



South African Township and Rural Economy Development and Revitalisation Policy



4th DRAFT (V4.4) Sep 2025

Version and amendment schedule

Version	Version date	Description of amendments
Draft 1	January 2025	First draft with inputs from colleagues
Draft 2	End March 2025	Incorporated inputs from colleagues received in February and inputs from dialogue with funding institutions on addressing Regulatory constraints to funding the lower end MSMEs hosted on 24 March 2025
Draft 3.1(V3.1)	14 April 2025	Incorporated inputs from workshop hosted on 31 March 2025. Still need to include follow-ups from workshops with responsible units/Departments.
Draft 3. 2 (V3.2)	17 April 2025	Draft summary of policy intervention areas. Completed References section. Annexure A: First draft implementation plan. Annexure B: Completed definitional thresholds. Updated Annexure D: Existing Financial Support programmes for small enterprises that also include small enterprises in townships and rural areas Annexure H Replaced Initial SEIAS with Draft Final SEIAS
Draft 3.3 (V3.3)	27 April 2025	Refined recommendations – table with challenges, required interventions and existing interventions. Started to corporate MANCO inputs.
Draft 3.4 (V3.4)	1 May 2025	MANCO inputs included and existing interventions in table on challenges, required interventions and existing interventions.
Draft 3.5 (V3.5)	6 May 2025	Refined recommended policy interventions and implementation plan.
Draft 4.1 (V4.1)	May 2025	Further refinements on policy interventions and implementation plan. Areas raised during EXCO improved. Information of different mapping studies incorporated as well as evidence on access to finance for MSMEs.
Draft 4.2 (V4.2)	June 2025	Incorporated additional information based on MinEXCO inputs.
Draft 4.3 (V4.3)	August 2025	Presidency SEIAS inputs
Draft 4.3b (V4.3b)	September 2025	Amended to submit to Clusters - Annexure C
Draft 4.4 &V4.4)	October 2025 and November 2025	Strengthened with inclusion of sector focus; cluster inputs; and replaced draft final SEIAS with final approved SEIAS (Annexure H)

Definitions

Term	Definition
Catalytic capital	Dept, equity, guarantees and other investments that accept disproportioned risk or concessionary returns compared to a conventional investment in order to generate positive longer-term impacts
Co-operative	Means an autonomous association of persons united voluntarily to meet their common economic, social or cultural needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles.
Concessional loan	Loan with terms, interest rates, extended grace periods before repayment begins and/or repayment schedules, that are more favourable than market rates, designed to support public policy or development goals rather than profit.
Development	Refers to the process of improvement in various aspects of society, economy, or infrastructure.
Economic Revitalisation	According to International Economic Development Council, Economic revitalisation refers to the process of restoring economic growth and prosperity to a region or community that has experienced decline or stagnation.
Patient capital	Long-term investment in early-stage enterprises that prioritise future growth over quick profits, providing funding for a longer duration and tolerating short-term market fluctuations.
Redevelopment	Refers to the process of revitalising and transforming existing urban areas, towns, or cities to improve their economic, social, and environmental conditions.
Revitalisation	Refer to the process of restoring or rejuvenating something, such as a business, economy, community, or urban area, to a state vitality, growth, and prosperity.
Rural	As per the approved National Spatial Development Framework (2022), rural areas are regarded as areas outside cities and towns. Economic activities in these areas are in most cases intrinsically tied to natural resource use and/or beneficiation, and consists of agriculture, fishing, forestry, nature conservation, eco-tourism and mining. In South Africa, there are rural areas that are densely populated, but without (1) the distinct and diverse nodal areas of dense economic activity in the secondary and the tertiary sectors, or (2) the amenities typically associated with urban areas, which is a remnant of colonial and apartheid spatial planning and the creation of Bantustans.
Rural development	According to the approved National Spatial Development Framework (2022), rural development is planned intervention aimed at improving the quality of life and economic well-being of people living in rural areas.
Small enterprise	Means a separate and distinct business entity, together with its branches or subsidiaries, if any, including a co-operative, co-operative financial institution, or a co-operative bank, carried on in any sector or sub-sector of the economy classified as a micro, small or medium enterprise which satisfies the prescribed criteria as per the regulations. Criteria attached as annexure B.
Small Enterprise Development Ecosystem	The interconnected network of stakeholders, resources, and processes that support the growth and sustainability of small enterprises. This ecosystem spans the entire business lifecycle, from inception and start-up to growth, maturity, and possible exit.
STB	Spatial Transformation Barometer

Township	The term 'township' refers to old, new, formal and informal human settlements that are predominantly African, Colored and Indian characterised by high levels of poverty, unemployment and low incomes as well as long distance from the main centers of economic activity.
Township economy	The Gauteng Township Economy Revitalisation Strategy 2014 - 2019, defines a township economy as a unique system that has developed in the townships of South Africa, characterised by a mix of formal and informal economic activities, a strong sense of community and social solidarity, and a high level of entrepreneurship and innovation.

Abbreviations / Acronyms

BISP	Business Infrastructure Support Programme
B-BBEE	Broad-Base Black Economic Empowerment
BDS	Business Development Support
BVP	Business Viability Programme
CfERI	Centre for Entrepreneurship Rapid Incubator
CIP	Critical Infrastructure Programme
CIS	Co-operative Incentive Scheme
CPF	Community Polic Forum
CSI	Corporate Social Investment
DAC	Department Sports, Arts and Culture
DBE	Department of Basic Educations
DCDT	Department of Communication and Digital Technologies
DCOG	Department of Cooperative Governance and Traditional Affairs
DCS	Department of Correctional Services
DDM	District Development Model
DEE	Department of Electricity and Energy
DFI	Development Finance Institutions
DHET	Department of Higher Education and Training
DHS	Department of Human Settlement
DLRRD	Department of Land Reform and Rural Development
DMPR	Department of Minerals and Petroleum Resources
DOA	Department of Agriculture
DPWI	Department of Public Works and Infrastructure
DSTI	Department of Science, Technology and Innovation
CfERI	Centre for Entrepreneurship Rapid Incubators
DSD	Department of Social Development
DSBD	Department of Small Business Development
IBDS	Incubation Business Development Service
IDP	(Provincial) Integrated Development Programme
IMEDP	Informal Miro Enterprise Development Programme
IRDSS	Integrated Rural Development Sector Strategy
ISPESE	Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprises
IT	Information Technology
KZN	KwaZulu Natal
LEDF	Local Entrepreneurial Competency Framework
LEDA	Limpopo Economic Development Agency
LEDET	Limpopo Department of Economic Development, Environment and Tourism
MEL	Monitoring, Evaluation and Learning
MIG	Municipal Infrastructure Grant
MSME	Micro Small and Medium Enterprises
NAFCOC	National African Federated Chamber of Commerce and Industry
NDP	National Development Plan
NEET	Not Employed, Educated or Trained
NES	National Entrepreneurship Strategy
NIBUS	National Informal Business Upliftment Strategy
NISED	National Integrated Small Enterprise Development
NSEA	National Small Enterprise Act, 102 of 1996, as amended.
QLFS	Quarterly Labour Force Survey
RIS	Reimagined Industrial Strategy
SALGA	South African Local Government Association

Seda	Small Enterprise Development Agency
SEDFA	Small Enterprise Development Finance Agency
sefa	Small Enterprise Finance Agency
SEIF	Shared Economic Infrastructure Facility
SEZ	Special Economic Zone
SPLUMA	Spatial Planning and Land Use Management Act
Stats SA	Statistics South Africa
STB	Spatial Planning Barometer
the dtic	Department of Trade, Industry and Competition
TRERS	Township and Rural Economies Revitalisation Strategy for KZN
TRED	Township and Rural Economy Development
TREDaR	Township and Rural Economy Development and Revitalisation
TREP	Township and Rural Entrepreneurship Programme

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1. Introduction and Background

South Africa's township and rural economy is of interest to government, policymakers, and the private sector by virtue of its market size, diversity, social value and impact on neighbouring cities and the country as a whole. Recent studies estimate the annual turnover in townships to be worth more than R100 billion, highlighting its significant contribution to the national GDP¹. It has the potential to make a significant contribution to poverty alleviation, job creation, economic growth, and social stability. The annual turnover in rural areas is not a single, easily defined figure as it encompasses various sectors and industries with varying financial performance but the agricultural and related services sector, which is a key economic driver in rural areas, reported a turnover of R494.7 billion in 2023².

It is in this context that the South African government recognises the importance of township and rural MSMEs, co-operatives and informal traders and their contribution to economic growth, employment creation and poverty alleviation. Townships and rural areas forms a vital part of the South African economy where value is created and exchanged in monetary and non-monitory terms.

Albeit the growth potential of townships and rural areas, these areas are plagued with prevailing structural and social barriers preventing their optimal growth and development. Underdeveloped infrastructure; poor or lack of access to services, public amenities and government services are root causes compelling focused and structured, comprehensive support interventions to unlock and exploit the true development potential of these areas to enable equitable grow and development opportunities. This will greatly contribute towards reducing the National Development Plan (NDP) triple challenge of poverty, inequality and unemployment.

According to the 2021 census 24.35% of South Africa's population stays in townships with a further 32.15% in rural areas, i.e. bringing the total for townships and rural areas to 56.5%. According to Stats SA (2016 – 2021), migration from mainly rural provinces has increased and rural populations have declined by 15% in the last twenty years. According to the United Nations 71.3% of the South African population will live in urban areas by 2030, reaching 80% by 2050. These statistics is provided to illustrate the importance and interlinkage between townships and rural areas and their importance in terms of providing livelihoods to the majority of South African citizens at the time of the development of the policy.

The Stats SA Quarterly Labour Force Survey (QLFS) for the first quarter of 2025 reported that South Africa's official unemployment rate has reached 32.9%, this is an increase from 31.9% in the fourth quarter of 2024. The number of jobs lost since the fourth quarter of 2024 is 291 000 of which women accounted for 77% of the jobs lost. The unemployment rate amongst young individuals stood at 46.1% for the first quarter of 2025, an increase of 151 000 young person's being unemployed since the fourth quarter of 2024. Unemployment is especially high amongst those with lower levels of education and experience residing in historically excluded areas. According to the World Bank, poverty levels in townships and rural areas are high, for townships estimated it was to be at 55.5% in 2022, deepening the economic divide. One of the major contributing factors is the persistent high rate of unemployed of young people who are Not Employed, Educated or Trained (NEET), which exceeds 30% for the past ten years. This translate to more than 3 million young people aged 15 to 24 who are NEET, of which the majority resides in townships and rural areas. According to the Inequality Trends in South Africa report release by Stats SA, South Africa's Gini coefficient is set at 0.65 in 2025 making it the most unequal society in the world.

¹ South African Business, 26 June 2024

² Stats SA

The majority of MSMEs in townships and rural areas are established out of necessity and remain informal. It is estimated that around 65% of all township enterprises are informal. These informal township and rural enterprises thus play a complementary role to formal retailers and wholesalers, enabling access to a growing sector of low-income earners that cumulatively have sizable buying power.³ According to 2024 QLFS data the informal sector accounted for 19.5% of total employment in South Africa.

Employment opportunities in townships and rural areas are predominantly in agriculture, informal trade and public services. While not predominant other sectors providing job opportunities include tourism, mining and construction. Predominant sectors in the informal economy are retail and personal services. Diversification through the revitalisation of industrial parks and supporting small enterprises to enter high growth sectors such as renewable energy, financial services, transport, Information Technology, mining and mineral beneficiation, tourism and healthcare will create economic growth, create job opportunities and improve livelihoods.

Policy makers, government institutions and private sector partners focussed on entrepreneurship and small enterprises are expected to be at the forefront of enterprise development within the broader township and rural economy in order to assist businesses through the provision of support and services. This will create a favourable environment for the growth and sustainability of small enterprises. The development of the townships and rural economy, through amongst other the revitalisation of the industrial and manufacturing capabilities will boost job creation for job seekers and attract new investment boosting market expansion and unlocking business opportunities for entrepreneurs.

1.1 Policy issue identification

South Africa lacks a national policy to guide the sustainable development of small enterprises in townships and rural areas, to reduce unemployment, reduce poverty and support the overall development of township and rural economies. Provinces such as Gauteng and KwaZulu Natal (KZN) have recognised the importance of the township economy and have developed policies and legislation to guide investments and economic development in townships.

Township and Rural Economic Development (TRED) is a complex developmental intervention requiring a coherent policy approach, well-coordinated efforts and a **“whole of government”** approach. Fundamental to the success of a Township and Rural Economy Development and Revitalisation (TREDaR) policy is the social value derived from the development of these under developed areas that exceeds the financial value.

There are **several risks** associated with not having a national policy:

- **Fragmented approach across the three spheres of government** towards township and rural economy development and revitalisation
- The main risk is the **uneven allocation of public resources** across different levels of government, or worse, **the potential or continued neglect of township and rural economic development and revitalisation**.
- Without a national policy to create a **shared vision, establishing the necessary partnerships** between government, the private sector, and non-governmental will make it difficult **to improve collaborations and the coordination of resources to ensure efficiency and effectiveness**.
- **Lack of comprehensive data and empirical evidence** on the development needs and the monitoring of the impact of interventions made remain a challenge, a national

³ Department of Trade, Industry and Competition Mapping of the Township Economy and Opportunities for Support report, 28 June 2023

policy and coherent approach **will enable a transparent and collative data gathering process, to improve knowledge management, and “better data” for improved policy and programme development.**

To overcome these policy gaps, the DSBD has developed a concept note on Township Economy Revitalisation. This concept note was informed by engagements with critical stakeholders led to approval within the DSBD. The concept note was submitted to Cabinet, who requested that the DSBD further consult, especially with business chambers, on the development of a policy.

Townships and rural areas are linked through the movement of people, goods and services, creating an economic and social interdependence. People living in rural areas migrate to townships for employment whilst rural areas often supply food products to townships. Migrants in townships working in townships or urban areas often also send money back to their families in rural areas, supporting the rural economy. Because of the intrinsic link between townships and rural areas and because of the similarities in challenges faced by entrepreneurs, small enterprises⁵ and informal traders in townships and rural areas, it was agreed to include rural areas in the development of a township and rural economy development and revitalisation policy.

1.2 Background

As acknowledged in the KZN Township and Rural Economies Revitalisation Strategy (TRERS), South Africa's geographic landscape, like in most countries of the world has distinct topographical urban and rural areas and rural and urban poverty have for more than a century been two sides of a single coin. A World Bank study⁶ on the economics of South African townships highlights the fact that townships are not connected to urban systems, i.e. spatially, socially and structurally, and often also disconnected from the rural economy. It is important to understand what is meant by townships and rural areas as well as township and rural economies. It is, however, also important to note that townships and rural areas are not homogeneous, they are economically diverse, informed by their location, access to economic opportunities and resources and it is important that the policy will reflect and respond to the distinct dynamics of the different townships and rural areas.

1.2.1 Understanding the concepts “township”, “rural” and “township and rural economies” in South Africa

There is no agreed national definition for a township. The Gauteng Township Economic Development Act defines a township as designated township enterprise zones and includes an urban, peri-urban or rural living area which a) at any time from the late 19th century until 27 April 1994, was reserved for Black, Coloured, or Indian people or b) has been developed for historically disadvantaged persons after 27 April 1994; or c) has been predominantly occupied by historically disadvantaged people; and d) is currently and economically deprived area.

The KZN TRERS refers to township as a dense urban settlement usually developed on the outskirts of the town mostly removed from industrial and commercial activity away from

⁴ Aligned to pillar 1 of the NISED Strategic Framework.

⁵ The definition for small enterprise covers all entity types, i.e. also co-operatives. The thresholds determining the different size categories of small enterprises differentiate small enterprises, i.e. micro, small and medium from large enterprises. Annexure B provide details on the criteria for different size categories of small enterprises.

⁶ A World Bank Study (2014), Economics of South African Townships, Special Focus on Diepsloot.

people's places of work and traditionally created to ensure that black, coloured and Indian people were removed from easy access to equal socio-economic opportunities.

TRERS refer to rural areas as large under-developed, vast spaces speckled with individual homesteads, settlements, and land in non-urban areas where there are limited economic community services and often dominated by forms of subsistence farming. Rural areas vary from commercial farms, small towns to large rural settlements and commercial land areas with homesteads under traditional authority leadership.

It also important to understand township planning pre- and post-apartheid and well as the geographic land scape of informal settlements. The table below provide some insight into the geographic landscape of pre- and post-apartheid townships and informal settlements.

Apartheid Township	Townships were created as "dormitory" settlements for black labour to serve white industries and employers in core urban areas. Business formation and ownership were prohibited, except for very basic activities. The township layout and infrastructure were designed for simple residential purposes. Examples include. Tokoza (in Johannesburg) and Gugulethu (in Cape Town).
Post – Apartheid Township	These have been shaped by the national housing programme, resulting in extensive sprawling residential settlements on cheap, peripheral land. Many Reconstruction and Development Programme (RDP) or Breaking New Ground (BNG) townships lack public facilities and social amenities. Examples include parts of Soshanguve (in Tshwane) and Delft (in Cape Town).
Informal Settlement	Informal settlements are housing areas that are not regulated by government and often located on land that is not designated for housing. Examples of townships providing homes to people that are poor and displaced that started as informal settlements include Diepsloot (in Johannesburg) and Kosovo/Philippi (in Cape Town).

The Integrated Rural Development Sector Strategy (IRDSS), 2023 adopted the National Spatial Development Framework (2022) definition for rural areas in terms of which rural areas are defined as areas outside cities and towns. Economic activities in these areas are in most cases intrinsically tied to natural resource use and/or beneficiation, and consists of agriculture, fishing, forestry, nature conservation, eco-tourism and mining. There are rural areas that are densely populated, but without a) the distinct and diverse nodal areas of dense economic activity in the secondary and tertiary sectors, or b) the amenities typically associated with urban areas, which is a remnant of colonial and apartheid spatial planning and the creation of Bantustans.

Statistics South Africa defines rural areas as any areas that is not classified urban. Rural areas are subdivided into tribal areas and commercial farms. Rural areas vary widely according to population density, levels of modern agriculture and types of social governance (Atkins, 2014).

In terms of the National Spatial Development Framework the term township has two meanings in the South African context. Firstly, it is a colloquial name given to a residential township which were established during the colonial and apartheid eras for temporary occupation by black South African on the outskirts of towns and cities with only the most basic of amenities and infrastructure provided. Secondly, it is the legal name given to new human settlements and extensions to existing settlements in existing settlements in planning legislation (e.g. "Sunnyside Extension 3"), dating back to the first Town Planning Ordinances passed in the early 1900s, and also appearing in the more recent Spatial Planning and Land Use Management Act, Act 16 of 2013 (SPLUMA) SPLUMA defines township as an area of land divided into erven, and may include public places and roads indicated as such on a general plan.

The concept document developed by the DSBD refers to townships as dynamic yet complex political, social and economic spaces in South Africa today. They accommodate most of the urban population in a small physical footprint. High population density, poverty, unemployment, and related social ills make them the top priority for inclusive socio-economic growth and development in South Africa.

Approximately 40% of the working-age population and 60% of the unemployed population stays in townships in South Africa⁷. The latter continue to build on the apartheid legacy of townships being dormitories for cheap labour as townships and informal settlements, given their proximity to metropolitan areas and small towns, is seen as the first place of residence for new rural and cross-border migrants.

There is no clear and universally accepted definition of 'township or rural economies'. The concept paper used the (admittedly limited) definition in the Gauteng Township Economic Revitalisation Strategy (2014-2019). A 'township economy' refers to the microeconomic and related activities taking place within areas broadly defined as "townships". This includes enterprises and markets based in the townships which are enterprises operated by township entrepreneurs to meet primarily the needs of township communities. Therefore, these can be understood as 'township enterprises' as distinguished from those operated by entrepreneurs outside the townships. The term 'township' refers to old, new, formal and informal human settlements that are predominantly African, Coloured and Indian characterised by high levels of poverty, unemployment and low incomes as well as long distance from the main centres of economic activity. Township enterprises have different legal forms – for-profit and not-for-profit enterprises registered under the Companies Act, and co-operative enterprises registered under the Co-operatives Act. However, most township enterprises have high rates of informality.

1.2.2 Township development in South Africa

Historically, townships were developed and implemented through the apartheid system, between 1948 and 1994 in South Africa, which institutionally segregated blacks, Indians and coloured from white population. The apartheid system forced the relocation of Black, Indians and Coloured population into segregated areas. These segregated areas were deliberately deprived of facilities, infrastructure, and commercial investment.

During apartheid, townships effectively functioned as dormitories, with minimal commercial or industrial activity. It physically separated these communities from economic opportunities and essential services. In recent times new urban townships have emerged characterised by rapid growth, large informal settlements, proximity to metropolitan areas, and their role as the first stop for new rural and cross-border migrants. The lack of industrial development, in township settings has led to severely limited economic opportunities and continues to perpetuate socio-economic disparities. Zoning regulations and the clustered nature of townships left very little room to have industrial activities save low commercial activities meant to assist the basic needs of these residential areas. The appearance of entrepreneurs in these settlements, shantytowns was for the sole purpose of meeting the bare needs of food and clothing. However, recently big retailers and commercial outlets have mushroomed in most townships with intense competition that has at times, led to the shutdown of township grocery stores that emerged in the early 1970's.

Even after the advent of democracy, South Africa remains one of the world's most unequal countries, marked by significant income disparities and an economy that lacks inclusivity for all economic agents with far-reaching impacts on the livelihoods and overall development which came about because of the apartheid legacies. These densely populated

⁷ SA-TIED, Mthokozisi Tshuma, July 2023

communities/areas often lack adequate infrastructure, services, and economic opportunities, and they are often marginalized and underserved. However, despite such challenges, townships have in recent decades, evolved into vibrant centres of entrepreneurship, cultural preservation, resilience, and innovation. It shouldn't be ruled out that these developments were pioneered by strong and resilient early entrepreneurs who defied the apartheid odds and developed vibrant businesses such as the Black chain in Soweto and other businesses in major townships. This has led to the emergence of the township economy, which demonstrates the power of harnessing local potential to drive national growth, inclusivity, and sustainable development.

With the advent of democracy, there has been pockets of township development, however township economy has since struggled to grow and develop fast enough to address the persistent challenges of unemployment, inequality, and poverty. Unemployment rates in townships remain high compared to the national average⁸. Despite challenges, there is also some emerging evidence that there is a thriving economy in townships, often underestimated in official statistics⁹.

Townships in South Africa are home to a significant portion of the country's population. According to various sources about 21.7 million people live in the 532 townships across the country. Gauteng has the highest township population, with approximately 8.9 million residents, followed by the Western Cape with approximately 3.2 million people.¹⁰

In most of South African township settings, the majority of the businesses is accounted for by grocery, food and liquor services, followed by local services such as hair salons/barber shops, traditional healers, mechanical/electrical repairs, recycling, churches and early childhood education centers. In contrast, manufacturing activities makes up only a slight portion of all enterprises operating in township and they are rarely linked to wider value chains and external markets¹¹.

South Africa's township economy has over the years sparked interest to government, policymakers, and the private sector by virtue of its market size, diversity, and impact on neighbouring cities and the country. South African government recognises the importance of Micro Small and Medium (MSME) in township and rural enterprises and their significant contribution to poverty alleviation, job creation, economic growth, and social stability. Revitalising township and rural economies are crucial for the generation of jobs and opportunities for young people who are not in education, employment, or training (NEETs). Promoting entrepreneurship and ensuring the inclusion of marginalised groups in the mainstream economy has been critical for the development and implementation of different government programmes.

Consequently, in 2022, Gauteng Province became the first province to enact legislation specifically aimed at directing public resources towards township businesses. KwaZulu Natal developed a Townships and Rural Economies Revitalisation Strategy (TRERS) also in 2022. More information on the Gauteng township legislation and KZN TRERS policy as well as several other interventions is provided under point 1.3 - Legislative and Policy Content Environment.

⁸ Aspen Network of Development Entrepreneurs (2021). South Africa Township Economy. Available online [here](#).

⁹ Charman et al (2020) Township Economy: People, Spaces and Practices. HRSC Press. Pretoria.

¹⁰ Africascope (2020) South Africa's Township Potential Atlas. Available online [here](#). Also Mail & Guardian 7 December 2024 and GeoScope South Africa, 30 November 2023.

¹¹ Scheba, A. and Turok, I.N., 2020, March. Strengthening township economies in South Africa: The case for better regulation and policy innovation. In Urban Forum (Vol. 31, No. 1, pp. 77-94). Dordrecht: Springer Netherlands. Available online

Despite several efforts, support for Township Economic Development (TED) has been both insufficient and uncoordinated. This fragmented and uncoordinated approach provides a compelling argument for the development of a National Policy on Township and Rural Economy Revitalisation.

1.2.3 *International perspective on townships*

Township and rural economy are not a phenomenon that is only applicable to South Africa as a developing country embedded by scars from the apartheid system, there are similarities and differences identified by different authors with other countries. Brazil which also forms part of the BRICS countries, share several similarities regarding the social and urban configuration of their urban slums' territories with the South African structure for townships.

A study¹² conducted in 2014, comparing experiences of Rio de Janeiro's favelas and Johannesburg townships indicated that Brazil and South Africa, share a common historical background in terms of townships/urban slums. This is in relation to the delayed industrialization process accompanied by intense migration of workforce to the periphery of the urban centres, where there was poor access to infrastructure and basic public services to accommodate the intense flow of people.

According to the World Bank study on the economics of South African townships, townships and especially informal settlements are similar to the slumps found in most developing countries with the only difference being that townships in South Africa were developed through central planning and purpose. The factors that led to the development of slumps or favelas are impoverished workers or migrants seeking job opportunities in urban areas.

During the industrial revolution so called blue-collar towns developed around factories and other industries that require manual labour. As farming became industrialised, it led to unemployment in rural areas and people moved to work in factories. Studies confirm a close correlation between the cost of living and the average income of blue coloured workers working and living in the different so-called blue-collar towns.

1.3 **Legislative and policy content environment**

The promotion of township and rural economic development and revitalisation is not to be viewed in isolation from wider national development policies, constitutional mandates, and government programmes. For the South African Township and Rural Economy Development and Revitalisation (TREDaR) Policy to realize its objectives, there has to be strategic relations between the different national and provincial departments as well as municipalities and their implementing agencies coupled with private partnerships. National and provincial departments responsible for economic development have enacted legislation and strategies with the objective of supporting the growth of small enterprises, including co-operatives. With the exception of the Gauteng Township Economic Development Act, 2022 (Act No. 2 of 2022), national and provincial government has not legislated specifically for township economic development, needless to mention rural development. These are clubbed and embedded within the realm of the existing policies and legislation without specific identification of the needs, gaps and opportunities that can be unearthed in township and rural spaces.

1.3.1 *Constitutional responsibilities*

The Constitution of the Republic of South Africa (1996), here on further referred to as "the Constitution," in terms of Chapter 3, co-operative government, requires all three spheres of

¹² Rampini, J. and Vilela, C., 2014. For Less Segregated BRICS-Cities: The experiences of Rio de Janeiro's favelas and Johannesburg's townships public policies. *Rio de Janeiro: BRICS Policy Center/BRICS-Urbe*. Available online

government and all organs of state within each sphere share a common constitutional duty to ensure compliance to the principles of a co-operative government. This, amongst other specifically requires cooperation to preserve the peace, national unity and indivisibility of the Republic, provide basic and other services to the people and communities within their areas of jurisdictions, and co-operate with one another in mutual trust and good faith by informing one another of and consulting one another on matters of common interest and coordinating their actions and legislation with one another.

In terms of Chapter 14, schedule 4, part A of the Constitution, rural development falls under functional areas of concurrent national and provincial legislative competency. At a national level, the function is located within the Department of Agriculture, Land Reform and Rural Development (DALRRD) mandated for policy, strategy, legislation, programmes, and oversight in respect of implementation and reporting. At provincial level, the function is located under Provincial Departments of Agriculture and Rural Development.

Chapter 7 of the Constitution establishes the role of municipalities in local government and their responsibilities to townships. (Section 152) mandates local government to perform its powers and functions by:

- a) Providing a democratic and accountable government for local communities;
- b) Ensuring the provision of services to communities in a sustainable manner (Integrated Development Plans (IDPs);
- c) Promoting social and economic development (Local economic and social development plans and programmes;
- d) Promoting a safe and healthy environment; and
- e) Encouraging and facilitating involvement of communities and community organisations in the matters of local government.

Local governments or municipalities have the power to:

- a) Develop and adopt policies, plans, strategies, and programmes;
- b) Establish and maintain administration;
- c) Set targets for delivery;
- d) Implement national and provincial legislation;
- e) Prepare, approve and implement budgets; and
- f) Set and collect service charges and other fees.

Chapter 7 of the Constitution also required the Department of Co-operative Governance and Traditional Affairs (COGTA) to support and strengthen the capacity of municipalities to manage their affairs, exercise their powers and perform their functions.

Section 139 of the Constitution empowers national and provincial governments to intervene in a municipality that cannot or does not fulfil its constitutional obligations.

Section 22 of the Constitution protects the freedom of trade, occupation, and profession for all citizens. It allows people to choose their career path and start business without undue interference. Although the Constitution does not explicitly state a dedicated “small business development” clause, it is interpreted as the government’s responsibility to create an environment where citizens can exercise their right to start businesses through supportive policies.

1.3.2 The Local Government: Municipal System Act 32 of 2000

Section 3(3) requires, local government, for the purpose co-operative government to

- a) develop common approaches for local government as a distinct sphere of government
- b) enhance co-operation, mutual assistance and sharing of resources among municipalities
- c) find solutions for problems relating to local government generally and
- d) facilitate compliance with the principles of co-operative government and intergovernmental relations.

1.3.3 Intergovernmental Relations Framework, Act 13 2005

The Intergovernmental Relations Framework, Act 13 of 2005 aims to establish a framework for national government, provincial governments and local governments to promote and facilitate intergovernmental relations to provide for mechanisms and procedures to facilitate the settlement of intergovernmental disputes and to provide for matters connected therewith.

1.3.4 1995 White Paper on the National Strategy for the Development and promotion of Small Business in South Africa

The 1995 White paper confirmed the importance of small, micro and medium enterprises to address the challenges of job, creation, economic growth and equity. The white paper emphasised the need for a systematic national approach to create an enabling environment for small enterprises, it set the objectives and principles of the strategy amongst other, the need for a support framework, called for institutional reform, i.e. establishment of the Advisory Council (Advisory Body) and Development Agency, and an enabling legislative framework.

1.3.5 National Small Enterprise Act, Act 102 of 1996, as amended and Amendment Act 21 of 2024

The National Small Enterprise Act (NSEA), Act 102 for 1996 is the primary legislation that promotes small enterprise development in South Africa. NSEA defines a small enterprise and set the definitional thresholds for the different size categories of small enterprises, enabled the establishment of Advisory Council, the establishment of the Small Enterprise Development Agency, calls for the development of a national strategy to support small enterprise development, requires regular reviews on the state of the development of the sector and allows for the development of guidelines to promote small business development.

