

An Appraisal of the Role of Amathole District Municipality (ADM) in the Implementation of Socio-economic Strategies for Stimulating Small, Micro and Medium Enterprise (SMME) Development in the Eastern Cape

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ABSTRACT The implementation of socio-economic strategies are not well understood and have rarely been addressed all over the country. The objective of this study is, therefore, to establish a base level of understanding in order to identify the capacity of ADM on the implementation of socio-economic strategies for stimulating SMME development used for improving their local communities. The study used a qualitative research design that involves a systematic review of documents. Data was collected through the review and analysis of available existing documents. Data analysis included using the documentary analysis derived from the journals, and books as well as reviewing the various data analysis done in relation to the appraisal of the DM (District Municipality) managers in implementing socio-economic strategies for stimulating SMME development in their local communities. Findings from previous literature revealed that there are constraints faced by the ADM Managers in implementing socio-economic strategies. The study confirmed some of the operational challenges were due to incompetency among the municipal managers, and lack of clear understanding of the implementation of socio-economic strategies for stimulating SMME development. This study provides effective solutions to the identified challenges and impact as well as strategies to be adopted in order to alleviate poverty and provide job opportunities to the local communities. The implications of the findings are that unless the boundaries named above are resolved, poverty and unemployment, communities will and experiencing poor service delivery in ADM will continue to escalate and thus would undoubtedly lead to poor economic growth and development. Management of the municipality must ensure that qualified ADM Managers are permanently employed and allowed to partake in the implementation of socio-economic strategies.

INTRODUCTION

The local government in South Africa has been playing an essential role in the execution of socio-economic strategies for stimulating SMME improvement and this cannot be underestimated or underrated. Different endeavours are being made by government in South Africa in boosting SMME improvement which is viewed as the immediate platform for making business opportunity through her socio-economic strategy formulation, implementation and programmes that aim at accomplishing this goal.

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This approach structure is required to enhance the socio-economic status of her nationals.

In addition, the constitution of South Africa (Act 108 of 1996), section 152 has additionally stipulated “as a component of the target of local government to give essential services to people in a maintainable way, advance social and economic improvement” (Republic of South Africa 1996; Magwa 2011). Current review piloted by Khumalo and Thakhathi (2012: 47) has in this way demonstrated that the local government as the third level or a pivotal sphere of government in South Africa has a tactical role in developing acknowledgment in Public Administration. Realistically, this basic role has recognised the activity of offering support to SMME advancement in South Africa. Nonetheless, it is essential to stress that local government additionally confronted a few difficulties in its endeavours

to make progress, for example, absence of clear knowledge of the execution of socio-economic strategies and poor methods in executing socio-economic strategies utilized by the ADM administrators for animating SMME improvement in their local regions. This review has been bolstered with a participatory improvement administration approach keeping in mind the end goal to evaluate the factors influencing the effective execution of socio-economic strategies for invigorating SMME advancement within the ADM.

Problem Statement

Regardless of the execution of the socio-economic strategies for animating SMME improvement and their effect bringing opportunities, for example, provision of jobs and support to the rural areas to be more productive and reduce high level of poverty, ADM managers in South Africa are as yet neglecting to perform well in servicing its natives and giving favorable and maintainable business environment for speculators. Realistically, inadequate knowledge about exact socio-economic policies and poor implementation process, lack of clear understanding of socio-economic policies among others are some of the challenges faced by the ADM Managers in implementing socio-economic strategies for stimulating SMME development in the Eastern Cape of South Africa. It is imperative for ADM managers to put up their own capability and proficiency in execution of socio-economic strategies for stimulating SMME improvement. The execution of the socio-economic strategies for encouraging SMME development and their impact in improving the rural communities' social and economic lives such as provision of various social infrastructure – pipe-borne water, good communication and transportation network, housing and regular supply of electricity and provision of external service delivery to the rural dwellers were investigated. The implementation needs of socio-economic strategies for inspiring SMME development and their impact to the rural communities were analysed.

Objective of the Study

- To identify the capacity of ADM on how to implement socio-economic strategies for stimulating SMME development used for improving their local communities.

Research Questions

- What are the capacities needed by the ADM Managers to execute socio-economic strategies for stimulating SMME development used for improving their local communities?

