

Positioning the City of Cape Town's implementation of the EPWP as a key facilitator of sustainable support and development of SMMEs

“It is not enough that the ... opportunity exists, but of more importance is the manner in which the opportunity is exploited or seized” Ramukumba (2014: 24)

Masibulele Zonyana



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA



TIPS FORUM 2021

RECONSTRUCTION AND RECOVERY: RETHINKING INCLUSIVE INDUSTRIALISATION IN RESPONSE TO COVID-19

Background

- SMMEs comprise over 90% of African business operations and contribute to over 50% of African employment and Growth Domestic Product (GDP).
- In South Africa, SMME constitute 55% of all jobs”. This is supported by Madzivhandila and Dlamini (2015: 606) who find that, in countries such as;
 - Kenya and Nigeria, SMMEs make an estimated contribution of between 20% - 50% of employment and 72% - 50% to GDP respectively.
- While South Africa’s SMMEs contribute generally less, compared to the rest of Africa (Cape Town, 2018a).

(Rogerson 2004 & 2008, Ramukumba 2014)

Research Questions and Method

- In its explorative quest, this paper addresses the following question:
 - What are the core challenges facing SMMEs in South Africa and in the City of Cape Town?
 - Which, if any, SMME support programs have shown success in South Africa and why have they succeeded?
 - What is the nature of the implementation of the Expanded Public Works Programme in the City of Cape Town?
 - How, if at all, can the City of Cape Town's (City) approach to the implementation of the Expanded Public Works Programme (EPWP) be positioned as a key facilitator of sustainable support and development of SMMEs?
- Method
 - The paper is an improvement on two assignment papers submitted to The Nelson Mandela School of Public Governance, university of Cape Town – and one of the papers collected interview data from senior City officials who have been implementing projects within the SMME support space.
 - In this regard, all of the data collected for this paper comes from documentation, archival records, academic literature and interviews on SMMEs and the EPWP.

Key argument: state of SMMEs – Policy & Practice: Question 1

- Since the advent of democracy, twenty-six (26) years later, namely (Rogerson 2004, Rogerson 2008, Porta and Schleifer 2008, Abor and Quartey 2010, Ramukumba 2014, Madzivhandila and Dlamini 2015, Cape Town 2018, Mahambehlala 2019, Dladla 2021):
 - i. Lack of skills, across the board, from financial management to business and networking skills;
 - ii. Lack of access to financial markets and finance; and
 - iii. Lack of general business support and infrastructure.
- “Pro-SMME policy framework” – built on a pre-democratic history of strong institutions and policy framework;
 - Levy et al. (2015), Mahambehlala (2019), and Levy, Hirsh, Naidoo, and Nxele (2021) – are at the centre of South Africa’s current challenge of high levels of inequality and unemployment. (Acemoglu & Robinson 2013, Saul & Bond 2014).
- Covid-19 impact (van der Merwe 2020, Davel 2021, Dladla 2021, Mawelela 2021); neglect of micro and very small enterprises (Cape Town 2003, Rogerson 2004, 2008; Cape Town 2018, Dladla 2021).
- Strategic and policy positioning of the City’s EPWP sets it up as a readily available tool.
- ***A lack of an appropriately structured, patient, and well coordinated approach across the board, mainly for the lower-end of SMMEs***

Practice: anecdotal key efforts – Question 2

- Small Enterprise Development Agency (SEDA)'s Enterprise Development Programme
 - offers six (6) different packages, designed for SMMEs that have gone through the start-up phase, and providing targeted (women and informal/owners of micro-enterprises) structured service for a period between 10-15 months.
- Moreover, the Women Enterprise Coaching programme has a qualification criteria that includes:
 - Employ a minimum of 5 employees;
 - R1 million and not exceeding R35 million turnover per annum;
 - The selection criteria should be aligned to identified government priority sectors e.g. manufacturing, agro--processing and services (ICT, multimedia).
- Issues with turnover and number of employees targets; likely to target high-end segment of SMME, and not lead to job-creation
- the South African Institute of Chartered Accountant Enterprise Development's (SAICA ED) financial skills development programme for SMMEs seems to show one of the best accurately designed and targeted SMME financial literacy programmes currently available.
- bigger impact of such programmes as SAICA EDs one, require the whole-scale involvement of government, if they are to reach the masses of SMMEs that need them.