The Small Enterprise Amendment Act 21 of 2024 established a new entity called the Small Enterprise Development and Finance Agency (SE DFA) incorporating the Small Enterprise Development Agency (Seda), the Small Enterprise Finance Agency (sefa) and the Co-operatives Bank Development Agency (CBDA) into a single agency; it calls for the establishment of the Office of the Small Enterprise Ombud; enables the Minister to declare certain practices in relation to small enterprises to be prohibited unfair trading practices; amend the definition for a small enterprise and replace the schedule to the principal Act setting the different size categories of small enterprises with regulations.

1.3.6 National Small Enterprise Support Strategy

The first National Small Enterprise Support Strategy was called the Integrated Support Strategy for Entrepreneurship and Small Enterprises (ISPESE), 2004 to 2014. ISPESE was based on three pillars, i.e. a) increase supply for financial and non-financial support services, b) creating demand for small enterprise products and services and c) reduce small enterprise regulatory constraints.

A 2018 evaluation of the ISPESE revealed implementation challenges and a lack of collaboration and coordination amongst the different spheres of government. The strategic focus of the National Integrated Small Enterprise Development (NISED) Strategic Framework,

approved by the Cabinet and proclaimed at the National Small Enterprise Support Strategy in February 2023, is on improved collaboration, coordination and partnerships. The NISED Strategic Framework guide and provide leadership towards a well-coordinated and collective ecosystem approach with shared responsibilities, commitments and mutual benefits. It provide guidance on improved knowledge management to enable better, evidence based, policies, tailor-made targeted programmes based on partnerships informed by collective, well-coordinated interventions.

The reform of policies, laws and regulations to enable small enterprise growth and efficient governance is a key focus area, i.e. outcome 2 of the NISED Strategic Framework. To ensure the effective and efficient implementation of the policy it is imperative to, aligned with the National Policy Development Framework¹³, ensure collaboration, cocreation and ownerships amongst all spheres of government and other role-players.

1.3.7 National Informal Business Upliftment Strategy (NIBUS)

NIBUS was developed in response to the policy and programme gap in respect of the informal business sector. The aim was to enable a policy, regulatory and programming environment promoting and supporting a developmental continuum for the graduation of informal businesses into the mainstream of South Africa's formal economy. This required the building of an enabling environment for enterprise support and coordinate intergovernmental and stakeholder relations.

The delivery mechanisms for the strategy are a) the Informal Micro-enterprise development programme and (IMEDP) and b) Shared Economic Infrastructure Facility (SEIF).

1.3.8 DSBD Intergovernmental relations Strategy

The DSBD IGR Strategy aim to filiate co-ordination in the implementation of policies and legislation. The objectives amongst other include consulting other organs of state, co-ordinating actions with regard to the implementation of policies and legislation, avoiding necessary wasteful duplication and jurisdictional contests and consulat, co-operate and share information.

1.3.9 The Reimagined Industrial Strategy (RIS) and Township and Rural Economy Development Framework

The RIS provides a multi-prong approach to industrial development and highlights the revitalisation of townships as one of the five engines of growth with a particular objective of achieving economic inclusion. In response to the challenges of under development in townships and rural areas, the Department of Trade, Industry and Competition (the dtic) has also developed a coherent Township and Rural Economy Development Framework to support township and rural enterprise hubs, zones and clusters in partnership with provinces, development financial institutions and the private sector. This is a base to align to at national level with a strong view to coordinate and integrate all efforts towards township economy revitalisation programme. The programme of action emanating from this policy should take these into account.

1.3.10 Gauteng Township Economic Development Act

Gauteng is the first and currently still the only province that has a Township Economic Development Act. The Gauteng Township Development Act aims to promote economic growth and equality in the Gauteng province. It was signed into law in April 2022.

¹³ National Policy Development Framework 2020, Approved by Cabinet on 2 December 2020.

Synopsis of the Gauteng Township Economic Development Act provided below:

Goals	Strategies	Implementation
a) Create a more inclusive economy. b) Increase access to economic opportunities. c) Diversify ownership patterns. d) Promote entrepreneurship. e) Create jobs. f) Improve living conditions.	a) Focus on sectors with growth potential. b) Promote productive activities. c) Support township-based enterprises. d) Create a conducive regulatory environment. e) Release land for business purposes. f) Provide access to finance, training, and equipment.	a) The act applies to all organs of state and municipalities in provinces. b) The act is cumulative and take precedence over other laws that regulate township economic development. c) The act requires monitoring and evaluation. d) The act encourages partnerships between government and other stakeholders.

1.3.11 KwaZulu Natal (KZN) Township and Rural Economies Revitalisation Strategy (TRERS)

The vision of TRERS is to radically transform KZN's township and rural economies into a diversified, inclusive, and sustainable wealth generating economic system that promotes micro, small, medium and large enterprise development and actively contribute to KZN's economic and social development.

The strategic goals of the strategy are as follows:

Create products and sustainable economies	To ensure that townships and rural economies become key players in the provincial economy as sustainable fully functioning economic systems
Grow township and rural enterprises	Make sure that townships and rural enterprises have access to appropriate finance and investments, including creation of own financial systems
Develop inclusive and capacitated communities	To result in shared growth and involve more citizens in economically productive activities that will serve to benefit all
A regulatory framework conducive to townships and rural development	To ensure spatial equity and economic transformation in townships and rural areas

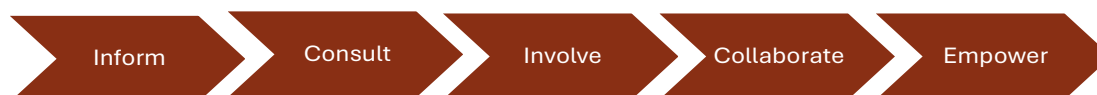
TRERS is based on 7 pillars:

- Access to commercial property and transformations
- Infrastructure development
- Access to digital innovation
- Informal economy
- Agriculture
- Tourism and creative industry
- Integrated support of existing businesses and manufacturing

1.3.12 Integrated Rural Sector Development Sector Strategy (IRDSS)

The IRDSS is a Department of Agriculture strategy that seeks to address the following problems: (i) triple challenges of high poverty levels, inequalities, discriminatory practices and inequitable distribution of income resulting in high levels of urban migration; (ii) Lack of common understanding of rural development mandate by various government and non-governmental stakeholders; (ii) Lack of investment in and maintenance of road, rail and

communication infrastructure to revitalise rural economic development through industrialisation, agricultural production, mining, processing and value chain management, and access to markets; and (iii) Poor intergovernmental relations and rural governance guided by the District Development Model (One Plan), resulting in non-integrated and non-coordinated interventions by the three spheres of government departments and private sector addressing socio-economic challenges in rural areas located in the 44 districts and eight metropolitan municipalities.



The objectives of the Integrated Rural Development Sector Strategy are to:

- a) Provide a guiding framework and principles for executing government's vision, plans and budget relating to rural development and the revitalisation of the rural economy through the Comprehensive Rural Development Programme and Rural Development Sector Plans.
- b) Effective utilisation of all funding instruments across all spheres of government to foster an integrated approach to the revitalisation of the rural areas.
- c) Institutionalise rural development and strengthen intergovernmental sector coordination through the District Development Model (One Plan) with clear monitoring and reporting systems. All sector departments to share their plans and budgets for implementation through the DDM One Plan.
- d) Accelerate investment in and maintenance of critical infrastructure: road, rail and port basic services, digital connectivity, education, health and human settlement infrastructure to revitalise rural economic development and facilitate industrialisation, agricultural production, agro-processing, value chain management and access to markets.
- e) Support integrated spatial planning, land use management and economic integration.

1.3.13 Integrated Urban Development Framework (IUDF)

The IUDF is coordinated by COGTA. It seek to foster a shared understanding across government and society about how best to manage urbanisation and achieve the goals of economic development, job creation and improved living conditions. The IUDF was developed in to deal with increased urbanisation and in response to the NDP requirement for meaningful and measurable progress in creating more functionally integrated, balanced and vibrant urban settlements. The IUDF provides a framework for reorganising the urban system so that cities and towns can become more inclusive, safe productive and resource efficient.

1.3.14 Incentive programmes providing support to township and rural base enterprises.

Annexure D contains a list of existing support programmes that benefit enterprise development in townships and rural areas.

1.4 Brief overview of the policy development process followed

Creating an enabling and supportive environment for township and rural enterprises to thrive is challenging and requires a collaborative and integrated approach. Therefore, in line with the National Policy Development Framework, a substantive approach to consultation and engagement was adopted during the policy development process to ensure participation by entrepreneurs, business owners, representative bodies, representatives from the three

spheres of government and all other relevant role-players.

Figure 1: DBSD's approach to engagement

During the policy-making process, the engagement spectrum includes various levels of stakeholder involvement across five stages:

- **Inform:** This initial stage focuses on providing stakeholders with balanced and objective evidence to assist them in understanding the problem, alternatives, opportunities, and solutions.
- **Consult:** At this stage, stakeholders are invited to provide feedback on analysis, alternatives, and decisions between alternatives. This consultation allows for the gathering of diverse perspectives and insights, ensuring that the policy considers a wide range of evidence, views and experiences.
- **Involve:** In this phase, stakeholders are more actively engaged in the policy-making process. Their input is directly incorporated into the development of the policy. Follow up workshops, focus groups, and roundtable discussions are typically used to involve stakeholders, ensuring that their contributions significantly influence the policy outcomes.
- **Collaborate:** Collaboration involves partnering with stakeholders in preparing for the implementation of the agreed policy and its programmes. This includes joint planning and the formulation of integrated responses/programmes.
- **Empower:** The final stage of the engagement spectrum empowers stakeholders by placing decision-making authority in their hands. This might involve delegating certain decisions to implementers and being agile to the needs of beneficiaries while ensuring that policy objectives are met. Empowerment ensures that those affected by the policy have a direct influence over its outcomes and sustainability.

Evidence based policy

In addition to research and data the citizen participatory evidence method was applied to validate and verify the actual problem statement against the pragmatic situation experienced by the MSMEs operating in the townships and rural areas by conducting provincial and national policy dialogues to engage with stakeholders across South Africa.

Early consultation and policy co-creation

Conducting the provincial and national policy dialogues enabled robust early consultation processes with affected stakeholders in the townships and rural areas and gives opportunities for MSMEs in these areas to inform analysis and come up with policy solutions that will then achieve the policy objectives.

For effective policy co-creation, stakeholder mapping was initiated to ensure that relevant stakeholders are invited in the policy dialogues to ensure functional consultations and policy core creation is realised. Since consultation is not a once off linear process in the policy development, for the provincial and national policy dialogue undertaken, the policy dialogue outcome reports were shared with all relevant stakeholders, and further inputs and comments were allowed to enhance the policy reports.

Socio-Economic Impact Assessment (SEIAS)

To gauge the impact of the problem, an initial socio-economic Impact assessment report was developed to quantify on how the problem is hindering efforts to address the triple challenges that is; poverty, inequality and unemployment in South Africa. In initial SEIAS has been developed in a full SEIAS report and submitted to the Presidency for consideration.

Policy Design

Post receiving policy responses aimed at addressing the identified problem from the stakeholder consultation sessions, the theory of change was formulated through clear activities, output, outcome and impact.

Draft policy process

The draft policy document on South African Township and Rural Economy Development and Revitalisation was developed in accordance with the guidelines outlined in the national policy development framework of 2020.

Consultation with stakeholders

Apart from a national policy dialogue hosted in Gauteng policy dialogues have also been hosted in the Free State, North West, Limpopo and Western Cape. The dialogues were hybrid, allowing entrepreneurs and small enterprises to attend, and focused on validating the concept note and getting provincial inputs and learnings on Micro, Small, Medium Enterprises (MSMEs) operating in townships. See table below for more detail.

Location	Date	Attendees					
		In-person		On-line		Total	
		Day1	Day2	Day1	Day2	Day1	Day2
National, Gauteng	27, 28 June 2024	28	27	137	134	165	161
Botshabelo, Free State	12, 13 September 2024	25	11	20	19	45	30
Mafikeng, North West	10, 11 October 2024	47	18	64	37	111	55
Thohoyandou, Limpopo	21, 22 October 2024	67	54	117	42	184	96
Atlantis, Western Cape	30, 31 October 2024	58	50	51	26	109	76
Total		225	160	389	258	614	418

The DSBD partnered with the provinces for the hosting of the provincial policy dialogues. Guidance was provided in terms of stakeholders to be invited but the provincial departments responsible for economic development, as the provincial custodians of small enterprise development did the actual invitations. Apart from provincial government and local government representatives responsible for policy and programme development and the implementation of policies and programmes as well as the monitoring and evaluation of progress and the impact of policies and programmes care was taken to ensure representation by business chambers, research institutions, business development support experts, development financial institutions, industry representative bodies, entrepreneurs and small business owners.

The first panel discussion is amongst government representatives, business development service providers and financial institutions as well as business chambers focussing on sharing challenges, experiences, lessons and best practices with regard to policy and programme development and implementation. It also assist to ensure role clarity. The second panel discussion is amongst entrepreneurs, small business owners and industry representative bodies and academia sharing their challenges, experiences, learnings and best practices. The last day focus on identifying policy responses to the problem dimensions identified during the panel discussions on day one. The policy responses takes into consideration costs, risks, benefits and identify winners and losers. This is done in breakaway groups.

Following the provincial policy dialogues a consultation session was also hosted with some of the national departments implicated in the policy responses. The dialogues was attended by 25 in person participants and 14 on-line participants. More consultations needs to be done with national departments that were not available to attend the consultation session with national departments.

Given the importance of access to finance and the level of financial exclusion still experienced by especially the lower-end MSMEs a dedicated workshop focussing on regulatory constraints to funding the lower-end MSME was hosted on 25 March 2025. The objectives were to a) detail the specific regulatory challenges impacting on the ability of funders, private and Development Financial Institutions (DFIs) to assist MSMEs at the lower end of the market b) proposing various options and solutions to address the regulatory challenges and c) agreeing

on a practical plan of action and way forward commitments by all parties to address the specific priority challenges. It was an on-line session, and the session was attended by 191 representatives from private financial institutions and DFIs.

Event	Date	In-Person	On-line
Consultation with National Departments	4 November 2024	25	14
Financial sector consultations	25 March 2025		191
Total		25	205

One of the panel discussions of the National Presidential Summit hosted on 21 and 22 November 2024 focused on township and rural economy development and revitalisation. The outcomes from this panel discussion was also incorporated in key challenges and policy considerations for the development of the Township and Rural Economy and Revitalisation Policy.

2. Problem Statement

2.1 Underlying policy statement

Notwithstanding the high growth potential of townships and rural areas and despite various government support interventions to develop, revitalise and grow township and rural economies, townships and rural areas remain underdeveloped, spatially disconnected and alienated from mainstream economic activity and economic opportunities, broadening the inequality divide and deepening the persistence of concentrated poverty, unemployment and lack of economic transformation. High levels of unemployment giving rise to crime syndicates further lead to the collapse of economic development initiatives.

Township and rural based enterprises continue to experience historical challenges such as insufficient and inadequate infrastructure; inconsistent to no service delivery, i.e. water, sanitation, electricity and communication networks; public amenities and government services, i.e. limited access to quality education and health care; complex and burdensome regulations; lack of training; and financial exclusion.

Townships and rural areas are regarded as high-risk for investments due to factors such as inadequate infrastructure, skills shortage, market access limitations and inability of small enterprises to secure funding. The combination of skills shortage and market access limitations as well as the gap between skills possessed and market needs hinders economic development. Entrepreneurs furthermore lack the necessary business and technical skills to manage and grow businesses effectively.

Small enterprises operating in townships and rural areas remain largely financially excluded due to unrealistic eligibility requirements, limited collateral, lack of the formalisation of businesses, low to no profitability and insufficient skills and knowledge.

The number of local entrepreneurs is decreasing within townships and rural areas due to the proliferation of foreign-owned businesses in townships. This exacerbates the high levels of unemployed South Africans due to foreign-owned businesses employing foreign labour. This creates an already tense atmosphere, especially within township areas but also in rural areas due to competing for limited resources available to communities.

These challenges prohibit investment opportunities and growth, perpetuating a cycle of poverty and unemployment.

Given the diverse challenges and interconnectedness of these challenges the interventions required will require dedicated focus and resources across all spheres of government, private sector and civil society partnerships to support the development of integrated and sustainable township and rural economic development and revitalisation.

2.2 Problem statements for different policy components

From the concept document, public dialogues hosted and the panel discussion at the National Presidential Summit the following problem statements for the different policy component have been identified. Although there were strong similarities, the importance of the critical nature of the challenges differed from province to province but the following three were identified as the most critical, a) illegal foreigners trading in fake and illicit goods and creating and unequitable market opportunities, b) non-compliance with regulatory requirements and no enforcement of these regulatory requirements and c) fragmented and uncoordinated government support interventions. See Annexure F. These problems represent empirical evidence obtained through stakeholder consultations and supported through documented evidence as per references throughout draft policy.

2.2.1 *Illegal foreign nationals and trade in illicit and counterfeit goods*

Foreign nationals dominate in many of the townships and rural areas, especially with regard to spaza shops, i.e. it is reported that between 70% and 95% of spaza shops are owned foreigner nationals. It is further reported that in many instances these foreign nationals are illegal immigrants, and their business operations do not comply with regulatory requirements, i.e. trade in illicit and counterfeit goods, non-compliance to health and safety, labour laws and are not tax compliant. It has also been reported that no action is taken by authorities against these illegal foreign nationals on matters of noncompliance as well as trade in illicit and counterfeit goods. In response, local authorities indicated that even if they do issue fines, the fines are not taken seriously because when they do go to court, the courts reject the fines due to non-compliance with judicial requirements. The foreign business owners often also do not employ South African born nationalists. It was anticipated that the December 2024 announced decree by the President that all spaza shops and food handling facilities within municipalities in which they operate will assist in improving compliance by spaza shops and food handling enterprises.

Illegal migrants are also often employed in the farming sector and service-based companies, displacing employment opportunities.

Aligned to the business licensing policy, certain sectors should be reserved for South African citizens and diversity an inclusion should be encouraged through preferential business licensing.

2.2.2 *Crime, extortion and lawlessness*

Crime and extortion is a widespread problem in most townships and rural areas, affecting business owners and individuals. It is not only the direct cost through the loss of merchandise or money, but it also adds indirect costs. This, amongst other, includes security expenses, repairs needed after burglary, insurance costs, and temporary business closure.

High levels of unemployment gives rise to uncontrollable crime syndicates that often lead to the collapse of economic development initiatives. Crime and extortions is also a major deterrent to household and private sector investment.

The deeper implications of the prominent levels of crime and extortions in townships and rural areas foster a culture of lawlessness, if remained ungoverned it may develop in full fledge

revolt, xenophobia and unrest, destabilising the already low levels of economic activity in these areas.

2.2.3 Uncoordinated and fragmented government intervention across the three spheres of government

Lack of strategic alignment and coordination amongst government and the private sector and collaboration on interventions aimed at supporting small enterprise development in townships and rural areas leads to inefficient resource allocations, poor service delivery resulting in failure and minimal to no impact to improve the economic reality of small enterprises operating in these areas.

Need a coordinated structure to provide strategic direction and planning across the three spheres of government as well as a framework on incentives programmes targeting townships and rural areas to provide a roadmap on a theory of action and logic model to guide the optimal attainment of intended outcomes through collective efforts.

An incentives framework for township and rural development will specify interventions and proposed mechanisms for making a difference and helps to articulate where and how change needs to happen to achieve the intended outcomes. The mechanisms help to bring together different stakeholders and ecosystem players to work together towards achieving the intended outcomes collectively in the most efficient and effective manner, set the stage for strategic action, provides a clear rationale for programme activities that can facilitate broader partnerships with stakeholders wanting to achieve the same common outcomes, allows for greater participation, the sharing of risks and benefits through the application of best practices and community co-ownership.

2.2.4 Role clarity and collaboration amongst role players

To avoid duplication, confusion and to ensure the effective utilization of limited resources and efficient service delivery it is important to ensure role clarity amongst the different stakeholders.

2.2.5 Lack of access to research information and data to support business development as well as information of the different government incentives and programmes

Entrepreneurs and small enterprise owners do not have the time or resources to do or acquire research or gather data and information to improve their business efficiencies, products, services, and market opportunities. There is a need to centralise government research information, data as well as information on the different government programmes and incentives available to small enterprises operating in townships and rural areas.

2.2.6 Non-compliance to legislative obligations, regulatory and policy requirements

Compliance is the cornerstone of a functioning society in the realm of rules and regulations. Entrepreneurs and small enterprises owners are often not aware of legislative obligations, regulatory requirements, and industry standards that they are required to comply with. This not only create risks in terms of the integrity of the business operations of the enterprise owners but also create an elevated risk in terms of health and safety. This has become evident even during the spaza shop registration process and is prevalent in many of the township retail businesses. Non-compliance are often not intentional or malicious but as a result of ignorance and unawareness.

2.2.7 Regulatory barriers

Costly and time-consuming compliance requirements hampers the ease of doing business for small enterprises, resulting in missed business opportunities and exclusion from accessing government support interventions. These regulatory barriers cuts across all three spheres of government. Reducing regulatory burdens and improving business processes through digitisation and ensuring effective communication and compliance support should be prioritised. Interventions should ease compliance and improve pathways to formalisation, regulatory certainty and competitive financial offerings.

2.2.8 High propensity of informality in townships and rural areas

Unemployment, high regulatory burdens, and limited access to formal sector opportunities are some of the main contributing factors for informality in, especially townships and rural areas. Compliance requirements to access loans or to benefit from government support interventions to improve capabilities, capacities and the scalability of these enterprises limits economic growth and job creation. Lack of assets or collateral and credit data not only limits access to credit but increase credit cost which in return lower growth prospects and returns.

Interventions also need to focus on capacity building that will improve financial readiness or "bankability" of small enterprises to enable access to competitive financial offerings and accessibility to government support interventions.

2.2.9 Barriers to access finance – financial exclusion

Small enterprises operating in townships and rural remain financially excluded due unrealistic funding eligibility requirements such as no credit history, lack of assets that could be used as collateral, has limited resources and insufficient financial skills and knowledge. The un-coordinated approach on financial support furthermore result in failure of sustaining development initiatives. The prohibitive cost of debt financing furthermore often makes available finance options unaffordable and ineffective.

According to Finfind there is a total of at least 306 providers of financial services offering a minimum of 600 financial services products. The challenge is not a shortage of funding, but rather unrealistic eligibility requirements combined with the funding readiness of small enterprises. Finfind further established that formal micro businesses i.e. registered businesses with a turnover of less than R1m per annum, account for 86.5% of the businesses applying for funding. They create the majority of the jobs (80.5%) yet remain the most underserved.

A Finfind report on access to funding by 20 000 township-based businesses provide insights on funding needs, sectors, loan sizes, average turnover, employment etc. as per the table below. The report confirms that 67.9% of these enterprises are in Gauteng, Western Cape and KwaZulu Natal. The full report is attached as Annexure F.

The top 6 reasons why funding are required are	The top six lending sectors are
a) cashflow assistance 13.4%, b) buying equipment 11.3%, c) money to buy stock 10.7%, d) business expansion 7.4%, e) buying vehicles or fleet finance 7% and f) money to help with contracts 6%.	a) other service activities 11.1%; b) other land transport 5.6%; c) building of complete constructions or parts thereof, civil engineering 4.6%; d) restaurants, bars, and canteens 4.2%; e) other personal services 3%: and f) retail trade in food, beverages, and tobacco in specialised stores 2.7%.
Total Loan Amounts Requested	The top five average annual turnover are
<R5m R 16,465,805,529 <R1m R 4,297,633,345	a) between R1 and R50 000 – 28.1%; b) between R1 million and R2 million 12.1%;

<R750k R 3,452,842,328	c) between R50 001 and R100 000 7.6%;
<R700k R 3,274,414,183	d) between R750 001 and R1 million 7.5%; and
<R500k R 1,871,920,142	e) between R100 001 and R250 000 6.8%.
<3000k R 1,123,538,118	
<250k R 830,582,118	
<100k R 193,291,780	
The top four loan sizes are:	Employment
a) between R100 000 and R500 000 31.5%;	a) The majority of these companies, i.e. 40.1% only employ 1 person including the owner.
b) between R1 million and R5 million 14%;	b) 38.8% employ between 2 and 5 persons, including the owner.
c) less than R100 000 16.9%; and	c) 10.9% 6 to 10 persons, including the owner.
d) between R500 000 and R 1 million 16.2%.	d) 10.2% employ more than 10 persons including the owner.

The vast majority of these businesses are private companies, i.e. 84.6%, 7% are close corporations, 5% sole proprietors, 1.4% partnerships and 0.9% primary co-operatives. Only 48.2% of these businesses are profitable and only 36.3% have collateral.

Need to review existing early-stage incentives and funds targeting marginalised township and rural entrepreneurs to improve coordination to maximise and leverage existing public and philanthropic funds to crowd in funding from Development Financial Institutions (DFIs) and private co-investment. Blended financial structures, including grants are important for risk sharing and to make private participation viable at scale, i.e. allowing private capital to enter markets and sectors where the risk-return profile would otherwise be prohibitive, thereby enabling the achievement of sustainable development goals. Grants and concessional loans should be used as part of blending to improve affordability and derisk funding support given the challenges associated with early stage marginalised enterprises in townships and rural areas. Special consideration should be given to concessional loans, patient capital blended financial structures and catalytic funds to support high impact driven township and rural enterprises. Consideration should also be given to the formalisation and integration of community investment mechanisms to enable active community participation in the shaping of funding priorities, contribute skills, local knowhow and reinforcing community ownerships. Need to expand credit innovation through the use of alternative and inclusive data.

2.2.10 Skills shortage, Incubation and Business Development Support

Townships and rural areas experience a significant skills shortage across various sectors but especially in high demand areas such as ICT, engineering, healthcare, and education. Townships and rural areas lack adequate access to post-schooling and tertiary education facilities, and skilled professionals are drawn to better opportunities in urban areas.

Incubation and Business Development Support (IBDS) is not aligned to the business needs of small enterprises operating in townships and rural areas. Accessing Business Development Support (BDS) is further restricted due to limited infrastructure, outreach and the lack of service hubs in townships and rural areas. Language is also often a barrier. The BDS ecosystem furthermore lacks a national accreditation framework to ensure consistent service quality across the different service providers.

Although traditional pathways to skills development via institutions of higher learning remain important to obtain skills there is a high demand of technical skills. Informal pathways of skills development through on the job training is valued as a more effective method for employment development. Equally important is social values such as decent work ethic, honesty, reliability, and trustworthiness. Work ethics, social connections and part work experience are key

requirements for job opportunities given the current labour market opportunities in townships and rural areas. There is a need for continues learning and adult education¹⁴.

Aligned to the National Entrepreneurship Strategy (NES) there is a need to have a deliberate focus on the development of an entrepreneurship culture in townships and rural areas through structured interventions and the building of entrepreneurial skills and capabilities.

2.2.11 Spatial disconnect and lack of access to Market opportunities.

Townships and rural areas are sapientially disconnected from employment and economic opportunities and small enterprises operating in townships and rural areas face significant barriers in accessing higher value market opportunities and access to value chains are inhibited, making it difficult for these small enterprises to participate in the formal economy. Lack of access to information limits the ability to identify niche market opportunities and to understand market operations. They are excluded from higher value business networks and digital market opportunities, especially market opportunities outside their immediate operating environments, i.e. townships and rural areas.

There needs to be a deliberate focus on promoting inclusive growth by empowering township and rural enterprises to participate in the economy through ESD as well as industrial opportunities in SEZs.

Market aggregators that provide platforms that brings together products, services, and information into a single user-friendly interface needs to be provided. These aggregators can be digital or physical. Services provided through these aggregators must ensure quality assurance to meet minimum market standards, customer needs and expectations and built credibility and trust.

The use of the co-operative business model to reduce costs through shared services, improve bargaining power and improve cost competitiveness must be explored.

2.2.12 Access to digital connectivity and digitisation

Information and Communication Technology (ICT) in townships and rural areas remain insufficient and under developed, isolating entrepreneurs and business owners from business opportunities. Challenges include access to reliable electricity, availability of broadband infrastructure and access to affordable fast-speed connectivity and the cost of data. High levels of crime in townships and rural areas furthermore discourage investment in the required infrastructure. Also see ICT infrastructure challenges under 2.2.13.

2.2.13 Inadequate infrastructure

Inadequate infrastructure ranging from clean, reliable pipe water; proper well maintained sanitation systems and facilities; inadequate electricity supply; lack of access and poor road networks; limited healthcare facilities; poor quality housing; insufficient, reliable, safe and affordable transport and very importantly needs based business infrastructure and access to internet hamper and stifle enterprise development and entrepreneurship in townships and rural areas.

Small-scale manufacturing in townships and rural areas faces significant infrastructure challenges, hindering growth and access to technology. Key areas include inadequate access to reliable electricity, limited transportation networks, and insufficient digital infrastructure. The latter restrict the adoption of new technologies and the expansion of businesses, into new growth manufacturing sectors such as renewable energy solutions, 3D printing and additive

¹⁴ Skills for Sustainable livelihoods and microenterprise needs in South African Township Economies. Department of Higher Education and Training research report. 2024.

manufacturing, cloud computing and software as a service, mobile technology, and e-commerce platforms as well as precision agriculture and smart farming technologies.

Contributing factors to these challenges include funding limitations, poor planning and management, lack of capacity or technical expertise to manage and maintain infrastructure, corruption, i.e. misuse of funding allocated to infrastructure and geographic challenges, i.e. distance and difficult terrain that significantly increase the maintenance of infrastructure in rural areas.

Infrastructure challenges in townships and rural areas not only limited to physical infrastructure such roads, facilities and amenities but also lack of investment in communication infrastructure to improve internet and mobile phone connectivity that limits access to information and communication networks.

Inadequate infrastructure is a significant obstacle to investment and economic development, hindering both local businesses to operate efficiently, impacting productivity and profitability as well as broader economic growth through external investments.

2.2.14 Access to land

Lack of formal land tenure, limited availability of arable land, complex ownership structures, gender inequality in land rights, lack of proper land registration, bureaucratic hurdles in accessing land, customary laws restricting access, conflicts arising from competing land claims and limited access to finance for property acquisition are key challenges in especially rural areas but also relevant to townships. Lack of land ownerships in townships and rural areas historically led to and continues to reinforce economic inequality.