METHODOLOGY

The paper has used a desk review methodology to debate, reflect, criticize and assess the role of the ADM in the implementation of socio-economic strategies for stimulating SMME development in the Eastern Cape. Interestingly, the paper has assessed and reviewed different data sources to arrive at the prevalent situations with the hope of adding a perception to the already found situation. The paper has immensely used various journals, IDP and books, conference reports, dissertations and Internet sources, and also the researchers' intuitive experience and knowledge in public administration.

OBSERVATIONS AND DISCUSSION

The Implication of Provision of Legal Framework in the Development of Small Businesses

Small firms require an enabling environment to survive and develop in light of the fact that, as indicated by the United Nations Development Program (UNDP) in 1999, small business advancement is slow in nations where the strategy environment has been restraining. Moreover, individuals who discovered Small, Micro and Medium Enterprises (SMMEs) require an incubating and enabling environment to build up their natural entrepreneurial conduct. The provision of a good environment for the birth and development of small firms has been the main goals of numerous nations including South Africa, thus governments have prioritised the advancement of strategies to improve a sustainable small firms environment.

National Small Business Act 102 of 1996 and the Government White Paper for the Development and Promotion of Small Business in South Africa

The National Business Act 102 of 1996 and the government White Paper for the development and promotion of small business are the main instruments that the government is using

to stimulate a suitable environment for small firms in South Africa. The Act provides the legal framework for the conduct of small businesses while the White Paper provides a support strategy for the small firms sector.

This strategy concentrates on four segments (Cornelius 2010):

- Government vision for economic advancement and values of support;
- The institutional bolster structure;
- Targeted territories of support; and
- A facilitating environment.

An essential component of strategy is the establishment of a sustainable environment which incorporates:

- Creating a sustainable legal structure that incorporates the National Small Business Act, a Transaction and Procurement Act and Small Business Finance Act.
- Provision of access to the market and procurement, preparing fund and innovation as these are significant limitations confronting SMMEs. For instance, recently created businesses are often not able to offer their products and services while absence of access to finance remains a worldwide issue.
- Streamlining administrative conditions in order to guarantee the suitability of the principles and controls for the SMMEs area taking into cognisance the way that unduly restrictive legislation and guidelines are seen as basic requirements to SMME advancement.
- Guaranteeing access to proper, applicable and effortlessly justifiable data and counsel particularly to micro, survivalist and small start-up businesses with the understanding that information is presently basic for the survival of enterprises of any size.
- Inspiring and stimulating joint ventures for the way that the requirements of SMMEs are complex to the point that it is difficult to devise bolster instruments that will fulfil each category. Subsequently, the main suitable route is to encourage partnership that will consider the exchange of business ideas and experiences.

Ntsika and Khula enterprises are the primary institutions established to perform and achieve the above mentioned objectives (Berry et al. 2002 cited in Cornelius 2010: 44). Department of Trade

and Industry (DTI) introduced and empowered Ntsika “to implement the nationwide SMME strategy.” It provides non-financial support to SMMEs via a range of programmes that are accessible through the following network of retail service providers: Local Business Service Centres (LBSC), Tender Advice Centres (TAC) and Manufacturing Advice Centres (MAC). Khula Enterprise Finance Limited offer financial assistance to SMMEs through Retail Financial Intermediaries (RFIs), which are SMME departments of commercial banks or accredited Non-Governmental Organisations (NGOs). RFIs apply their own minimum lending criteria (the most basic of a business plan) as the responsibility of risk assessment lies entirely with the RFIs.

Development Programmes

The development programmes are all programmes necessary to validate a successful implementation process. A number of tactical development programmes are incorporated and include (Cornelius 2010: 44):

Local Business Service Centre (LBSC)

The function and role of LBSC is to provide comprehensive support to the developing SMME and business support throughout ADM. The focus is to address the business needs of the SMME (Formal and Informal) and to stimulate the transformation from informal/subsistence to formal and expanding business enterprises. These business needs can be wide ranging and including aspects such as financing options, organisational skills development, marketing and staffing.

Core Components

The core components of the LBSC are that it revolves round the provision of the necessary facilities and infrastructure for the various services to be delivered to the SMMEs in ADM.

SMME Policy

The promotion of SMMEs entails the marketing of services provided by the SMMEs, exposing SMMEs within the district municipality to the support and advices offered as well as matchmaking of opportunities available to SMMEs with the local entrepreneurs with the developmental support services, that is, LBSC.