Mazzucato (2018 and 2019) warning and advice

State of SMMEs in the City of Cape Town: Policy & Practice...

- Building on the strong institutional background noted above, efforts have taken the following route
 - 2003 business support policy (two years after cape town becomes a metro as we know it) – noting same SMME challenges, especially for lower segment;
 - Develops and implements first IDP for 2006-2011 cycle – identifies “best practice” in Barcelona, Spain (Barcelona Activa) and embarks on a learning journey that results in the creation of Cape Town Activa for implementation between 2010-2015 (15m budget);
 - Economic Growth Strategy approved and implemented from 2013 – taking the decision to consolidate Cape Town Activa learning into “one-stop shop” by the next IDP period, 2017-2022; (also informed by **Global Competitiveness report 2011**)
 - Some of Cape Town Activa’s key results by its closing in 2015 - the creation of an SMME ecosystem for the City, which is used to inform the operations of the “one-stop shop”;
 - The ecosystem involves an array of SMME support organisations found within the City, and their services
- The 2017-2022 IDP confirms the work of creating the business hub a.k.a “one-stop shop” who’s main service is guided by the 2018 business support policy, and is summarised as:
 - City procedures, business assistance programmes and regulatory compliance;
 - Appropriate City officials and resources;
 - Suitable external sources of funding;
 - Support organisations and programmes;
 - Industry-specific information for targeted sectors
- From at least the 2012-2017 IDP cycle, spending of between 5-10m p/a on SMME related support (workshops, training etc.)

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- The Business Hub” that uses a business support case management system called “**Business Query Tracking System (BQTS)**” (Cape Town, 2018)
- The main function of the one-stop shop is to alleviate the regulatory challenge facing SMMEs – through this dedicated system that tracks the type of queries, the time it takes to resolve them. SMME queries are pointing to the following (Cape Town, 2018b: 90):
 - A lack of awareness by residents, SMME’s and entrepreneurs about the available support from public and private business support organisations/programmes in Cape Town.
 - A shortage of capacity/ inability by the existing public and private business support organisations/programmes to assist with basic business development needs”
- Paradoxically, Cape Town’s economy is increasingly relying on high-tech industries requiring highly skilled workers, while only about 20% of Cape Town’s population has grade 12 and the majority of SMMEs are in the trade and accommodation industry (Cape Town, 2018c: 7) – as shown by table 2 below (Ntshavheni, 2020). **What of the EPWP?**

	Western Cape	Eastern Cape	Northern Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpumalanga	Limpopo	Total
Agriculture	8 043	5 297	2 808	6 413	7 876	1 364	2 928	6 795	3 904	45 429
Mining	0	0	0	0	0	0	0	0	0	0
Manufacturing	27 301	13 817	4 835	12 716	32 088	10 607	73 625	15 053	38 261	228 303
Elec, gas & water	0	0	0	0	1 041	0	0	0	0	1 041
Construction	29 334	26 655	3 341	18 947	63 212	16 726	109 092	34 290	51 880	353 477
Trade & accom.	100 045	75 526	8 007	55 487	172 292	58 576	338 403	101 756	143 294	1 053 385
Transp & commu.	20 687	20 271	3 308	5 652	30 461	13 488	67 597	10 925	18 726	191 114
Fin. & bus. services	48 069	16 604	1 097	9 384	38 930	11 710	183 155	21 460	9 287	339 697
Community	54 715	19 821	2 181	11 823	42 587	14 253	122 373	28 805	27 067	323 625
Other	0	1 917	0	1 319	1 628	0	6 046	0	3 559	14 470
Total	288 194	179 908	25 577	121 740	390 115	126 725	903 220	219 083	295 978	2 550 540

Table 1: SMME breakdown per sector per province. Source: The Small Enterprise Development Agency (SEDA), SMME Quarterly update, 1st Quarter 2019.