2.2.15 Access to facilities, buildings and commercial property

Lack of accessible and affordable business spaces with basic services linked to business opportunities, i.e. clients and marketing opportunities remain problematic. This also include operating spaces in or near shopping malls in townships and rural areas as well as a lack of facilities for logistics and distribution supplies leads to insufficient supply and service delivery in townships and rural areas.

The need for access to commercial property with title deeds has also been stressed as an important requirement to enable equity for entrepreneurs and business owners operating in townships and rural areas.

2.2.16 Spatial planning limitations

Spatial distance from economic opportunities has huge economic consequences for small business owners and entrepreneurs. Lack of accessible, adequate and affordable business spaces and inadequate zoning regulations that limit business opportunities whilst delays on obtaining SPLUMA certification for new development or rezoning deter investments aimed at creating new business development opportunities in townships and rural areas.

2.2.17 Shopping centres in townships and rural areas

The establishment of shopping centres and malls in townships and rural areas created sustainable job opportunities and improved the spending of money by residents within townships and rural areas rather than so-called "outshopping" at shopping centres in more urbanised areas. Research confirmed that small retails within a 2 km radius adopted to the competition. These research findings also identified various interventions that would further improve the competitiveness of these smaller retailers.

During the consultations the complaints where not against shopping centres being established in townships but rather the lack of accessibility for township and rural entrepreneurs and

businesses owners to access operating space in these shopping centres or access to viable operating spaces in the immediate vicinity of these shopping centres.

2.2.18 Necessity entrepreneurs and job seekers

It was pointed out that a sizeable number of township and rural entrepreneurs are “necessity entrepreneurs” and that there is a need to create manufacturing opportunities in townships and rural areas that can provide job opportunities to job seekers. The revitalisation of Special Economic Zones (SEZ) was specifically mentioned.

2.2.19 Sector focus, transformation, and diversification to high growth green sectors, changing to demand-led supply.

Efforts to build township and rural economies cannot be delinked from broader efforts to grow and industrialise the South African economy. In other words, integrated with broader industrial and localisation policies aimed at structural transformation, diversification, decarbonization and digitalization.

Township and rural economic development strategies and interventions must also be built around industry-specific local growth drivers. In other words, be demand-led and based on an appreciation of comparative advantage, capabilities and how these can be developed to build competitiveness in township and rural enterprises.

Based on this understanding, it is suggested that 12 sectors are prioritised. These include (1) Energy and the Green Economy; (2) Transportation and Logistics; (3) Digital Services; (4) Tourism and Hospitality; (5) Agriculture, Food, and Agri-Business; (6) Community Services; (7) Financial and Business Services; (8) Construction and the Built Environment; (9) Manufacturing; (10) Mining, (11) Cultural and Creative Industries; and (12) Industrial Hemp and Cannabis.

These sectors have been selected based upon a combination of existing strengths, and areas of new comparative advantage in township and rural economies which could be actualised through appropriate aggregation and policy support.

They are aimed at building upon and consolidating on economic activities which already exist in the township and rural economy, as well as better linking the township and rural economy to broader efforts around localization and reindustrialization, as outlined in the various industry masterplans.

MSMEs and co-operatives in these sectors will become the engines for growth, employment and livelihoods in marginalized townships and rural areas if appropriately supported with scaled policy support and new instruments to address policy gaps, including financing, infrastructure, business skills and productivity improvement interventions, and market activation.

3. Policy vision and objectives

3.1 Rational for policy, strategic linkages and relevance

The policy is aimed at strengthening and developing a well-coordinated support ecosystem for small enterprise and entrepreneurship development to develop sustainable small enterprises as well as vibrant and thriving townships and rural economies integrated with the mainstream economy, able to make a significant contribution to GDP and alleviate the triple changes of poverty, unemployment and inequality.

The policy is responsive to and enabled by the following legislative provisions and the NDP.

- 1) The Constitution of the Republic of South Africa, 1996 – freedom of trade, occupation and profession.
- 2) The NDP – contribute to reducing the triple challenges poverty, inequality and unemployment.
- 3) National Small Enterprise Amendment Act, Act 102 of 1996 as amended (inclusive of Amendment Act 21 of 2024) – Create a support ecosystem for small enterprises.
- 4) The Co-operatives Act (No. 14 of 2005) as amended, and the Co-operative Banks Act (No. 40 of 2007) as amended – Create a support ecosystem for co-operatives.
- 5) The Intergovernmental Relations Framework Act (No.13 of 2005), as amended, including regulations framing the institutionalisation of the District Development Model. Need for cooperations and

NISED Strategic Framework, has been proclaimed in February 2023, in terms of the National Small Enterprise Act, Act 102 of 1996, as the National Small Enterprise Support Strategy, defined as the national policy in respect of small enterprise support. The NISED Strategic Framework is a strategic framework to coordinate governments efforts in partnership with the private sector by building a supportive ecosystem for small enterprises to thrive and grow i.e. a plan to lead an integrated well-coordinated ecosystem approach to small enterprise or micro small and medium enterprise (MSME) development. It consists of 4 intervention pillars.

- a) **Pillar one:** Information on MSMEs with continues monitoring and evaluation and learning (*better data*)
- b) **Pillar two:** Policies, laws and regulations reformed to enable MSME growth and efficient governance (*better policies, laws and regulations*)
- c) **Pillar three:** Effective support services of delivery for MSME growth both financial and non-financial (*better services*)
- d) **Pillar four:** Coordinated government with strengthened private sector partnerships for MSME growth (*strengthened public private partnerships*).

Given the uniqueness of township and rural enterprises the TREDaR calls specific interventions in terms of existing department strategies and policies, i.e. Small Enterprise and Co-operative Development policy, the Business Licensing Policy etc.

The Township and Rural Economy Development and Revitalisation (TREDaR) Policy applies to all ecosystem service role players supporting the promotion and development of small enterprises operating in township and rural areas through the provisioning of support services.

3.2 Vision

To create thriving, diversified and inclusive townships and rural economies, integrated with the mainstream economy, with sustainable small enterprises, co-operatives and residents have equal access to opportunities for entrepreneurship, employment, growth and sustainable livelihoods.

3.3 Policy objectives

To achieve this vision the TREDaR policy will focus on the following objectives:

- 1) Foster the development of **sustainable township and rural entrepreneurs and small enterprises, including co-operatives**, through needs-based skills development, incubation and business development support; diversification to high growth sectors changing the focus to demand supply as well as market access and market linkages opportunities thereby generating sustainable development, growth and income sources, creating meaningful employment opportunities to local residents and build resilient

livelihoods through sustainable entrepreneurial ventures – **bridging the social and spatial disconnect**.

- 2) Support the development of **vibrant and thriving townships and rural economies** able to attract new investments, fully integrated with the mainstream economy. This includes provisioning basic services, appropriate infrastructure, access to internet connectivity, etc.
- 3) Guide and provide leadership towards a **well-coordinated and collective ecosystem approach** to small enterprise development in townships and rural areas across all spheres of government a) to avoid duplication, ensure complementarity and the provision of comprehensive support, maximising limited resources for maximum impact and b) needs-based business development and mentoring support.
- 4) **Increase access to economic and market opportunities** to enable participation in the economy, through access to job opportunities, entrepreneurship and business startups.
- 5) **Enable access to and create appropriate funding instruments** to enhance the accessibility, efficiency and effectiveness of funding for entrepreneurs and small enterprises operating in townships and rural areas.
- 6) **Reducing regulatory burdens and improve business processes** through digitisation and ensuring effective communication, real time feedback on applications, and support to facilitate compliance by small enterprises to regulatory requirements.

3.4 Policy Principles

The guiding principles of the TREDaR Policy align with the vision and objectives to ensuring effective and equitable implementation:

- 1) **Participation, involvement and ownership:** The support ecosystem for township and rural development must consult and involve community members, entrepreneurs and business owners in the development of project and programme interventions to ensure ownership, responsibility and accountability towards the achievements of intended objectives.
- 2) **Collaborative well-integrated ecosystem:** All ecosystem role-players to commit to work together and create shared value by pooling resources, expertise and innovations towards the development of sustainable small enterprises as well as vibrant and thriving townships and rural economies integrated into the mainstream economy.
- 3) **Service standards and accountability:** Service providers must comply with minimum service standards to ensure high quality service delivery and accountability to protect the interest of entrepreneurs and small enterprises.
- 4) **Equitable access to business opportunities:** Create an enabling environment where entrepreneurs and small enterprises have fair and equitable opportunities to participate in and benefit from business ventures, access to funding, networks, information and markets.
- 5) **Collaborative partnerships:** Foster strong multistakeholder partnerships, involving the public sector, private sector, NGOs, donors, and social enterprises to share risks and combine their unique resources and competencies to improve project outcomes to achieve sustainable impacts and mutual benefit.

3.5 Theory of Change

The Theory of Change for the TREDaR Policy provides a framework that outlines how the planned interventions are expected to bring about the desired change by identifying the

necessary steps and causal pathways that lead from activities to outputs, immediate outcomes, intermediate outcomes, long term outcomes and impacts.

The Theory of Change include:

- 1) **Activities:** Actions or interventions to operationalise the policy
If the activities are implemented effectively outputs will be achieved within 2 – 3 years. C1 page 34.
- 2) **Outputs:** The tangible deliverables of the actions
If the outputs are consistently achieved the short-term strategic outcomes will be achieved in 1 – 2 years. C2 page 34.
- 3) **Short-term Outcomes:** Short-term changes expected to occur as a result of programme activities
If the short-term outcomes are achieved consistently and well-coordinated with other actors, the developmental changes sought through the policy will lead to intermediate outcomes within 3 – 4 years. C3 page 34.
- 4) **Intermediate Outcomes:** Changes that built upon the immediate outcomes of programme activities
If the Intermediate outcomes show sustained improvement the required transformation in terms of the long-term outcomes and impact will be achieved. C4 Page 34.
- 5) **Long-term outcomes:** The ultimate desired or transformed change
- 6) **Impact:** Achieving the vision of the policy

Regular reviews, monitoring and evaluation is necessary to ensuring that:

- 1) Monitoring and evaluation informs adjustments to activities and outputs.
- 2) Lessons from intermediate outcomes are used to refine priorities and strategies.
- 3) Stakeholder engagement provides continuous insights to improve governance, coordination, and delivery.

Implementation failure happens when the indented outcomes or impacts are not achieved because of a breakdown during the implementation chain, i.e. inputs required to activate activities, to deliver the desirable outputs, outcomes and impacts.

To ensure the successful implementation of the key activities that will deliver the desirable, outputs, outcomes and impacts it is important to ensure a) that the required **key inputs** to activate and sustain the activities are in place and b) that there are **regular reviews**. The successful implementation of the policy is furthermore based on certain **assumptions**. These assumptions must be monitored and managed. To ensure the attainment of the desirable impacts it is important to ensure regular **monitoring and evaluation**.

- a) **Key inputs:** Necessary to enable and support the successful activation of identified activities.
 - i) Enabling policies and regulatory frameworks.
 - ii) Financial resources.
 - iii) Collaborative partnerships and networks.
 - iv) Knowledge and expertise.
- b) **Regular reviews**
 - i) To ensure that financial resources are adequate and financial instruments appropriate for entrepreneurs and business owners in townships and rural areas.
 - ii) Stakeholder engagements to ensure effective collaboration amongst stakeholders.
 - iii) Inputs are effectively mobilised.

c) Assumptions

- i) Leadership commitment (Cooperative Governance – Chapter 3 of Constitution) and active stakeholder participation (A1 on page 32).
- ii) Adequate funding and resource allocations (A2 on page 32).
- iii) Adequately skilled and experienced staff to drive implementation (A3 on page 32).
- iv) Suitable economic conditions and conducive business environment (A4 on page 32).

d) Monitoring

- i) Monitor implementation to ensure progress is on track
- ii) Identify challenges to make the required adjustments in real time.
- iii) Resources are used effectively.

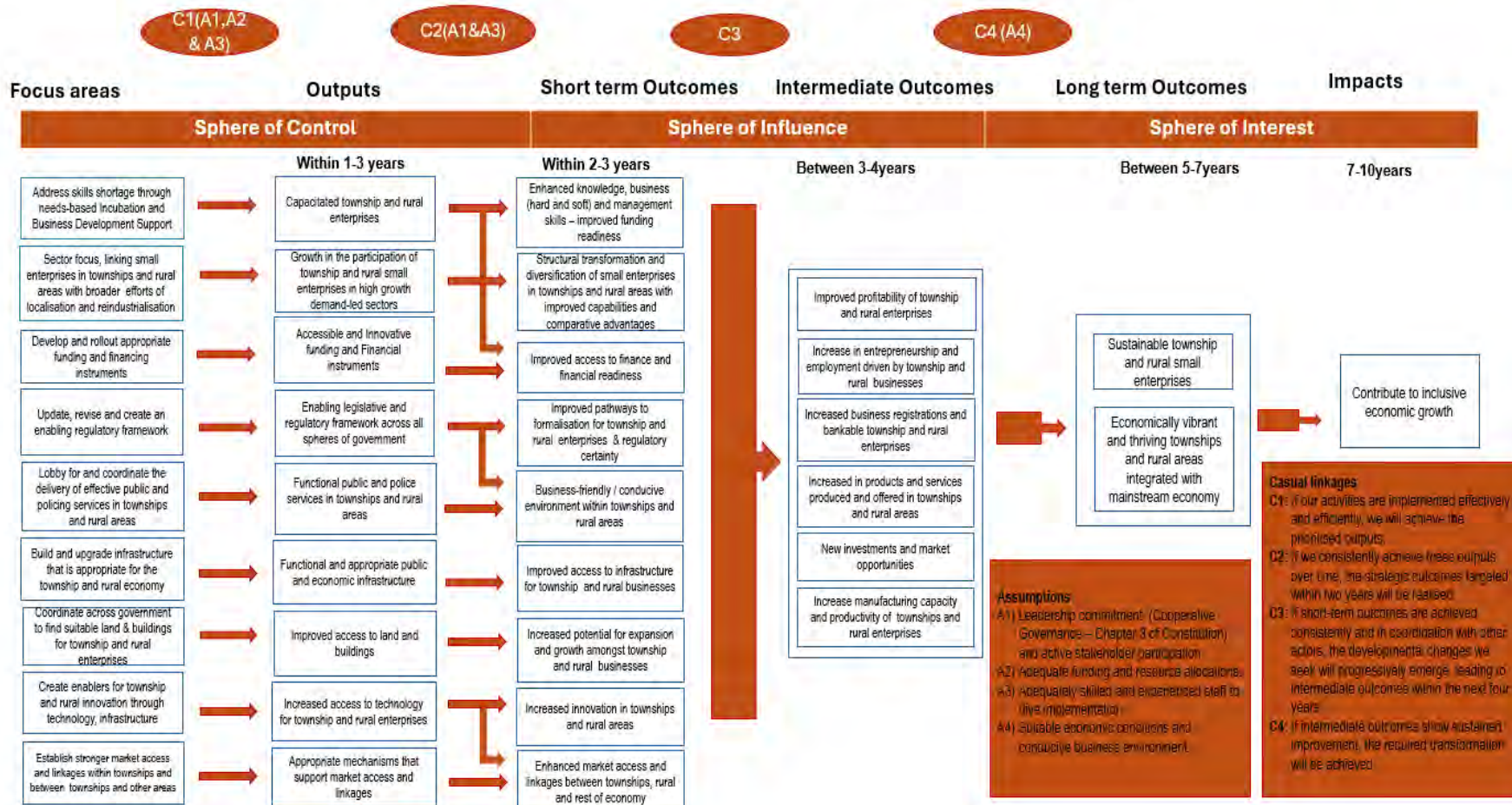
d) Evaluate

- i) Ensure accountability for use of resources
- ii) Ensure attainment of objectives

The Theory of change provides a roadmap on how the policy activities is expected to deliver the desired outputs, outcomes and impact to achieve the vision for the policy. The identification of key inputs and assumptions support the implementation readiness of the policy whilst the regular reviews, monitoring and evaluation ensure the identification of implementation challenges allowing for real time adjustments, ensure the effective use of resources and progress as well as accountability and the attainment of objectives.

The TREDaR Policy Theory of Change is illustrated visually on page 34.

Township & Rural Economy Development and Revitalisation (TREDAR) Policy



4. Policy Implementation

Critical success factors for the successful implementation of the policy, that are paramount to create an investment friendly environment and ensure the effectiveness of the policy, and its implementation programmes are:

- a) Improve service delivery i.e. water, sanitation, electricity and communication networks and the provisioning of basic government services, i.e. health care and education.
- b) Law enforcement, i.e. compliance with health and safety requirements and crime.
- c) A “whole of government” and private sector approach
- d) Implementation or execution readiness across the three spheres of government and partnerships with the private sector.

The success factors to ensure implementation readiness, putting the implementation plan into action i.e. inputs required to activate activities, to deliver the desirable outputs, outcomes and impacts have been addressed as part of the Theory of Change.

To ensure executorial readiness, i.e. the act of carrying out the plan, it is important to focus on the following success factors:

- a) **Shared understanding** by all stakeholders of the mechanisms and desired outcomes and impacts of the policy. The policy must be sufficiently clear, credible, and implementable for all stakeholders to understand, belief in and execute effectively and efficiently.
- b) **Leadership commitment** and accountability structures to manage resources, resolve conflicts, steer, and drive implementation.
- c) **Staffing and skills** available must be compared with what staffing and skills are required or needed to determine the capacity gap and strategies developed to effectively deal with the capacity gap.
- d) **Systems and technology** need to support the effectiveness and efficiency of operational processes, workflows and information systems and should be capable to support all activities.
- e) **Monitoring, Evaluation and Learning (MEL)** systems to contribute to data collection, analysis, reporting and learning. Evaluate how MEL allows policy makers and implementors to adopt strategies based on best practices.

4.1 Policy focus areas responding to the problem statements.

The agreed policy focus areas respond to the problem statements made during the stakeholder consultations. The nineteen (19) identified problem areas discussed under point 2.2 have been grouped in nine (9) key activity or focus areas for intervention.

1. Address skills shortage through needs-based Skills Development and Business Development Support	2. Sector Focus to link small enterprises in townships and rural areas with broader efforts of localisation and reindustrialisation	3. Develop and rollout appropriate funding and financial instruments	3. Build and upgrade infrastructure that is appropriate for the townships and rural economies
2.2.5 Lack of access to research information and data to support business development as well as information of the different government incentives and programmes. 2.2.10 Skills Shortage, Incubation and Business Development Support not aligned to needs. 2.2.18 Necessity driven entrepreneurs and job seekers. 2.2.19 Sector focus, transformation and diversification to high growth green sectors high growth and green sectors, changing from supply to demand focus	2.2.19 Sector focus, transformation, and diversification to high growth green sectors, changing to demand-led supply. 2.2.5 Lack of access to research information and data to support business development as well as information of the different government incentives and programmes. 2.2.10 Skills Shortage, Incubation and Business Development Support not aligned to needs. 2.2.12 Access to digital connectivity and digitisation 2.2.13 Inadequate infrastructure	2.2.5 Lack of access to research information and data to support business development as well as information of the different government incentives and programmes. 2.2.9 Barriers to access finance – financial exclusion 2.2.8 High propensity of informality of enterprises in townships and rural areas	2.2.12 Access to digital connectivity and digitisation 2.2.13 Inadequate infrastructure 2.2.15 Access to facilities, buildings and commercial property 2.2.16 Spatial planning limitations
4. Update, revise and create an enabling regulatory framework	5. Coordinate delivery of effective a) public and b) policing services in townships and rural areas	6. Address spatial disconnect through market access opportunities	8. Coordinate across government to find suitable land & buildings for MSMEs
2.2.1 Illegal foreign nationals and trade in illicit and counterfeit goods 2.2.2 Crime, extortion and lawlessness 2.2.6 Non-compliance to legislative obligations, regulatory and policy requirements 2.2.7 Regulatory barriers	2.2.1 Illegal foreign nationals and trade in illicit and counterfeit goods 2.2.2 Crime, extortion and lawlessness 2.2.3 Uncoordinated and fragmented government intervention across the three spheres of government	2.2.11 Spatial disconnect and access to Market opportunities 2.2.17 Shopping centres in townships and rural areas	2.2.13 Access to land 2.2.14 Access to facilities, buildings and commercial property 2.2.15 Spatial planning limitations 9. Create enablers for townships and rural innovation through technology and infrastructure

2.2.8 High propensity of informality of enterprises in townships and rural areas	2.2.4 Role clarity and collaboration amongst role players 2.2.6 Non-compliance to legislative obligations, regulatory and policy requirements 2.2.7 Regulatory barriers		2.2.11 Access to digital connectivity and digitisation 2.2.12 Inadequate infrastructure
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4.2 Responses per policy focus area

The following table outline the challenges, proposed responses to challenges, current/existing interventions to these challenges and specific responses required in terms of the TREDaR policy

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
1. Address skills shortage through a) needs-based Incubation and Business Development Support b) practical learning c) and refocus skills to align with industrialisation and move from supply driven to demand driven	1) There is a skills shortage in townships and rural areas hindering the ability to access high growth sectors. 2) BDS support is not aligned to the business needs of entrepreneurs and small businesses. 3) Apart from BDS there is a need for extended mentorship and coaching. 4) BDS is required at the different lifecycle stages of the business to assist small businesses to progress to the next business stage to support growth and sustainable scalability. Early-stage support is often available but as the business growth through the different lifecycles more sophisticated services, such as supply-chain management, export readiness and advance financial management is required. 5) Need for sector specific support. Incubation services often lack sector-specific expertise in specialised industries to provide appropriate targeted support. 6) Accessing BDS, especially in townships and rural areas, is restricted due to inadequate infrastructure, outreach and the lack of service hubs. (Improved infrastructure under PFA) 7) Language is often a barrier. 8) The BDS ecosystem lacks a national accreditation framework and service standards to ensure service quality	1) Skills development in townships and rural areas should focus on unlocking access opportunities in high growth sectors. 2) BDS support offerings should be tailored to the needs of entrepreneurs and small businesses in townships and rural areas, taking into consideration their unique needs and business environments. 3) Needs based training and training needs to be supported through coaching and mentorship support. 4) BDS support offerings at the different stages of the lifecycle will ensure that small enterprises receive lifecycle-appropriate support that match their unique needs to support viable scalability and growth. 5) The development of sector frameworks that allow for specialisation will enable the provision of appropriate sector-specific services. 6) There should be a deliberate expansion of business hubs in townships and rural areas. The digital transformation of IBDS will leverage digital platforms and revolutionise the way IBDS are delivered, bridging the geographic divides. By providing and expanded virtual service offering and access to mentorship, training, and business support, small enterprises in underserved areas can overcome logistical challenges and benefit from high quality service. Infrastructure challenges, especially digital infrastructure and accessibility in townships and rural areas might in the medium term, however, still hamper digital transformation.	1) Responses required covered in terms of existing BDS programmes strengthened through the IBDS policy and implementation plan. 2) Establishment of Internet Business Development Services 3) NISED SF – Access to quality research. 4) Existing BDS hubs with deliberate focus on expanding in townships and rural areas. Also reporting requirements in terms of IBDS support in townships and rural areas.	1) Link skills development in townships and rural areas with high growth sectors and sectors plans. 2) Strengthening of tertiary education institutions and skills development requires a broader focus. a) Practical learning and a focus on indirect skills such as knowing how to acquire knowledge and information, social values i.e. importance of good work ethics, communication, cultural values and communication skills are equally important. b) Specific focused interventions to strengthen mentoring and coaching support. c) There also a need for continues training and specifically adult education. 3) Through a Localised Entrepreneurial Competency Framework (LECF) determine entrepreneurial skills and capacity gaps that through NES inform entrepreneurial training to be performed at basic and tertiary education institutions. 4) BDS support offerings should be tailored to the needs of entrepreneurs and small businesses in townships and rural areas, taking into consideration their unique needs and business environments. 5) Establish a single access portal on non-financial offerings and opportunities by both private and public sector.

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
	and accountability across the different service providers. 9) Small enterprises lack the ability and do not have the capacity or resources to do research to improve evidence-based decision and planning. 10) Diversify skills towards skills needs to support high growth sectors.	7) There should be a deliberate effort to ensure that IBDS are available in the different languages required. 8) The IBDS policy calls for the enforcement of national IBDS service standards that will ensure consistency in service delivery and accountability by IBDS service providers. The professionalisation of certified IBDS service providers will ensure that IBDS service providers are better equipped to address the diverse needs of small enterprises and build trust between IBDS services providers and small enterprises. 9) Government to facilitate access to quality assured reach to small enterprises to improve their ability to take well informed decisions and do planning. Small enterprises to be able to access government research. Regular research sharing session to be held through LED forums in townships and rural areas. 10) Design practical, digital transformative toolkits to improve business effectiveness and efficiency that provide step-by-step guidance to small enterprises on compliance matters and how to e.g. manage client records, cashflow etc.		6) Translation of BDS material and offering of BDS in different languages.
2. Sector focus, linking small enterprises in townships and rural areas with broader efforts of localisation and reindustrialisation. (Support move towards demand-led growth.)	1) The growth and development of small enterprises in townships and rural areas needs to be linked to broader efforts to grow industrialisation. 2) Need to move away from the current over supply in supply driven sectors to demand-led growth. 3) Skills not aligned to market needs for high growth sectors.	1) Sector focus on 12 prioritised sectors, i.e. (1) Energy and the Green Economy; (2) Transportation and Logistics; (3) Digital Services; (4) Tourism and Hospitality; (5) Agriculture, Food, and Agri-Business; (6) Community Services; (7) Financial and Business Services; (8) Construction and the Built Environment; (9) Manufacturing; (10) Mining, (11) Cultural and Creative Industries; and (12) Industrial Hemp and Cannabis. 2) Focus on comparative advantages to determine sector focus for different rural and township areas 3) Skills development needs to be aligned to for high growth sectors.	1) Sector plans and master plans developed by various departments	1) Green energy sector: i) Clean tech incubators, ii) Renewable install-repair-maintain aggregators and iii) Just Transition MSME Fund including green tech/clean tech startup fund 2) Transportation and logistics: i) Enabling land rezoning, ii) Township and rural logistic hubs, iii) After-sales repairs and services automotive fund, iv) Taxi capitalisation fund and v) Business Infrastructure Support Programme 3) Digital infrastructure and services: i) Digital infrastructure roll-out to under-served township and rural areas, ii)

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
				Business Infrastructure Support programme (BISP), iii) Digital and Centre for Entrepreneurship Rapid Incubators (CfERI), iv) Digital skills hubs, and v) Early-stage innovation fund 4) Township and rural tourism and hospitality: i) Tourism Equity Fund, ii) Business Infrastructure Support Programme (BISP) 5) Agriculture, Food and Agribusiness: i) Rural and Township Fresh Food Product Markets; ii) Agri-Parks as logistics and distribution centres to achieve aggregation, iii) Wholesale distribution hubs for spaza shops to achieve bulk-buying efficiencies iv) Spaza shop fund v) Township commercial and retail precincts (centres of economic activity, attracting investments and creating business and employment opportunities) vi) Township and rural entrepreneurship fund (vii) TREP viii) IMED ix) Asset Assist x) Rural Township and Community Fund 6) Community Services: i) Township commercial and retail precincts, ii) TREP, iii) Asset Assist, iv) BISP, v) Community Services Co-operative Support, v) Rural Township and Community Fund 7) Construction and build Environment: i) Enabling land zoning; ii) Public and Procurement Act Regulations, iii) Public and Procurement Act Compliance Monitoring, iv) Install-Repair-Maintain Contracting Hubs in townships and rural areas, v) Re-purposed Govt owned Properties as shared MSME infrastructure, vi) Supplier Financing, vii) TREP, viii) BISP 8) Manufacturing: Identification of 30 core industrial products for township and rural MSME localization.

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
				9) Mining: Integration of MSMEs from township and marginalized rural communities into supply chains of exploration, mining and beneficiation of mineral resources. 10) Financial Business Services: i) Burial societies and stokvels Co-operative banks Township and rural-based Micro Finance Institutions (MFI's) that can serve as intermediaries between wholesale lenders and MSMEs; ii) Township and rural-based MSME business development advisors and practitioners. 11) Cultural and creative industries: Facilitate access opportunities for township and rural base industries to the following value chains i) Homeware supply chains; ii) Fashion supply chains; iii) Fine art. iv) Performing arts , Music and Film; and v) heritage and eco-tourism supply chains. 12) Industrial Hemp and Cannabis: i) Small-scale growers; ii) Mid-stream processing; iii) Downstream beneficiation (composites, biomedicines; oils, textiles, food, feed).
3. Develop and rollout appropriate funding and financial instruments	1) Funding support inadequacy for business needs, i.e. insufficient values and misalignment with specific needs 2) Grants important but need to guard against the development of dependency – focus should be on ensuring efficiency through mentorships and coaching. 3) Uncoordinated approach to funding support across the different spheres of government and private sector does not address business needs to enable business growth in the most effective and efficient manner.	1) Need to follow design thinking methodology in programme design to first understand user challenges, involve users and create innovative solutions. 2) Grants should be supplemented with mentoring and coaching to ensure viability and reduce grant dependency - Robust national mentorship programme by retired entrepreneurs and executives who wants to give back to their communities. 3) Need to streamline funding solutions and create partnerships with the private sector to share risks and commitments for mutual benefit. 4) Provision of patient capital, i.e. low expectation for turning in quick profit.	1) MSME & Co-operatives funding policy implementation i) Movable Assets Collateral Registry is being implemented in partnership with the World Bank. The aim is to include movable collateral such as inventory, life sock and cash flow as part of pledges for security for MSMEs to acquire funding. ii) Business Credit Reporting – A proposal to introduce Credit Reporting is being considered in partnership with South African	1) Review existing early-stage incentives and funds targeting marginalised township and rural enterprises and entrepreneurs to improve coordination to maximise available public funding, leverage philanthropic funds and crowd in funding from DFIs and private co-investment. 2) Collaboration with different role-players to ensure complementarity, holistic support – Incentives framework – development of an incentives framework to ensure alignment and complementarity, avoid duplication and improve effectiveness and impact of support.

