics*, 5(1):248-256.

Perera, E.M., Hathaway, D. and Wagner, M. 2005. Implementing the Montreal protocol in small businesses: chemical management under a multilateral environmental agreement. Burkina Faso: UNEP.
<http://www.uneptie.org/ozonaction/information/mmcfiles/4483-e-smestudy.pdf>. Date of access: 8 Feb. 2020.

Pham, H.D. 2017. Determinants of New Small and Medium Enterprises (SMEs) Access to Bank Credit: Case Study in the Phu Tho Province, Vietnam. *International Journal of Business and Management*, 12(7):83-99.

Philip, K. 2003. Co-operatives in South Africa: Their Role in Job Creation and Poverty Reduction. Cape Town: South African Foundation.

Pinelli, M. and Schrelber, U. 2012. Funding the Future: Access to Finance for Entrepreneurs in the G20. Mexico.

Politics Web. 18 September 2016. R1.5bn private sector SME Fund established - CEO Initiative. Newsgroup. <http://www.politicsweb.co.za/politics/r15bn-private-sector-sme-fund-established--ceo-ini>. Date of access: 18 Feb. 2020.

Real Economy Bulletin (REB). 2017. The State of Small Businesses in South Africa. http://pmg-assets.s3-website-eu-west1.amazonaws.com/171004Business_Edition.pdf. Date of access: 6 June 2019.

Ridder, G.H. 2017. The Theory Contribution of Case Study Research Designs. Hannover: Springer.

Roach, C.M. 2016. An Application of Principal Agent Theory to Contractual Hiring Arrangements within Public Sector Organisations. *Theoretical Economics Letters*, 6:28-33.

Robleh, M.H. 2017. Factors Influencing the Performance of Small and Micro Enterprises (SMEs) in Somaliland a Case Study of Hargeisa City. *Global Journal of Management and Business Research*, 17(5):14-32.

Rodriguez-Pose, A. and Tijmstra, S. 2005. Local Economic Development as an Alternative Approach to Economic Development in Sub-Saharan Africa: A report to the World Bank. New York, NY: World Bank.

Rogerson, C.M. and Rogerson, J.M. 2012. Business Development and Local Economic Development in South Africa: Addressing the Disconnect. http://scholar.ufs.ac.za:8080/xmlui/bitstream/handle/11660/2950/academ_v44_n2_a3.pdf?sequence=1. Date of access: 7 July 2019.

Rogerson, C.M. 2004. The Impact of the South African Government's SMME Programmes: A Ten - Year Review (1994 - 2003). *Development Southern Africa*, 21(5):765-784.

Rowley, J. and Slack, F. 2004. Conducting a literature review. *Management Research News*, 27(6):31-39.

Ruecker, A. and Trah, G. 2007. Local and Regional Economic Development: Towards a Common Framework for GTZ's LRED Interventions in South Africa. Eschborn: GTZ.

Schumpeter, J.A. 1942. Capitalism, Socialism and Democracy. New York, NY: Harper & Brothers.

Sebonkile, C. and Thaba, C.M. 2015. Proceedings of the World Congress on Engineering and Computer Science. Volume II WCECS, 21-23 October. San Francisco, USA.

SEDA. 2016. The small, medium and micro enterprise sector of South Africa Research Note 1. <http://www.seda.org.za/Publications/Publications/The%20Small,%20Medium%20and%20Micro%20Enterprise%20Sector%20of%20South%20Africa%20Commissioned%20by%20Seda.pdf>. Date of access: 8 Feb. 2020.

SeedAcademy. 2019. The Essential Guide to Funding in SA: Giving your Ideas what they need to become Businesses. Sandton: SA.

Sharp, M.A. 1999. Economic and Social Issues. 4th ed. New York, NY: Oxford University Press.

Simpeh, K.N. 2011. Entrepreneurship Theories and Empirical Research: A Summary Review of Literature. *European Journal of Business and Management*, 3(6):1-9.

