

# Part II: Research Features

## Chapter 5



## Provincial Profile

Focus on the Free State



### 1. Introduction

During 2003 to 2004, the Free State Province commissioned a series of detailed research investigations towards the creation of a new provincial economic development strategy. In this provincial profile, some of the key findings and issues from these research investigations are raised concerning SMME development, specifically in the important manufacturing economy. Issues are discussed in terms of the role of both established and emerging manufacturing enterprises.

- The first section offers a profile of the changing role of SMMEs in the manufacturing economy of the Free State, which is based largely upon an analysis of the Industrial Registers of the Bureau of Market Research at the University of SA (Unisa). This profile is situated within a discussion of the key dimensions of change impacting upon manufacturing development in the Free State as a whole.
- The second section draws together the key findings of 140 interviews across both established and emerging SMME manufacturers in the Free State. The major themes addressed in the structured interviews relate to developing a profile of entrepreneurs and their enterprises, an examination of their recent and projected business performance, job creation in manufacturing SMMEs, and issues of government support.
- The third section highlights policy issues concerning manufacturing SMME development.

### 2. The changing role of SMMEs in the Free State manufacturing economy

#### 2.1 Context and macro profile

The Free State Province economy exhibits a high level of dependence upon primary sector activity, most importantly agriculture and mining. Compared to other provinces, the manufacturing base is underdeveloped; indeed, the manufacturing economy is estimated to contribute only 14% of gross geographic product (GGP) and 3.6% of manufacturing GGP in SA. Nevertheless, the Department of Tourism, Environmental and Economic Affairs (DTEEA) attaches considerable significance to the expansion of the manufacturing sector to ensure sustainable economic growth within a competitive environment.

The macro environment exhibits a number of distinctive features which impact upon the development of the Free State manufacturing economy as a whole – and not least on the role of SMME manufacturing. The most important features are as follows:

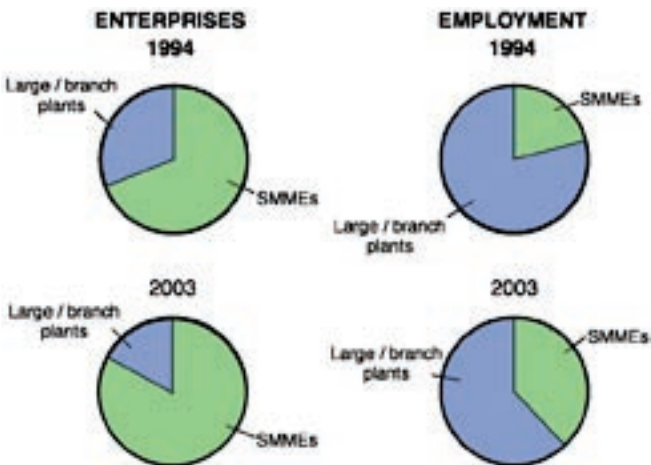
- The downscaling of gold mining, which affects particularly the Goldfields area.
- The weakening of the agricultural base.
- Key sub-sectors of manufacturing are related to agro-industries which have been experiencing retarded growth or even decline at national level.
- Many of the province's largest manufacturing enterprises are branch plants of firms headquartered elsewhere. External control reduces the long-term commitment of companies to the area and their ability and willingness to be involved in local development issues, including promoting SMMEs.
- The ending of Regional Industrial Development Programme incentives which supported industrial development points in the former 'homelands'.
- The proximity of Lesotho as a potentially attractive industrial base with more favourable trade access to international markets.
- Key links outside of the province of the petro-chemical complex in Sasolburg with Gauteng Province.
- The absence of any SDIs or Industrial Development Zones (IDZs) in the province.

## **2.2 Contribution to the provincial economy**

Figure 29 shows the macro profile of SMMEs in the manufacturing economy of the Free State Province, as differentiated by the number of enterprises and their contribution to estimated total provincial manufacturing employment.

The analysis shows a considerable net increase in the total number of manufacturing establishments in the Free State between 1994 and 2003. That said, it should be noted that the almost near-doubling in the number of establishments must in part be attributed to improved data collection procedures. Between 1994 and 2003, records indicate that the number of manufacturing SMMEs increased from 318 to 845 enterprises. It is significant that the proportion of SMMEs in relation to total manufacturing establishments rose from 69% in 1994 to 83% in 2003 – an indication of the growing significance of SMMEs in terms of the overall manufacturing base of the Free State Province.