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
	4) Unrealistic funding eligibility requirements such as no credit history and collateral. 5) Application processes excessively lengthy and bureaucratic. 6) Poor communication practices and knowledge on available funding support programmes, delays and lack of responses to enquiries 7) Government regulations and requirements for financial institutions 8) Lack of financial skills and knowledge 9) Inadequate infrastructure and access to digital banking services 10) Marginalisation of informal enterprises 11) Enterprises are not funding ready 12) Lack of knowledge of available funding support programmes	5) Review legislative impediments impacting on the ability of financial institutions to offer appropriate funding instruments to small enterprises 6) Relaxation of the National Credit Act for development finance – especially the affordability test, allow for flexibility 7) Small enterprise guarantee programme 8) Needs based financial training and training needs to be supported through mentorships 9) Training to improve technical and financial skills 10) Need to improved digital infrastructure, skills development and support interventions to enable viable access to financial access tools for small enterprises, i.e. online applications and real-time feedback on progress. 11) Support interventions to recognise the importance of informal enterprises and need to support their improved efficiency and effectiveness to enable their scaling and growth. 12) Training should be targeted at ensuring the funding readiness of small enterprises 13) Single accessible portal on financial offers by financial and non-financial service providers 14) Centralised national assets or collateral register 15) Need to improve awareness on funding support programmes through awareness campaigns and focussed sessions via LED forums. 16) Improved MSME data collection by credit bureaus	Credit Risk Reporting Association. This process aims to introduce a system where Credit information of MSMEs as legal persons will be kept and shared for purpose of assessing credit worthiness of MSMEs independent from their owners. 2) Youth Challenge Fund 3) Co-operative Development Support Programme 4) TREP 5) NIBUS IMDP - offer both financial and non-financial support. These include skills development, compliance support (registration), equipment, machinery, infrastructure and technological interventions. Energy Support Scheme (ESS) is subsumed under IMEDP that assists the informal and micro businesses with energy supply during load shedding. Also working with municipalities for the informal to leverage on value chains and bulk buying. 6) Asset Assist Programme 7) Provincial programmes 8) Other gov department and DFI programmes 9) Spaza Shop Support Fund	3) Blended financial structures, including grants to improve the risk return profile and making private sector participation viable through partnerships with the private sector to share risks and commitment for mutual benefit. 4) Focused review on legislative impediments impacting on access to funding by especially lower end MSMEs (National Credit Act – affordability test for development finance) 5) Funding support especially grants to be linked to mentoring and mentoring support – robust mentorship programme that also include retired entrepreneurs and executives. 6) Fast track the implementation of the MSME and Co-operative Funding policy, especially areas such as moveable asset register as one of the pathways to expand credit innovation, Business Credit reporting and establishment of Fund of Funds. 7) The use of concessional loans and the creation of a patient capital fund for investments in high-risk high impact areas with low expectation for turning in quick profit. 8) Consideration should also be given to the formalisation and integration of community investment mechanisms to enable active community participation in the shaping of funding priorities, contribute skills, local knowhow and reinforcing community ownerships. 9) Establish a single accessible portal on financial offerings by public and private sector.

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
4. Update, revise and create an enabling regulatory framework	1) Digitisation of government applications processes 2) Standardised bylaws for all municipalities 3) Lack of consistency and fairness of licencing costs 4) Lack of information on regulatory compliance requirements 5) Compliance complexity making it difficult for small enterprises to understand and meet multiple requirements of multiple regulations across different industries and government agencies. 6) Implementing the necessary systems and procedures to adhere to regulations is financially burdensome for small businesses. 7) Small businesses do not have the resources, financially as well access to specialised and dedicated skills making it difficult to comply with and further broadening the divide with larger businesses that do have the financial resources and appropriately skilled staff	1) Government to design and implement digital application processes 2) COGTA to strengthen the enforcement of standardised bylaws aimed at creating a framework for the establishment and management of small businesses, supporting the growth of small businesses to participate in the mainstream economy, promote law and order, harmonise townships and rural areas and raise awareness of applicable laws and regulations. Also review matters such as trading hours to ensure fair competitive environment. 3) Amendment of the Business Act to provide regulatory framework for business licencing, greater uniformity and alignment. 4) Digital application and registration system 5) Access to information on regulatory requirements and support systems to assist with compliance	1) Section 3(3)a of the Local Government: Municipal System Act 32 of 2000 requires local government, for the purpose of co-operative government, to develop common approaches for local government as a distinct sphere of government, enhance co-operation, find solutions and facilitate compliance. 2) The Business Licensing Bill to address the challenges of application of the regulatory framework by coordinating and promoting consistencies in business licensing. Business Licensing Policy and Bill to streamline and harmonise the licensing process across municipalities. 3) The Bill provide for the Minister of Small Business Development to establish thresholds for licensing fees. These will uniformly within the country. 4) The Department aims to support 100 municipalities with the adoption of an electronic registration system for businesses to improve ease of doing business. 5) Ensure effective communication through digitisation that will enable real time feedback on applications and support to facilitate compliance by small enterprises to regulatory requirements 6) SARS awareness and outreach – through SARS Ombud 7) Digitization initiative – review of strategy 8) Interprovincial Task Team (IPTT) Reports on impact of municipal	1) Finalisation and implementation of Business Licensing Bill to encourage diversity and inclusion through preferential licensing as well as the promotion of small enterprises located in disadvantaged communities. The focus should be to encourage diversity and inclusion and the reservation of certain sectors for South African citizens. 1) Standardised bylaws – also a recommendation by the Competition Commission Retail Market Inquiry. 2) All spheres of government to be involved / consulted on the development of bylaws 4) The development of a revised Local Government White Paper in 2026 as opportunity to strengthen co-operative governance and standardised regulations. 5) Create a new Emerging Enterprise (EE) category aligned with VAT registration thresholds. Recognise EEs as sole proprietors or micro enterprises engaged in lawful activities. This will define clear cutoffs for socio-economic initiatives to support growth and poverty reduction. Intervention to be linked with interventions to foster compliance with CIPC requirements to improve the bankability of small enterprises, enable access to improved government support, competitive financial offerings and regulatory certainty. 6) Enable Financial sector to offer a National Business Package, an end-to-end streamlined business solution to micro enterprises to support and build compliance capacity and enable bankability. (Pathway to formalisation)

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
			by laws on informal and micro enterprises as well as red tape reduction– need to develop recommendations based on findings for implementation. 9) DSBD has identified legislation and laws across the government that negatively impede MSMEs and Cooperatives.	
5. Lobby for and coordinate delivery of effective a) public and b) policing services in townships and rural areas	a) Problem areas to be addressed for effective public service: 1) Fragmented and uncoordinated government support and interventions.	1) Compliance with a) Chapter 3 of the constitution requiring that the different spheres of government must coordinate actions and consult on matters of common interest and b) the NISED Strategic Framework guide and provide leadership towards a well-coordinated and collective ecosystem approach to support the sustainable development of small enterprises. In February 2023 the NISED Strategic Framework was proclaimed as the National Support Strategy for Small Businesses. 2) Section 19(1) of the National Small Enterprise Act, Act 102 of 1996 as amended requires the Director-General to compile a review of the National Small Enterprise sector which, amongst others, must contain "particulars of progress achieved in furtherance of the objectives of the National Small Business Support Strategy. 3) Appropriate structures needs to be put in place to ensure collaboration and alignment that will enable the Department to monitor and track progress and be able to report. 4) Effective use of District Development Model (DDM) aimed at improved government service delivery 5) Revive and use of LED forums, sector groupings and community forums	NISED SF NSEA requiring progress on the implementation of the objectives of NISED. Chapter 3 of the Constitution requires co-operations amongst all spheres of government.	1) Setting up of an inter-governmental structure to provide strategic leadership and management oversight and ensure improved collaboration in terms of planning, development, implementation as well as monitoring and evaluation of interventions and compliance requirements in townships and rural areas in line with chapter 3 of the Constitution. 2) Apart from strategic management and oversight structure also establish a bottom-up structure, i.e. from DDM level to ensure needs-based services and effective implementation of policy interventions. 3) Development of an incentives framework for township and rural economy development and revitalisation to align interventions and proposed mechanisms to optimise the effectiveness and efficiency of programme incentives and the attainment of intended outcomes and impacts.

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
	6) Enforce business license requirements 7) Strengthen business and work visas as well as business licenses to ensure employment and economic opportunities to South African citizens, especially in townships and rural areas. b) Problem areas to be addressed for effective policing service 1) Illegal foreign nationals operating illegal business operations 2) Exclusion of local South African residence from business opportunities 3) Trade in fake/counterfeit and illicit goods 4) Noncompliance with food safety, health and labour law compliance 5) Noncompliance with business regulatory requirements and bylaws 6) Municipal regulations for licensing requirements not compliant with and accepted by judicial system, i.e. fines issued for non-compliance not accepted in courts.	Policy responses to address effective policing service: 1) Capacitate and resource Community Policing Forums (CPFs) to a) promote cooperation between SAPS and the community in fulfilling community needs b) promote joint problem identification and problem-solving c) ensure police accountability, transparency, and d) ensure consultation and proper communication between the police and the community 2) Improve coordination between SARS, SAPS, health, labour and food safety authorities and municipalities to facilitate proactive policing of counterfeit goods and compliance to health, labour, and food safety requirements. 3) Regulations developed by municipality should be done in collaboration with OCSLA to ensure enforcement of the regulations. 4) Aligned to the Competition Commission Retail Market Inquiry Recommendations 2019, municipalities to strengthen law enforcement through various primary and secondary legislative mechanisms available at their disposal, that will improve the capacity of law enforcement at local government level, to give effect to the enforcement of by-laws and trade in illicit and counterfeit legislation.	1) The department has recruited 52 Business Regulation Officers across all districts and metros to support business registration using the DSBD Connect system. 2) Work with the security cluster, home affairs to ensure issues of safety in township and rural areas of the country. 3) Illegal trading task teams	1) Home Affairs to strengthen work permit conditions for operating a business in South Africa as well as border control management to align with other SADC countries. 2) Closer cooperations between relevant compliance and law enforcement bodies to ensure compliance and effective enforcement of regulatory requirements (OCSLA to assist to ensure compliance of regulations with Judicial requirements). 3) Facilitate reinforcement of effective CPFs. 4) Strengthening law enforcement through the application of legislative provisions that would improve the capacity for law enforcement at local government level to give effect to the enforcement of by-laws and trade in illicit and counterfeit legislation. 5) All spheres of government to participate in and provide oversight on the development, planning, and enforcement of regulations to ensure coordination, compliance and enforcement. - Development of a revised Local Government White

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
				Paper in 2026 offers an opportunity to strengthen co-operative governance
6. Build and upgrade infrastructure that is appropriate for the townships and rural economies	- Physical infrastructure not fit for purpose and need to be upgraded. - Un- and under-utilised facilities (recreation) to be repurposed and access broadened to allow for optimal utilisation. - Communities should be part of management of facilities to foster accountability.	- Clear guidelines on the monitoring and evaluation of land distribution and tenure - Create awareness for small enterprises on opportunities offered by SEZs i.e. continued consultations and community engagements. - SEZs to allow differential treatment for small enterprises operating in adjacent townships and rural areas. - Refurbishment and repurpose of existing infrastructure. - Involvement and planning with communities and traditional leaders on needs of land by small enterprises. - Interlinkages between departments to identify needs and transfer of facilities where needs is i.e. Public Works. - MSMEs can supported with access to E-business through training, access to internet & technological devices to be able to operate from home. - Enable internet connectivity – especially challenge in rural areas –government offices, i.e. agencies, clinics to offer internet connectivity. - Improvement of the road infrastructure in township and rural areas as part of the improved service delivery.	- Shared Economic Infrastructure Facility (SEIF) Programme - Municipal Infrastructure Grant (MIG) - Incubation centres can serve as contributing factor for spatial development of the township and rural development. Examples of Manufacturing, Mining & Engineering, Digital Creative Industries (ICT), Construction incubation centres operate within various townships and rural areas such as KwaMashu in KZN, Atteridgeville in Gauteng and Nyanga in Western Cape.	- Establish a forum on infrastructure development consisting of all relevant public and private sector role player to identify needs-based infrastructure requirements (through DDM model) and develop strategies and implementation plan to provide required infrastructure. This should specifically focus on: - Improve investment in digital infrastructure - Investments in renewable energy solutions - Create awareness of business infrastructure opportunities. - SEZs to offer differential opportunities for MSMEs to access infrastructure opportunities in SEZs especially for MSMEs in rural and township areas in the immediate vicinity of SEZs – Review of SEZ legislation. - Revitalisation of industrial parks with specific objective of creating economic and employment opportunities to residents in townships and rural areas.
7. Coordinate across government to find suitable land & buildings for MSMEs	- Fragmented and unsustainable settlement patterns - Insecure tenure arrangements and lack of clarity on legal frameworks and enforcement mechanisms - Lack of capacity in government and municipalities to effectively administer land, process applications and resolve disputes. Also, corruption and favouritism in land allocation and development that	- SPLUMA Act to acknowledge unique development needs for townships and rural areas. - Implementation and enforcement of regulations, i.e. SPLUMA - Land tenure system to be needs based. - The effectiveness of SALGA Spatial Transformation Barometer to be reviewed and improved.	- Shared Economic Infrastructure Facility (SEIF) Programme - Municipal Infrastructure Grant (MIG) - Critical Infrastructure Programme (CIP) funding infrastructure in Industrial Parks to facilitate access to infrastructure in industrial parks for small enterprises operating	- Development of clear legal frameworks and enforcement mechanisms on land allocation and tenure - Need to streamline rezoning of land and premises and allow for preferred zoning procedures and practices to facilitate ease of entry for MSMEs – in line with Competition Commission Retail Market Inquiry Recommendations 2019.

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
	further exacerbate inequalities and hinder equitable access to land. 4) Lack of capacity in municipalities to implement and administer zoning requirements. 5) Bureaucracy and high rezoning costs, especially for mixed-use developments that reduce transport costs, offers viable business opportunities, social equity and environmental quality. 6) Rigid bylaws that does not acknowledge new developments providing innovative solutions, tailored to the needs of small enterprises, i.e. modular business structures. 7) Unused land and building sold on auctions. 8) Communities not consulted and involved in management of buildings and facilities. 9) Aging infrastructure and lack of maintenance.	5) Development of clear legal frameworks and enforcement mechanisms on land allocation and tenure. 6) Government to incentivise environmental impact assessments (EIA), environmental inspections, land use processes cost for emerging business as an incentive for small businesses. 7) Bylaws to acknowledge new innovative business and building solutions that is needs based and improve the economic viability of small enterprises. 8) Unused land and buildings should be repurposed for use by small enterprises. 9) Refurbishment and repurpose of existing infrastructure.	in townships and rural areas. Also offer Artisanal Development Workspaces. SPLUMA has been recognized as one of the pieces of legislation that pose an administrative burden to MSMEs and Cooperatives.	3) Address historical inequalities, title deed backlogs and gender discrimination though streamlined policy and legislative reforms to enable marginalised entrepreneurs to operate legally, access finance and unlock property value for business development. 4) Incentives programmes to enable affordable EIA for small enterprises in townships and rural areas. 5) Collective planning amongst three spheres of government in partnership with private sector. 6) Review bylaws to ensure access to land and buildings for small enterprises operating in townships and rural areas 7) SEZs adjacent to townships and rural areas to provide access opportunities to small enterprises operating these townships and rural areas.
8. Create enablers for townships and rural innovation through technology and infrastructure	1) Digitisation of all application processes, including licences 2) Unreliable electricity supply hamper business growth, accessibility and market opportunities. 3) Need access to technology solutions to improve efficiencies and effectiveness 4) Poor internet connectivity perpetuate exclusion from business opportunities.	1) Improve the existing infrastructure (easy access to internet such as WIFI, FIBER) and implement access to internet in remote rural areas to improve internet access and unlocking business innovation. 2) Prioritise digital literacy training to ensure equitable access to information and opportunities in rural and township areas. 3) Utilise mobile phones for delivering essential services like healthcare, financial transactions, and agricultural information. 4) Support local entrepreneurs and community organisations to develop technology solutions that address specific challenges within their communities.	1) Digital hubs offers a platform for innovation to flourish and to improve digital literacy. 2) Connect is a platform which will be used to collaborate or put together small business to collaborate and/or work together on a particular project. 3) The Department continues to modernise its systems and processes utilising Information and Communication Technology (ICT) as an enabler. 4) Review of digital strategy.	1) Agreed strategy to ensure delivery on digital transformation and accessibility to networks by small enterprises in townships and rural areas should be prioritised. This should include but not be limited to: a) establishment of community Wi-Fi hotspots at community centres and public offices to provide access to internet b) Encourage public and private sector collaboration and partnerships to drive inclusion and address affordability. c) Focus on equity to address the digital divide by ensuring access to individuals in townships and rural

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
		5) Provide access to education and skills development through online learning platforms. 6) Utilise solar energy power devices to power devices and infrastructure in townships and rural areas. 7) Provide farmers with data-driven insights to optimise resource usage and improve crop yields. 8) Develop e-learning and knowledge platforms, networking sessions and databases to promote best practices, share learning, and formal online education programmes to improve competitiveness and efficiencies.		regardless of income have access to digital connectivity and services.
9. Establish stronger market access opportunities and linkages within townships and rural areas (Address spatial disconnect)	1) Markets inward looking, homogeneous or vertical markets with low profit margins 2) Limited exposure to market opportunities and events 3) Compliance requirements to external diversified market opportunities costly, time consuming and business owners lack knowledge and technical expertise to meet regulatory requirements. 4) Entrepreneurs lack access to established value chain opportunities and Enterprise and Supplier Development (ESD) opportunities. 5) Shopping malls not accessible for township and rural entrepreneurs 6) Ability to access franchise opportunities due to high costs	1) Need interventions to diversify market opportunities. 2) All market access support to ringfence a percentage of support specifically to small enterprises operating in townships and rural areas. 3) The recommendations of the Competition Commission Grocery Retail Enquiry done in 2019 to be implemented by local government and be one of the indicators in the SALGA STB – see Annexure G This include long-term lease and rental by shopping malls as well as regulations and compliance requirements to ensure differential treatment for small enterprises to allow access to viable market opportunities including shelf space. 4) A percentage of ESD supplier development support to be ringfenced for the development of suppliers operating in townships and rural areas.	1) EDS Policy Amendment to support Township and Rural Enterprises a) Proposed revision of the B-BBEE scorecard for the ESD element to include specific requirements for township and rural areas. b) Introduction of a 30% allocation requirement of ESD funds to township and rural areas (15% to each underserved area). 2) Resource Allocation Framework for Townships and Rural Areas a) ESD Structured allocation of ESD budgets: 33% for training and capacity building; 67% for infrastructure, equipment, working capital, and technology access. 3) Incentive System for Corporate Participations - Development of BEE level-up benefits for corporates that spend 50% or	1) Development on an ESD policy to aligned with the Cabinet proposal for a review of the ESD codes to channel ESD funds towards a Transformation Fund to promote MSMEs and entrepreneurs in townships and rural areas. 2) Mainstreaming market access support programmes to report on access opportunities offered to small enterprises, women, youth and people with disabilities operating in townships and rural areas. 3) Market aggregators that provide platforms that bring together products, services, and information into a single user-friendly interface need to be facilitated. These aggregators can be digital or physical but must ensure quality assurance to minimum standards, meet customer needs and expectations and build credibility and trust. 4) The use of the co-operative business model to reduce costs through shared services, improved bargaining power

Policy focus area (PFA)	Problem statements	Responses required	Existing initiatives	Specific response from the TREDAR policy
		5) Design incentive to facilitate access to franchise opportunities for small enterprises operating in townships and rural areas. 6) Distribution centres to support the competitiveness of spaza shops and small enterprises in townships and rural areas – also one of the Competition Commission Retail Market Inquiry recommendations.	more of their ESD funds on township or rural enterprises. 4) The Market Linkage Programme (MLP) aims to facilitate linkages between MSMEs and larger market opportunities. 5) Department is actively engaging with the Department of Basic Education (DBE) to integrate MSMEs into DBE supply chains in projects such as the school nutrition programme, school revitalisation programme, furniture refurbishment, ensuring that small enterprises benefit from procurement opportunities. 6) These initiatives, along with efforts to strengthen market connections within and between townships-based MSMEs, are part of DSBD's broader strategy to promote sustainable market access for MSMEs and drive economic transformation. 7) The Department has a long-standing relationship with Proudly SA and through various collaborative programmes, the partnership exposes small enterprises to greater markets and platforms such as business-to-business matchmaking and participation at the annual EXPO and other smaller events. 8) Business incubator can facilitate market access for small business in the township through its BDS	and improved cost competitiveness must be facilitated. 5) Implementation of the Competition Commission Grocery Retail Enquiry recommendations to a) facilitate equitable lease opportunities to small enterprises in shopping malls in townships and rural areas; b) equitable trading terms by suppliers to enable fair buying power opportunities; c) interventions to enable equitable access to self-space; d) equitable access to self-space; e) interventions to enable competitiveness support for spaza shops and small retailers, i.e. buyer groups and customer and business information dissemination; e) removal of regulatory obstacles to meet competitiveness challenges; and f) improve law enforcement.

4.3 Targeted beneficiaries and stakeholders

To ensure clarity in terms of the direct beneficiaries and to optimise the successful implementation of the policy clarity is provided on the targeted beneficiaries and stakeholders.

4.3.1 Targeted beneficiaries

The primary beneficiaries will be entrepreneurs and small enterprises operating in townships and rural areas. A specific focus will be on small enterprises owned by women, youth, persons with disabilities, and military veterans.

Because the vision of the policy is not only to develop sustainable small enterprises in townships and rural areas, but to also develop and revitalise township and rural economies to facilitate their integration into the mainstream economy, indirect beneficiaries include residents in townships and rural areas and job seekers that will benefit from job opportunities.

4.3.2 Targeted stakeholders/role-players

The targeted stakeholders will include all ecosystem role-players responsible for amongst others, policy and programme development and implementation, service providers, corporates and established businesses, research institutions, universities and colleges as investors and venture capitalists.

1) **National Departments and their agencies:** National departments that has constitutional mandates in terms of small business development (DSBD), rural development (Department responsible for agriculture as well as overseeing municipal (COGTA) as well as sector departments with vested interests in townships and rural areas, i.e. tourism, the dtic, etc. – Coordination and collaboration with regards to the implementation of the policy

- 1) **Provincial departments responsible for Economic Development:** Facilitate and coordinate the implementation at a provincial level and ensuring oversight.
- 2) **Local government, i.e. Metropolitan, district and local municipalities:** Facilitate implementation at a local level and the provisioning of services.
- 3) **Industry representative bodies and business chambers:** Provide leadership, advocacy and oversight.
- 4) **Private sector partners:** Corporates, BDS service providers and financial institutions to partner with government in the economy development and revitalisation of small businesses.
- 5) **Academic and research institutions:** Universities and research organisations contributing to innovation and professionalisation.

4.4 Resource Allocations – Human, Financial, Equipment, Systems, etc.

For the successful implementation of the TREDaR policy, consideration should be given to the following resources.

4.4.1 Human Resources

- a) Establishment of intergovernmental forums across the three spheres of government to ensure collaboration and coordination on the different interventions required.
- b) Establishment of monitoring and reporting systems on interventions to monitor progress and allow for early intervention when required.

4.4.2 Financial Resources

Co-design needs-based interventions that allows for partnerships, ownership and joint implementation, with shared responsibilities, commitments, and rewards to ensure maximum use of available resources, collective bargaining for additional resources and partnerships with the private sector.

4.4.3 Technology Resources

Invest in information technology (IT) infrastructure and advanced technologies to support the centralised digital platform and digital service delivery, ensuring broad accessibility and effective data management.

4.5 Roles and Responsibilities

The support ecosystem for township and rural economy development and revitalisation requires participation across all national provincial and local government as well as the support of private sector and the small enterprises communities in townships and rural areas.

4.5.1 National Government

National departments will collaborate, provide strategic direction through the formulation of programme interventions to achieve the objectives and vision of the TREDaR policy.

4.5.2 Provincial Government

Provincial governments will align with national directives to ensure the streamlining of resources and assist with the implementation, monitoring, and reporting of interventions.

4.5.3 Local Government, Metropolitan, Municipalities and Districts

Local government, metropolitans, municipalities, and districts will implement recommendations and collaborate with provincial and national to ensure the attainment of the required resources. There may be a need to incorporate these initiatives within the district development plans as part of collective implementation and prioritisation of critical interventions.

4.5.4 National and provincial government agencies

Implement programmes as directed by parent departments and assist with monitoring and reporting.

4.5.5 Industry leaders and business chambers

Industry leaders and business chambers will participate in the design and implementation of intervention and advocate for small-enterprise-friendly policies and facilitate networking opportunities.

4.5.6 Private sector

The private sector contributes through partnerships, supply chain integration, and mentoring, leveraging its resources and networks to enable market access for small enterprises.

4.5.7 Educational institutions and research organisations

Educational institutions and research organisations enhance the ecosystem by providing training, capacity building, and sector-specific expertise.

4.5.8 Financial institutions and development finance entities

Funding institutions and development finance entities support small enterprises with funding mechanisms tailored to their growth needs.

4.6 Policy Communication

Communication plays a critical role in policy implementation in ensuring that all stakeholders understand the policy objectives and support the vision of the policy. It is pivotal in building consensus, manage resistance and the facilitation of the successful execution of the policy.

4.6.1 Stakeholder engagement

- a) **Building relationships:** Establish and nurture relationships with key stakeholders, including government agencies, private sector partners, service providers, and small enterprises.
- b) **Information sharing:** Disseminate relevant information about the policy framework and its objectives and available services to ensure stakeholders are well-informed and aligned.
- c) **Feedback collection:** Implement channels for stakeholders to provide feedback, raise concerns, and suggest improvements, ensuring that the policy framework remains responsive and effective.

4.6.2 Awareness and outreach

- a) **Marketing campaigns:** Develop and execute marketing strategies to increase awareness of the policy framework and its benefits, targeting both potential beneficiaries and service providers.
- b) **Educational initiatives:** Conduct workshops, webinars, and seminars to educate small enterprises and service providers about the policy framework, its components, and how to access the available support.
- c) **Public relations:** Manage public relations efforts to highlight successes, share success stories, and build a positive image of the policy framework.

4.6.3 Internal communication

- a) **Coordination and alignment:** Ensure effective communication among SEDFA, DSBD, provincial hubs, service providers, and other stakeholders to align efforts and prevent duplication.

- b) **Information flow:** Facilitate the smooth flow of information between various levels of the organisation and between different stakeholders, ensuring that everyone is up-to-date and working towards common goals.
- c) **Training and support:** Provide ongoing communication support for training initiatives, ensuring that staff and service providers have the information and resources needed to implement the policy effectively.

4.6.4 Monitoring and reporting

- a) **Progress updates:** Communicate progress and outcomes to stakeholders through regular reports and updates, ensuring transparency and accountability.
- b) **Impact measurement:** Share insights and data on the impact of the policy framework, using communication tools to highlight achievements and areas for improvement.
- c) **Crisis management:** Develop strategies for managing communication during challenges or crises, ensuring that stakeholders are informed and reassured about the steps being taken to address issues.

5. Governance

Aligned to the National Small Enterprise Strategy, i.e. the NISED Strategic Framework the DSBD will provide guidance towards a well-coordinated ecosystem approach to a) the development of sustainable small enterprises generating sustainable income sources, creating meaningful employment opportunities to local residents and build resilient livelihoods through sustainable entrepreneurial ventures, and b) vibrant and thriving townships and rural economies able to attract new investments, fully integrated with the mainstream economy. The MSMEs and Co-operatives Funding policy as well as the finalisation of the National Entrepreneurship Strategy (NES) and Incubation and IBDS Policy as well as other small enterprise policies such as the Startup and Enterprise and Supplier Development policy still to be developed will feed into the implementation of this policy.

Apart from strategies, strategic frameworks and policies guiding implementation, a governance structure is required to facilitate greater engagement amongst the three spheres of government and the private sector to ensure alignment of decision making on programmes aimed ensuring a) at furthering the objectives of the township and rural economy development and revitalisation policy and to ensure that decisions remain structured, transparent and focused on the overall objectives of the policy. The governance structure should be developed in collaboration with COGTA and aligned to the intergovernmental Relations Framework Act to give effect to the DDM that is premised on improving an all of government and all of society approach through fostering intergovernmental joint planning, budgeting, including programme and project implementation as well as monitoring through one plans and annual performance plans. Dedicated reporting by all stakeholders on township and rural development programmes, outputs and outcomes should be a requirement.

5.1 Performance Reporting and Accountability

Performance reporting by all stakeholders is important to provide clarity on progress made towards the attainment of the objectives and vision of the policy. It furthermore enables

timeous interventions, improve accountability, better communication with stakeholders and ultimately to better overall performance.

5.2 Transparency and Information dissemination

Regular reports on the implementation of the policy will be developed and made available to all key role-players to ensure transparency and information dissemination.

5.3 Risk assessment and mitigation strategy

Outcome	Associated Risk	Mitigation Strategies
Outcome 1: Enhanced knowledge and business skills leading the provision of improved products and services as well as , market and financial readiness.	Poor quality and generic nature of BDS offered, i.e. BDS not tailored to the needs of small enterprises in townships and rural areas	▪ Through LED forums ensure regular needs assessments ▪ Ensure BDS is aligned to needs ▪ Ensure compliance to BDS standards by BDS service providers
	High cost of expanding physical and mobile infrastructure	▪ Leverage partnerships with local governments, NGOs, and the private sector for cost-sharing. ▪ Prioritise high-need areas for phased infrastructure deployment
	Limited adoption of digital platforms	▪ Provide training programmes on digital tools and platforms. ▪ Partner with telecommunication providers to subsidise internet access for small enterprises. ▪ Implement comprehensive training and awareness campaigns. ▪ Ensure blended service delivery with traditional methods. ▪ Develop partnerships to improve digital infrastructure in underserved areas
	Inefficiencies in service coordination amongst BDS service providers	▪ Develop a centralised coordination framework and monitoring system. ▪ Regularly engage stakeholders to align objectives and streamline processes
	Limited sector-specific expertise	▪ Partner with academic institutions and industry leaders to provide sector-specific training. ▪ Develop sectoral frameworks with input from experts to guide service delivery
Outcome 2: Structural transformation and diversification of	Lack of skills and capabilities	▪ Work with sector departments. ▪ Ensure alignment of IBDS with priority sector focus.

Outcome	Associated Risk	Mitigation Strategies
small enterprises in townships and rural areas with improved capabilities and comparative advantages.		
Outcome 3: Improve access to finance (financial readiness) enabling business expansion and ability to benefit from market opportunities.	Legislative impediments hindering the offering of accessible and affordable financial services	▪ Work with financial service providers to identify legislative impediments. ▪ Work with the dtic and other relevant department to facilitate reduce legislative impediments. ▪ Advocacy to allow for differential treatment to facilitate improve access to affordable financial services for small enterprises
	Limited awareness among small enterprises of financial offering	▪ Implement localised outreach through community networks and local business chambers. ▪ Use a combination of traditional and digital media channels to expand reach
Outcome 4: Improved pathways to formalisation for townships and rural enterprises and regulatory certainty	Noncompliance with regulatory requirements and inability to access financial and non-financial support.	• Improve awareness of regulatory requirements. • Reduce regulatory requirements and improve ease of doing business. • Partnerships with financial sector to assist with compliance to regulatory requirements. • LED Forums to provide regular awareness sessions, briefings and facilitate training
Outcome 5: Investment and Business friendly / conducive environment within townships and rural areas	Inability to reduce crime, extortions and lawlessness in townships and rural areas Inability to enforce compliance to health and safety and other regulatory requirements	▪ Forum to improve coordination amongst enforcement agencies, municipalities, South African Police Services, and judiciary. ▪ Capacitate and resource Community Policing Forums (CPFs) to promote cooperations between SAPS and the community. ▪ Strengthen the capacity for law enforcement through the application of legislative provisions to improve compliance to regulatory compliance, i.e. by-laws and trade in illicit and counterfeit goods.

