



SMME DATABASE

A pressing need for the Department of
Economic Development and Tourism

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Introduction

There is undisputable importance of the role Small, Medium & Micro Enterprises (SMMEs) (herein referred to as SMMEs) play as engines of economic growth and backbone of any economy. In cognizance of the importance of SMMEs, South African government has built frameworks for SMME development and support. These include the recent establishment of the Ministry for Small Business Development, mandated to create a conducive environment for the development and growth of small businesses and cooperatives through the provision of enhanced financial and non-financial support services and leveraging on public and private partnerships.

Equally, SMME development is placed at the centre of provincial development agendas. Acknowledgement of the importance of the SMME sector in the province dates back to 2009, wherein the Northern Cape Provincial Growth and Development Strategy (NCPGDS) stated the promotion of a sustainable, flourishing business sector in the province as of critical importance in the attainment of provincial development goals. Likewise, the Department of Economic Development and Tourism (DEDaT) efforts in taking full stock of the SMME sector potential as a key economic driver are affirmed by the policy regulatory frameworks developments, specifically in 2012. DEDaT not only commissioned the review of the Provincial SMME Strategy but also the development of an Incubation Strategy.

Whilst the SMME policy framework is key in establishing a basis for the design, implementation and assessment of processes that support the development of a more competitive and sustainable SMME sector, it strongly relies on enabling tools. One such tool is an SMME database. Setting up a database is at the heart of local economic development as it allows for effective and tailored support to SMMEs. Any intervention pertaining to the development of SMMEs needs accurate information such as the SMMEs' geographic location, size, goods and services offered, distribution amongst economic sectors, years in operation and so forth. This is why then a credible and up to date SMME database is said to be a necessary enabling tool in advancement of development goals as it serves as an important guide for policy and decision makers.

Purpose

The DEDaT, through its Enterprise Development Unit, is tasked with creating an enabling environment for SMMEs, through the provision and facilitation of financial and non-financial support. To be in a position to obtain strategic objectives, Enterprise Development needs a solid SMME database, amongst others. The purpose of this economic

intelligence report is to draw attention to a critical need of an accurate, credible and up to date SMME database. This apprehension is based on the challenges experienced by the Research and Development (R&D) subprogramme in undertaking several research initiatives.

Discussions

R&D is tasked with the responsibility to conduct relevant and efficient economic research to assist the department to come up with informed intervention measures to improve provincial economic performance; inform planning and guide decision making for both the department and the Northern Cape Province; as well as to support inclusive growth and development of new industries. Over the past three reporting periods, R&D has conducted several research studies which somewhat point to a strong need for a credible SMME database.

Over the period 2014 to 2016, R&D has conducted investigative research on the procurement plans of the strategic infrastructure projects¹ underway in the province. This was in order to quantify the investment and advice specifically programmes 2 and 3 of what opportunities would benefit SMMEs in the province, whether in the form of supplying goods and services or manufacturing certain components towards the value chains of these SIPs. In order to make strides towards 'provincialisation goals, then there has to be information on what capacity exists within the provincial. Again, this advances the call for an up to date SMME database, without which it becomes impossible for Programmes 2 and 3 to timely support SMMEs to gain from the procurement opportunities.

An economic intelligence titled "Profile of SMMEs funded by the DEDaT" provided an analysis of all departmentally funded SMMEs in an effort to outline progress made over the period 2012 to 2015 and make informed recommendations on how the department needs to strengthen its efforts to effectively and efficiently capacitate the sector. A database was sourced from Programme 2 and this was the basis of the analysis. Necessarily, the analysis entailed identification of geographic location, economic sectors within which they operate and the goods and service they offer.

The findings of the analysis exercise were packaged in a research report. Over and above the areas of focus of the research, there were additional concerning findings. For instance it appeared that amounts were disbursed to businesses with a non-operation

¹ Starting with the REI4P Bid windows 1-3, then the SKA and most recently SIPs 3 and 5 procurement plans. The research ensured value chains in all these infrastructure projects are outlined to streamline opportunities for the provincial SMMEs.

status. Amongst other recommendations, the report highlighted a need for a credible database. This was based on imprecisions on the SMME database information analysed in relation to contact details, location, economic sectors, state of operations etc.