Figure 29 – SMMEs' share of total manufacturing enterprise and employment in the Free State



Source: Based on data from the Bureau of Market Research (BMR) Industrial Register

Despite the increase in the number of manufacturing establishments, the picture in terms of overall total manufacturing employment is of only a marginal increase in jobs between 1994 and 2003. This relatively stagnant picture of provincial manufacturing employment as a whole should be set against the increasing significance of SMME manufacturing in terms of share of total employment. In the manufacturing SMME economy, the number of jobs nearly doubled from 10,200 in 1994 to 18,100 by 2003. Accordingly, in a stagnant provincial manufacturing economy, there is a growing significance of manufacturing SMMEs in terms of their contribution to the overall manufacturing economy – between 1994 and 2003, the share of SMMEs in estimated total manufacturing employment in the Free State rose from 20.1% to 38.9% (see Figure 29). Behind this finding is the decline and closure of many large manufacturing enterprises and especially the closure of many branch plants over the same period. Another factor in the ‘hidden growth’ of the manufacturing SMME economy is downsizing by larger enterprises so that many enterprises defined as ‘large’ in 1994 have become (large-sized) SMMEs by 2003.

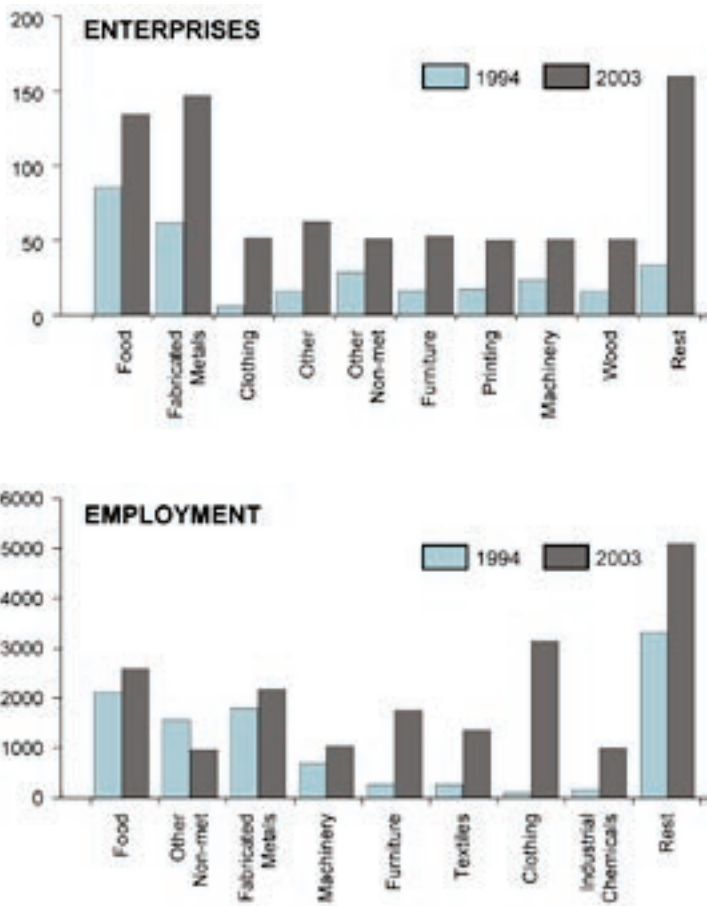
2.3 Sectoral change

2.3.1 Sectoral composition

It is evident from Figure 30 that significant changes have occurred in the sectoral composition or structure of the manufacturing economy of the Free State. In 1994, the leading sectors in terms of the number of SMME manufacturing establishments were food, fabricated metals, other non-metallic minerals products and machinery. By 2003, the leading sectors ranked in terms of the number of SMME manufacturing

establishments were fabricated metals, food, other (mainly jewellery) and furniture. Overall, it is shown that between 1994 and 2003, the largest growth in the number of new SMME manufacturers occurred in the sectors of fabricated metals, followed by the sectors of food, clothing and other. Although the number of fabricated metals SMME establishments expanded by a factor of two, the most rapid growth can be seen in new SMME establishments in the sectors of clothing, other, furniture, printing and wood. In terms of the number of SMME enterprises, between 1994 and 2003 the relative importance of the food sector reduced markedly.

Figure 30 – Sectoral composition of SMME manufacturing, 1994-2003



Source: Based on data from the BMR Industrial Register

### 2.3.2 Employment composition

The employment scenario in SMME manufacturing enterprises is somewhat different. Nearly 60% of 1994 SMME manufacturing employment was concentrated in the three sectors of food, fabricated metals and other non-metallic mineral products. In terms of 2003 SMME manufacturing employment, the situation has changed markedly with, in ranked order, the most important sectors being clothing, food, fabricated metals

and furniture. The remarkable SMME employment rise in the clothing sector was the most significant shift in terms of manufacturing employment in SMMEs in the Free State over this period. Healthy increases in SMME manufacturing employment were also recorded in the textiles and furniture sectors. Although SMME employment in the food and fabricated metals sectors showed a modest increase, their relative significance in terms of their share of overall SMME manufacturing employment was markedly reduced because of the significant surge in employment in clothing SMMEs.

Two further observations can be offered:

- First, the sector of other non-metallic mineral products appears to be in absolute decline in terms of employment.
- In the second place, the notable advance of the 'other' (mainly jewellery) sector in terms of enterprise numbers is not reflected in a parallel rise in its contribution to job creation in the manufacturing SMME economy as a whole.