Outcome	Associated Risk	Mitigation Strategies
Outcome 6 Improved access to infrastructure for township and rural businesses	High cost of expanding physical and digital infrastructure	▪ Leverage partnerships with local government, NGOs and private sector on cost sharing. ▪ Prioritise high-need areas for phased infrastructure deployment
Outcome 7: Increased potential for expansion and growth amongst township and rural businesses	Resistance to share best practices and learnings	▪ Facilitate special sessions to share best practices and learnings
Outcome 8: Increase innovations in townships and rural areas	In ability to attract investment in new innovations	▪ Facilitate interventions to reduce crime and extortions. ▪ Facilitate interventions to improve the delivery of basic services
	Resistance to share best practices and learnings	▪ Provide financial incentives for technology adoption. ▪ Establish digital hubs and innovation centres to offer direct (hands-on) training and exposure
Outcome 9: Enhanced market access and linkages	Barriers to market access and value chain integration	▪ Offer technical assistance to meet certification and quality standards and subsidised certification programmes.

6. Policy monitoring, evaluation and review

Policy monitoring, evaluation, and continuous improvement are important to track progress, assess impact, and adapt the policy framework to ensure it remains relevant and effective. Key considerations are to enable:

- 1) **Real-time monitoring:** Using the centralised digital platform to monitor service delivery and outcomes in real time, allowing for quick adjustments as needed.
- 2) **Impact metrics:** Define and track key performance indicators, such as reach, service quality, access to finance, business success rates, compliance to regulatory requirements, investments in townships and rural areas, appropriate workspaces, improved market access opportunities within and outside townships and rural areas, innovation adoption rates, and regional inclusivity.
- 3) **Adaptive policymaking:** Regularly review data and feedback to refine the policy framework, ensuring that it continues to meet the evolving needs of small enterprises across South Africa.

6.1 Programme performance measurement indicators

Policy implementation monitoring and evaluation is important to track and assess how well the policy is implemented and to

Policy focus area	Key performance Indicator
Skills development, Incubation and Business Development Support	Growth and sustainability of small enterprises in townships and rural areas
Funding Support to Small Enterprises operating in Townships and Rural Areas	Increase in funding support to small enterprises operating in townships and rural areas / narrowing in the funding gap for small enterprises / increase in the percentage of loans by MSMEs in townships and rural areas
Improved access to needs-based infrastructure	Growth in the number of sustainable small enterprises operating from townships and rural areas
Business regulatory certainty	Decrease in non-compliance to regulatory requirements
Investment and business friendly environment	Increase in investment and growth of small enterprises operating in townships and rural areas
Enhance market access and linkages	Improved market access opportunities in townships and rural areas as well as outside townships and rural areas
Increase potential for expansion and growth amongst small enterprises as well as big business	Increase in the number and size of small enterprises and business expansion amongst enterprises operating in townships and rural areas
Increase innovation in townships and rural areas	The percentage of entrepreneurs, informal businesses and small enterprises, including co-operatives that has adopted innovation, including digitization of business operations.

6.2 Monitoring and reporting processes

The DSBD is tasked with overseeing, monitoring, and evaluating the implementation of the National Policy for Township and Rural Economy Development and Revitalisation (TREDaR). An integrated Monitoring, Evaluation, Research, and Learning Strategy and execution plan needs to be developed by the DSBD, SEDFA and COGTA in cooperation with other national departments, their agencies, provincial departments responsible for small enterprise development, their agencies as well as local government. This strategy should be designed to foster a culture of continuous improvement of interventions aimed at township and rural economy development and revitalisation across the whole of government, ensuring that all activities are driven by data and evidence-based management.

Key components of this strategy will include:

- 1) **Governance structure:** to give effect to the DDM that is premised on improving an all of government and all of society approach through fostering intergovernmental joint planning, budgeting, including programme and project implementation as well as monitoring through one plans and annual performance plans. Dedicated reporting by all stakeholders on township and rural development programmes, outputs and outcomes should be a requirement.
- 2) **Regular needs assessments:** Conduct systematic assessments of the business development support requirements of small enterprises. These assessments will inform the design, methodologies, and delivery of BDS programmes, ensuring they are tailored to the evolving needs of these enterprises.
- 3) **Standardised monitoring and evaluation system:** Implement a standardised Township and Rural Economy Development and Revitalisation monitoring and evaluation system with appropriate tools to measure and evaluate the impact of the implementation of the policy on entrepreneurs, small enterprises and co-operatives operating in townships and rural areas. This system will ensure consistent and accurate tracking of outcomes and strengthen coordination and reporting across the three spheres of government.
- 4) **Data and knowledge sharing mechanisms:** Establish robust mechanisms for collecting, classifying, curating, and disseminating relevant local and international data, research, and knowledge. This will be done in collaboration with reputable services providers in the ecosystem.
- 5) **Alignment with reporting requirements:** Ensure that monitoring and evaluation processes align with DSBD's data reporting requirements concerning enterprise development support offered to entrepreneurs, informal businesses and small enterprises, including co-operatives, operating in townships and rural areas, integrating monitoring and evaluation seamlessly into all DSBD and SEDFA programmes. This alignment will support a learning-oriented approach and facilitate consistent performance enhancement.
- 6) **Market assessments and intelligence:** Conduct annual assessments of the enterprise development in townships and rural areas to evaluate the performance and impact of the implementation of the policy. These assessments will provide critical insights into the effectiveness of the implementation of support interventions and identify areas for improvement.

Through this structured approach, the DSBD, SEDFA, other national departments and their agencies, provincial government departments responsible for small enterprise development as well as their agencies and local government will ensure that the national policy for township and rural economy development and revitalisation is implemented effectively, contributing to the sustainable growth and development of small enterprises, supporting the optimal development of townships and rural areas and their integration in the mainstream economy.

6.3 Evaluation of the policy

DSBD will plan for and conduct an implementation evaluation of the policy in the fifth year of implementation to inform its subsequent review.

6.4 Policy review schedule

A review of the policy will be done following the evaluation of the policy in its fifth year of implementation. However, non-material amendments, mainly in the implementation framework, to assist with implementation and align to changes in the environment and context may happen annually informed by documented best practices and lessons learnt.

7. Conclusion

There are numerous interventions and programmes of government and its entities that are aimed at supporting Township and Rural Economic Development and Revitalisation. However, the vacuum in adequate governance of these interventions, has crippled government's ability to properly support and enable MSME and co-operative development in these areas and, to unlock the potential in terms of job creation and inclusive economic growth in these areas. Apart from ensuring the provision of needs-based support, tailored interventions and the creation of an investment friendly environment the goal of national policy is to provide for the coordination of the various interventions towards addressing small enterprise needs for township economic development and revitalisation, by government and its entities in partnership with the private sector.

Through outcomes-based partnerships with the private sector and other non- state actors, the policy aims to bring about collaborations that will drive innovation, healthy competition, the development of an appropriate regulatory environment as well as enforcement and compliance and the co-creation of economic value for stakeholders in the township and rural economy. The complexities and dynamic nature of townships and rural areas compels for a coordinated and structured whole of government approach, i.e. national, provinces, districts, local and metropolitan municipalities for a comprehensive approach and effective realisation of this policy objective. The infusion of the implementation framework into the district development plans becomes paramount for cascading the implementation of the policy. With some provinces already having development their own policies and strategies, a need for alignment arises.

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Annexure A: Policy Implementation Plan

The 9 policy focus areas are broken down in specific interventions and key activities. It also provides for lead role players, support role players and timelines. It furthermore also provides an indication of resources required.

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
1) 1. Address skills shortage through needs-based Incubation and Business Development Support as well as practical learning	1) Link skills development in townships and rural areas with high growth sectors and sectors plans.	Skills development planning aligned to community needs and market opportunities	DHET and Sector Departments	Training institutions	2 -3 Years	Part of normal planning and existing resources in terms of sector and masterplans.
	2) Strengthening basic and tertiary education institutions and skills development needs a broader focus.	a) Practical learning and a focus on indirect skills such as knowing how to acquire knowledge and information, social values i.e. importance of decent work ethics, communication, cultural values and communication skills are equally important. b) Specific focused interventions to strengthen mentoring and coaching support. c) There also a need for continues training and specifically adult education.	DBE and DHET and DSBD through NES	Basic and Tertiary training institutions	2-3 years	Part of normal training
	3) Focused development of an entrepreneurship culture in townships and rural areas through structured interventions and the building of entrepreneurial skills and capabilities.	a) Trough Localised Entrepreneurial Competency Framework (LECF) determine entrepreneurial skills and capacity gaps that through NES inform entrepreneurial training to be performed. b) Transforms fragmented, ad-hoc entrepreneurial training into a coherent, progressive system that enables learners to develop from foundation-level entrepreneurial awareness to expert-level business	DBE, DHED and DSBD through NES	Community as well as Basic and Tertiary training institutions	2-3 years	Part of normal planning and training

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
		leadership while remaining rooted in their local communities and contexts.				
	4) BDS support offerings should be tailored to the needs of entrepreneurs and small businesses in townships and rural areas, taking into consideration their unique needs and business environments	Align BDS offerings to the needs of small enterprises in townships and rural areas following a needs assessment in townships and rural areas	DSBD	Provinces	1-2 Years	Part of normal planning
	5) Ensure implementation of IBDS policy in Township and rural areas – practical training important	IBDS policy and implementation plan approved	DSBD, SEDFA	Training institutions	2 – 3 Years	Budget for additional incubators
	6) Specific focused interventions to strengthen mentoring and coaching support	Partnerships with private sector	DSBD, Provinces, DTIC	Private sector	2 – 3 Years	Existing resources
	7) Establish a single access portal on non-financial offerings and opportunities by both private and public sector.	Database on non-financial support interventions available	DSBD, SEDFA	Training and Business Support institutions	1-2 Years	Budget for database
	8) Translation of BDS material and offering of BDS in different languages.	Translation	Provincial governments	Training institutions	1 – 2 Years	Minimal additional budget required

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
2. Focused sector approach to link small enterprises in townships and rural areas with broader efforts of localisation and reindustrialisation. (Support move towards demand-led growth.)	1) Energy and green economy	30% of the local renewable value chain spend. Township install-repair-maintain market for renewables. Recycling and circular economy opportunities linked to municipal integrated waste management plans. <u>Tools and enablers.</u> Clean tech incubators (SEDFA) Renewable install-repair-maintain aggregators (DEE, DSBD) Just Transition MSME Fund including green tech/clean tech startup fund (SEDFA/NEF).	DSBD, DEE, DTIC, DSTI	Private sector	2-3 Years	Existing resources
	2) Transport and logistics	Logistics capabilities for rural industrialization. After-sales automotive repairs and services. <u>Tools and enablers</u> Enabling land zoning (DCOG) Township and rural logistics hubs (DLRRD, DOT, DTIC) Taxi service hubs. After-sales repairs and services automotive fund (SEDFA)	DSBD, DOT, DLRRD, DOA, DCOG, DTIC	Private sector	2 – 3 Years	Existing resources
	3) Digital infrastructure and services	Digital network infrastructure including installation for small contractors. Digital services and platforms inclusive ecommerce platforms, fintech, and digital public infrastructure. <u>Tools and enablers</u> Digital infrastructure roll-out to under-served township and rural areas (DCDT).	DCDT, DSBD, DSI, DHET, DTIC	Provincial and local government and private sector	2-3 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
		Business Infrastructure Support Programme (DSBD) SEDFA Digital and CfERI Incubators (with TVET Colleges and universities) Digital skills hubs (DHET) Early-stage innovation funds				
	4) Tourism and hospitality	Tourism infrastructure. Tourism and hospitality services (accommodation, restaurants, guiding, safety, transportation, digital platforms). Tourism Equity Fund (Dept of Tourism). <u>Tools and enablers</u> Township and Rural Entrepreneurship Programme (SEDFA) Business Infrastructure Support Programme (DSBD) Cultural tourism, eco-tourism, adventure sport tourism, Meetings, Incentives, Conferences and Exhibitions (MICE)	DSBD, Dept of Tourism; COGTA, SAPS	Provincial and local government and private sector	2 – 3 Years	Existing resources
	5) Agriculture, food and agri-business	60% of supply chain inputs for state sector markets. Spaza shops; community restaurants; township food gardens. Rural homestead production with aggregated products for established retail markets. MSME food producers with aggregated products for established retail markets. MSME fishers with aggregated products for established retail markets.	DSBD, DOA, DLRRD, DoH, DBE, DCS	Provincial and local government and private sector	2 – 3 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
		Digital platforms through which township and rural-based MSMEs can access bulk buying opportunities and markets. <u>Tools and enablers</u> Rural and Township Food/Fresh Product Markets (DOA, DLRRD) Agri-Parks as logistics and distribution centres to achieve aggregation (DOA, DLRRD). Wholesale distribution hubs for spaza shops to achieve bulk-buying efficiencies (DSBD, DTIC) Spaza Shop Fund (DSBD, DTIC) Township commercial and retail precincts (DCOG) Township and Rural Entrepreneurship Fund (SEDFA) Informal Micro Enterprise Development Fund (DSBD) Asset Assist (DSBD) Business Infrastructure Support Programme (DSBD) Rural, Township and Community Fund (NEF)				
	6) Community services	Hair salons/barber shops, Funeral services Legal services Health practitioners/traditional healers,	DSBD, DCOG, DBE, DSD	Provincial and local government and private sector	2 – 3 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
		Churches Early childhood education (educare) centres. Elderly caregivers <u>Tools and enablers</u> Township commercial and retail precincts (DCOG) Township and Rural Entrepreneurship Fund (SEDFA) Informal Micro Enterprise Development Fund (DSBD) Asset Assist (DSBD) Business Infrastructure Support Programme (DSBD) Community-services co-operatives support (DSBD) Rural, Township and Community Fund (NEF)				
	7) Construction and built environment	40% of government infrastructure and repairs and maintenance budget Facilities management and related technical services Township and rural residential upgrades Township and rural small town high street and commercial precinct development <u>Tools and enablers</u> Enabling land zoning (DCOG)	DSBD, DPWI, NT, DHS, COGTA	Provincial and local government and private sector	2 – 3 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
		Public Procurement Act Regulations (NT) Public Procurement Act compliance monitoring (NT and DSBD) Install-Repair-Maintain Contracting Hubs in townships and rural areas (DPWI, NT, DSBD) Re-purposed Govt owned Properties as shared MSME infrastructure (shuttered libraries, schools and other properties - DPWI) Supplier Financing (SEDFA/NEF) Township and Rural Entrepreneurship Fund (SEDFA) Business Infrastructure Support Programme (DSBD)				
	8) Manufacturing	Identification of 30 core industrial products for township and rural MSME localization <u>Tolls and enablers</u> Manufacturing incubators linked to key township and rural economy industrial clusters (SEDFA) Critical Infrastructure Fund for township and rural industrial park revitalization (DTIC) Business Infrastructure Support Programme (DSBD) Industrial financing for MSMES (IDC, NEF, DSBD leveraging the Transformation Fund) Pre-investment and post-investment support (SEDFA)	DSBD, DTIC, COGTA	Provincial and local government	2 – 3 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
		Township and rural -based Special Economic Zones (DTIC) Small Enterprise Manufacturing Support Programme (SEDFA) Strategic Projects Fund (NEF)				
	9) Mining	Integration of MSMEs from township and marginalized rural communities into supply chains of exploration, mining and beneficiation of mineral resources. <u>Tools and enablers</u> Set asides of licenses for MSMEs/small-scale miners (DMPR) Small-scale Mining Fund (DMPR/ SEDFA/IDC/ NEF) Critical Infrastructure Fund for township and rural industrial park revitalization (DTIC) Business Infrastructure Support Programme (DSBD) Mining incubators (DSBD) <u>Pre-investment and post-investment support (SEDFA)</u>	DMPR, DSBD, DTIC	Provinces, local government and private sector	2 – 3 Years	Existing resources
	10) Financial and business services	Burial societies and stokvels Co-operative banks Township and rural-based Micro Finance Institutions (MFI's) that can serve as intermediaries between wholesale lenders and MSMEs	DSBD, NT, DTIC	Provincial and local government, private sector	2 – 3 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
		Township and rural-based MSME business development advisors and practitioners <u>Tools and enablers</u> Incubation and Business Development Services Policy (DSBD) Micro Finance Intermediary Franchise Programme (SEDFA) Co-operative banks to aggregate burial societies and stokvels (SEDFA). Credit guarantees and first loss de-risking facilities (NT/DSBD) Amended National Credit Act (DTIC) Fund of Funds (Transformation Fund – DTIC) Alternative credit rating system (DSBD) Moveable asset register (DSBD)				
	11) Cultural and creative industries	Following focus areas: - Homeware supply chains - Fashion supply chains - Fine art - Performing arts - Music - Film - Heritage and eco-tourism supply chains <u>Tools and enablers</u> Cultural festivals for market activation (DAC) Township and rural-based CCI Hubs (aggregators for support and markets) (new-DAC)	DSBD, DAC, Dept of Tourism, DTIC	Sector Departments, Provincial and Local government and private sector	2 – 3 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
		Customised craft support programme (DSBD) CCI co-operatives (DSBD) Arts and Culture Venture fund (NEF) CCI Fund (DAC/SEDFA) Pre-investment and post-investment support (SEDFA) Business Infrastructure Support Programme (DSBD)				
	12) Industrial hemp and cannabis	Small-scale growers Mid-stream processing Downstream beneficiation (composites, biomedicines; oils, textiles, food, feed) <u>Tools and enablers</u> Agri-Parks as logistics and distribution centres to achieve aggregation for inputs and market access (DOA, DLRRD) Hemp and cannabis co-operatives (DSBD) Hemp and Cannabis Fund including startup/early -stage-funding (SEDFA/IDC/NEF) Hemp and Cannabis Incubators (SEDFA)	DSBD, DTIC, DOA, DLRRD, DSTI	Provinces and private sector	2 – 3 years	Existing resources
3. Develop and rollout appropriate funding and financial instruments	1) Review existing early-stage incentives and funds targeting township and rural enterprises and entrepreneurs to improve coordination to	Revision of TREP, and other government programmes targeting early-stage support Analyse existing available early-stage incentives and agree on framework to maximise use of available funding	DSBD, other national and provincial departments providing	SEDFA, other agencies, DFI's and private sector investments	2-3 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	maximise available public funding , leverage philanthropy funds and crowd in funding from DFIs and private investment	Package available funding support and identify gaps Create awareness and seek partnerships to crowd in funding to fill gap.				
	2) Development of the National Framework on Incentives for small enterprises in townships and rural areas to ensure alignment and complementarity, avoid duplication and improve effectiveness and impact. (Collaboration with different role-players to ensure complementarity, holistic support – rather than current "piecemeal" approach.– Incentive framework)	Improved collaboration amongst stakeholders Development of funding/incentive framework	National and Provincial Departments	Government agencies	1 Year	Existing resources, scoping, planning and creating awareness
	3) Blended financial structures, including grants to improve risk return profiles and making private sector participation viable through partnerships to share risks and commitment for mutual benefit		DSBD, NT	Private sector	2-3 years	Existing resources, scoping, planning and creating awareness
	4) Streamline funding solutions and create partnerships with the	Partnerships	National and provincial departments	Private sector	1 Year	Existing resources, scoping, planning and creating awareness

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	private sector to share risks and commitment for mutual benefit.					
	4) Focused review on legislative impediments impacting on access to funding by especially lower end MSMEs	Stakeholder consultations and framework to review and amend legislation	National Departments responsible for legislation impeding access to funding – DTIC and NT	Financial institutions	2 Years	Existing resources
	5) Funding support especially grants to be linked to mentoring and mentoring support – robust mentorship programme that also include retired entrepreneurs and executives.	Stakeholder consultations to facilitate alignment and partnerships	National and provincial departments	Training institutions and private sector	2 – 3 Years	Existing resources
	6) Fast track the implementation of the MSME and Co-operative Funding policy, especially areas such as moveable asset register, Business Credit reporting and establishment of Fund of Funds.	Implementation of MSME and Co-operative Funding Policy	DSBD, DTIC, NT	Financial Institutions	2 – 3 Years	Existing resources
	7) The use of concessional loans and the creation of a patient capital fund for investments in high-risk high impact areas with low expectation for turning in quick profit.	Stakeholder consultations and policy framework	DSBD, NT	SEDFA	2 Years	Budget allocation

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	8) Consider the formalisation and integration of community investment mechanisms to enable active community participation in the shaping of funding priorities, contribute skills, local knowhow and reinforce community ownership.	Stakeholder consultations and policy framework	Township and Rural communities, DSBD and NT	Financial institutions, DFIs	3-4 years	Planning, development of business case and stakeholder consultations
	9) Establish a single accessible portal on financial offerings by public and private sector.	Stakeholder consultations	DSBD	SEDFA	2 Years	Budget for database and portal
4. Update, revise and create an enabling regulatory framework	1) Finalisation and implementation of Business Licensing Bill	Business Licencing policy and Bill	DSBD	Municipalities SAPS SARS	18 Months	Existing resources
	2) Standardised bylaws	All spheres of government to be involved / consulted on the development of bylaws The development of a revised Local Government White Paper in 2026 provides an opportunity to strengthen co-operative governance and standardised regulations.	COGTA, SALGA	National departments and provincial governments	2 Years	Existing resources
	3) Create a new Emerging Enterprise (EE) category (sole proprietors) aligned with VAT registration thresholds. Recognize EEs as sole proprietors	Differential treatment provision for sole proprietors with annual turnover of less than R 1 million per annum	DSBD, DTIC	CIPC	2 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	or micro enterprises engaged in lawful activities. This will define clear cutoffs for socio-economic initiatives to support growth and poverty reduction.					
5. Lobby for and coordinate delivery of effective a) public and, b) policing services in townships and rural areas	1) Setting up of an inter-governmental structure to provide strategic leadership and management oversight, ensure improved collaboration in terms of planning, development, implementation as well as monitoring and evaluation of interventions and compliance requirements in townships and rural areas in line with chapter 3 of the Constitution.	Set up of or refocusing of existing intergovernmental structure	COGTA – key national Departments and Provincial governments	Private sector	2 – 3 Years	Existing resources
	2) Facilitate effective community policing forums (CPF's) and enforcement	Revive CPF	SAPS	Judicial System	2 Years	Might require additional budget allocation
	3) Ensure closer cooperation between relevant compliance and law enforcement bodies	Enforcement and compliance	SAPS, Judicial system, Municipalities	SAPS, Judicial system, Municipalities	2 Years	Existing resources
	4) Compliance of regulations with constitutional requirements (judicial authorities)	Enforcement and compliance	SAPS, Judicial system, Municipalities	SAPS, Judicial system, Municipalities	2 Years	Existing resources
	5) Improve capacity to ensure compliance to regulatory	Increase capacity to enforce compliance with regulatory compliance	Local governments	Provincial governments, SAPS	2 Years	Additional budget

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	requirements, i.e. compliance with bylaws, trade in illicit and counterfeit goods through the application of available legislative provisions.					
	6) All spheres of government to participate in/provide oversight on the development, planning, and enforcement of regulations to ensure coordination alignment and compliance	Improved coordinated planning amongst all spheres of government	All spheres of government	Communities	2 Years	Existing resources
6. Build and upgrade infrastructure that is appropriate for the townships and rural economies	1) Needs Assessment - through DDMs identify infrastructure needs – bottom-up approach.	Community needs and assets assessment to identify building and infrastructure gaps	Local government/DDM	National, provincial, and local governments as well as private sector	1 Year	Existing resources
	2) Collective Planning, alignment and monitoring of implementation	Establish a forum on infrastructure development consisting of all relevant public and private sector role players to develop strategies and implementation plan to provide required infrastructure. Strategic infrastructure development Create awareness of infrastructure opportunities	COGTA and SALGA	National, provincial, and local governments as well as private sector	2 Years	Existing resources
	3) Streamline rezoning of land and premises and allow for preferred zoning procedures and practices to facilitate ease of entry for MSMEs – in line with Competition Commission Retail	Review rezoning approvals and requirements	COGTA, SALGA	Provinces	2 years	Existing Resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	Market Inquiry Recommendations.					
	4) SEZs to offer differential opportunities for MSMEs to access infrastructure opportunities in SEZs especially for MSMEs in rural and township areas in the immediate vicinity of SEZs – Review of SEZ legislation opportunity to ensure the provision of access opportunities for small enterprises operating in townships and rural areas.	Review of SEZ legislation	DTIC and DSBD	Provinces	2 years	Existing resources
7. Coordinate across government to find suitable land & buildings for MSMEs	1) Develop clear legal frameworks and enforcement mechanisms on land allocation and tenure	Legal frameworks/regulations and land allocation and tenure	Provincial and Local Governments	COGTA, SALGA	2-3 Years	Existing resources
	2) Need to streamline rezoning of land and premises and allow for preferential zoning procedures and practices to facilitate ease of access for MSMEs – aligned with Competition Commission Market Inquiry Recommendation 2019	Regulations for rezoning, land, and premises	Provincial and Local Governments	COGTA, SALGA	2-3 years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	3) Address historical inequalities title deed backlogs and gender discrimination through streamlined policy and legislative reforms to enable marginalised entrepreneurs to operate legally, access finance and unlock property value for business development	Review of legislative impediments and development of a legislative framework to enable land ownership for entrepreneurs and small enterprises in townships and rural areas	COGTA and DSBD	Provincial and national departments	3 – 4 Years	Review and developed framework
	4) Incentives programmes to enable affordable EIA for small enterprises in townships and rural areas.	Incentive programmes	DSBD	Human settlements DPW DALRRD Municipalities Gov agencies	2 Years	Budget allocations
	5) Collective planning amongst three spheres of government in partnership with private sector.	Collective planning and partnerships	All spheres of government and private sector	Small enterprises	2 Years	Existing resources
	6) Review bylaws to ensure access to land and buildings for small enterprises operating in townships and rural areas	Review of bylaws	Local Government	SALGA, COGTA	2 Years	Existing resources
	7) SEZs adjacent to townships and rural areas to provide access opportunities to small enterprises operating these	SEZ legislation	DTIC	Local and provincial governments	2 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	townships and rural areas.					
8.Create enablers for townships and rural innovation through technology and infrastructure	1) Digital transformation and accessibility to networks by small enterprises in townships and rural areas should be prioritised.	Single data base	DSBD	SEDFA DSTI TIA Cogta Municipalities	2 years	Budget allocation – R8 Million
	2) Focus on building robust infrastructure, promoting affordability and increasing digital literacy.	Investments in digital infrastructure	Private sector	National and provincial governments	2 years	Partnerships
	3) Establish community Wi-Fi hotspots at community centres and public offices to provide access to internet	Digital infrastructure	Private sector	National and provincial governments	2 Years	Partnerships
	4) Encourage public and private sector collaboration and partnerships to drive inclusion and address affordability	Partnerships	Public and private sectors	Communities	2 – 3 Years	Investments
	5) Focus on equity to address the digital divide by ensuring access to individuals in townships and rural regardless of income have access to digital connectivity and services.	Partnerships	Public and private sectors	Communities	2 – 3 Years	Investments

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
9. Establish stronger market access and linkages within and between townships and rural areas, urban areas, and international markets	1) Development on an ESD policy to, amongst other, create business development and market opportunities for small enterprises operating in Townships and Rural areas.	Development of ESD Policy and amendment of B-BBEE legislation	DSBD, DTIC and B-BBEE Commission	SEDFA DTIC Chambers	2-3 Years	Existing resources
	2) Mainstreaming market access support programmes to report on access opportunities offered to small enterprises operating in townships and rural areas	Incorporate in APPs and reporting requirement	All spheres of government	Small enterprises	2 Years	Existing resources
	3) Implementation of the Competition Commission Grocery Retail enquiry recommendations to a) facilitate equitable lease opportunities to small enterprises in shopping malls in townships and rural areas; b) equitable trading terms by suppliers to enable fair buying power opportunities; c) interventions to enable equitable access to self-space; d) equitable access to self-space; e) interventions to enable competitiveness support for spaza shops and small retailers, i.e. buyer groups and customer and business information dissemination; e) removal of regulatory	Minimum requirements for establishment of shopping centres in townships and rural areas	COGTA, SALGA, Local Governments	Provincial Governments, Competition Commission	2 Years	Existing resources

Policy focus area	Specific interventions	Key activities	Lead Role Player	Support Role Players	Timeline	Resources Required
	obstacles to meet competitiveness challenges; and f) improve law enforcement.					

Annexure B: Definition for a small enterprise and criteria for the different size categories of small enterprises

Definition for a small enterprise as per Amendment Act 21 of 2024

A small enterprise is a separate and distinct business entity, together with its branches or subsidiaries, if any, including a co-operative, co-operative financial institution, or a co-operative bank, carried on in any sector or sub-sector of the economy classified as a micro, small or medium enterprise which satisfies the prescribed criteria as per the regulations.