Core Components

This programme primarily targets the formulation of appropriate SMME targeted policy. There are controlled differences between the various policy instruments that strive to improve the economic efficiencies of SMMEs. Importantly, the components of the SMME promotion programmes are the appropriate policy framework that supports the activities of the local municipality and guide these activities.

Amathole District Municipality (ADM) Integrated Development Plan (IDP) Structure

It is highly important to stress that “the ADM implemented its District IDP Framework Plan together with the IDP/Performance Management System (PMS)/Budget Process Plan (BPP) (ADM IDP 2015-2016: 6) for the purpose of performing their obligatory role and functions. In addition, the District IDP framework served as a guide to all local municipalities falling within the Amathole area of jurisdiction, and for purposes of alignment in the preparation of its respective Process Plans (ADM IDP 2015-2016: 6). In short, the District Framework Plan outlines the time frames of scheduled events/activities, structures involved and their respective roles and responsibilities. The IDP/Budget Process Plan outlines in detail, the way in which the ADM embarked on its 2015/16 IDP review and Budget processes from its commencement in July 2014 to its completion in June 2015.”

Third Tier Government Back-to-Basics Approach or Strategy

Significantly, it is extremely important to express that the LG has been attempting hugely as the main channel for the delivery services to the people since 1994 (www.gov.za). “Interestingly, the Local Government provides the basic social infrastructures which are basic human rights, essential components of the right to dignity enshrined in the Constitution and Bill of Rights of South Africa” such as “clean drinking water, sanitation, electricity, shelter, waste removal and roads.” It is likewise plainly expressed in the National Development Plan (NDP) of South Africa that with a specific end goal to meet the change agenda, functional municipalities and

capable machinery of government at local level that can establish safe, healthy and sustainable economic environment where individuals can work, live and mingle with one another in an amicable manner must be set up and this objectives must be accomplished by utilising Back-to-Basics Approach in South Africa (www.gov.za).

Moreover, Gordhan additionally underlined that “the benchmarks had prompted to building up the Back to Basics Strategy, which is in accordance with the President’s vision for local government to be at the forefront of enhancing individuals’ lives and making conditions for comprehensive economic development and establishment of many jobs opportunities (SAnews.gov.za). Similarly, Gordhan likewise indicated that Back-to-Basics will guarantee that in each district, movement lights work, potholes are filled, water is conveyed, refuse is gathered, power is provided (SAnews.gov.za; BusinessDaylive September 19, 2014).” Thus, Gordhan (BusinessDaylive September 19, 2014) concluded that “the Cooperative Governance and Traditional Affairs (CoGTA) is banking on the government’s new “back to basics” strategy to turnaround at least two thirds of the country’s municipalities over the next two years.”

Local Government Turnaround Strategy (LGTAS)

LGTAS is a fundamental rule document in which some of its principle goals are to inform and guide municipalities at the moment of planning and executing their own turnaround strategy and procedures (Kruger 2010). This rule document must be perused together with the State of Local Government Report (SLGR), Local Government Turnaround Strategy (LGTAS) and the LGTAS Implementation Plan (Kruger 2010: 3).

What’s more, the Constitution likewise identified three categories of municipalities and expressed their local government authoritative structure (Cooperative Governance and Traditional Affairs (CoGTA) 2009: 8): “A – which provided for metros, B – which provided for local municipalities, C – which provided for District Municipalities (DMs). In addition, these categories of municipality comprises of: 6 Metropolitan (Category A) and 231 Local Municipalities (Category B) and an additional 46 District Municipalities (Category C) in which ADM is known

as DC12 was one of these District Municipalities were established. During the establishment phase of local government (post-2000), a system of categorisation was introduced (A-C2)."

Third Tier Government Turnaround Strategy Implementation

CoGTA (2009: 22) specified the following LGTAS before 2011 as the immediate main concerns. They are to:

- Address immediate financial and administrative problems in municipalities;
- Regulations to stem indiscriminate hiring and firing;
- Ensure and implement a transparent municipal supply chain management system;
- Strengthen Ward Committee capacity and implement new ward committee governance model;
- Differentiated responsibilities and simplified IDPs (agreement with each municipality on the ideal scope of functions to be provided and how best the State can support service delivery through intergovernmental agency arrangements);
- Funding and capacity strategy for municipal infrastructure (funding and capacity strategy for municipal infrastructure in rural areas including extending MIG grant to 2018 and utilising annual allocations to municipalities for repayment of loans in order to accelerate delivery); and
- Preparations for next term of local government inspire public confidence including commitment by political parties to put up credible candidates for elections."