A recent research report titled "SMME failure in the NC- An in-depth analysis" was compiled by R&D. This report entailed conducting interviews with SMMEs in the province to have an understanding of the structure and challenges affecting local SMMEs, in order to have effective interventions (through Programme 2). The research team as such needed an SMME database to arrange for these face to face interviews. Programme 2 forwarded a database for this exercise however there were concerns on the accuracy of information. Important basic business information was not captured in the database such as the geographic location and contact details of SMMEs.

Twenty-seven SMMEs had no geographic location and 68 had no contact details totaling to 95 SMMEs with either no geographic area or contact details. This posed a challenge for the research team as lack of information meant 95 SMMEs would possibly be excluded from the sample. Moreover, some of the SMMEs' geographic locations were incorrectly captured thus making the interviews impossible at times. What was also a concern was a high concentration of SMMEs in the Frances Baard region, indication that DEDaT support is highly location biased. Again, the gaps in information pointed to a need for a credible SMME database.

Given the importance of credibility of the research reports, other methods of sourcing SMME information had to be devised to augment the sample of SMMEs for the study. SEDA, Pixley Ka-Seme and Z.F. Mgcawu Local Economic Development units were requested for additional SMME information. Again the team was frustrated as SEDA indicated that SMME confidentiality clauses prohibit them from sharing the database with the department, a cause for concern. Whilst lack of collaboration between institutions mandated with the SMMEs, the pressing concern was that the departments' database had relatively low SMMEs captured. What all these challenges affirmed once more, was the importance and urgency of a comprehensive SMME database.

Besides DEDaT support, there are important SMME initiatives that would greatly benefit provincial economic performance. Such include the DTI incentives, National Gazelles Programmes and or the Provincial Gazelles as well as the Black Industrialist programme. The Northern Cape is very slow on uptake or participation in these programmes. Lack of information of all the SMMEs specifically their size and operating sectors, prohibits the department to make an informed recommendations on whether tailored provincial