As per Government Gazette 42304 dated 15 March 2019

Column 1	Column 2	Column 3	Column 4
Sectors or sub-sectors in accordance with the Standard Industrial Classification	Size or class of enterprise	Total full-time equivalent of paid	Total annual turnover
Agriculture	Medium	51- 250	≤ 35,0 million
	Small	11- 50	≤ 17,0 million
	Micro	0-10	≤ 7,0 million
Mining and Quarrying	Medium	51- 250	≤ 210,0 million
	Small	11- 50	≤ 50,0 million
	Micro	0-10	≤ 15,0 million
Manufacturing	Medium	51- 250	≤ 170,0 million
	Small	11- 50	≤ 50,0 million
	Micro	0-10	≤ 10,0 million
Electricity, Gas and Water	Medium	51- 250	≤ 180,0 million
	Small	11- 50	≤ 60,0 million
	Micro	0-10	≤ 10,0 million
Construction	Medium	51- 250	≤ 170,0 million
	Small	11- 50	≤ 75,0 million
	Micro	0-10	≤ 10,0 million
Retail, Trade and Repair services	Medium	51- 250	≤ 80,0 million
	Small	11- 50	≤ 25,0 million
	Micro	0-10	≤ 7,5 million
Wholesale	Medium	51- 250	≤ 220,0 million
	Small	11- 50	≤ 80,0 million
	Micro	0-10	≤ 20,0 million
Catering and Accommodation	Medium	51- 250	≤ 40,0 million
	Small	11- 50	≤ 15,0 million
	Micro	0-10	≤ 5,0 million
Transport, Storage and Communications	Medium	51- 250	≤ 140,0 million
	Small	11- 50	≤ 45,0 million
	Micro	0-10	≤ 7,5 million
Financial Intermediation	Medium	51- 250	≤ 85,0 million
	Small	11- 50	≤ 35,0 million
	Micro	0-10	≤ 7,5 million
Community, Social and Personal Services	Medium	51- 250	≤ 70,0 million
	Small	11- 50	≤ 22,0 million
	Micro	0-10	≤ 5,0 million

Annexure C: Constitutional Responsibilities and Legislative provisions for Small Enterprises

Department	Act	Context of legislation	Section
Dept. of Agriculture, Land Reform and Rural Development	• Marketing of Agricultural Products Act, 1996 (No. 47 of 1996)	• Supportive	• Constitution of Council. “The production and marketing of agricultural products by small-scale and previously disadvantaged farmers” • Control of exports of agricultural products. “Whether the exporters have facilitated or have demonstrated an intention to facilitate access to the market by small-scale farmers”.
	• Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1980 (No. 4 of 1980)	• Administrative	
	• Animal Improvement Act, 1998 (No. 62 of 1998)		
	• Agricultural Product Standards Act, 1990 (No. 119 of 1999)		
	• Animal Health Act, 2002 (No. 7 of 2002)	• Administrative	
	• Animal Identification Act, 2002 (No. 6 of 2002)	• Administrative	
		• Administrative	
		• Administrative	
		• Administrative	

Department of Communications and Digital Technologies	• Independent Communications Authority of South Africa • Film and Publication Board • South African Broadcasting Corporation • Media Development and Diversity Agency Act, 2002 (No. 14 of 2002)	• Administrative • Administrative • Administrative • Supportive	• Definition. “Small Commercial media means independent media enterprises or initiatives that are run for personal gain as micro, very small or small businesses as classified in the National Small Business Act, 1996 (No. 102 of 1996)”. • Section 3 (iii). “Encourage the channelling of resources to the community media and small commercial media sectors.”
Department of Trade, Industry and Competition	• Industrial Development Corporation Act, 2001 (No. 49 of 2001) • International Trade Administration Commission Act, 2002 (No. 71 of 2002) • Competition Act, 1998 (No. 89 of 1998) • Infrastructure Development Act, 2014 (No. 23 of 2014)	• Supportive • Enabler • Supportive	• Section 3 Objects of corporation. “To foster the development of small and medium enterprises and co-operatives”. • Part C, Exemptions from application of Chapter. “Promotion of the ability of small businesses, or firms controlled or owned by historically disadvantaged persons, to become competitive”.

		• Supportive	• Objects and implementation of Act. “generally, practices and procedures which seek to ensure that infrastructure development is not undertaken merely in a transactional manner, but in a manner which seeks to advance national development goals, including local industrialisation, skills development, job creation, youth employment, small business and co-operatives development, broad-based economic empowerment and regional economic integration”.
Department of Mineral and Petroleum Resources	• Petroleum Products Amendment Act, 2003 (No. 58 of 2003) • Gas Act, 2001 (No. 48 of 2001) • Gas Regulator Levies Act, 2002 (No. 75 of 2002) • Electricity Regulation Act, 2006 (No. 4 of 2006) • National Energy Regulator Act, 2004 (No. 40 of 2004) • Nuclear Energy Act, 1999 (No. 46 of 1999) • National Nuclear Regulatory Act, 1999 (No. 47 of 1999) • National Radioactive Waste Disposal Institute Act, 2008 (No. 53 of 2008)	• Supportive • Supportive • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative	• Schedule 1. • Objects of Act. “Promote companies in the gas industry that are owned or controlled by historically disadvantaged South African by means of licence conditions so as to enable them to become competitive”.

	• Non-Proliferation of Weapons of Mass Destruction Act, 1993 (No. 87 of 1993) • Public Health Hazardous Substances Act, 1973 (No. 15 of 1973)	• Administrative • Administrative	
Department of Mineral and Petroleum Resources	• Mineral and Petroleum Resources Development Amendment Act, 2008 (No. 49 of 2008)	• Supportive	• Section 2. (d) “Substantially and meaningfully expand opportunities for historically disadvantaged persons, including women and communities, to enter into and actively participate in the mineral and petroleum industries and to benefit from the exploitation of the nation’s mineral and petroleum resources; (e) promote economic growth and mineral and petroleum resources development in the Republic, particularly development of downstream industries through provision of feedstock, and development of mining and petroleum inputs industries”.
Department of Human Settlements	• Housing Act, 1997 (No. 107 of 1997)	• Supportive	• General Principles. “Encourage and support individuals and communities, including, but not limited to, co-operatives, associations and other bodies which are community based, in their efforts to fulfil their own housing needs by assisting them in accessing land, services and technical assistance in a way that leads to the transfer of skills to, and empowerment of, the community”. • Definitions. “Social housing means a rental or co-operative housing option for low to medium income households at a level of scale and built from which requires institutionalised management and which is provided by social

	• Social Housing Act, 2008 (No. 16 of 2008)		housing institutions or other delivery agents in approved projects in designated restructuring zones with the benefit of public funding as contemplated in this Act".
Department of Mineral and Petroleum Resources	• Mineral and Petroleum Resources Development Act, 2002 (No. 28 of 2002)	• Supportive	• Definitions. "Historically disadvantaged person means, (a) any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution took effect; (b) any association, a majority of whose members are persons contemplated in paragraph (a); (c) any juristic person other than an association, in which persons contemplated in paragraph (a) own and control a majority of the issued capital or members' interest and are able to control a majority of the members' votes".
Dept. of Agriculture, Land Reform and Rural Development	• Extension of Security of Tenure Act, 1997 (No. 62 of 1997) • Deeds Registries Amendment Act, 2013 (No. 34 of 2013) • Sectional Titles Amendment Act, 2013 (No. 33 of 2013) • Spatial Planning and Land Use Management Act, 2013 (No. 16 of 2013) • Upgrading of Land Tenure Rights Act, 1991 (No. 112 of 1991) • Restitution of Land Rights Amendment Act, 2003 (No. 48 of 2003) • Planning Profession Act, 2002 (No. 36 of 2002) • Communal Land Rights Act, 2004 (No. 11 of 2004)	• Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative	

	Transformation of Certain Rural Areas Act, 1998 (No. 94 of 1998)		
Department of Science and Innovation	Intellectual Property Rights from Publicly Financed Research and Development Act, 2008 (No. 51 of 2008)	Supportive	Objects of Act. "This Act furthermore seeks to ensure that, the people of the Republic, particularly small enterprises and BBBEE entities, have preferential access to opportunities arising from the production of knowledge from publicly financed research and development and the attendant intellectual property". Conditions for intellectual property transactions. "The recipient determines the nature and conditions of intellectual property transactions relating to any intellectual property held by it but must take into account the following; preference must be given to BBBEE entities and small enterprises".
Department of Small Business Development	- National Small Business Act, 1996 (No. 102 of 1996) - Co-operatives Act, 2005 (No. 14 of 2005)	- Supportive - Supportive	- All - All
Department of Communications and Digital Technologies	Electronic Communications Act, 2005 (No. 36 of 2005)	Supportive	Objects of Act. "Develop and promote SMME's and co-operatives". Ministerial Policies and Policy directions. "The Minister may make policies on matters of national policy applicable to the ICT sector, consistent with the objects of this Act and of the related legislation in relation to – mechanisms to promote the participation of SMME's in the ICT sector".

	• Independent Communications Authority of South Africa Act, 2000 (No. 13 of 2000) • Electronic Communications and Transaction Act, 2002 (No. 25 of 2002)	• Supportive • Supportive	• Functions of Authority and chairperson. “May make regulations on empowerment requirements in terms of Broad-Based Black economic Empowerment Act, 2003 (No. 53 of 2003) • Independent Communications Authority of South Africa Amendment Act, 2014 (No. 2 of 2014). “May make regulations on empowerment requirements to promote Broad-Based Black Economic Empowerment”. • Preamble. “To promote universal access to electronic communications and transactions and the use of electronic transactions by SMMEs”. • Objects of Act. “Promote SMMEs within the electronic transactions environment”. • Maximising benefits and Policy Framework – National e-Strategy. “Programmes and means to achieve national access, human resource development and development of SMMEs as provided for in this part”. • Maximising benefits and Policy Framework – SMMEs. “The Minister must, in consultation with the Minister of Trade and Industry, evaluate the adequacy of any existing processes, programmes and infrastructure providing for the utilisation by SMMEs of electronic transactions and, pursuant to such evaluation, may; (a) establish or facilitate the establishment of electronic communication centres for SMMEs; (b) facilitate the development of web sites or web site portals that will enable SMMEs to transact electronically and obtain information about markets, products and
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	Electronic Communications Act, 2005 (No. 36 of 2005)	Supportive	technical assistance; and (c) facilitate the provision of such professional and expert assistance and advice to SMMEs on ways to utilise electronic transacting efficiently for their development. Object of Act. “Develop and promote SMMEs and co-operatives”. Ministerial Policies and Policy directions. “Mechanisms to promote the participation of SMME’s in the ICT sector”.
Department of Tourism	Tourism Act, 2014 (No. 3 of 2014)	Administrative	
Department of Trade, Industry and Competition	- Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act, 2006 (No. 19 of 2006) - Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003)	- Administrative - Supportive	Definitions. “Facilitating ownership and management of enterprises and productive

	• Companies Act, 2008 (No. 71 of 2008) • Consumer Protection Act, 2008 (No. 68 of 2008) • Convention on Agency in the International Sale of Goods Act, 1986 (No. 4 of 1986) • Copyright Act, 1978 (No. 98 of 1978) • Counterfeit Goods Act, 1997 (No. 37 of 1997) • Designs Act, 1993 (No. 195 of 1993) • Export Credit and Foreign Investments Insurance Act, 2002 (No. 34 of 2002) • Housing Development Schemes For Retired Persons Act, 1988 (No. 65 of 1988) • Intellectual Property Laws Amendment Act, 2013 (No. 28 of 2013) • Legal Metrology Act, 2014 (No. 9 of 2014) • Manufacturing Development Act, 1993 (No. 187 of 1993)	• Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Supportive	assets by communities, workers, co-operatives and other collective enterprises”. • Implicates all levels of companies i.e. small, micro and medium to large enterprises. Provision to appoint inspectors to assist with enforcement of regulatory requirements.
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	• Measurement Units and Measurement Standards Act, 2006 (No. 18 of 2006) • Merchandise Marks Act, 1941 (No. 17 of 1941) as amended • National Building Regulations and Building Standards Act, 1977 (No. 103 of 1977) as amended. • National Credit Act, 2005 (No. 34 of 2005)	• Administrative • Supportive • Supportive • Administrative	• Abuse of trade mark in relation to event. “The Minister may not designate an event as a protected event unless the staging of the event is in the public interest and the Minister is satisfied that the organisers have created sufficient opportunities for small businesses and in particular those of the previously disadvantaged communities.
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	• Administrative • Administrative • Administrative • Administrative • Administrative • National Empowerment Fund Act, 1998 (No. 105 of 1998) • National Gambling Act, 2004 (No. 7 of 2004) • National Regulator for Compulsory Specifications Act, 2008 (No. 5 of 2008) • Non-Proliferation of Weapons of Mass Destruction Act, 1993 (No. 87 of 1993) • Supportive	• Development credit agreements. “The credit agreement is, (l) between a credit co-operative as credit provider, and a member of that credit co-operative as consumer, if profit is not the dominant purpose for entering into the agreement, and the principal debt under that agreement does not exceed the prescribed maximum amount”. • Development credit agreements. “The credit agreement is entered into for any of the following purposes, (aa) development of a small business”. • Development of accessible credit market. “Monitor the following matters and report to the Minister annually in respect of; access to consumer credit by small businesses or persons contemplated in paragraph (a) (i) to (iii)” • Preamble. “Must distribute wealth, boost the small and medium enterprise sector, have sustainable affirmative action implication and facilitate genuine Black Economic Empowerment”.
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	• Patents Act, 1978 (No. 57 of 1978) • Performer's Protection Act, 1967 (No. 11 of 1967) • Property Time-Sharing Control Act, 1983 (No. 75 of 1983) • Protection of Business Act, 1978 (No. 99 of 1978) as amended. • Protection of Investment Act, 2015 (No. 22 of 2015) • Rationalisation of Corporate Laws Act, 1996 (No. 45 of 1996)	• Administrative • Administrative • Administrative	• National Treatment. "Subsection (1) must not be interpreted in a manner that will require the Republic to extend to foreign investors and their
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	• Registration of Copyright in Cinematograph Films Act, 1977 (No. 62 of 1977) • Share Blocks Control Act, 1980 (No. 59 of 1980) • Space Affairs Act, 1993 (No. 84 of 1993) • Special Economic Zones Act, 2014 (No. 16 of 2014)	• Administrative • Supportive	investments the benefit of any treatment, preference or privilege resulting from; any special advantages accorded in the Republic by development finance institutions established for the purpose of development assistance or the development of small and medium businesses or new industries”.
	• Standards Act, 2008 (No. 8 of 2008) • Sugar Act, 1978 (No. 9 of 1978) • Trade Marks Act, 1993 (No. 194 of 1993) • Trade Metrology Act, 1973 (No. 77 of 1973) • Unauthorized Use of Emblems Act, 1961 (No. 37 of 1961)	• Administrative • Administrative • Administrative • Administrative • Administrative	• Purpose of Special Economic Zones. “Creating decent work and other economic and social

			benefits in the region in which it is located, including the broadening of economic participation by promoting small, micro and medium enterprises and co-operatives and promoting skills and technology transfer”
Department of Transport	1. Aviation • Carriage by Air Act, 1946 (No. 17 of 1946) • Aviation Act, 1962 (No. 74 of 1962) • Air Services Licensing Act, 1990 (No. 115 of 1990) • Airports Company Act, 1993 (No. 44 of 1993) • Air Traffic and Navigation Services Company Act, 1993 (No. 45 of 1993) • International Air Services Act, 1993 (No. 60 of 1993) • South African Civil Aviation Authority Levies Act, 1998 (No. 41 of 1998) • South African Airways Unallocatable Debt Act, 2000 (No. 7 of 2000)	• Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Administrative	

	• South African Maritime and Aeronautical Search and Rescue Act, 2000 (No. 44 of 2002) • Convention on International Interests in Mobile Equipment Act, 2007 (No. 4 of 2007) • Civil Aviation Act, 2009 (No. 13 of 2009) 2. Motor Vehicles • Road Transportation Act, 1977 (No. 74 of 1977) • Urban Transport Act, 1977 (No. 78 of 1977) • Road Traffic Act, 1989 (No. 29 of 1989) • Financial Supervision of the Road Accident Fund Act, 1993 (No. 8 of 1993) • Road Accident Fund Act, 1996 (No. 56 of 1996) • National Road Traffic Act, 1996 (No. 93 of 1996) • Cross Border Road Transport Act, 1998 (No. 4 of 1998)	• Administrative • Administrative • Administrative • Administrative • Administrative	• Scope and Functions of Board. “The provision of training, capacity building and the promotion of entrepreneurship generally and, in particular, in respect of small, medium and micro-enterprises with and interest in cross-border transport”. • Facilitatory functions of Board. “The Board may assess the capacity and training needs to the small business undertakings engaged in cross-border road transport and encourage development in this regard, if necessary”.
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	• Transport Appeal Tribunal Act, 1998 (No. 39 of 1998) • National Land Transport Interim Arrangements Act, 1998 (No. 45 of 1998) • Administrative Adjudication of Road Traffic Offences Act, 1998 (No. 46 of 1998) • Road Traffic Laws Rationalisation Act, 1998 (No. 47 of 1998) • Road Accident Fund Commission Act, 1998 (No. 71 of 1998) • Road Traffic Management Corporation Act, 1999 (No. 20 of 1999) • National Land Transport Transition Act, 2000 (No. 22 of 2000) • National Land Transport Act, 2009 (No. 5 of 2009)	• Administrative • Administrative • Administrative • Administrative • Administrative • Administrative • Supportive • Administrative • Administrative	• Subsidised service contracts. “To promote the economic empowerment of small business, or of persons disadvantaged by unfair discrimination”. • Benefits of registration. “Only registered or provisionally registered associations, members and non-members may receive financial assistance from any organ of state in any sphere of government or from any transport authority or core city, for the purpose of establishing or operating a co-operative for minibuss taxi operators. • Negotiated contracts. “Promoting the economic empowerment of small business or of persons previously disadvantaged by unfair discrimination”.
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	3. Railways and Harbours • Legal Succession to the South African Transport Services Act, 1989 (No. 9 of 1989) • National Railway Safety Regulator Act, 2002 (No. 16 of 2002) • National Ports Act, 2005 (No. 12 of 2005) 4. Roads • Advertising on Roads and Ribbon Development Act, 1940 (No. 21 of 1940) • National Roads Act, 1972 (No. 54 of 1972) • National Road Safety Act, 1972 (No. 9 of 1972) • South African National Roads Agency Limited and National Roads, 1998 (No. 7 of 1998)	• Administrative • Administrative • Administrative • Administrative • Supportive • Supportive	• Functions of Board. “Ensures that small and medium sized enterprises owned by historically disadvantaged groups have an equitable opportunity to participate in the operations of facilities in the ports environment”. • Complaint against Authority. “A complaint against the Authority may be based on any ground provided for by the Regulator by direction under section 30 (3) or on the ground that small and medium sized enterprises owned by historically disadvantaged groups do not have an equitable opportunity to participate in the operation of facilities in the ports environment”.
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	5. Shipping • Merchant Shipping Act, 1951 (No. 57 of 1951) • Marine Traffic Act, 1981 (No. 2 of 1981) • Carriage of Goods by Sea Act, 1986 (No. 1 of 1986) • Marine Pollution (Prevention of Pollution from Ships), 1986 (No. 2 of 1986) • Shipping and Civil Aviation Laws Rationalisation Act, 1994 (No. 28 of 1994) • Wreck and Salvage Act, 1996 (No. 94 of 1996) • South African Maritime Safety Act, 1998 (No. 5 of 1998) • South African Maritime Safety Authority Levies Act, 1998 (No. 6 of 1998) • Ship Registration Act, 1998 (No. 58 of 1998) • Sea Transport Documents Act, 2000 (No. 65 of 2000)	• Administrative • Administrative • Supportive • Administrative • Administrative • Administrative	
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Department of Water and Sanitation	• Water Services Act, 1997 (No. 108 of 1998) • National Water Act, 1998 (No. 36 of 1998)	• Administrative • Administrative	

Department of Co-operative Governance and Traditional Affairs	- Traditional Leadership and Governance Framework, 2003 (No. 41 of 2003) - Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998) - National House of Traditional Leaders, 2009 (No. 22 of 2009)	- Administrative - Administrative - Administrative	
South African Revenue Services	Small Business Tax Amnesty and Amendment of Taxation Laws, 2006 (No. 9 of 2006)	Supportive	All

Annexure D: Existing Financial support programmes for small enterprises in townships and rural areas

Introduction and Background

In recent years, South Africa has put more emphasis in supporting MSMEs to drive economic growth and enhance MSMEs inclusive participation to the entire economy. However, there are challenges experienced by the MSMEs in the ground level, such as access to finance, market, product standards, logistics, access to space and exposure to foreign competition. To address these challenges, there is need to boost funding for the MSMEs to grow and compete. Access to finance for MSMEs has been a challenge due to lack of synchronisation of funding programmes for the MSMEs, hence the report aims to outline the funding programmes particularly for MSMEs operating in townships and rural areas in South Africa.

This report outlines financial financiers for the MSMEs in South Africa operating in various sectors. The first part of the report covers outlines the national sphere of financial offerings designed to assist the growth and development of the MSMEs. The second part of the report covers the financial offerings that are provided by the implementing agencies, and the last section talks to the provincial financial offerings by government departments and economic agencies to jerk up the local business in their provinces.

Section 1 National Departments

1. National Department MSMEs financial offerings

1.1. Department of Small Business Development

1.1.1 Informal and Micro Enterprise Development Programme (IMEDP)

The Informal and Micro Enterprise Development Programme (IMEDP) offers a 100% grant to informal enterprises operating in townships and rural areas. The focus is mainly on designated groups i.e. Women, Youth and Persons with Disabilities. Qualifying entrepreneurs are equipped with basic business management training, followed by a grant to the value of R10 000 for acquisition of equipment and tools.

1.1.2 Business Viability Programme (BVP)

The Department of Small Business Development is implementing the Business Viability Programme to assist small enterprises experiencing business distress. The primary purpose of the Programme is to support MSMEs including co-operatives, to overcome both financial and non-financial constraints. The Programme is targeting MSMEs experiencing business challenges

with a view to assist them to achieve operational efficiencies, restore profit margins and contribute meaningfully to economic transformation as well as job creation. This is a Blended Finance which is a combination of a grant and a loan. The grant is up to a maximum of 30% of the total funding requirement dependent on the development impact calculated through the scorecard. Initial payment moratorium of up to maximum of 12 months depending on the business cashflows. Maximum funding accessible per entity is R15 million.

1.1.3 Co-operative Incentive Scheme (CIS)

The Co-Operative Development Support Programme (CDSP) is a programme of the Department of Small Business Development with an objective to support co-operative enterprises financially and non-financially in partnership with other key strategic stakeholders. The CDSP programme offers blended financing to eligible co-operatives on a cost-sharing funding of a combination of a grant and loan. The grant funding portion of funding is capped at R2.5 million towards qualifying activities. The grant support is available for machinery, equipment, infrastructure, commercial vehicles and business development support necessary to grow co-operative enterprises to ensure that the co-operative enterprise develop to be more sustainable and competitive.

1.1.4 Small Enterprise Manufacturing Support Programme

The purpose of the Small Enterprise Manufacturing Support Programme is to build a manufacturing sector for an improved industrial base (productive economy) through a focused import replacement programme; and build the industrial base for both the domestic market and external market (in particular, the African Union market).

1.1.5 The Township and Rural Entrepreneurship Programme (TREP)

This is a dedicated programme to transform and integrate opportunities in townships and rural areas into productive business ventures. The focus is to create platforms that provide the business support infrastructure and regulatory environment that enables entrepreneurs to thrive. The target **beneficiaries are township and rural-based enterprises** which are owned by entrepreneurs who are based in the townships or rural areas.

1.1.6 The Youth Challenge Fund (YCF)

YCF is a blended finance programme aimed at supporting young entrepreneurs in starting and growing their businesses. The initiative is designed to address the high unemployment rates among South African youth by providing them with access to finance, mentorship, and training.

Key features of the YCF program include:

- a) **Access to Finance:** The program offers financial support in the form of loans and grants to young entrepreneurs who may struggle to obtain funding from the conventional lenders.
- b) **Business Development Support:** In addition to financial assistance, the programme also provides training and mentorship to help youth develop their business skills,

manage their operations effectively, and navigate the complexities of entrepreneurship.

- c) **Target Audience:** The YCF is specifically geared towards individuals aged 18 to 35, recognising this age group's potential for innovation and contribution to the economy.
- d) **Focus on Job Creation:** By empowering young entrepreneurs to establish their businesses, the initiative aims to create jobs and stimulate economic growth.
- e) **Collaboration and Partnerships:** SEDFA collaborates with several stakeholders, including government entities, non-profits, and private sector partners, including international donors, to enhance the programme's reach and impact.

1.2 Department of Trade, Industry and Competition (the dtic)

The dtic administers several incentive schemes and cash grants to help entrepreneurs start and grow their own business, i.e. at least 32 incentives covering the following areas, enterprise development, Innovation, manufacturing investment, manufacturing and commercial vehicles/automotive, services investment and infrastructure investments. The following provides a brief summary of these incentives.

Enterprise Development Incentives

1.2.1 Black Business Supplier Development Programme (BBSDP)

To fast-track existing Small, Medium and Micro Enterprises (MSMES) that exhibit good potential for growth into the mainstream economy; To grow black-owned enterprises by fostering linkages between black MSMES and corporate and public sector enterprises; to complement current affirmative procurement and outsourcing initiatives of corporate and public sector enterprises; and to enhance the capacity of grant recipient enterprises to successfully compete for corporate and public sector tenders and outsourcing opportunities.

1.2.2 Incubation Support Programme (ISP)

The ISP is a support measure to encourage partnerships between small and big business; with big business assisting small, medium and micro enterprises (MSMES) with skills transfer, enterprise development, supplier development and marketing opportunities. The grant is a cost-sharing scheme between Government and eligible applicants to a maximum of R 10 million per financial year over three years. Qualifying applicants include private-sector companies, registered higher or further education institutions, and licensed or registered science councils.

1.2.3 Seda Technology Programme (STP)

This incentive support Technology and market validation, process/product development, small scale manufacturing, market entry and market development.

1.2.4 Support Programme for Industrial Innovation (SPII)

This programme was designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes. SPII is focussed specifically on the development phase, which begins at the

conclusion of basic research and ends at the point when a pre-production prototype has been produced.

1.2.5 The Downstream Steel Industry Competitiveness Fund

The fund was established to provide targeted assistance to qualifying enterprises in the downstream steel sectors, aimed at improving competitiveness in the face of serious structural problems within the sector. The assistance is in the form of an interest subsidy that offers discounts to qualifying clients. This scheme targeted at the start ups and expansions.

1.2.6 Isivande Women's Fund

The Fund is managed by the Industrial Development Corporation (IDC) on behalf of the **dtic** through a development fund manager. IDF Managers is an SME financier aimed at supporting the creation of self-sustaining black and women owned businesses in South Africa by providing primarily financial and non-financial support to investee companies.

1.2.7 Strategic Partnership Program (SPP) (business grants)

This programme, together with the Enterprise Investment program, replaced the Incubator Support Programme. The objective of this Programme is to encourage large private sector enterprises in partnership with government to support, nurture and develop SMEs within the partner's supply chain or sector to be manufacturers of goods and suppliers of services in a sustainable manner. The programme is intended to support Broad-Based Black Economic Empowerment (BBBEE) policy through encouraging businesses to strengthen the element of Enterprise and Supplier Development (ESD) of the Codes of Good Practice. The supported strategic partners are expected to develop and support programmes/interventions aimed at enhancing the manufacturing and services supply capacity of suppliers with linkages to strategic partner's supply chains, industries or sectors. The programme offers a cost-sharing grant to a maximum of R15 million towards the total qualifying costs, based on the number of suppliers to be supported. The grant support is available for machinery and equipment, infrastructure, commercial vehicles and business development services necessary to grow enterprises to ensure that within a period of three (3) years, the SME's will have developed to be self-sustainable by providing locally manufactured products and/or services relevant to the sector.

1.2.8 Small Enterprise Manufacturing Programme (SEMP)

The aim of the programme is to build a manufacturing sector for an improved industrial base (productive economy) through a focused import replacement programme, build the industrial base for both the domestic market and external market (in particular, the African Union market), contribute to South Africa's localization strategy by supporting manufacturing enterprises. Funding 50 000 up to a maximum of R15 million per small enterprise.

Innovation Incentives

1.2.9 Technology and Human resources for industry programme (THRIP)

The THRIP is intended to leverage collaborative partnerships between government and industry (working with academia) for research and development in science, engineering and technology on a cost-sharing basis, to produce highly skilled human resources and technology solutions for improved industry competitiveness.

Objectives

The objective of the programme is to increase the number of people with the appropriate skills in the development and management of applied, research-based technology for industry.

This will be achieved through:

- a) Improved knowledge exchange and technology transfer through increased interaction and mobility among researchers in higher education institutions (HEIs) and science, engineering and technology institutions (SETIs) as well as technology personnel in industry; an increase in investment by industry and government in research and technology; and Technology transfer and product or process improvement or development, through research collaboration between enterprises (large and small), HEIs and SETIs.

Benefits

The THRIP is a cost-sharing grant of up to R8 million for a maximum period of three years for approved projects engaged in applied research and development in science, engineering and technology. Additional special inclusions in a grant may be funding for Technology Innovation Promotion through the Transfer of People (TIPTOP) and for the cost of legal advice on the development of intellectual property rights (IPR) agreements.

Eligibility criteria

- a) The applicant must be a registered legal entity in South Africa.
- b) The project must have a partnership, with at least one partner being a South African research institution, which includes HEIs, SETIs and national research facilities.
- c) The duration of the partnership must be equal to or more than the period of the THRIP project.
- d) The project must include at least four registered South African students at fourth year level in the SET fields, who will be involved and trained throughout the research conducted.
- e) The project must be focused on applied research in the fields of science, technology or engineering, the outputs of which could make a significant contribution to improving the industry partner's competitiveness.
- f) The project intention should be to innovate.
- g) The project must have clearly defined scientific and technology outputs.

1.2.10 Support Programme for Industrial Innovation (SPII)

The SPII is designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes. The SPII focuses specifically on the development phase, which begins at the conclusion of basic research and ends at production of a pre-production prototype.

The SPII offers two schemes:

1.2.11 SPII Product Process Development (PPD) Scheme

- a) Provides financial assistance to small and micro enterprises in the form of a non-repayable grant.
- b) A percentage of 'qualifying' costs are incurred in the pre-competitive development activities associated with a specific project.
- c) The scheme limit is a maximum grant of R2 million.
- d) The scheme incurs 50% of the qualifying costs where the applicant has 25% or less black economic empowerment (BEE) ownership; 75% of qualifying costs where the applicant has between 25% and 50% BEE ownership or more than 50% shareholding by women or persons with disabilities; and 85% of qualifying costs where the applicant has more than 50% BEE ownership.

1.2.12 SPII Matching Scheme

- a) Provides financial assistance to all enterprises in the form of a nonrepayable grant.
- b) The scheme has a maximum grant limit of R5 million.
- c) If the applicant has less than 25% BEE ownership, 50% of qualifying costs are incurred by the scheme; between 25 and 50% BEE ownership, 65% of qualifying costs are incurred; and above 50% BEE ownership or more than 50% shareholding by women or persons with disabilities, 75% of qualifying costs are incurred.
- d) Financial assistance under the Matching Scheme is provided to large companies on a 50% matching basis.

Criteria for SPII support

- a) Development should represent a significant advance in technology.
- b) Development and subsequent production must take place within South Africa.
- c) Intellectual property to reside in a South-African-registered company.
- d) Participating businesses must be South-African-registered enterprises.
- e) Government-funded institutions (e.g. the CSIR) do not directly qualify for support but may
- f) participate as subcontractor(s).
- g) No simultaneous applications are allowed from the same company.