EPWP overview: National performance over 3 phases

Phase	Main Goal	Key objectives	Achievement
1 (2004 – 2009)	Creation of 1 million work opportunities	Poverty alleviation; Skills development; SMME development; Creation of exit opportunities	Main goal achieved ahead of time; poverty alleviation for participants and dependents. Skills development; and SMME development abandoned in an effort to focus the programme in next phase.
2 (2009 – 2014)	Creation of 4.5 million work opportunities	Creation of 2 million fulltime equivalent (FTE) work opportunities	Main goal an objective not achieved
3 (2014 – 2019)	Creation of 6 million work opportunities	Quality service delivery & assets; Target incentives; Quality work opportunities	Main targets not achieved. Programme continued to show more value in its social impact, however.

The nature of the City of Cape Town's implementation of the EPWP: moving from a position of strength – Question 3

- Melody and Zonyana (2017: 40) posit that “The EPWP is given a clear role to play in the City’s EGS, and there is plenty of room for strategic growth for the programme. Moreover, the EPWP seems to be overachieving on the EGS-set goals, while taking the lead in the Inclusive and Opportunity City strategic focus areas.
- This involves:
 - taking initiatives in bridging the skills gap within the infrastructure sector
 - proving to be a key entry to the job market for first time workers
 - holding the key to maximising employment opportunities in the City.”
- Moreover, the City has a dedicated rates linked budget amounting to over ZAR100 million per annum; to ensure the sustainable implementation of the EPWP.
- The Integrated Development Plan (IDP) (2017-2022) states that the EPWP & CWP Department will contribute to economic inclusion through; Investment in public works programmes; and supporting skills development in high growth areas to increase chances of formal employment; thereby
 - linking of the City’s EPWP to the work of the Enterprise and Investment department of the City – which is the custodian of the City’s Business Support Policy (Cape Town, 2018a).
- The above has led to the development and implementation of the Public Employment & Skills Development framework by the City’s EPWP office, in response.