## 2.4 Key spatial findings

### 2.4.1 Concentration of manufacturing SMMEs

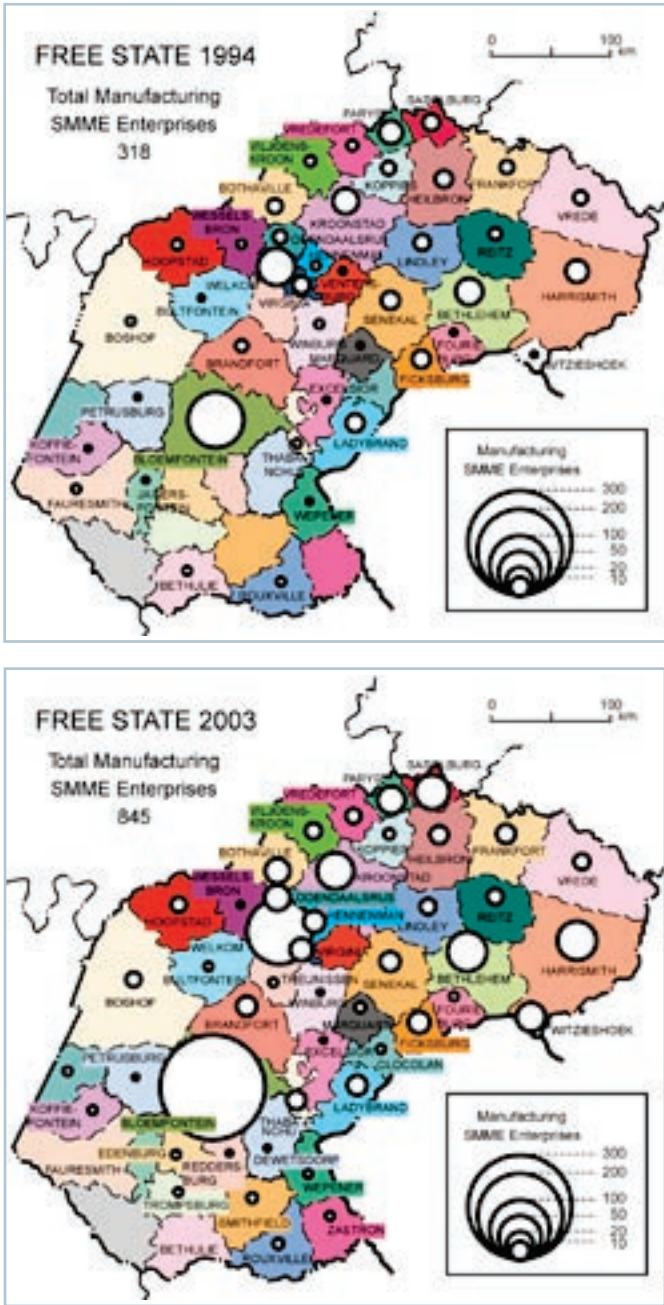
At the outset it must be noted that the spatial patterns observed in the SMME manufacturing economy are somewhat different to the patterns for the Free State manufacturing economy as a whole, which are influenced substantially by the downsizing and/or closure of many large manufacturing establishments and branch plants. The geographical patterns of SMME manufacturing in the province are shown in Figures 31 and 32. Figure 31 shows the changing patterns of manufacturing in terms of the number of SMME enterprises, while Figure 32 shows the shifting patterns as indexed by estimated total employment opportunities in SMME manufacturing.

Several points emerge when the changing geography of SMME manufacturing in the Free State province over the last decade is analysed. In terms of enterprises (*see Figure 31*), a number of points are of note. First is that growth in the actual number of SMME enterprises is taking place across nearly all areas of the Free State, including the province's largest urban centres and in the small towns. Secondly, however, the largest absolute growth of SMME manufacturing enterprises is strongly focused in the Bloemfontein-Botshabelo-Thaba 'Nchu cluster. This cluster expanded markedly from 28% of total manufacturing SMME enterprises in 1994 to 37% by 2003. Smaller growth was observed in the relative share of SMME manufacturing in the Harrismith-Phuthaditjhaba cluster – from a 4.7% share in 1994 to a 7.7% share by 2003 – in Goldfields from 16% to nearly 18% by 2003, and in Sasolburg from 2.5% to 3.9% by 2003. In the third place, it is significant that apart from these clusters, in relative terms,



SMME manufacturing has performed poorly where enterprise numbers in Kroonstad, Bethlehem and throughout the small towns of the Free State are concerned. Indeed, it is evident that the relative share of the number of SMME manufacturing enterprises in small towns declined from 37% in 1994 to 24% by 2003. The overall picture thus emerges that between 1994 and 2003, SMME manufacturing – as measured by enterprise numbers – became increasingly concentrated in the largest urban centres of the province, with the most rapid and vibrant growth evidenced in the Bloemfontein cluster.