Qualifying costs

- a) Personnel related
- b) Travel expenses (defined maximum)
- c) Direct material
- d) Capital items and tooling
- e) Software (not general software)
- f) Documentation
- g) Testing and trials
- h) Licensing
- i) Quality assurance and certification

- j) Patent
- k) Subcontracting and consulting

Non-qualifying projects/costs

- a) Projects receiving other government funding
- b) Military projects
- c) Where SPII contribution is not significant (at least 20% of total project costs)
- d) Production and commercialisation related
- e) Marketing and administrative costs
- f) Product/process development for a single client
- g) Basic and applied research
- h) Projects that at the time of application are more than 50% (70% for PPD) complete
- i) All costs incurred prior to submitting a duly completed application

Manufacturing Investment Incentives

1.2.13 Automotive Investment Scheme (AIS)

The AIS is an incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

Objectives

- a) Strengthen and diversify the sector through investment in a new and/or replacement
- b) models and components.
- c) Increase plant production volumes.
- d) Sustain employment and/or strengthen the automotive value chain.

Benefits

The AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets by original equipment manufacturers (OEMs), and 25% of the value of qualifying investment in productive assets by component manufacturers and tooling companies, as approved by **the dtic**.

Eligible enterprises

1.2.14 Light motor vehicle manufacturers/OEMs

New OEM applicants must achieve a minimum production volume of 50 000 units per annum per plant. This should be achieved within 24 months after the anticipated start of production date and be maintained throughout the claim cycle. A special dispensation on volumes may be considered for new OEMs entering South Africa.

Existing OEM applicants must achieve a minimum production volume of 50 000 units per annum per plant to qualify for a grant offering of 20% of the qualifying investment. This should be achieved within 24 months after the anticipated start of production date and be maintained

throughout the claim cycle. Failure to maintain the annual production threshold of 50 000 units per annum per plant will result in a reduction of the base grant of the qualifying investment.

Component manufacturers or deemed component manufacturers

Component manufacturers or deemed component manufacturers must have:

- a) Been awarded a contract and/or received a letter of intent for the manufacture of components to supply directly into the OEMs supply chain locally and/or internationally; and
- b) A local/international OEM supply chain turnover of at least 25% of total entity turnover or R10 million by the project in OEM supply chain invoicing per annum.

Competitiveness improvement costs for component manufacturers, deemed component manufacturers and tooling companies

- a) The objective of this benefit is to improve the competitiveness of component manufacturers by facilitating improvements in processes, products, quality standards and related skills development through the use of business development services.
- b) The grant will be limited to the competitiveness improvement costs incurred during the first two years after the start of production, with a total grant amount of R1 million per entity per two-year cycle.
- c) The number of competitiveness improvement applications will be limited to two applications per two-year cycle.

1.2.15 People-Carrier Automotive Investment Scheme

The P-AIS is a sub-component of the AIS and provides a non-taxable cash grant of between 20% and 35% of the value of qualifying investment in productive assets approved by **the dtic**.

Qualifying projects will be evaluated on the following economic benefit requirements:

- a) Tooling
- b) Research and development (R&D) in South Africa
- c) Employment creation/retention
- d) Strengthening the automotive supply value chain
- e) Empowerment

The approved P-AIS grant is to be disbursed over a period of three years, and, in all cases, grant payment is subject to an evaluation by the dtic to determine whether the project achieved the stipulated performance requirements.

Objectives

The P-AIS is designed to stimulate a growth path for the people-carrier-vehicle industry through investment in new and/or replacement models and components that will result in new jobs or the retention of employment and/or strengthen the automotive vehicle value chain.

Benefits

Complete-Knocked-Down (CKD) vehicle assembler

- a) CKD investments that started production from 1 January 2012 to 31 March 2015 may qualify for a grant of 25% of the qualifying investment costs.
- b) CKD investments with a start production from 1 April 2015 onwards may qualify for a grant of 20%.
- c) For an additional 5%, the project must demonstrate that the investment will result in the maintenance of base-year employment levels throughout the incentive and model phase-out periods.
- d) For a second additional 5% bonus grant (cumulative 10%), the project must meet the set economic benefit criteria.

Component manufacturers

- a) Component manufacturers may qualify for a grant of 25% of the qualifying
- b) investment costs.
- c) For an additional 5%, the project must demonstrate that the investment will result in the maintenance of base-year employment levels throughout the incentive period and achieve at least two of the set economic benefit criteria.
- d) For a second additional 5% (cumulative 10%) P-AIS grant, the project must meet the set economic benefit criteria.

Eligible enterprises**Complete Knocked Down (CKD) vehicle assemblers**

- a) People carriers for the transport of between 10 and 35 people, including the driver, with a vehicle mass exceeding 2 000kg.
- b) Floor panels, body sides or roof panels are not permanently attached to each other; the engine and transmission assemblies, axles, radiators, suspension components, steering mechanisms, braking or electrical equipment or instrumentation are not fitted to such floor pans or chassis frames; the bodies/cabs are not fitted to floor pans or chassis frames.

Component manufacturers

- a) A component manufacturer that can prove that a contract is in place or has been awarded or a letter of intent has been received for the manufacture of components to supply the medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally
- b) A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10 million annually by the end of the first full year of commercial production, as part of the automotive (medium and heavy commercial vehicle) manufacturer supply chain locally and/or internationally.

Medium And Heavy Commercial Vehicles Automotive**1.2.16 Investment Scheme (MHCV-AIS)**

the dtic has initiated the Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS), a sub-component of the AIS. This incentive aims to foster the growth and development of the automotive sector through investment in new and/or replacement models

and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

The MHCV-AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets by medium and heavy commercial vehicle manufactures, and 25% of the value of qualifying investment in productive assets by component manufactures and tooling companies for MHCVs, as approved by the dtic.

Mandatory conditions

- a) The applicant must be a registered legal entity in South Africa in terms of the Companies Act, No. 71 of 2008 (as amended); Companies Act, 1973 (as amended); or the Close Corporations Act, 1984 (as amended), and must undertake manufacturing in South Africa.
- b) The applicant must be a taxpayer in good standing and must provide a valid tax pin number before the grant is disbursed.
- c) The grant will only be applicable to investment in assets that will be used in the entity's South African operations.
- d) The applicant must submit a business plan with a detailed marketing and sales plan, a production plan, budget, and projected financial income statement, cash flow statement and balance sheet, for a period of at least three years for the project.
- e) The applicant must, in addition to the information supplied in paragraph 5.10, submit an applicable B-BBEE certificate or sworn affidavit, ITAC registration certificate (excluding component/tooling manufacturers), projected financial income statement, cash flow statement and balance sheet for a period of at least three years of the relevant division, cost centre or branch where the project is located, if applicable.
- f) Completed applications should reach the offices of the dtic no later than:
 - i) 120 days prior to the start of production for medium and heavy commercial vehicle manufacturers; and
 - ii) 90 days prior to commencement of production for component manufacturers, deemed component manufacturers and/or tooling companies.

Eligibility criteria

Truck manufacturers

- a) An existing or new manufacturer of medium and heavy motor vehicles (trucks) has to comply with the extent of assembly (i.e. CKD. definition as specified in Note 5 to Chapter 98.)
- b) The engine and transmission, axles, radiators, suspension components, steering mechanisms, braking or electrical equipment and instrumentation may be imported into South Africa, but have to be fitted to the floor pan or chassis frame of the truck within South Africa.
- c) The body or cab has to be fitted to the floor pan or chassis frame within South Africa.
- d) Bus chassis manufacturers
- e) The chassis, engine and transmission assemblies must comply with the CKD definition of Note 5, as stipulated in Chapter 98 of the Customs and Excise Act, 1964.
- f) Projects will be required to comply with the amended CKD definition as specified.

- g) Projects that do not comply with the revised definition will not be supported under the MHCv-AIS guidelines.

Component manufacturers, deemed component manufacturers, tooling companies, and bus and truck body manufacturers

- a) A component manufacturer that can prove a contract is in place and/or has been awarded and/or a letter of intent has been received for the manufacture of components to supply into the medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally.
- b) A component manufacturer that can prove that after this investment it will achieve at least 25% of total entity turnover or R10 million annually by the end of the first full year of commercial production, as part of a medium and heavy commercial vehicle manufacturer supply chain locally and/or internationally.
- c) In the case of bus body manufacturers, where the contract is awarded by the entity to the original equipment manufacturer (OEM) to supply the chassis (for example, if the bid to supply busses was awarded to the body manufacturer), proof must be provided that the bid has been awarded and a contract has been entered into with the OEM for the supply of the chassis to the body manufacturing entity.

1.2.17 The Black Industrialists Scheme (BIS)

The purpose of the Black Industrialists (BI) policy is to leverage the state's capacity to unlock the industrial potential that exists within black-owned and managed businesses that operate within the South African economy through deliberate, targeted and well-defined financial and non-financial interventions.

Objectives

Accelerate the quantitative and qualitative increase and participation of black industrialists in the national economy, selected industrial sectors and value chains, as reflected by their contribution to growth, investment, exports and employment. **Create** multiple and diverse pathways and instruments for black industrialists to enter strategic and targeted industrial sectors and value chains.

In short, the broader objective aims to promote industrialisation, sustainable economic growth and transformation through the support of black-owned entities in the manufacturing sector and related services linked to the manufacturing value chain.

Focus areas

The programme focuses on the following productive sectors:

- a) Blue/ocean economy, including vessel building and repair
- b) Oil and gas
- c) Clean technology and energy
- d) Mineral beneficiation
- e) Aerospace, rail and automotive components

- f) Industrial infrastructure
- g) Information communication technologies
- h) Agro-processing
- i) Clothing, textiles/leather and footwear
- j) Pulp, paper and furniture
- k) Chemicals, pharmaceuticals and plastics
- l) Nuclear
- m) Manufacturing-related logistics
- n) Designated sectors for localisation

Benefits

The BIS offers approved entities a cost-sharing grant ranging from 30% to 50%, to a maximum of R50 million. The size of the grant will depend on the level of black ownership and control, the economic benefit of the project and the project value.

The BIS offers support on a cost-sharing basis towards:

- a) Capital investment costs
- b) Feasibility studies towards a bankable business plan (to a maximum of 3% of projected investment costs)
- c) Post-investment support (maximum of R500 000)
- d) Business development services (maximum of R2 million)

1.2.18 Agro-Processing Support Scheme (APSS)

Objectives

The APSS aims to stimulate investment by the South African agro processing/beneficiation (agri-business) enterprises. The investment should demonstrate that it will achieve some of the following:

- a) Increased capacity
- b) Employment creation
- c) Modernised machinery and equipment
- b) Competitiveness and productivity improvement
- e) Broadening participation

The APSS will target five key sub-sectors:

- a) Food and beverage value addition and processing
- b) Furniture manufacturing
- c) Fibre processing
- d) Feed production
- e) Fertilizer production

Benefits

The scheme offers a 20% to 30% cost-sharing grant to a maximum of R20 million over a two-year investment period, with a last claim to be submitted within six months of the final approved milestone.

- a) the dtic may consider an additional 10% grant for projects that meet all economic benefit criteria such as employment, transformation, geographic spread and local procurement.
- b) The maximum approved grant may be utilised on a combination of investment costs provided the applicant illustrates a sound business case for the proposed investment activities.

Eligibility criteria

- a) An applicant must submit a completed application form and business plan with detailed agro-processing beneficiation activities, budget plans and projected income statement and balance sheet for a period of at least three years for the project. The project/business must exhibit economic merit in terms of sustainability.
- b) The application must be submitted within the designated application window period, prior to the start of processing/beneficiation or undertaking of activities applied for. Any assets bought and taken into commercial use, or competitiveness improvement costs incurred before applying for the incentive will be considered as non-qualifying.
- b) Existing entities must submit latest financial statements, reviewed by an independent external auditor or accredited person and not older than 18 months.
- a) The approved entity may not reduce its employment levels from the average employment levels for a 12-month period prior to the date of application, and these employment levels should be maintained for the duration of the incentive period/agreement.

Minimum qualifying investment size, including competitiveness improvement cost, will be at least R1 million.

Aquaculture Development

1.2.19 Enhancement Programme (ADEP)

The ADEP is an incentive programme available to South-African-registered entities engaged in primary, secondary and ancillary aquaculture activities in both marine and freshwater classified under SIC 132 (fish hatcheries and fish farms) and SIC 301 and 3012 (production, processing and preserving of aquaculture fish). The grant is provided directly to approved applications for new projects or the upgrading of existing projects.

The programme offers a reimbursable cost-sharing grant of up to a maximum of

R20 million qualifying costs in machinery, equipment, bulk infrastructure, owned land and/or buildings, leasehold improvements, and competitiveness improvement activities as outlined in section 8 of the ADEP guidelines.

Objectives

The objective of the incentive is to stimulate investment by commercially viable enterprises in the aquaculture sector. The secondary objectives are to:

- a) Create and/or sustain jobs;

- b) Broaden participation;
- c) Increase production; and
- d) Geographical spread

Benefits

ADEP's contribution is up to 50% (capped at R20 million) of qualifying costs for new, upgrading or expanding projects in the following:

- a) Machinery, equipment and tools
- b) Bulk infrastructure (only in water and electrical infrastructure)
- c) Owned land (only applicable to small black enterprises)
- d) Buildings (ponds, cages, tanks, etc.)
- e) Leasehold improvements, capitalised in the balance sheet, where lease agreement is at least 10 years
- f) Rental costs, (only for small black enterprises), capped at R20 000 per month and claimable at stage two only
- g) Aquaculture feed, up to a maximum of 10% of total costs, (capped at 20% for small black enterprises)
- h) Commercial vehicles or work boats (owned or capitalised financial lease), not to exceed 50% of total qualifying costs
- i) Competitiveness improvement activities (e.g. skills development) up to R500 000
- j) Environmental impact assessments (EIA) and permit authorisation costs (only for small black enterprises)
- k) Mentorship (only for small enterprises), up to R200 per hour, eight hours per day capped at R200 000 per approved project or application

Eligible enterprises

Primary aquaculture operations

- a) Hatchery facilities and operations (e.g. broodstock, seed, spat, fry, fingerling, etc.);
- b) Nursery facilities and operations;
- c) Grow-out facilities and operations [e.g. rafts, net closures, net pens, cages, tanks raceways and ponds; Recirculating Aquaculture System (RAS), ranching, etc.]

Secondary aquaculture operations

- a) Primary processing: post-harvest handling, gutting, packing, quick freezing
- b) Secondary processing: filleting, portioning, packaging, setting up trader, and distribution networks
- c) Tertiary processing or value adding, i.e. curing, brining, smoking, further value adding such as terrines, roulades, pates, paters
- d) Waste stream

Ancillary aquaculture operations

Aquaculture feed manufacturing operations

Small black enterprises

ADEP's definition of small black enterprises:

- a) 100% black-owned
- b) Exercises operational and management control over the business
- c) Makes a long-term commitment to the business and is a medium- to long-term
- d) investor
- e) Investment of less than R5m

The dtic may consider an additional 5% grant for small black-owned enterprises that achieve a score of eight, and other enterprises that achieve a score of 10 in the economic benefit criteria outlined in Section 7 of the ADEP Guidelines.

1.2.20 Manufacturing Competitiveness Enhancement Programme (MCEP) Loan Facility

The MCEP is designed to make existing South African manufacturing companies more competitive. The programme provides working capital loans to qualifying companies. Plant and equipment loans are also provided to manufacturing companies that are owned by black industrialists. Both the working capital loan and plant and equipment loan are priced at a preferential rate fixed of 4% per annum.

Qualifying criteria for a working capital loan

- a) The facility is available for working capital
- b) It is not applicable to start-ups
- c) Capped at R50 million per annum
- d) Only applicable to manufacturers under Standard Industry Classification Code 3
- e) The maximum repayment term is 48 months (including moratorium)
- f) The first drawdown must be within six months of the date of approval
- g) The applicant may not cut jobs during the term of the facility
- h) The applicant should be at B-BBEE level 4 – if not, this status should be achieved
- b) within 24 months of approval of the loan
- a) Fees are not applicable

Qualifying criteria for plant and equipment loan

- a) Only available for black industrialists
- b) Start-up businesses may apply
- c) The maximum term for plant and equipment loans is 84 months (including
- b) moratorium)
- a) Maximum loan amount of R50 million per qualifying applicant
- b) Pre- and post-business-development sector support will be capped at R3 million
- c) per application
- a) Applicants must meet the dtic's definition of black industrialist

The Industrial Development Corporation (IDC) administers the programme.

1.2.21 Clothing and Textile Competitiveness Improvement Programme (CTCIP)

The CTCIP aims to build capacity among clothing and textile manufacturers and in other areas of the apparel value chain in South Africa to enable them to effectively supply their customers and compete on a global scale. Such competitiveness encompasses issues of cost, quality, flexibility, reliability, adaptability and the capacity to innovate.

Objectives

The main objective of the CTCIP is to create a group of globally competitive clothing and textile companies, thus ensuring a sustainable environment that will retain and grow employment.

The IDC administers the programme.

1.2.22 Strategic Partnership Programme (SPP)

The SPP provides cost-sharing grants to develop and support programmes/ interventions aimed at enhancing the manufacturing and service capacity of SMME suppliers with linkages to strategic partner supply chains, industries or sectors.

Objectives

The objective of the SPP is to encourage large private-sector enterprises in partnership with government to support, nurture and develop small and medium enterprises within the partner's supply chain or sector to be manufacturers of goods and suppliers of services in a sustainable manner.

Qualifying costs

The following costs are eligible for support:

- a) Machinery, equipment and tools
- b) Infrastructure linked to the strategic partner's supplier development initiative
- b) (owned/leased buildings, leased improvements)
- a) Product or service development
- b) Information and communication technology
- c) Operational costs
- d) Business development services

Grant support

The grant approval is capped at a maximum of R15 million (VAT inclusive) per financial year over a three-year period towards qualifying costs, based on the number of qualifying suppliers, and is subject to the availability of funds. The SPP offers a cost-sharing support of 50:50 towards manufacturing projects and 70:30 for projects that support manufacturing-supply-chain-related services and deemed strategic by the dtic.

Eligibility criteria

- a) A South African registered legal entity in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); the Close Corporation Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended).
- b) An entity with a minimum turnover of R100 million per annum for at least two consecutive years at application stage, confirmed by the latest available audited financial statements.
- c) An association with five or more registered legal entities.
- d) An association that can organise itself for this purpose and must in this regard provide a letter(s) of commitment from manufacturer(s) that control(s) and/or has a direct influence in the market/manufacturing value chain to be developed.

1.2.23 Export Marketing and Investment Assistance (EMIA)

In order to grow export markets, the EMIA individual exporter incentives provide cost reimbursable grants to individual exporters in order to grow export markets for South African products and services.

Objectives

- a) Provide export event marketing assistance to develop new and grow existing export markets.
- b) Assist with the identification of new export markets through international exhibitions and market research.
- b) • Assist companies to increase their competitiveness by supporting patent registrations, quality marks and product marks.
- a) Assist with facilitation to grow foreign direct investment (FDI) through missions and FDI research.
- b) Increase the contribution of black-owned businesses and small, medium and micro enterprises (SMMEs) to South Africa's economy.

Benefits

- a) Capped costs for individual exhibition participation.
 - i) Transport of samples
 - ii) Rental of exhibition space
 - iii) Construction of stands
 - iv) Interpretation fees
 - v) Internet connection
 - vi) Telephone installation
 - vii) Subsistence allowance per day
 - viii) Return economy-class airfare
 - ix) Exhibition stand fees

b) Capped Primary market research and FDI

Exporters will be compensated for the following capped costs incurred while recruiting new FDI into South Africa through personal contact in foreign countries:

- i) Return economy-class airfare
- ii) Subsistence allowance per day
- iii) Transport of samples
- iv) Marketing material
- v) 50% of patent registration costs

c) Capped individual inward missions

- i) Assistance is provided to South African entities organising an inward buying investor, to
- ii) make contact with them to conclude an exporter's order or to attract FDI.
- iii) Return economy-class airfare
- iv) Subsistence allowance per day
- v) Rental of vehicle

Eligible enterprises

- a) South African individual exporters
- b) South African export trading houses representing at least three SMMEs or
- b) businesses owned by historically disadvantaged individuals (HDIs)
- a) South African commission agents representing at least three SMMEs/HDI owned
- c) businesses
- a) South African exports councils, industry associations and joint action groups
- d) (JAGs) representing at least five South African entities.

1.2.24 Sector-Specific Assistance Scheme (SSAS)

The SSAS is an upfront and reimbursable cost-sharing incentive, which grants financial support to registered sector coordinators that are recognised by the dtic, supporting the development of industry sectors and contributing to the growth of South African exports. The incentive is also available for international exhibition support.

Objectives

- a) Developing an industry sector as a whole
- b) Developing new export markets
- c) Stimulating job creation
- d) Broadening the export base
- e) Developing and implementing sector-wide solutions to factors inhibiting export
- b) growth
- a) Promoting broader participation of black-owned companies and SMMEs to the
- c) economy

Nature of SSAS projects

- a) A project is a task with a predetermined outcome, a defined or short-term
- b) Timeframe and measurable milestones.
- c) The project must be developmental or promotional in nature.
- d) The project should benefit the sector as a whole in terms of the SSAS objectives.

Note: Any research/studies undertaken or databases obtained will become the property of the dtic.

Benefits of sector-specific project funding

Funding in sectors and sub-sectors of industry prioritised by the dtic.

- a) Sector-specific export development and promotional costs
- b) Sector-focused export product and service development costs
- c) Sector-specific projects that enhance export capabilities

Nature of SSAS exhibition projects

International exhibitions arranged by the dtic recognised sector coordinators on behalf of groups of qualifying emerging exporters of between 10 and 20 exporters per event.

Benefits of exhibition funding for emerging exporters

- a) Compensation of costs in respect of activities aimed at the development of
- b) South African emerging exporters, for travel and accommodation, transport of samples and marketing materials, exhibition costs, subsistence allowance, specialised training (product development, project management, etc.).
- b) Maximum funding allocation per exhibition project is R1.9 million

Eligible coordinator

- a) Export councils established through application to the dtic (an export council is a
- b) Section 21 non-profit company that represents the developmental and promotional
- c) objectives of a particular industry on a national level)
- d) Industry associations, which are representative of sectors or sub-sectors of industry prioritised for development and promotion by the dtic, as determined by the relevant customised sector desk and export promotion unit
- e) JAGs that are groups of three or more entities that seek to cooperate on a project in a particular sector or sub-sector in industry prioritised for development and promotion by the dtic, provincial investment and economic development agencies, Business chambers Small Enterprise Development Agency (seda now SEDFA), Local municipalities or Metropolitan councils

1.2.25 Capital Projects Feasibility Programme (CPFP)

The CPFP is a reimbursable cost-sharing grant that contributes to the cost of feasibility studies likely to lead to projects that will increase local exports and stimulate the market for South African capital goods and services.

Objectives

The primary objective of the programme is to facilitate bankable feasibility studies (BFS) that are likely to lead to high-impact projects that will stimulate value-adding economic activities in South

Africa, through the export of capital goods and services that align with the country's industrial policy.

Secondary objectives include:

- a) attracting high levels of domestic and foreign investments through capital projects;
- b) strengthening international competitiveness of South African capital goods sector and allied industries;
- c) creating sustainable jobs in South Africa;
- d) creating a long-term demand for South African capital goods and services;
- e) stimulating project development in Africa and in particular the Southern African Development Community (SADC) countries as well as support for the objectives of the New Partnership for Africa's Development (Nepad); and
- f) stimulating upstream and downstream linkages with SMMEs and BEE companies.

Benefits

The grant is capped at R8 million for qualifying capital project BFS internationally, and domestically for manufacturing projects not exceeding 50% of the qualifying cost of the BFS project.

For projects in the rest of Africa, it is capped at 55% of the qualifying cost.

Eligibility criteria

South-African-registered legal entities are eligible for the CPFP. A foreign entity will only be considered if it partners with a South-African-registered entity and the application is submitted by the South African entity.

BFS projects that fulfil the following non-financial criteria are eligible:

- a) New projects and expansions or rehabilitation of existing projects domestically or
- b) internationally
- c) Achieve minimum South African local content of 50% for capital goods and 70% for
- d) professional services
- e) Satisfy all the mandatory qualifying criteria such as B-BBEE and TCC compliance
- f) Demonstrate the ability and credentials to complete the BFS successfully
- g) Clarity of the BFS project scope and work schedule
- h) Entities with applications for the BFS in South Africa must be engaged in the manufacturing sector (SIC3)

Additional evaluation criteria that could be considered as motivational factors include the following:

- a) The project would have a positive impact on other developmental aspects, including job creation, skills development, linkages with SMMEs etc.
- b) A minimum of 10% of the total professional services involved during the feasibility study should be sub-contracted to South African black-owned professionals/entities.

- c) A clear, detailed time period within which the project emanating from the feasibility study will be realised.
- d) Buy-in and other sources of funding from private and public sector organisation(s) to realise the project.

Services Investment Incentives

1.2.26 Global Business (GBS)

South Africa provides a robust enabling environment for potential investors, as well as a deeper domain skills advantage, a young and empathetic workforce, significant cost savings and world-class infrastructure for those who set up their operations in the country. The GBS incentive programme was designed to ensure that South Africa offers a globally competitive business case to investors. The GBS incentive programme was implemented from 1 January 2019 to attract investment and create employment opportunities, predominantly for youth in the country, through offshoring activities.

Objectives

The primary objective of the incentive is to create employment in South Africa through offshore activities.

The secondary objectives of the programme are to:

- a) create employment opportunities for the youth (age 18-34 years); and
- b) contribute to the country's export revenue from offshoring services.

Eligibility criteria

- a) The applicant must:
- b) be a registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008, the Close Corporations Act, 1984 (as amended) or the Co-operatives Act, 2005 (as amended);
- c) be a taxpayer in good standing and must in this regard provide a valid tax clearance certificate;
- d) be B-BBEE compliant in terms of the B-BBEE Codes of Good Practice, 2013 and submit a valid B-BBEE certificate of compliance or affidavit;
- e) pay a minimum wage of R5 000 per month, or in the case of inclusively hired resources pay a minimum wage of R4 000 per month for the first 12 months of employment; and
- f) be involved in starting a new operation or expanding an existing operation in order to perform GBS activities and which may be operated from more than one physical location in South Africa.

The new project or expansion of an existing project must:

- a) have created at least 50 new offshore jobs in South Africa by the end of the three years from the start of operation, as defined by these guidelines;
- b) be financially viable;

- c) commence operations no later than six months from the date of the GBS incentive grant approval;
- d) in a joint venture arrangement, at least one of the parties must be registered in South Africa as a legal entity; and
- e) a pilot project must result in investment and the creation of jobs within the six-month trial period.

Benefits

- a) The base incentive is calculated on projected offshore jobs to be created, based on a tapering scale and is awarded on actual offshore jobs created as per the definition of full-time equivalents.
- b) The base incentive offers a differential (three-tier structure) incentive for noncomplex, complex and highly complex jobs based on a fully loaded operating cost per job.
- c) The base incentive is paid for a period of five years (60 months) from the date on which an offshore job is created.
- d) The base incentive will be determined at application stage, depending on the fully loaded operating costs.
- e) The bonus incentive is to be paid only at the end of year five, when the applicant becomes eligible for it.
- f) The bonus incentive for non-complex jobs is only available to applicants that create and maintain more than 500 offshore jobs over a five-year period.
- g) The bonus incentive for complex jobs is only available to applicants that create and maintain more than 200 offshore jobs.
- h) The bonus incentive for highly complex jobs is only available to applicants that create and maintain more than 100 offshore jobs.

Non-eligible applicants

An applicant will not qualify if it is:

- a) Expected to displace existing jobs within South Africa, for example, by way of relocating an existing facility in full or part within South Africa; and/or
- b) • Entitled to concurrent incentive benefits under the BPS incentive, Black Business Supplier Development Programme (BBSDP) or the Jobs Fund.

1.2.27 South African Emerging Black Filmmakers Incentive

Objectives

The objectives of the South African Emerging Black Filmmakers Incentive, subprogramme of the South African Film and Television Production and Co-Production Incentive, is to nurture and capacitate emerging black filmmakers to take up big productions and contribute towards employment opportunities.

Benefits

- a) A rebate of 50% on the Qualifying South African Production Expenditure (QSAPE).

- b) The costs for the purchase of key production equipment may qualify once-off under this incentive programme to a maximum cost-sharing incentive of R2 million.

Eligible projects

- a) The QSAPE must be a minimum of R500 000 for all qualifying production formats and a minimum of R500 000 for documentaries.
- b) At least 14 calendar days and 80% of the principal photography must be filmed in South Africa.
- c) The QSAPE must account for at least 75% of the total production budget.
- d) The majority of intellectual property must be owned by South African citizens.
- e) The copyright must be registered with the Companies and intellectual Property Commission (CIPC) and the certificate of registration must be provided at claim stage.
- f) Both the director and the producer must be black South African citizens who will be credited for their roles.
- g) The top writer and producer credits must include South African citizens, either exclusive or shared collaboration credits.
- h) The majority of the five highest-paid performers must be South African citizens.
- i) The majority (51%) of heads of departments (HODs) and key personnel must be black South African citizens.
- j) The holding company must have been in existence, operational and involved in the film industry for at least six months, with at least a 10-minute trailblazer or short film produced.
- k) Both the holding company and SPCV must achieve at least a level two B-BBEE contributor status respectively, in terms of the B-BBEE Codes of Good Practice.

1.2.28 Foreign Film and Television Production and Post-Production

Objectives

To encourage and attract large-budget films and television productions and postproduction work that will contribute towards employment creation, enhancement of international profile, and increase the country's creative and technical skills base.

Benefits

- a) The Foreign Film and Television Production and Post-Production Incentive provides an incentive of 25% of the QSAPE.
- b) An additional incentive of 5% of QSAPE is provided for productions conducting post-production in South Africa and utilising the services of a black-owned service company.
- c) The Foreign Film and Television Production and Post-Production Incentive provides an incentive of 20% of the Qualifying South African Post-Production Expenditure (QSAPPE) of at least R1.5 million.
- d) An additional incentive of 2.5% of QSAPPE is provided for spending at least R10 million of the post-production budget in South Africa; or an additional incentive of 5% of QSAPPE is provided for spending at least R15 million of the post-production budget in South Africa.
- e) The incentive programme offers a reimbursable grant to the maximum of R50 million per qualifying project.

Production Benefits

- a) Incentive is calculated at 25% of QSAPE.
- b) An additional incentive of 5% of QSAPE is provided for productions shooting and conducting post-production in South Africa and utilising the services of a black-owned service company.

Post-Production Benefits

- a) Conducting post-production in South Africa, the incentive is calculated at 20% of
- b) QSAPPE;
- c) An additional incentive of 2.5% of QSAPPE is for spending at least R10 million of the
- d) post-production budget in South Africa.
- e) For post-production with QSAPPE of R15 million and above, the incentive is calculated
- f) at 25% of QSAPPE.
- g) The incentive programme offers a reimbursable grant to the maximum of R50 million
- h) per qualifying project.