Small Business Project (SBP). 2009. Small business development in South Africa: Time to Re-Assess. Johannesburg: SBP.

Small Business Project. 2014. Growth and Competitiveness for Small Business in South Africa. http://sbp.org.za/uploads/media/SBP_s_SME_Growth_Index_-_Headline_Report_2013.pdf. Date of access: 9 Feb. 2020.

Smeaton, D., Hudson, D., Deraniyagala, S., Francavilla, F., Phillips, J. and Salis, S. 2011. Impact of BIG Funding of Community Enterprise Overseas. London: Policy Studies Institute.

Soriano, D.R. 2017. Small Business and Entrepreneurship: Their Role in Economic and Social Development. *Entrepreneurship and Regional Development*, 29(1-2):1-3.

South Africa. 1993. Occupational Health and Safety Act 85 of 1993. Pretoria: Government Printers.

South Africa. 1995. Department of Trade and Industry (DTI). White Paper on National Strategy for the Development and Promotion of Small Business. Pretoria: Government Printers.

South Africa. 1996. Constitution of the Republic of South Africa 1996. Pretoria: Government Printers.

South Africa. 1996. Growth Employment & Redistribution. Pretoria: Government Printers.

South Africa. 1997. Basic Conditions of Employment Act. Pretoria: Government Printers.

South Africa. 1998. White Paper on Local Government. Pretoria: Government Printers.

South Africa. 2000. Local Government Municipal Systems Act 32 of 2000. Pretoria: Government Printer.

South Africa. 2000. Local Government: Municipal Systems Act 32 of 2000. Pretoria: Government Printers.

South Africa. 2000. Preferential Procurement Policy Framework Act 5 of 2000. Pretoria: Government Printers.

South Africa. 2001. Department of Provincial and Local Government (DPLG). Local Government: Municipal Planning and Performance Management Regulations. Government Gazette No. R796. August. Pretoria: Government Printers.

South Africa. 2003. Local Government: Municipal Finance Management Act 56 of 2003. Pretoria: Government Printers.

South Africa. 2003. National Small Business Amendment Act (NSBAA), 26 of 2003. (Notice 1732). *Government Gazette*, 25763: Vol 461, 26 Nov. http://saflii.org/za/legis/num_act/nsbaa2003331.pdf. Date of access: 6 Jun. 2019.

South Africa. 2004. Department of Trade and Industry (DTI). A Co-operative Development Policy for South Africa. Pretoria: Government Printers. http://www.thedti.gov.za/economic_empowerment/docs/coops/legis_policy/Co_operatives_policy.pdf. Date of access: 14 Jan. 2020.

South Africa. 2004. Local Government: Municipal Property Rates Act 6 of 2004. Pretoria: Government Printers.

South Africa. 2004. National Small Business Amendment Act (NSBAA), 29 of 2004. (Notice 1459). *Government Gazette*, 27101: Vol 474, 15 Dec.

South Africa. 2004. Public Audit Act 25 of 2004. Pretoria: Government Printers.

South Africa. 2005. Accelerated Growth Initiative of South Africa. Pretoria: Government Printers.

South Africa. 2005. Co-operative Act (CA), 14 of 2005. Pretoria: Government Printers.

South Africa. 2005a. Department of Trade and Industry (DTI). Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprise. Pretoria: Government Printers.

South Africa. 2005b. Department of Trade and Industry (DTI). Integrated Strategy on Promotion of Entrepreneurship and Enterprises. Pretoria: Government Printers.

South Africa. 2006a. Department of Provincial and Local Government (DPLG). National Framework for Local Economic Development. Pretoria: Government Printers.

South Africa. 2006b. Department of Planning and Local Government (DPLG). Stimulating and developing sustainable local economies, a national framework for LED in South Africa 2006–2011. Pretoria: Government Printers.

South Africa. 2008. Department of Trade and Industry. Annual Review of Small Business in South Africa 2005-2007. Pretoria: Government Printers.