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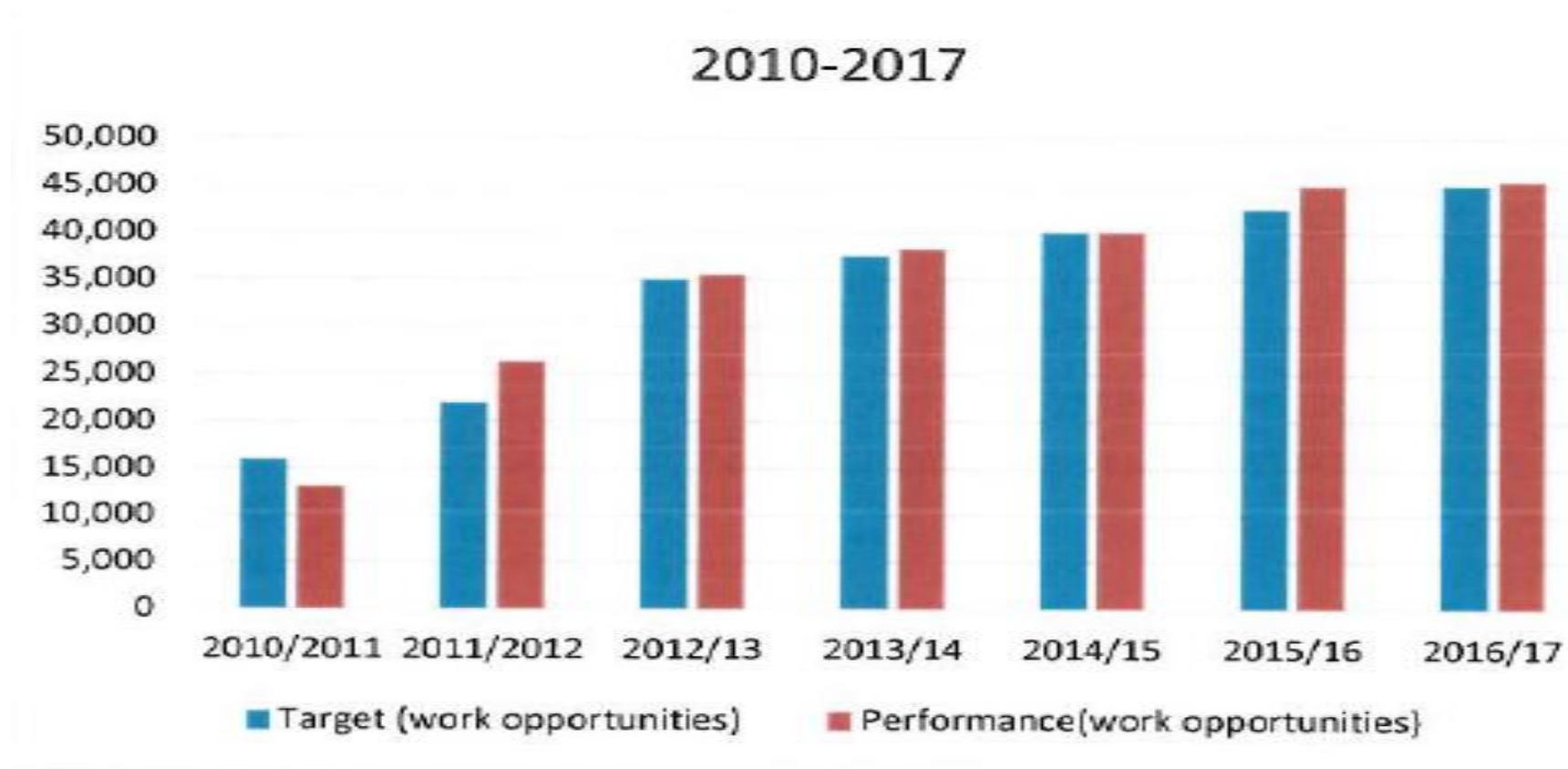
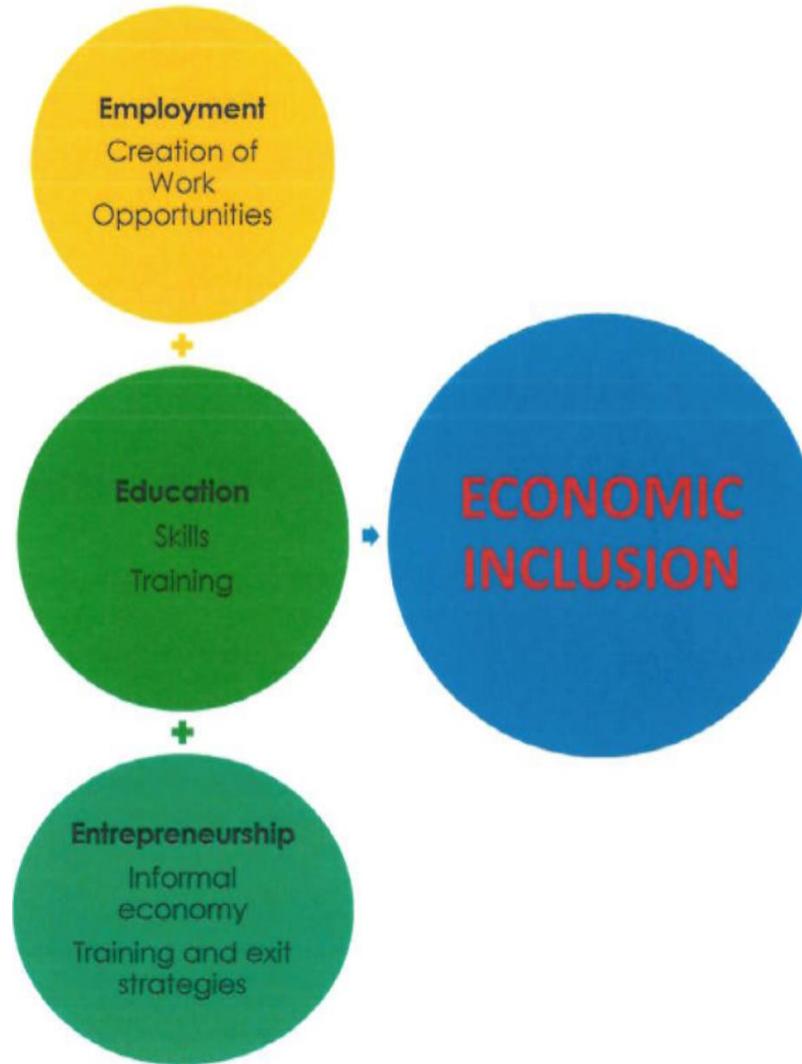