Policy Implementation for the Development of Rural Communities

Incontrovertibly, to address the idea of unfairness and poor state of affairs among rural communities, it very essential for the government to intervene through various strategies, procedures and measures as well as achievable effective policy implementation. In particular, Todaro and Smith (2011: 242) argued that "the main policy elements that are available to government could include altering the functional distribution of labour income, land distribution and capital, allow for improved income distribution by improved ownership and labour skills,

reducing income levels at upper levels by progressive taxation and use additional tax collected in poor rural areas. An increase in income levels at lower levels by lower tax scales and welfare contributions such as grants could also provide some respite to the rural poor." Unemployment has been as one of the most critical factors or indicators of poor socio-economic improvement in the developing nations where the majority of the people are jobless particularly in the rural communities and not much efforts have been directed by the governments by implementing appropriate policies or strategies that could curb this ugly scenario most especially in the rural areas.

Theoretical Framework

Basic Needs Approach (BNA)

The BNA was introduced "by the International Labour Organization (ILO) in 1976" with an attempt to focus particular attention on the specific needs of the poor in developing countries (Deneulin and Rakodi 2011). This approach is based on the bottom-up blue print model and it introduced two essential ideas to rural improvement policy. "The first idea is that there is a target group on whom rural development should focus, that is, the poor. The major aim is to place the poor rural people at the centre of development. Secondly, there is the acknowledgement that poverty results from a series of causes, thereby necessitating that rural development involves the interaction of a large number of interrelated activities" (Broadbent 1990: 49; Glasson et al. 2013).

Basic needs approach is an approach to social justice that gives priority to meeting people's needs and it ensures that the basic needs, goods and services are sufficiently distributed to sustain all human lives at a minimum decent level (Streeten 1981). This approach works by identifying a bundle of basic minimum requirements such as food, shelter, clothing, clean water, sanitation and so forth without which a person has little or no chance of survival (Crosswell 1981: 3). Thus, the components of BNA include: (1) minimum consumption of food, shelter, and clothing; (2) access to services such as safe water, sanitation, health, family planning, and public transportation; and (3) participation of people in decisions that affect them (Streeten 1981: 16; Lewis 1981: 31).

The basic needs approach links this objective with more tangible objectives having to do with employment and income among the poor (Lewis 1981: 31). Hence the basic strategy is aimed at the lowest absolute income group in a given country; those people having inadequate purchasing power to satisfy their basic needs (Streeten 1981: 18). This clearly proves that the BNA favours rural areas, where services such as health and family planning are less likely to be available than urban areas. This was a great step towards initiating change in the life of the poor rural communities previously neglected by the perceptions of rural development.

While this approach provides considerable flexibility to the policymakers, it has some critics. Few professionals or bureaucrats at the top would decide what and how much people should have, assuming that all people have exactly the same needs. Lewis (1981) argued that BNA was noting that rural improvement have made tremendous attempts by focusing on issues such as distribution of income, creation of employment opportunity for the poor and improvement of the rural areas for sometime so that the approach is just simply a different label attached to the same product.

CONCLUSION

The capacities of the ADM in implementing socio-economic strategies for stimulating SMME development and their impact on the local communities were identified. In fact, the researchers of this paper hereby advocate to the government and her policymakers to urgently go on board on positive execution of the socio-economic policies that will stimulate SMME development in order to specifically and precisely generate employment opportunities and reduce poverty among rural people in South Africa.

RECOMMENDATIONS

- ADM Management in their socio-economic implementation process should include some kinds of programmes such as Business Service Centres and Manufacturing Advice Centres as part of SMMEs strategies in order to stimulate SMME development within the ADM.
- ADM managers should put up their own capability and proficiency in execution of

socio-economic strategies for stimulating SMME improvement in order to improve performance.

- The ADM Executive must ensure that qualified managers are permanently employed and allowed to partake in the implementation of socio-economic strategies.

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