South Africa. 2009. Parliament: Oversight and Accountability Model, Pretoria: Government Printers.

South Africa. 2010. New Growth Path. Pretoria: Government Printers.

South Africa. 2011. National Credit Regulator. Literature Review on Small and Micro Enterprises' Access to Credit and Support in South Africa. <http://www.ncr.org.za/pdfs/Literature%20Review%20on%20SME%20Access%20to%20Cr>

edit%20in%20South%20Africa_Final%20Report_NCR_Dec%202011.pdf. Date of access: 9 Feb. 2020.

South Africa. 2012. National Treasury Regulation: MFMA Circular No. 63. Pretoria: Government Printers.

South Africa. 2013. Co-operative Amendment Act (CAA), 6 of 2013. (Notice 558). *Government gazette*, 36729: Vol 578, 5 Aug.

South Africa. 2013. National Development Plan. Pretoria: Government Printers.

South Africa. 2014. Department of Planning Monitoring and Evaluation. Local Government Management Improvement Model (LGMIM) 2014/2015. Pretoria: Government Printers.

South Africa. 2014. Department of Small Business Development (DSBD). Report on Review of Small Business in South Africa. Pretoria: Government Printers.

South Africa. 2014. National Treasury Regulation: Municipal Regulation on Financial Misconduct Procedures and Criminal Proceedings. Pretoria: Government Printers.

South Africa. 2015. National Treasury. *Response to the OECD's 2015 Economic Report*. Pretoria.

<http://www.treasury.gov.za/publications/other/OECD%20Economic%20Surveys%20South%20Africa%202015.pdf>. Date of access: 8 Feb. 2020.

South Africa. 2015. The Presidency. Transfer of Ministry of Planning, Monitoring and Evaluation. Pretoria: Government Printers.

South Africa. 2016. Department of Small Business Development (DSBD). Red Tape Impact Assessment Bill. Pretoria: Government Printers.

South Africa. 2016. National Enterprise and Cooperative Development Strategy (NECDS) 2016/2017. Pretoria: Government Printers.

South Africa. 2017. Preferential Procurement Regulations. Pretoria: Government Printers.

South Africa. 2017a. Department of Small Business Development (DSBD). Research Agenda – Final Draft: Challenges faced by Government. Pretoria. Government Printers.

South Africa. 2017b. Department of Small Business Development (DSBD). Comparative Analysis of SMME Legislation from Eight Countries to the National Small Business Act No 102 of 1996, as amended in 2003 and 2004. Pretoria: Government Printers.

South Africa. 2017c. Department of Small Business Development (DSBD). Presentation on 2016/17 Annual Report to the Portfolio Committee on Small Business Development. Pretoria: Government Printers.

South Africa. 2018. Auditor General Report for 2018/2019. Pretoria: Government Printers.

South Africa. 2018. Department of Cooperative Governance and Traditional Affairs (COGTA). Intergovernmental Monitoring, Support and Intervention Bill. Pretoria: Government Printers.

South Africa. 2018. Department of Trade and Industry (DTI). Financial Assistance (Incentives). Pretoria: Government Printers.

South Africa. 2018. State of the Nation Address. Pretoria: Government Printers.

South Africa. 2018. Taxation Laws Amendment Act 23 of 2018. Pretoria: Government Printers.

South Africa. 2019a. Department of Small Business Development (DSBD). Principles of Good Governance for Co-operatives. Pretoria: Government Printers.

South Africa. 2019b. Department of Small Business Development (DSBD). National Informal Business Strategy. Pretoria: Government Printers.

South Africa. 2019. National Treasury Regulation: Municipal Cost Containment, Notice 317. Pretoria: Government Printers.

South Africa. 2019. Parliament: Standing Committee on Public Accounts (SCOPA). <https://pmg.org.za/committee/42/>. Date of access: 4 July 2019.