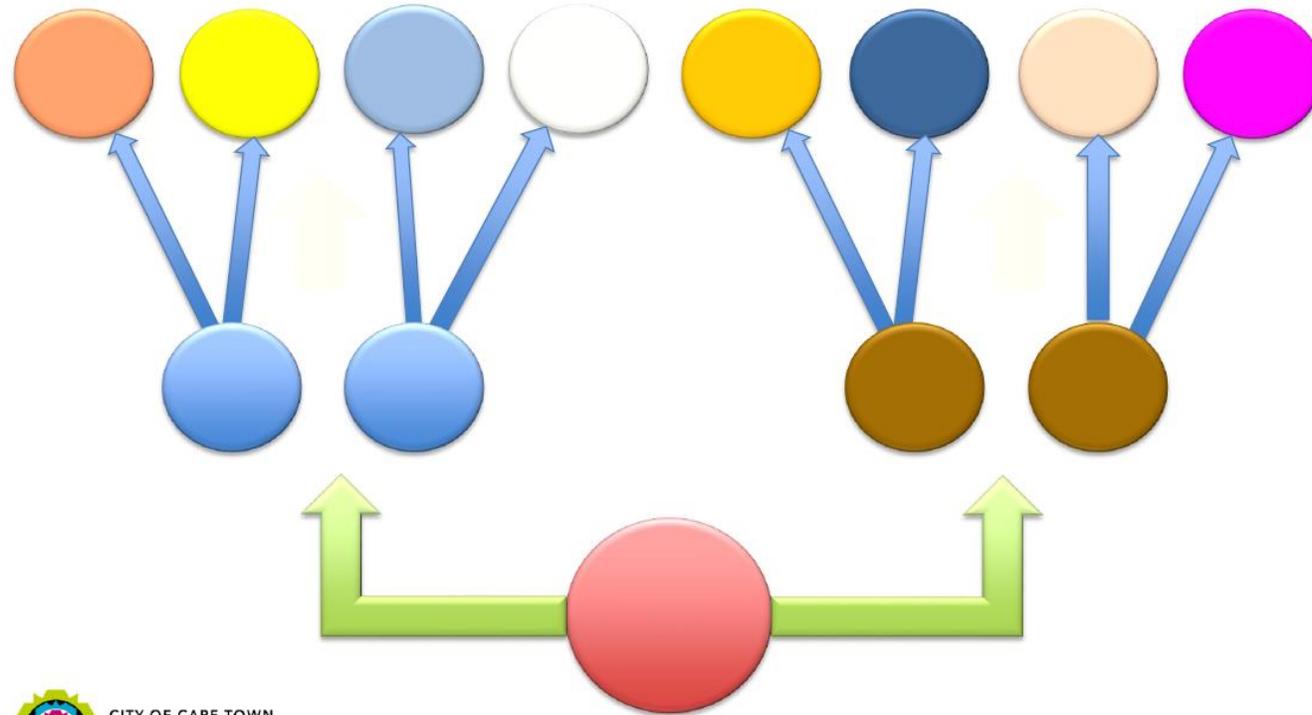
Figure I: City of Cape Town performance against its IDP target