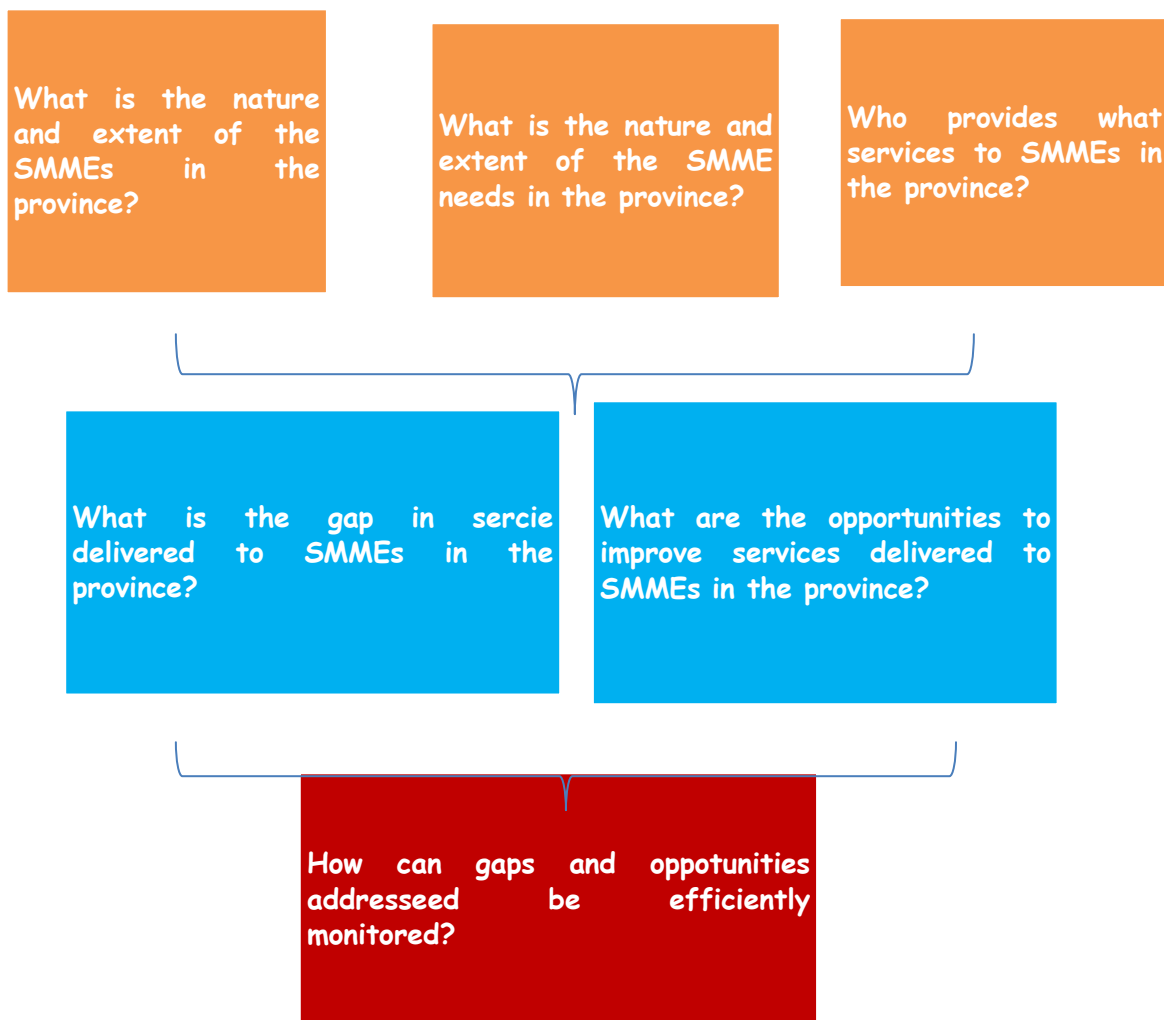
incentives are the way to go. A lack of a credible database is undoubtedly amongst the contributing factors for low participation in the Gazelles and Black Industrialist programmes. With no accurate database, the department cannot be in a position to identify qualifying enterprises, those with potential to qualify with the right support and so on. This can be cited as one of the reasons for a low or no participation in these beneficial programmes.

Conclusion

The role played by SMMEs as engines of economic growth is indisputable. National and provincial governments are well cognizant of this and have placed frameworks for SMME development and support. Whilst this policy framework is key for establishing a basis for the design, implementation and assessments of processes that support the development of a competitive and sustainable SMME sector, there must be enabling tools in place. Amongst other tools, a credible database is obligatory. DEDaT, through the Enterprise Development Unit is tasked with the function of not only creating an enabling environment for SMMEs but also provision and facilitation of financial and non-financial support. This calls for an understanding of the profile of SMMEs in the province. The research team however, has on several occasions noted the non-existence a credible database in the department. This is why it calls urgent attention of decision makers towards speeding up the development of an SMME database.

Recommendations

1. It is recommended that the department urgently looks into the matter of setting up a credible SMME database. Embarking on a profiling of SMMEs project can be attained through the following processes: 1. Developing a good understanding of the nature, extent and needs of the SMME environment in the province, 2. Having a good understanding of who and what services SMMEs in the province provide, 3. From the analysis of the above two components develop an integrated profile of all SMMEs for providing efficient and effective business services and facilities, and 4. Finally develop a provincial wide SMME database. Diagrammatically, the approach to the development of an SMME profile and database² is as follows:



² Emphasis can be placed on priority sectors in line with the provincial developmental agenda.

The department can appoint a service provide with terms of reference informed by the above project processes.

- Another alternative towards developing a database would be to source local municipality databases to provide baseline information for a district wide or provincial SMME database (most local municipalities provide service providers and suppliers equal opportunities to tender by encouraging them to register on their databases). In the event that some of the municipalities do not have databases, the department (through the LED unit) can support those without to ensure all municipalities in the province as this information is crucial in local economic development.

Irrespective of what option the department chooses, the diagram below provides an example of an ideal SMME database model would have an MS SQL program that look as follows:

