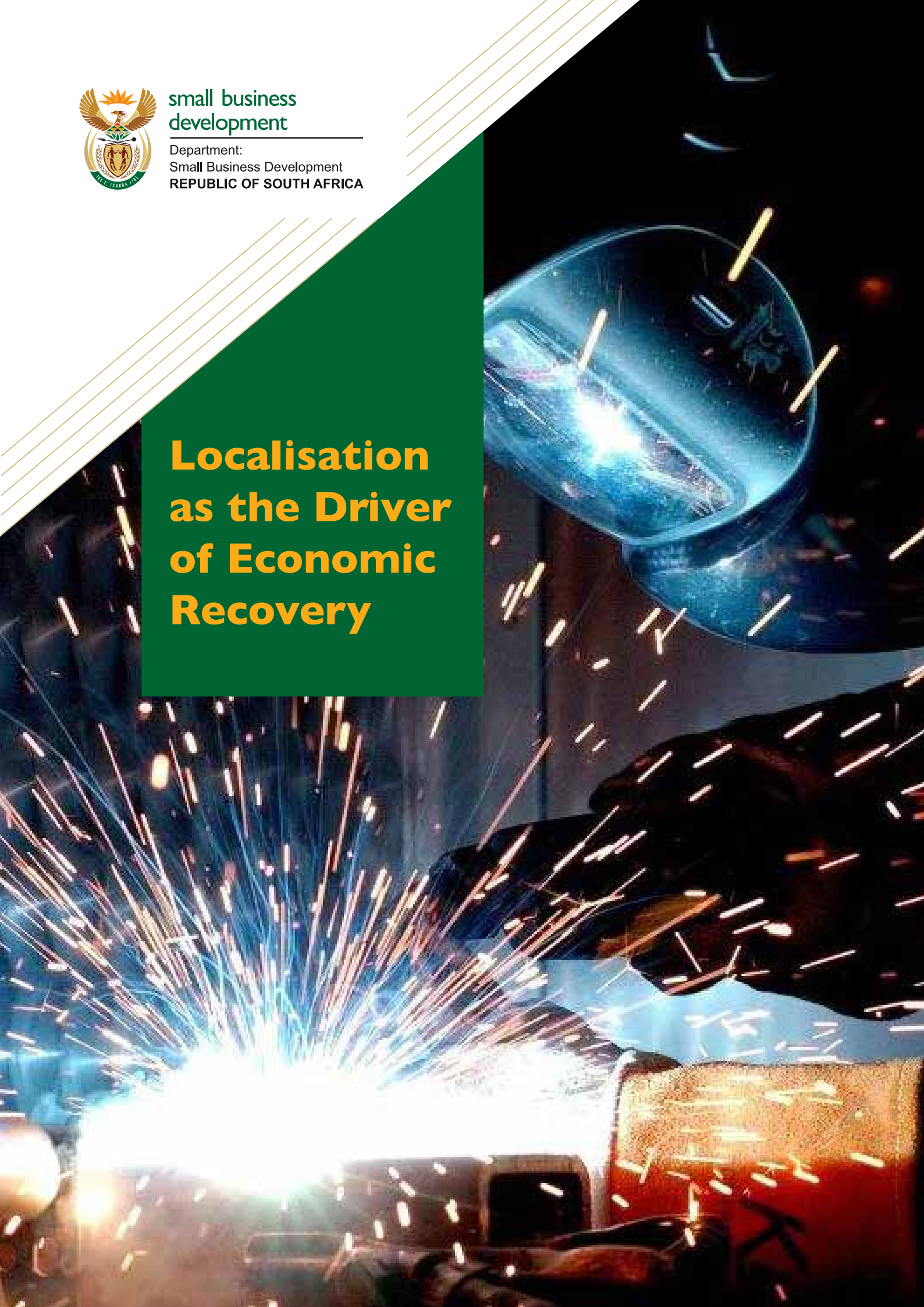




small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

Localisation as the Driver of Economic Recovery



Introduction and Background

The South African Cabinet’s approach to localised industrialisation is intended to rebuild the economy, create jobs, and transform the ownership patterns to a more inclusive environment for the operation of Small, Medium and Micro enterprises.

The Department of Small Business Development (DSBD) was assigned the responsibility to develop and propose a localisation policy in the 2019 – 2024 Medium Term Strategic Framework (MTSF).

DSBD is now implementing the SMME-Focused Localisation Policy Framework in South Africa.

This Framework was also incorporated in the Economic Recovery Plan announced in 2020 by the State President.



Objectives of the Localisation Policy Framework

Through this framework the Department aims to achieve the following goals:



Build the manufacturing capacity of SMMEs.



Provide support and preparation of SMMEs towards export market penetration.



Provide a coordinated Import Replacement Plan for SMMEs.



Service localisation to allow development of skills.



Establish a route to market framework for SMME manufactured products.



Support SMMEs to adopt innovation and digitisation.

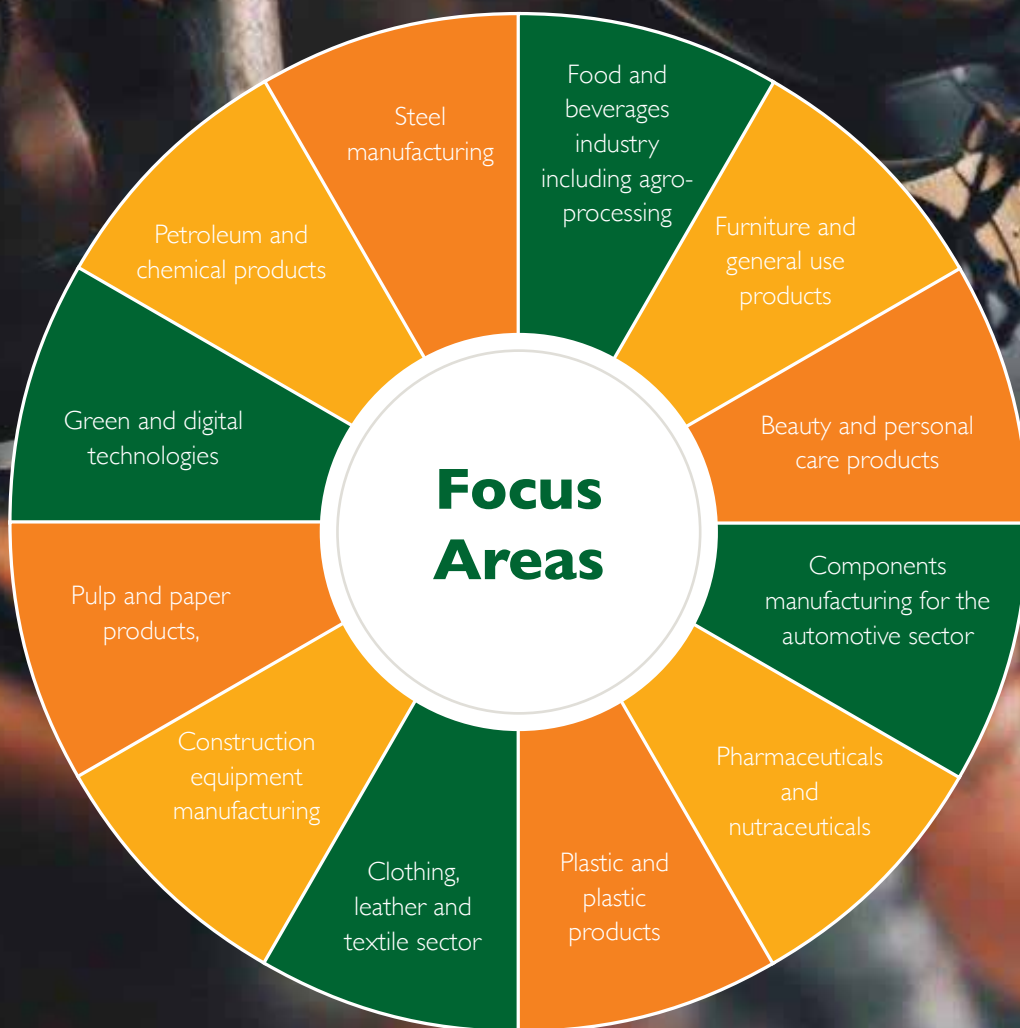


Establish a funding framework.

Principles and Focus Areas of Localisation

To drive localisation, the Department designed a focused manufacturing programme that is aimed at building and supporting SMME participation in the manufacturing value chain.

This programme will be based on the following principles:



Pillars of the Localisation Programme

Reduce import dependency

To do this the Department is working on:

- Developing industry sector projects.
- Implement this policy on a three (3) phase route to full local manufacturing capacity.

Funding projects through the Manufacturing Support Scheme

- Provides financial and non-financial support to small enterprises in the manufacturing industry sub-sectors.
- Provides business infrastructure support to small enterprises.
- Facilitates route to market in the domestic public and private sectors and export markets.
- Facilitates aggregate input costs for raw materials.
- Offers technical skills, product certification, testing and quality assurance.

- Financial assistance of up to R15 Million (loans – blended funding).

Private sector support for SMMEs

The Department is working with numerous Retailers and Wholesalers across the country to list products manufactured by SMMEs and Co-operatives.

This SMME Listing Programme has the following objectives:

- To contribute to the growth of manufacturing production output by SMMEs.
- Link SMME brands with the market through the wholesaler and retail channels.
- To promote buying of locally produced products.
- Save existing jobs and while creating new jobs.



The purpose of the Small Enterprise Manufacturing Support Programme is:

1. To build a manufacturing sector for an improved industrial base (productive economy) through a focused import replacement programme; and
2. Build the industrial base for both the domestic market and external market (in particular, the African Union market).

The programme aims to contribute to South Africa's localisation strategy by supporting manufacturing enterprises to:

- Increase the relative contribution of manufacturing to GDP.
- Grow manufacturing employment targets.
- Change the structure of manufacturing to high tech manufacturing.
- Increase labour productivity.
- Drive import replacement through locally manufactured good Increase of exports in manufactured goods.

Light Consumer Goods

- Food and Beverages/ agro-processing.
- Clothing, leather and textiles.
- Petroleum and chemical products.
- Furniture and other manufacturing.

Hi-Tech Manufacturing

- Electrical machinery.
- Green technology/ Digital Technology- 3D.
- Printing, etc.

Revitalise Industrial Production

- Basic Iron and Steel.

Scope of the programme

- **Furniture manufacturing** - Furniture manufacturers, including coffin makers;
- **Basic iron, metal and steel manufacturing** - Manufacturers and suppliers of iron and steel products;
- **Petroleum and chemical manufacturing** - Manufacturers of sanitizers, disinfectants, recycling, paints, oils, hair & skin products, and related products;
- **Food and beverages manufacturing** - Agro-processors of primary agricultural products including beverages sourced from small-scale farmers;
- **Clothing, leather and textiles** - The makers of shoes, linen, garments including patternmakers, designers, tannery and fabric manufacturers amongst others.
- **Electrical machinery manufacturing** - Manufacturers of transformers, electric generators, electric motors, high voltage engineering, and power electronics.
- **Green Technology/ Digital Technology** - Makers of PV panels, clean coal technology, 3D printing.

Category Focus

Technical Skills

- Specialised business management training.
- Certification of products via SABS and other Standards bodies.
- Technical skills training in collaboration with CHIETA and other relevant SETAs.
- SANAS, NRCS, SABS to provide access to lab testing for the accreditation and certification of chemical and related products.

Business Infrastructure support (buildings and machinery)

- Factory space in industrial parks for small enterprises.
- Refurbish unused government buildings and fit with machinery for small enterprises to rent.
- Processing facilities for small-scale agro-processors.
- Machinery and equipment.

Route to Market

- Facilitate government departments and state-owned enterprises procurement from the supported producers.
- Enforce the Local Procurement Accord commitment on private sector procurement from the supported producers.
- Steel/metal work enterprises to participate in government infrastructure programme.
- Facilitate access to retail shelves.
- Facilitate access to exports markets.
- Promote the #BuyLocalBuyMadeInSACampaign.

Financial Support

- Funding to purchase machinery and equipment for the various manufacturing sub-sectors that will be supported.
- Working capital for the various manufacturing sub-sectors that will be supported.
- Funding for product accreditation, certification and testing.

- Maximum of R15 million per small enterprise.
- The term of the funding will be determined by the business cash flows up to a maximum of 84 months per small enterprise with a maximum moratorium of 8 months.
- Blended finance instrument will be utilised where up to 50% of the funding required could be a grant (soft loans) and the balance could be a loan.
- The loan will be repayable at prime lending rate.

Qualifying Criteria

- Be a registered legal entity in South Africa in terms of the Companies Act, 1973.
- Be 100% owned by South African citizens.
- Predominately be black, women, youth or person with disability owned and managed.
- Have been in operation for at least two years prior.
- Be registered and compliant with the South African Revenue Service.
- Must be registered on the National SMME Database -<https://smmesa.gov.za>.
- **70% of small scale manufacturing enterprises must be black-owned and managed** - percentage of black ownership is at least 51% and company management composition is at least 51% black.
- **40% of small scale manufacturing enterprises must be women-owned and managed** - percentage of women ownership is at least 51% and company management composition is at least 51% women.
- **30% of small scale manufacturing enterprises must be youth-owned and managed** - percentage of youth ownership is at least 51% and company management composition is at least 51% youth.
- **6% of small scale manufacturing enterprises must be persons with disability-owned and managed** - percentage of persons with disability ownership is at least 51% and company management composition is at least 51% persons with disability.



Funding Requirements

- Complete the simplified online application form.
- Company statutory documents.
- FICA documents.
- Certified ID copies of Directors/Members,
- Six (6) months bank statements.
- Latest Annual Financial Statements or Management Accounts not older than three months.
- Business Profile.
- Project Execution Plan.
- Twelve (12) months Cash Flow Projections.
- Copy of Lease Agreement or Proof of Ownership.
- Relevant Industry Certification.
- Facility Statements of Other Funders.
- Quotations for applied funding.

Public procurement

Public sector remains the largest consumer of goods and services, therefore the promotion of localisation through public procurement is paramount.

Public Sector expenditure must be used to drive SMME and Co-operatives participation in the localisation programme through set asides as follows:

- Designate specific goods and services for procurement solely from SMMEs.
- Priority must be given to goods made in South Africa especially those produced by SMMEs.
- The designation of products and services for public sector procurement must also include a provincial designation to

enhance local economic development.

- The choice of goods for designation must be in line with advancing the set objectives and goals of the localisation framework.

Township and rural enterprises and informal business

One of the Department's 2021/2022 outcomes is to scale up support for SMMEs, Co-operatives, Village and Township Economies. The Department's programmes are prioritising township and rural enterprises. Through our agency **sefa**, we have launched a Township and Rural Enterprise Programme, which focuses on the following sectors, amongst others:

- Spaza shops support programme
- Auto body and mechanics
- Bakeries and confectionaries
- Small scale manufacturing
- Hairdressers and personal care
- Tshisanyama and cooked food vendors
- Informal clothing and textiles

Product or pop-up markets

The Department intends to fast-track the provision of infrastructure that promotes production and trade capabilities of SMMEs and Co-operatives in the form of physical and online platforms.

District Development Model

The Department intends promote its product offerings and increase uptake with the aim of influencing local government to adopt transformative and progressive supply chain policies. e.g. eThekweni Metro's One Plan; City of Tshwane.

A list of 1000 products and services

Product Category	Number of Products
Beauty And Personal Care	77
Chemical Products	10
Clothing	136
Food And Beverages	418
Furniture	33
General Use Products	42
Electric Equipment	30
Materials And Supplies	46
Medicals/Health Care	27
Plastic And Rubber	21
Glass And Stone Products	14
Pulp, Wood And Paper Products	20
Services	76
Round Iron And Steel Wire	9
Wool/Fine Animal Hair And Cotton	12
Fitness Products	14
Other Products	15



Conclusion

- This policy framework calls for a range of key players to work together and add value to the work of deepening the industrial base or manufacturing capacity of SMMEs.
- Our target is to promote rural and township entrepreneurship through localisation. This will create jobs in these areas as the focus will be on production rather than consumption.
- DSBD is working towards building a pool of small manufacturers that will focus on the identified sub-sectors so that SMMEs do not have to be concentrated in one sub-sector.
- Lastly, the Department will urge various stakeholders to collaborate with us in supporting rural and township SMMEs to produce products locally demanded by the market.

REACH OUT



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