South Africa. 2019. Select Committee on Public Accounts (SCOPA). Legacy Report. Pretoria: Government Printers.

South Africa. 2019. Statistics South Africa. Quarterly Labour Force: Quarter 1. Pretoria: Government Printers.

South Africa. n.d. Department of Small Business Development (DSBD). The study on the South African Small Enterprise eco-system. Pretoria: Government Printers.

South Africa. n.d. Kwa-Zulu Natal Department of Health. South Africa's Economic Transformation – A strategy for BEE. <http://www.kznhealth.gov.za/TED/strategy.pdf>. Date of access: 26 Jan. 2020.

South African History. 2014. South Africa - First 20 Years of Democracy (1994 - 2014). <http://www.sahistory.org.za/article/south-africa-first-20-years-democracy-1994-2014>. Date of access: 6 Feb. 2018.

South African History. 2015. Despite the 1994 political victory against apartheid, its economic legacy persists. <http://www.sahistory.org.za/article/despite-1994-political-victory-against-apartheid-its-economic-legacy-persists-haydn-cornish->. Date of access: 20 Feb. 2018.

South African Local Government Association (SALGA). 2018. Consequences and Accountability Framework for Municipalities in South Africa. Pretoria: SALGA.

South African Local Government Association (SALGA). 2019. Quarter 4 Report for Financial Year 2018/2019. Pretoria: SALGA.

South African Local Government Association (SALGA). n.d. The relationship between District and Local Municipalities and Reporting Mechanisms. Pretoria.

South African Revenue Service (SARS). 2018. Tax Guide: Companies, Trusts and Small Business Corporations. Pretoria: Government Printers. <http://www.sars.gov.za/Tax-Rates/Income-Tax/Pages/Companies-Trusts-and-Small-Business-Corporations.aspx>. Date of access: 16 June 2019.

Stan, S.A. 2014. The Role of Small Business in Economic Development of European Economy. *Studies and Scientific Researches*. Economics Edition, No 19.

Standard Bank. 2005. The Small Capital Practical Guide for Small Business. <https://www.standardbank.co.za/pdfs/generic/SmallCapitaliss3.pdf>. Date of access: 19 Feb. 2020.

Standard Bank. 2018. 7 Funding Methods you can use to start your Business <https://bizconnect.standardbank.co.za/start/funding/reference-documents/types-of-funding.aspx>. Date of access: 19 Feb. 2020.

Stevenson, H.H. 2000. Why Entrepreneurship Has Won, Coleman White Paper. USASBE National Conference, Feb.

Stevenson, H.H. and Jarillo, J.C. 1990. A paradigm of Entrepreneurship: Entrepreneurial Management. *Strategic Management Journal*, 11(1):17-27.

Temu, S.S. 1998. The Impact of Financial Institutions Reforms on Small and Micro Enterprises Financing in Tanzania. *Business Management Review*, 5(2):56-78.

Terry, L. 1994. Agential Leadership, Stewardship and Economic Agency Theory: A close but uneasy relations. *Administrative Theory & Praxis*, 16(1):44-56.

Timmons, J.A. & Spinelli Jr., S. 2009. New venture creation: Entrepreneurship for the 21st Century 8th ed. New York, NY: McGraw-hill.

Tirfe, A.G. 2015. Effects of Resources and Entrepreneurial Orientation on Growth of Small Enterprises in Tigray Regional State, Ethiopia. Pretoria: UNISA. (Thesis – PhD).

Trade Industrial Policy Strategies (TIPS). 2017. Report Regulatory Burdens on Small Business: Options for Improvement. <http://www.dsbd.gov.za/wp-content/uploads/2019/03/Final-report-on-regulatory-burdens-on-SMEs-TIPS-14-April-2017-3-2.pdf>. Date of access: 31 May 2019.

Trade Industrial Policy Strategies (TIPS). n.d. How South Africa can boost support to small businesses: Lessons from Brazil and India. http://www.tips.org.za/files/3_small_business_policies_in_south_africa_india_and_brazil_pg20_-_27.pdf. Date of access: 19 Feb. 2020.

United Nation Development Programme (UNDP). 2009. Handbook on Planning, Monitoring and Evaluating for Development Results. New York, NY: A.K Offices.

United Nations. 2017. Sustainable Development Goals Report. <https://unstats.un.org/sdgs/files/report/2017/TheSustainableDevelopmentGoalsReport2017.pdf>. Date of access: 4 July 2019.

Van der Waladt, G. 2004. Managing Performance in the Public Sector: Concepts, Considerations and Challenges. Kenwyn: Juta.

Van der Walddt, G. 2006. Managing Local Government Performance: Key Considerations and Challenges. *Journal of Public Administration*, 41(2):128-143.

Van der Walddt, G. 2008. Project governance: Selected South African Government experiments. *Koers*, 73(4):729-750.

Van der Walddt, G. 2015. Political Oversight of Municipal Projects: An Empirical Investigation. *Administratio Publica*, 23(3):48-69.

Van der Walddt, G. (Ed.) 2018. Municipal Management: Serving the people. 3rd ed. Cape Town: Juta.

Van Horn, T. G. 2011. The Utility of Freedom: A Principal-Agent Model for Unconventional Warfare. United States Military Academy: Naval Postgraduate School. (Master Dissertation).

Vedung, E. 1997. Public Policy and Programme Evaluation. (1st paperback printing 2000). New Brunswick: Transaction Publishers.

Visser, T., Nieman, G. and Van Heerden, E. 2013. "Financial Administration and Small and Medium Enterprises: A Study Conducted in South Africa" Athens: Atiner's Conference Paper Series, No: SME2013- 0529.

VNG International (VNGI). 2015. The Role of Local Government in Local Economic Development: A Step-by-Step Approach. http://www.vng-international.nl/wp-content/uploads/2015/06/The_role_of_local_government_in_local_economic_development.pdf. Date of access: 3 July 2019.

Vosloo, W.B. 1991. A Strategy for Entrepreneurship and SME Development for the new South Africa: An Address given at the Small Business Conference at Pilanesberg, 30 Sept. (Unpublished).

- Walburn, D. 2005. Trends in Entrepreneurship Policy. *Local Economy*, 20(1):90-92.
- Wamark. 2018. Advantages and Disadvantages of the Different Forms of Ownership. <http://www.wamark.co.za/doc/advantages%20and%20disadvantages%20of%20the%20different%20forms%20of%20ownership.pdf>. Date of access: 13 June 2019.
- Watson, R.T. and Webster, J. 2002. Analysing the Past to Prepare for the Future: Writing a Literature Review. *MIS Quarterly*, 26(2):10111-1010111.
- Wisconsin Community Health. 2015. Template Implementation Plan. Kimberley, WI: WCH.
- Wood, M. J. and Ross-Kerr, J. C. 2011. Basic steps in planning nursing research: From question to proposal. 7th ed. Sudbury, Mass: Jones & Bartlett.
- World Bank Urban Development Unit (WBUDU). 2003. Local Economic Development: LED Quick Reference. [http://siteresources.worldbank.org/INTLED/Resources/339650-1105473440091/BackgroundpaperforGwenLEDQuickReferenceGuide\(December2003\).pdf](http://siteresources.worldbank.org/INTLED/Resources/339650-1105473440091/BackgroundpaperforGwenLEDQuickReferenceGuide(December2003).pdf). Date of access: 19 June 2020.
- Yesilkagit, K. 2004. The Design of Public Agencies: Overcoming Agency Costs and Commitment Problems. *Public Administration and Development*, 24(2):119-127.
- Yin, R.K. 1984. Case Study Research: Design and Methods. Beverly Hills, CA: Sage.
- Zainal, Z. 2007. Case Study as a Research Method. *Jurnal Kemanusiaan*, 9:1-6.