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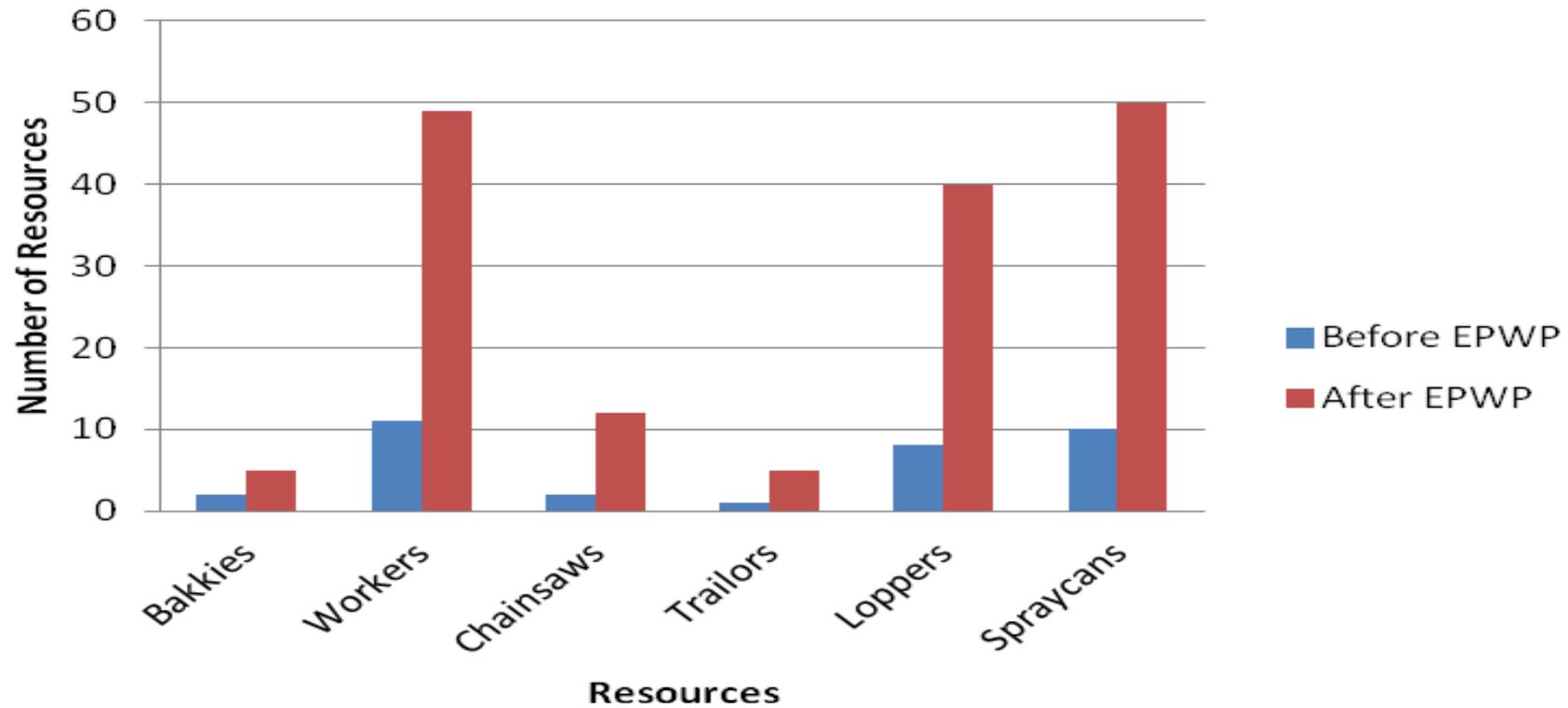
Positioning the EPWP: EM model

Mentorship model



Positioning the EPWP: EM model results over years

Business Growth over 6 years



Positioning the EPWP: recommendations

To this end, we recommend the further positioning of the City's EPWP through:

- A link between the City's BQTS and relevant EPWP implementers,
- A dedication of some of the EPWP budget in order to have the implementers think through how a 3 year EPWP project can be designed and implemented, targeting the micro-enterprises that are in the trade and accommodation and services sectors for support;
- these sectors are representative of the majority SMMEs in the City and are linked to the high growth tourism sector that Cape Town is renowned for - are likely to create the much jobs needed now, with the right support. Moreover, with the literature and City's BQTS system showing that some of the core challenges for SMMEs lie in inadequate skills in business and finance; the City's EPWP is able to create projects that can provide such skills for a period of up to 3 years – a period longer than SEDAs' best structured enterprise development programme.
- This is important because of the fact that the first 3-5 years of SMMEs are found to be the most crucial in leading to either failure or sustainability.

Conclusion

- At National level, the following is suggested:
 - An improvement on the SMME support and development structure within EPWP, focusing on its strengths (what are these?);
 - A review and study of the City's approach for purposes of refinement and national application, where relevant;
 - Specific SMME related conditions on the incentive grant to metros like the City; and
 - More support.

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