Figure 31 – Changing geography of SMME enterprises, 1994-2003



Source: Based on data from the BMR Industrial Register



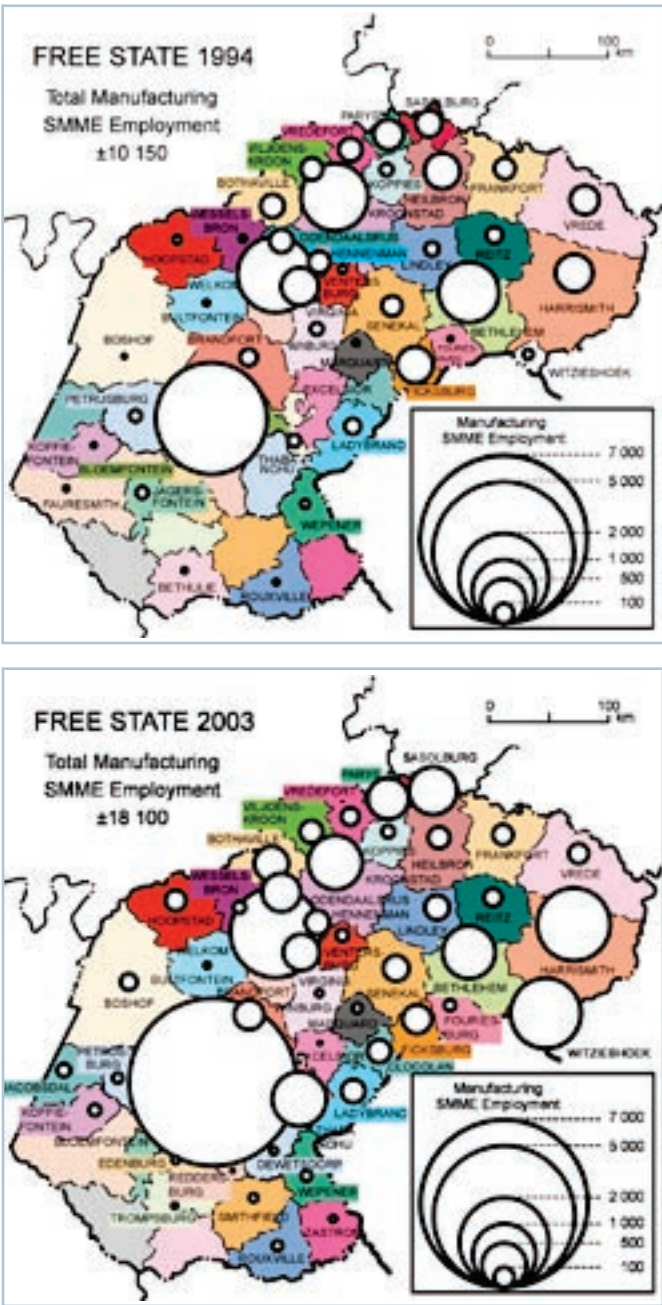
### 2.4.2 Concentration of manufacturing SMMEs

In terms of the patterns observable from estimated manufacturing SMME employment, as shown in Figure 32, a number of parallel comparisons and contrasts may be drawn. First, absolute growth in total employment in manufacturing SMMEs is less widespread than growth in enterprise numbers across the province. Indeed, significant growth is observed in only two areas of the province – the Bloemfontein-Botshabelo-Thaba 'Nchu and Harrismith-Phuthaditjhaba clusters. The former doubled its absolute number of employees in manufacturing SMMEs, and in relative terms advanced from 31% to nearly 43% of all SMME manufacturing employment in the Free State. The Harrismith-Phuthaditjhaba cluster recorded an equally impressive advance from only a 4% share in 1994 of total manufacturing SMME employment to 14% by 2003. Beyond these two clusters, limited growth was only recorded in Sasolburg and a number of smaller centres, including Parys and Ladybrand. For the rest of the Province, including the Goldfields, Bethlehem, Kroonstad and the majority of small towns, the situation is that of relative if not absolute decline in manufacturing SMME employment. The most marked relative declines were recorded for the group of small towns as a whole – down from 23% of total SMME manufacturing employment in 1994 to 17% by 2003. The Goldfields fell from 21% in 1994 to 15% by 2003, Kroonstad from 11% to 4% between 1994 and 2003, and Bethlehem from 9% to 4% over the same period.

Overall, two striking conclusions emerge from this analysis of the spatial restructuring taking place in the SMME manufacturing economy of the Free State:

- First, SMME manufacturing growth is increasingly focused upon the two clusters around Bloemfontein and Harrismith-Phuthaditjhaba.
- In the second place, outside of these two clusters, the performance of SMME manufacturing has been weak. More particularly, whilst enterprise growth in numbers has been recorded in areas such as the Goldfields, this expansion in the number of SMME enterprises has not been reflected in substantive job creation in SMME manufacturing.

Figure 32 – Changing geography of SMME employment, 1994-2003



Source: Based on data from the BMR Industrial Register

### 3. Survey findings

This section draws together the findings from surveys conducted in 2003 and 2004 that involved 140 interviews concerning both established and emerging SMME manufacturers in the Free State. A total of 50 interviews were completed with established SMME manufacturers and spread across the province. In addition, 53 interviews were

undertaken with emerging SMME manufacturers based in Mangaung and Thabong. Together, these two sets of material provide an overall profile of the characteristics and key issues confronting a range of SMME manufacturers across different production sectors.

In the final section, the findings are presented of an additional set of 37 interviews which targeted three important sub-sectors of Free State SMME manufacturing – food, fabricated metals and clothing. Using a parallel set of themes to that in the cross-sectoral survey, the objective in this set of interviews was to examine inter-sectoral variation in the SMME manufacturing economy, focusing particularly upon the more established end of the SMME spectrum.

### **3.1 Established versus emerging manufacturing SMMEs**

#### **3.1.1 Established manufacturing SMMEs: general findings**

The major findings from the interview research on established manufacturing SMMEs can be summarised as follows:

- The typical established SMME manufacturing entrepreneur is white, male and aged between 31 and 50.
- The information concerning length of establishment of businesses reveals that the province's manufacturing SMME economy is a mixture of certain long-established enterprises along with groups of more recently established manufacturing firms.
- Although the desire for self-employment or the identification of market opportunities are the prime bases for SMME establishment, an increasing number of firms are set up out of necessity due to retrenchments.
- The major issues at start-up relate to growing knowledge of the business and securing markets rather than access to finance.
- At start-up, the core source of capital is the entrepreneur's own savings rather than formal bank sources.
- 'Lifestyle' factors emerge as important bases for explaining the locational choice of SMME manufacturers. The location of most SMME manufacturing establishments is the result of factors such as where the entrepreneur has grown up or where he/she chooses to live.
- The potentially fragile state of the manufacturing SMME economy was signalled by the fact that nearly half of entrepreneurs could offer no special advantages for their factory operations to be situated in Free State. Dissatisfaction was so strong amongst 16% of the sample that entrepreneurs were either planning to close down entirely or relocate their operations.

- The major disadvantages of operating in the Free State identified by these SMME manufacturers surrounded the stagnant or declining markets for industrial goods in the province and especially of declines taking place in the Goldfields area, and of the costs imposed by distance to input suppliers and access to markets, often situated in Gauteng. Other concerns highlighted by entrepreneurs related to the lack of any support system offered by government for manufacturing SMMEs and the lack of available skilled labour across the province.
- The recent business performance of SMME manufacturers has been mixed, with good results achieved through enterprise adjustments and poor results linked to a weak macro economy and labour problems.

### **3.1.2 Established manufacturing SMMEs: business performance findings**

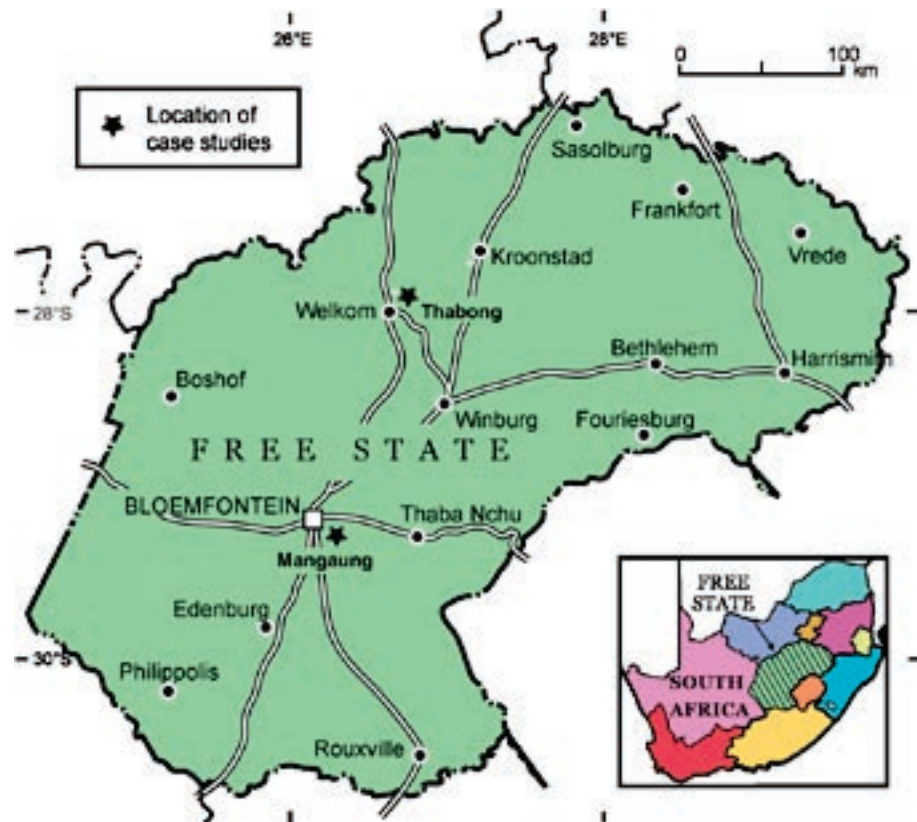
The major issues affecting improved business performance can be broadly grouped in terms of four sets of issues:

- First is a range of constraints on enterprise performance in relation to market decline and associated business cash flow difficulties. Geographically expanding the markets which are served by manufacturing SMMEs based in the province is a critical issue. Currently the provincial Free State market is the major (if not in many cases the only) market for 78% of SMMEs' and few firms' export, apart from Lesotho.
- A second set of issues concerning improved business performance surround labour. It was observed that there are distinct shortages of certain types of labour in certain sectors of manufacturing. For example, skilled labour of various forms is in short supply in the Free State and consequently must be recruited from outside the province, generally from Gauteng. Shortages of various types of labour for manufacturing point to shortcomings in existing training institutions in the province, which are failing to supply in the need for tool-makers or graphic designers, for example. Another prominent set of labour issues related to matters of poor levels of worker productivity, labour costs and the impacts of stringent labour laws. The low levels of worker productivity that several respondents alluded to were often linked to the effects of the HIV/Aids epidemic on workers' health. Taken together, these sets of labour problems coalesce and result in a reluctance by SMME entrepreneurs to take on additional labour and to create new jobs.

- A third group of constraints around improved business performance relate to unreliable or poor infrastructure. Infrastructure problems in terms of electricity, water supplies or refuse removal were particularly important in the case of manufacturers whose businesses were located in small towns rather than in the province's major geographical industrial clusters.
- In addition, the question of access to support structures was of widespread concern. The findings disclose that awareness levels of available national government support programmes for SMME development are poor. Beyond awareness, problems are experienced in accessing potential support programmes. Established Free State SMME manufacturers most commonly sought access to and support from the Small, Medium Enterprise Development Programme (SMEDP) grants and **the dti's** export incentives. It was found that whilst 20% of sample enterprises had tried to secure government support, only 6% were successful in securing SMEDP grants or export incentives. The disappointments in accessing national government programmes found expression in statements that **the dti's** national programmes were "all talk and no action", as in many cases no reply to the support request was ever received.
- Overall, the Free State is poorly perceived as a base for SMME manufacturing because of its stagnant economy and declining provincial and local markets.

A similar set of themes concerning characteristics, business development and performance were examined in terms of groups of emerging production SMMEs – primarily micro enterprises or informal manufacturers interviewed in Mangaung and Thabong (*see Figure 33*). It is evident from the findings that different sets of issues confront the groups of emerging SMMEs as opposed to established SMMEs in manufacturing and that these two groups have different business constraints and support needs.

Figure 33 – Location of emerging SMME interviews



### 3.1.3 Emerging manufacturing SMMEs: general findings

The major findings from the research on emerging manufacturing SMMEs in Thabong and Mangaung can be summarised as follows:

- The typical entrepreneur is black, male and aged between 31 and 60.
- The most common forms of emerging production SMMEs are engaged in metal-working (especially welding operations), burglar-proofing and brick-making activities. Women's involvement is largely in clothing and dress-making activities.
- The vast majority of enterprises were set up for reasons of necessity rather than choice or by 'opportunistic entrepreneurs'. The growth of this emerging manufacturing SMME economy crucially links to the weak state of employment creation in the formal economy. Joblessness, retrenchments and the need for household survival are at the root of the growing number of emerging production SMMEs.



- The largest group of emerging manufacturers are unregistered enterprises that operate from informal premises based in the home or back-yard.
- The major start-up constraints relate to critical shortages concerning access to finance, lack of equipment, machinery or tools, and inadequate premises or spaces for manufacturing operations.
- In common with the group of established manufacturers, the major source of start-up capital for emerging manufacturing SMMEs is the entrepreneur or household savings.
- The location of these businesses is determined by where the entrepreneur lives.

### 3.1.4 Emerging manufacturing SMMEs: business performance findings

- The recent business performance of emerging SMME manufacturers shows some growth in incomes and sales but almost no growth in long-term employment, as entrepreneurs prefer to take on casual workers or part-time employees if the volume of business orders expands.
- Most enterprises operate in narrow and geographically localised markets, with few manufacturing SMMEs having any 'exports' or sales of their output beyond the immediate locality in which they are situated.
- Emerging SMME manufacturers face different issues to those of established manufacturers in terms of seeking to expand their business operations.
- Lack of access to finance is a critical constraint which impacts upon the quality of equipment and machinery as well as entrepreneurs' capacity to improve their business premises. Human resource issues were further highlighted and underpinned by poor information and access to opportunities for training and skills upgrading.
- Overall, the findings on emerging SMME manufacturers highlighted the failures of national government support programmes to reach these 'target groups'.

### 3.2 Inter-sectoral variation

The question of inter-sectoral variations in issues impacting upon SMME development was explored by focusing on the food, clothing and fabricated metals sectors.

The following key detailed findings emerged from these 37 interviews:

- In terms of the **race of the entrepreneur**, certain differences – most distinctive within the clothing sector emerged. In the case of food and fabricated metals, the SMME entrepreneur was white. Of the seven clothing SMMEs, only one was run by a white South African, three were Indian owned, two were Taiwanese entrepreneurs and one was a black entrepreneur.
- **Male entrepreneurs were dominant across all sectors**, with four women entrepreneurs in food, two in clothing and two in fabricated metals. In total, 21% of the sample businesses were run by women.
- Where **reasons for establishment** are concerned, the majority of businesses in the food sector were set up by ‘opportunistic entrepreneurs’ (the definition here includes the desire for self-employment) and in a few cases because of the pressures of retrenchment or a withdrawal from mining work due to health reasons. Responses from the fabricated metals sector were similar, with the majority of businesses set up due to a recognition of business opportunities, often linked to a desire for self-employment. In clothing, the desire for self-employment (also expressed by new immigrants from Taiwan), was overwhelmingly the major reason for business start-up, and once again linked to market opportunities.
- The factors underpinning the **location of these SMME manufacturers** revealed sectoral differences. In the food sector, ‘lifestyle’ factors in terms of the entrepreneur’s place of residence, the take-over of an existing business operation or available land in a particular locality formed the major issues. For fabricated metals producers, the influence of the owner’s place of residence was strongly in evidence; also important were market opportunities around the mines and the availability of land. For clothing SMME producers, other factors came into the locational decision. ‘Lifestyle’ factors were not observed as exerting a significant influence upon the choice of where production activity would occur in any of the cases. Significantly, several entrepreneurs had relocated to the Free State from other parts of SA, Lesotho and Taiwan.

- In terms of the **locational advantages and disadvantages** of having a business operation in the Free State, entrepreneurs offered a variety of opinions. In the case of food manufacturers, several alluded to the input linkages back to the Free State agricultural sector, others to 'lifestyle' considerations of living in the Free State (albeit tempered in some cases by the recent growth of crime), and others to issues of cheap labour. The major disadvantages were clearly distance from SA's major urban markets and associated transport costs. Producers whose markets were mainly in the Free State strongly asserted issues of the declining macro economy. Fabricated metals producers expressed access to local markets and the 'lifestyle' considerations of a "nice environment" as the most common advantages of a Free State business location. In common with the food SMMEs, the major disadvantages relate to transport costs to access suppliers, markets and spares. The group of clothing manufacturers defined the **relative** low costs of labour in the Free State as a major locational advantage, as well as the province's centrality in relation to both major domestic markets (Gauteng) and export foci (Durban). In terms of disadvantages, several companies pointed to the lack of skilled labour and the poor quality of trained labour in relation to the needs of the clothing sector. Other producers were concerned that the Free State's former advantage of 'cheap labour' was **increasingly no longer the case**.
- In terms of the existing **balance of advantages and disadvantages**, a few firms are currently considering the option of relocating their businesses. In the majority of cases, discontent is expressed by a desire to sell rather than to relocate. Nonetheless, one food producer was considering a move outside the province and a fabricated metals producer was relocating to Gauteng. In the group of clothing SMMEs, the major issue was the need to search locally for larger premises.
- In terms of **the size of the labour force**, different trends were observed. In the food sector, a greater number of firms are downsizing their labour force **rather than increasing their numbers of workers**. The state of the macro economy, labour legislation and increasing competition were mentioned as issues behind this downturn in labour absorption. For fabricated metals producers, the labour situation was one of general decline or, at best, of stagnation. The poor labour outlook was linked to weak market conditions, especially on the mines and in agriculture, as well as to more stringent labour legislation which had increased the costs of labour. In the group of clothing SMMEs, considerable labour absorption has taken place, although there are strong signals that the rate of job creation is slowing due to the pressures of labour problems and especially of rising labour costs, exchange rate difficulties and competition from imports.

- The question of major **obstacles to improved business performance** produced mixed responses. In the food sector, key concerns were the poor macro economy, made worse by conditions in mining and agriculture, and uncertainty over labour, particularly its productivity and rising costs. For fabricated metals producers, the key highlighted issues were labour costs, the impact of HIV/Aids on worker productivity, access to finance and concerns around the poor state of the macro economy – particularly in provincial mining and agriculture. Across all the groups of clothing producers, labour issues were of paramount importance, with concerns about poor productivity, rising labour costs and low levels of skills.
- The **narrowness of markets that are targeted by Free State SMMEs** is clearly of widespread concern across all three sub-sectors. The Free State and Gauteng are, not surprisingly, the major national markets which are served by local producers in all three sectors.
- In respect of taking on **additional workers**, the enterprises surveyed offered a fairly common set of responses, with improved market performance in a growing macro economy the most pertinent. The group of clothing producers was the most **distinctive** in its responses, as issues of training for labour were strongly highlighted as a core constraint upon further labour absorption by existing producers.
- In terms of **government support**, a picture emerges of almost minimal support for manufacturing SMME development. No access to government support programmes was secured by any food or fabricated metals SMME manufacturer. In the case of the group of clothing SMMEs, support had been secured from the provincial development corporation and a proactive local municipality.
- In looking to **future roles** that the **provincial and local governments** might assume in terms of support intervention, a range of responses was recorded. For the group of food SMMEs, a variety of issues were raised, including the need for greater local procurement, the importance of maintaining infrastructure (especially of electricity supplies) and the reduction of crime. In fabricated metals, the issues once more focused strongly on procurement as a basis for supporting Free State manufacturers; other issues related to support for workplace HIV/Aids programmes, improved information flows and infrastructure maintenance. Finally, among clothing SMMEs, the majority expressed the need for support related to improving training facilities for workers, advice on labour problems more generally, and support through “proudly South African” campaigns to defend these firms against rising levels of import competition.

### 4. Policy issues

Considerable policy significance is attached to the SMME economy in the Free State, especially to achieve the objectives of job creation. The provincial *Economic Strategy* document, released in March 2003, includes a target for generating 34,000 new jobs by March 2005 on the basis of the creation and survival for longer than three years of 3,400 micro businesses, 2,720 businesses of fewer than 20 employees expanding by an average of five employees, and 1,360 businesses of more than 20 employees taking on an average of an additional 10 employees. The achievement of these goals will require active policy intervention for, as shown in Chapter 3 of this report, the Free State is one of SA's provinces which is below the national average in terms of indicators of enterprise density and levels of opportunity entrepreneurship.

#### 4.1 Policies to strengthen the SMME economy

Three essential requirements which cut across the issues facing groups of both established and emerging entrepreneurs form a broad framework for strengthening the SMME economy:

- The creation of motivated entrepreneurs;
- The unlocking of economic opportunities; and,
- Building the capacity of SMME entrepreneurs.

These three themes provide the organisational base for the development of appropriate action plans for strengthening the Free State's SMME economy. However, a range of different interventions is required to achieve the goals for job creation and must be designed to meet the differentiated support needs identified among the groups of established and emerging manufacturers.

## 4.2 Policies to support established SMME manufacturers

The following policy considerations are amongst the most important to provide support for established SMME manufacturers in the Free State:

- Improving the macro economy through creating a Provincial Industrial Strategy that supports down-streaming linkages of large enterprises to SMMEs.
- Maximising opportunities for industrial development through initiatives for local economic development, including local sourcing and public procurement programmes.
- Establishment of a (much delayed) provincial MAC.
- Reviewing the operations of existing technical training institutions in the province and their alignment with the labour needs of the manufacturing economy.
- Maintaining and enhancing the infrastructural base for the manufacturing economy at both provincial and local government level.

## 4.3 Policies to support emerging SMME Manufacturers

The following policy considerations are amongst the most important to provide support for emerging SMME manufacturers:

- Supporting the provincial MAC initiative.
- Identifying at both provincial and local government level the most promising sectors for encouraging and advising SMME entrepreneurs around business opportunities, especially to start up enterprises.
- Ensuring that all provincial sectoral planning includes specified targets for the upgrading of emerging SMME entrepreneurs and enterprises.
- Introducing provincial programmes aligned with national SMME initiatives that are geared towards enhancing SMMEs market access and business linkages; targeted assistance (including learnerships) for specific groups (unemployed, school-leavers, youth, women and the disabled); management and entrepreneurial development; and technology support for acquiring basic technologies.
- Markedly improving the access of existing and potential SMME entrepreneurs to information about business and market opportunities.
- Publicising success stories of **emergent** Free State entrepreneurs widely.
- Establishing a network of business advisers to enhance entrepreneurs' awareness of and access to business information and existing SMME support.



- Enhancing, in particular, the opportunities for women entrepreneurs, who are seemingly under-represented in the Free State SMME economy.
- Greatly improving entrepreneurs' access to sources of micro credit, both for start-up of new SMMEs and to support existing business operations.
- Upgrading the capacity and quality of existing business development service providers in the province.
- Supporting a programme of training workshops on the most promising sectoral and local opportunities identified for emergent SMME entrepreneur start-ups.
- Initiating a programme designed to encourage local governments to provide suitable and affordable business premises in the form of business incubators or local industrial parks for emerging entrepreneurs.