Eligible projects

The Foreign Film and Television Production and Post-Production Incentive is available to foreign-owned and South African qualifying post-production companies that meet the following criteria:

- a) At least 21 calendar days and 50% of principal photography must be filmed in
- b) South Africa.
 - i. Must have a minimum of R15 million for all qualifying production formats.
 - ii. Must have a minimum of R12 million for level one (1) B-BBEE contributor status
- c) service companies.
 - i. The QSAPPE must be at least R1.5 million for all qualifying post-production
 - ii. activities.

1.2.29 SA Film and Tv Production and Co-Production

Objectives

The South African Film and Television Co-Production Incentive, which is a subprogramme of the South African Film and Television Production Incentive Programme, aims to support official co-productions and contribute towards employment opportunities in South Africa.

Benefits

- a) The rebate is calculated at 35% of QSAPE.
- b) An additional 5% of QSAPE is provided for productions hiring at least 20% black South African citizens as HODs and procuring at least 30% of the QSAPE from 51% South African black-owned entities, which have been operating for at least a period of one year.
- c) The incentive programme offers a reimbursable grant to the maximum of R50 million per qualifying project.

Eligible projects

- a) Must have a minimum QSAPE of R2.5 million for all qualifying production formats and a minimum of R500 000 for documentaries.
- b) Must submit a copy of the advance ruling at application stage and a copy of the final ruling at claim stage.
 - i) At least 14 calendar days and 50% of principal photography must be filmed in South Africa.
 - ii) The director must be a South African citizen, unless the production requires the inclusion of an individual not covered by this clause, in which case approval may be given at the provisional approval stage.
 - iii) The writer and producer credits must include South African citizens, unless the production requires the inclusion of an individual not covered by this clause, in which case approval may be given at provisional approval stage (either exclusive or shared collaboration credits).
 - iv) At least two highest-paid performers must be South African citizens, unless the production requires the inclusion of an individual who is not a South African citizen, in which case approval must be requested at application stage.
 - v) The majority of the film's HODs and key personnel must be South African citizens, unless the production requires the inclusion of an individual who is not a South African citizen, in which case approval must be requested at application stage.
 - vi) The holding company and SPCV must achieve at least a level three and level four B-BBEE contributor status respectively in terms of the B-BBEE Codes of Good Practice.

1.2.30 SA Film and TV Production Incentive

Objectives

To support the local film industry and contribute towards employment opportunities in South Africa.

Benefits:

- a) The incentive is calculated at 35% of QSAPE.
- b) An additional 5% of QSAPE is provided for productions hiring at least 30% of black South African citizens as HODs and procuring at least 30% QSAPE from 51% South African black-owned entities that have been operating for at least a period of one year, with a cap of R50 million per project.

Eligibility criteria:

- a) Productions must have a minimum QSAPE of R1.5 million for all qualifying production formats and a minimum of R500 000 for documentaries.
- b) At least 14 calendar days and 60% of principal photography must be filmed in South Africa. This requirement may be waived for productions with a minimum QSAPE of R50 million.
- c) A minimum of 75% of the total production budget (TPE) must be QSAPE.
- d) The majority of intellectual property must be owned by South African citizen(s) and the copyright must be registered with the CIPC.
- e) The director must be a South African citizen, and credited for this role.

- f) The top writer and producer credits must include South African citizens, with either exclusive or shared collaboration credits.
- g) The majority of the five highest-paid performers must be South African citizens.
- h) The majority of HODs and key personnel must be South African citizens, with at least 20% of the HODs on core production functions being black South African citizens.
- i) Must have secured a minimum of 25% of the total budget.
- j) The holding company and SPCV must achieve at least a level three and level four B-BBEE contributor status respectively, in terms of the B-BBEE Codes of Good Practice.

General conditions for all programmes

- a) The applicant must procure a minimum of 20% of qualifying goods and services from
- b) entities that are 51% black-owned by South African citizens and have been operating
- c) for at least one year.
- a. The applicant must complete and submit an application no earlier than 45 calendar
- d) days prior to the commencement of principal photography.
- a. The applicant must demonstrate adherence to the industry-specific code of
- e) professional standards that includes sexual harassment and health and safety
- f) protocols.

Infrastructure Investment Incentives

1.2.31 Special Economic Zone (SEZ) Programme

SEZs are geographically designated areas of a country set aside for specifically targeted economic activities and supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.

The purpose of the SEZ programme is to:

- a) expand the strategic industrialisation focus to cover diverse regional development needs and context;
- b) provide a clear, predictable and systematic planning framework for the development of a wider array of SEZs to support industrial policy objectives, the Reimagined Industrial Strategy and the New Growth Path;
- c) clarify and strengthen governance arrangements, and expand the range and quality of support measures beyond provision of infrastructure; and
- d) provide a predictable financing framework to enable long-term planning. SEZs have been identified as key contributors to economic development. They are the growth engines towards government's strategic objectives of industrialisation, regional development and employment creation. SEZs may be sector-specific or multi-product, and the following categories have been defined as per the SEZ Act No. 16 of 2014:

Definitions:

Industrial Development Zone means a purpose-built industrial estate that leverages domestic and foreign fixed direct investment in value-added and export-oriented manufacturing industries and services.

Free Port means a duty-free area adjacent to a port of entry where imported goods may be unloaded for value-adding activities within the SEZ for storage, repackaging or processing, subject to customs import procedures.

Free Trade Zone means a duty-free area offering storage and distribution facilities for value-adding activities within the SEZ for subsequent export.

Sector Development Zone means a zone focused on the development of a specific sector or industry through the facilitation of general or specific industrial infrastructure, incentives, technical and business services primarily for the export market.

Benefits of operating within an SEZ

A number of incentives will be available to ensure SEZ growth, revenue generation, creation of jobs, attraction of FDI and international competitiveness.

These SEZ incentives include:

a) Preferential 15% corporate tax

Businesses (prescribed in section 24(4) of the SEZ Act) that are located in a SEZ may be eligible for tax relief, including the reduced rate of corporate income taxation. In addition to satisfying the requirements of the SEZ Act, further criteria for some of the available tax incentives are stipulated in the Income Tax Act, 1962 (Act No. 58 of 1962).

b) Building allowance

Businesses and operators (prescribed in section 1 of the SEZ Act) operating within a SEZ may be eligible for tax relief, including a building allowance, subject to requirements contained in the Income Tax Act.

c) Employment incentive

Businesses and operators operating within a SEZ may be eligible for tax relief, including the employment tax incentive, subject to requirements contained in the Employment Tax Incentive Act, 2013 (Act No. 26 of 2013).

d) Customs-controlled area

Businesses and operators located within a customs-controlled area of a SEZ will be eligible for tax relief as per the Value-Added Tax Act, 1991 (Act No. 89 of 1991), the Customs and Excise Act, 1964 (Act No. 91 of 1964), the Customs Duty Act, 2014 (Act No. 30 of 2014) and the Customs Control Act, 2014 (Act No.31 of 2014).

1.2.32 Critical Infrastructure Programme (CIP)

The CIP aims to enhance investment by supporting critical infrastructure and thus lowering the costs of investment. It is made available to approved eligible enterprises upon the completion of the project concerned. Infrastructure for which funds are required is deemed to be 'critical' if the investment would not take place without the said infrastructure or the said investment would not operate optimally.

Objectives

The programme is primarily designed to leverage private investment, but will also promote certain public-sector investments that create an enabling environment that leads to private investments.

Benefits

- a) The CIP offers a grant of 10% to 30% of the total qualifying infrastructural development costs, up to a maximum of R50 million, based on the achieved score in the economic benefit criteria.
- b) Agro-processing applicants and state-owned aerospace and defence national strategic testing facilities: The CIP will offer a grant of 10% to 50% of the total infrastructural development costs, up to a maximum of R50 million.
- c) Projects that alleviate water and/or electricity dependency on the national grid: The CIP will offer a grant of 10% to 50%, up to a maximum of R50 million.
- d) Distressed municipalities and state-owned industrial parks: The CIP offers a maximum grant of up to 100%, capped at R50 million for infrastructural development. Applicants are encouraged to make a contribution according to affordability.

Eligible enterprises

- a) The applicant must be a registered legal entity in South Africa.
- b) The project must be at least a level four B-BBEE contributor in terms of the Codes of Good Practice for B-BBEE. This requirement takes into account the exemptions in terms of Qualifying Small Enterprises (QSEs) as set out in terms of the Codes of Good Practice.
- c) For FDI (i.e. foreign investors incorporated in South Africa), where it can be proven that such a foreign investor does not enter into any partnership arrangements in foreign countries, the Codes of Good Practice make provision for the recognition of contributions in lieu of a direct sale of equity.
- d) For all projects, a grace period of 15 months after date of submission of the application is given to be able to comply. In all cases, a B-BBEE certificate should be submitted at claims stage.
- e) The envisaged investment projects that may qualify for benefits under any investment incentive schemes offered by **the dtic** are eligible to apply for the CIP, provided such application is not for the same infrastructure activity items proposed by the project.
- f) Projects that have applied for the Shared Economic Infrastructure Facility (SEIF) will not be funded or co-funded for the same infrastructure activity under CIP.

1.3 Department of Transport*1.3.1 Taxi Recapitalisation Programme*

The fund was established under the department of transport to transform the taxi industry by paying taxi owners for scrapping their old taxis.

1.3.2 Taxi Relief Fund

The fund was allocated to struggling taxi operators as a relief during the Covid 19 Period and over R1 billion has been availed for the taxi industry to stay on the roads beyond the Covid-19 pandemic.

1.4 Department of agriculture, Land Reform and Rural Development*1.4.1 Comprehensive Agricultural Support Programme Grant*

This is a programme aimed at expanding the provision of agricultural support services and promoting and facilitating agricultural development by targeting subsistence, smallholding and black commercial farmers from a previously disadvantaged background.

1.4.2 Ilima/Letsema Projects Grant

This programme aimed at reducing poverty through increased food production initiatives by funding smallholder farmers; funding land and agrarian reform beneficiaries; farm workers; self-help groups (SHGs)/cooperatives; small agribusinesses; farmers on communal land in transition stage; from subsistence to smallholder; women and youth.

Land and Agricultural Development Bank of South Africa

1.4.3 Blended Finance Scheme (BFS):

BFS is a blended finance programme, established in partnership with the Department of Agriculture, Land Reform and Rural Development (DALRRD) to commercialise development farmers with the objective to facilitate meaningful participation of black producers and majority black owned enterprises owning and controlling the agricultural value chains. The targeted producers at land bank are; Small, medium and large scale producers in primary agriculture and agro-processing subsectors.

1.4.4 Agro Energy Fund (AEF)

The AEF is a blended finance programme, established in partnership with the Department of Agriculture, Land Reform and Rural Development (DALRRD) to provide funding support for the acquisition of alternative energy assets to alleviate the impact of loadshedding on farming operations and the agricultural sector. The fund will focus on financing energy intensive agricultural activities which include irrigation, intensive agricultural production systems and on-farm cold chain related activities. The targeted producers at land bank are; mega commercial producers; large scale producers; medium scale producers; and smallholder producers.

1.4.5 AGRIBEE

[The AgriBEE Fund](#) supports black-owned agricultural enterprises to promote transformation in the sector. Under the fund, all businesses related to agriculture, whether it's a [farm or agro-processing business](#), are covered. The fund is under the management of the Department of Agriculture, Forestry and Fisheries. Grants are available from R 1 000 000 (with 10% applicant contribution) to R 5 000 000 (with 20% applicant contribution).

1.5 Department of Employment and Labour

Innovation Fund

The National Pathway Management Network (NPMN) Innovation Fund (The Fund) is a grant initiative led by the National Department of Employment and Labour, under the auspices of the Presidential Youth Employment Intervention and administered by the IDC. This Fund seeks to

identify and support innovative solutions to barriers faced by young people in meaningfully participating in the labour market and the wider economy. The Fund seeks to support innovative initiatives focused on resolving barriers related to the 3 key focus areas of the NPMN i.e., stimulating and aggregating demand, driving systems change to address barriers and linking young people to opportunities. This Fund will prioritise initiatives that unlock new earning opportunities for young people.

1.6 National Treasury

1.6.1 The Neighbourhood Development Partnership Grant (NDPG)

The primary focus of the NDPG is to stimulate and accelerate investment in poor, underserved residential neighbourhoods by providing technical assistance and capital grant financing for municipal projects that have either a distinct private sector element or an intention to achieve this. Key to the programme is the principle of contribution and ownership. The programme recognizes and strives to ensure local buy-in and contribution (which could be in the form of financial or “sweat equity”) of local communities, MSMES and other local role players.

1.7 Department of Tourism

1.7.1 Green Tourism Incentive Programme (GTIP) (business grants)

The Green Tourism Incentive Programme (GTIP) is a resource efficiency incentive programme managed by the Industrial Development Corporation (IDC) on behalf of the Department of Tourism. The grant aims to encourage and assist privately-owned tourism enterprises to adopt responsible tourism practices through installing solutions for the sustainable management and usage of electricity and water resources.

The GTIP offers the following benefits to qualifying tourism enterprises:

- a) The full cost for a new resource efficiency audit or the full cost for reviewing an existing resource efficiency audit;
- b) Grant funding to qualifying MSMES on a sliding scale from 50% to 90% of the total cost of implementing resource efficiency interventions, capped at R1 million; and
- c) Qualifying enterprises may implement projects in phases to effectively manage their cash flow over a two-year project implementation period.

1.7.2 Tourism Relief Fund

Once-off capped grant assistance to Small Micro and Medium Sized Enterprises (MSMES) in the tourism sector to mitigate the impact of COVID-19 in order to ensure their sustainability. Capped at R50 000 per entity, grant funding can be utilised to subsidise expenses towards fixed costs, operational costs, supplies and other pressure cost items. The applications will be processed weekly, subject to availability of funds, while observing equitable spatial distribution in terms of provinces. Categories eligible to apply for the Tourism Relief Fund include the following:

Accommodation establishments: Hotels, Lodges, Bed and Breakfast (B&B's), Guest Houses and Backpackers. Hospitality and related services: Restaurants (not attached to hotels); Conference venues (not attached to hotels); Professional catering; and Attractions. Travel and related services: Tour operators; Travel agents; Tourist guiding; Car rental companies; and Coach Operators.

1.7.3 Tourism Transformation Fund (TTF)

Administered by the NEF on behalf of the Department of Tourism, the Tourism Transformation Fund (TTF) is a dedicated capital investment funding mechanism that focuses on financial support for black entrepreneurs for projects in the tourism sector. The Fund aims to drive transformation in the tourism sector in a more direct and impactful manner that will not only assist black-owned tourism enterprises to expand and grow, but to also catalyse the growth of a new generation of black owned youth, women, and community owned tourism enterprises to take the tourism sector to new heights.

1.7.4 The Tourism Equity Fund (TEF)

TEF plays a crucial role in addressing inequality in tourism entrepreneurship and fostering a more diverse and resilient tourism economy in South Africa. The programme is designed to promote transformation and inclusivity within the tourism sector. The fund targets small and medium-sized enterprises (SMEs) that are historically disadvantaged, providing them with financial support to enhance their capacity and competitiveness in the tourism sector.

Key aspects of the Tourism Equity Fund include:

- a) **Financial Support:** The TEF offers financial assistance to qualifying businesses, enabling them to invest in areas such as infrastructure, marketing, and other operational costs.
- b) **Promotion of Inclusivity:** The fund is aimed at empowering previously disadvantaged individuals and communities by providing them opportunities to participate in the tourism industry.
- c) **Capacity Building:** Apart from financial aid, the fund also supports businesses with training and development initiatives to improve their operations and service delivery.
- d) **Economic Development:** By supporting tourism SMEs, the fund contributes to broader economic growth, job creation, and sustainable development within the sector.

1.8 Department of Environmental Affairs

1.8.1 Recycling Enterprise Support Programme (RESP) (business grants)

Promoted through Department of Environmental Affairs aims to drive entrepreneurship and job creation by ensuring the economic benefits emanating from waste are fully exploited by promoting waste minimisation, re-use, recycling and recovery of waste. The grant provides up to R5m for new entrants and emerging enterprises in the recycling economy (HDIs). Fund support is for waste management related machinery and equipment, infrastructure (with the exclusion of

land purchase), commercial vehicles, overheads (including salaries) and business development services necessary to grow the enterprise to ensure that within a period of 2 (two) years.

Section 2. Financial Agencies

2. Financial Agencies MSMEs financial offerings

2.1 Industrial Development Corporation (IDC)

The IDC offers a range of financial products for small businesses, including commercial loans, equity, quasi-equity, bridging finance, shareware housing, guarantees, suspensive sales, wholesale finance, export finance, import finance, support programmes for industrial innovation.

2.1.1 Gro-e-Youth Scheme

Offered through the Industrial Development Corporation (IDC), the Scheme provides financial and non-financial support to youth enterprises that actively contribute towards job creation and growing South Africa's economy. The grant offers qualifying individuals and/or businesses a minimum of R1 million with a maximum of R50 million per project, with loans at an interest rate of up to prime minus 3%. Start-up and expansion businesses with more than 25% ownership by individuals under the age of 36 may apply for the grant. Sectors that the Grant assists in include the green industry, mining value chain, media and motion pictures, strategic high-impact projects, as well as tourism and high-level services.

2.2 Small Enterprise Development and Finance Agency (SEDA)

SEFA was established because of the merger of South African Micro Apex Fund, Khula Enterprise Finance Ltd and the small business activities of IDC. Objectives are to develop sustainable enterprises through the provision of finance in the form of loans. Through its wholesale lending, SEFA provides facilities (debt/equity) to intermediaries, joint venture and partnerships (specialised funds). The target market is survivalists, micro, small and medium businesses including cooperatives (MSMES) falling in the following funding gap: Survivalists and microenterprises - loans between R500 and R50 000. Small enterprises – loans between R50 000 and R1 million. The mandate of SEFA is to foster the establishment, survival and growth of MSMES and contribute towards poverty alleviation and job creation. SEFA has a regional footprint of 9 offices around the country. Government is helping small businesses deal with income losses incurred due to loadshedding. SEFA introduced the Energy Bounce Back Loan Guarantee Scheme (EBB) that will facilitate loans to Small and Medium Enterprises (SMEs) for investments related to rooftop solar generated energy.

Since October 2024, following the promulgation and proclamation of the National Small Enterprise Amendment Act, Amendment Act 21 of 2024, the Small Enterprise Development Agency (SEDA), sefa and the Co-operatives Bank Development Agency (CBDA) has been incorporated into a single entity called the Small Enterprise Development and Finance Agency.

2.2.1 Amavulandlela Funding Scheme (business grants)

The scheme offers an opportunity for individuals with disabilities to enter the mainstream economy and build qualifying entrepreneurial enterprises. The grant provides credit facilities that range from a minimum of R50 000 to a maximum of R15-million. Those who can apply for the grant

include small and medium-sized enterprises, close corporations and companies, and cooperatives with at least 50+ 1% ownership by entrepreneurs with verified disabilities. Non-financial support offered by the scheme includes mentoring, technical assistance, sourcing, and negotiating with suitable suppliers.

2.2.2 Youth Challenge Fund

Is a youth start-up support programme intended to stimulate the establishment and growth of youth-owned businesses, promote digital skills, grow the economy, and foster job creation. The programme seeks to provide financial and non-financial support. The YCF supports youth start-ups to promote technology and innovation enabling these businesses to acquire digital skills. The fund will support the product development and scaling of youth-led SMEs with an innovative digital product or service that demonstrates a competitive advantage, initial traction and has the potential to scale, and support the product development and scaling of youth-led SMEs with an identified market, a clear focused value proposition, initial market traction and a credible owner or team. The start-up maximum per enterprise is R2 million and the growth maximum per enterprise is R15 million, with a growth blended finance structure of 20% grant / 80% loan.

2.2.3 National Youth Development Agency

This grant programme targets youth entrepreneurs who have the potential to grow their businesses. The grant is divided into non-financial and financial business assistance, which ranges from R1 000 to R100 000.

2.2.4 The Spaza Shops Support Programme (SSSP)

SSSP is aimed at supporting and empowering the local spaza shops, which are informal retailers that play a crucial role in providing goods and services in their communities. In essence, the programme is designed to strengthen informal businesses, promoting sustainability and resilience within the retail sector in the country.

The programme focuses on several key aspects, namely:

- a) **Financial Assistance:** SEDFA offers spaza shop owners grant funding and access to credit to help them buy stock, equipment, and operational costs.
- b) **Capacity Building:** The program provides training and mentorship to shop owners, helping them enhance their business skills, improve operational efficiency, and develop better management practices.
- c) **Market Access:** Efforts are made to connect spaza shops with suppliers, ensuring they can stock a variety of products at competitive prices, thereby improving their profitability.
- d) **Community Development:** By supporting spaza shops, the program aims to contribute to local economies, create jobs, and foster entrepreneurship in underserved communities.

2.2.5 The Autobody Aftermarket Programme (AA)

The AA Programme implemented by Khula Credit Guarantee in South Africa is designed to support small and medium-sized enterprises (SMEs) in the automotive aftermarket sector.

The main objective of this program is to provide financial assistance, and credit guarantees to help these businesses access funding, which can be crucial for their growth and sustainability.

The programme focuses on:

- a) **Financial Support:** to assist SMEs operating in automotive aftermarket to obtain the necessary financing from conventional lenders, by offering credit guarantees that reduce the risk for lenders, and in turn encourage the lenders to provide loans to SMEs.
- b) **Empowerment of SMEs:** the programme seeks to foster entrepreneurship in the automotive aftermarket, helping to create jobs and stimulate economic growth.
- c) **Market Access:** the programme may facilitate access to markets and promote networking opportunities for SMEs, allowing them to connect with larger players in the automotive industry and expand their reach.
- d) **Encouraging Local Production:** by supporting local automotive aftermarket businesses, the programme tends to reduce dependence on imports, thereby promoting local manufacturing and ensuring a more sustainable automotive industry in South Africa.

Section 3: Private sector funds

3. Private sector MSMEs financial offerings

3.1 Oppenheimer family fund:

R1 billion fund, Funds will be made available through loans to small businesses. The scheme is currently available to clients of the four banks – Nedbank, ABSA, Standard Bank and FNB.

3.2 Old Mutual (Masisizane Fund)

The Masisizane Fund (NPC) is an initiative of Old Mutual South Africa. It is a development fund providing enterprise finance and support to Small, Medium and Micro Enterprises (MSMEs) also focussed on agriculture sector. The Masisizane Fund provides loan financing including agribusiness (primary) and agri-processing. The fund can capitalise to the maximum of R10 million per investment over a five-year repayment period.

Section 4: MSME Provincial Financial Offerings

4.1 Eastern Cape MSMEs Financial offerings

The LRED fund at the Department of Economic Development, Environmental Affairs and Tourism has been allocated an amount of R13.6 million in 2024/25 and R37.3 million over the 2024 MTEF, to support small businesses in the province. The LRED fund at the Department of Economic Development, Environmental Affairs and Tourism has been allocated an amount of R13.6 million in 2024/25 and R37.3 million over the 2024 MTEF, to support small businesses in the province. Within the Eastern Cape province, the main funding instruments for the sector include:

4.1.1 Isiqalo youth fund

The Eastern Cape has allocated R70 million over the 2024 MTEF for the continuation of Isiqalo Youth Fund. Provincial government's youth focused programmes. It seeks to provide support to Eastern Cape based young entrepreneurs through the provision of financial and nonfinancial support to enable them to actively participate in the stimulation of the socio-economy of the province. Legal entities such as cooperatives and private companies. The targeted economic sectors: - Agriculture - Arts and Creative Industries - Textiles - ICT and services

4.1.2 Development Finance

Eastern Cape have three categories of Development Finance Loans i.e. Long term loan, Short term loan, and Blended finance (agriculture & automotive). The loans are administered by the ECDC as Economic Development Fund and Loan Finance.

Table1: Long term loan

Name of the incentive / financial instrument	Long term loan
Description	- Lifespan - Interest - Structuring Fees - Cash Management Fee - Monthly Service Fee - Initiation Fee Maximum 7yrs prime linked 1.5% (Plus VAT) 3% (Plus VAT) R60 (Plus Vat) R2 600 (Plus Vat)
Thresholds	Maximum 20m – currently R 5M
Criteria	Economic merit Experience of jockey

Table 2: Construction Financing

Name of the incentive / financial instrument	Workflow (Construction Financing)
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Description	• Lifespan 3 – 36 months • Interest prime to prime +5% • Structuring Fees 1.5% (Plus VAT) • Cash Management Fee 3% (Plus VAT) - Monthly Service Fee R60 (Plus Vat) - Initiation Fee R2 600 (Plus Vat)
Thresholds	R350 001 to R20m Maximum Facility depends on Value of Contract and Duration of Contract
Criteria	Applicant received an Order from Government Department to supply goods Once Off Order

Table 3: Nexus Trade Loan (Order Financing)

Name of the incentive / financial instrument	Nexus Trade Loan (Order Financing)
Description	Loan Finance with lifespan of 1 – 6 months Monthly Service Fee R60 Plus Vat – All Loans Initiation Fee Loans below R50 000 (R275+Vat) Initiation Fee Loans above R50 000 (R2600+Vat) Handling Fee 7% plus Vat (Loan Amount) Interest 0% per month
Thresholds	R10 000 – R500 000 – (Can increase to R2.5m)
Criteria	Applicant received an Order from Government Department to supply goods Once Off Order Contract is NOT longer than 6 months

4.1.3 Financial incentives

Eastern Cape have number of financial incentives such as; Jobs Stimulus Fund, Small Towns, Township and Rural Entrepreneurship Programme, Imvaba co-operative Fund, Social Enterprise Replenishable Financial Support Programme, and Short term loan.

4.1.4 Jobs Stimulus Fund

The Job Stimulus Fund, through the Eastern Cape Development Corporation (ECDC), is mandated to incentivise the retention, saving, and protection of jobs at risk and the creation of jobs in the Eastern Cape. The grant does this by supporting and attracting sector specific, catalytic investments which promote sustainable jobs across the value chain. The Fund defines a distressed business as a Micro Small Medium Enterprises (MSME) which is unable to meet its short-term credit obligations. This has a high possibility of resulting in job losses. The grant

ensures that businesses are incentivised at R10 000 per verified job retained/saved for a minimum of 5 jobs and a maximum of 250.

Table 4: Jobs Stimulus Fund

Name of the financial incentive	Jobs Stimulus Fund
Description	To support distressed Micro Small Medium Enterprises by incentivising the retention of jobs at risk and the creation of jobs located within the Eastern Cape Province. The fund defines a distressed business as a Micro Small Medium Enterprise which is unable to meet its short-term obligations resulting in a high possibility of job losses.
Thresholds	Businesses are incentivised at R10 000 per verified job retained for a minimum of 5 jobs and a maximum of 250.
Criteria	• Must be operating in the Eastern Cape Province • Must be in operation for at least two years • Businesses must be legislatively compliant with SARS and the UIF • Businesses must be able to provide financial records to prove distress

Small Towns, Rural and Township Entrepreneurship Programme (STTREP)

Table 5: Small Towns, Rural and Township Entrepreneurship Programme (STTREP)

Name of the financial incentive	Small Towns, Rural and Township Entrepreneurship Support Programme (STTREP)
Description	To support both formal and informal MSMEs operating in Rural areas, Townships and Small Towns including the provision of financial and non-financial support to transform and revitalise these marginalised localities. Incentive funding is aimed at addressing key infrastructural and operational challenges facing entrepreneurs in these areas.
Thresholds	Incentives are capped at a maximum of R150 000.

Criteria	• Businesses to be based in township, rural area and small town • Must be in existence for at least one year / applicant to make co-contribution of 10% towards the initiative • Minimum of 80% utilised for equipment/tools & machinery – Maximum of 20% for working capital • Annual turnover not to exceed R 3 000 000,00
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4.1.5 Imvaba Cooperatives Fund - (REF&BS)

Table 6: Imvaba Cooperatives Fund - (REF&BS)

Name of the financial incentive	Imvaba Cooperatives Fund
Description	The mandate of the fund is to provide funds for the sustainable business operations of primary cooperatives in the Eastern Cape and to develop requisite capacity for their activities. Therefore, funds will also be allocated for non-financial support to the different industries or sectors.
Thresholds	• Cooperatives are capped at R600 000 • Enterprising Individuals are capped at R150 000
Criteria	• Must be registered with CIPC • Must have a signed constitution • Must have secured a market for their products or services • Must have a lease or other legal binding document from the owner for the building or land with the business operates from • For Enterprising Individuals, evidence of membership in a primary cooperative whose core business is aligned with the business activities of the applicant is required.

4.1.6 Social Enterprise Replenishable Financial Support Programme (SERSFP)

Table 7: Social Enterprise Replenishable Financial Support Programme (SERSFP)

Name of the incentive / financial instrument	SOCIAL ENTERPRISE REPLENISHABLE FINANCIAL SUPPORT PROGRAMME (Micro-finance)
Description	This intervention is intended a providing access to finance by qualifying individuals within communities wishing to embark or strengthen existing social enterprising activities. The idea is to utilise the social equity already in existence in community-based structures such as

	churches, stokvels, non-profit organisation, burial societies, etc. as a form of collateral to support provision of replenishable financial support advances for commercial related activities considered supportable by the ECDC and implementation partner.
Thresholds	The minimum: R3,000 and maximum R12000.
Criteria	- Delivered through credible qualifying intermediary - Individuals or micro-enterprises belonging to social partners

4.2 Gauteng MSMEs Financial offerings

4.2.1 Township Economy Partnership Fund (TEPF)

Is a partnership between the Gauteng Department of Economic Development (GDED), the Gauteng Enterprise Propeller (GEP) and the Industrial Development Corporation (IDC). The fund supports MSMEs in the township economy of Gauteng in sectors that include (but not limited to) Manufacturing, The Taxi Economy, ICT, Backyard Real Estate upgrading and retail. The TEP is a fund aimed at supporting vulnerable township small businesses that are unable to access funding from private funding institutions, government, and other business support programmes.

4.2.2 The SMME Crisis Partnership Fund

The Gauteng Provincial Government, the Industrial Development Corporation (IDC) and the SA SME Fund have launched the SMME Crisis Partnership Fund, a R300 million debt fund for small businesses based in Gauteng townships. The Fund aims to reach a critical segment of the SMME Market that requires relatively small loans from (R500k to R1,5m) to fund their businesses. Qualifying MSMEs are those with revenues of less than R20 million.

- The fund will allocate capital to non-bank lenders/intermediaries to on-lend to final beneficiaries. This will result in quite an extensive reach.
- The intermediaries have diverse product offerings, unique platforms; and approaches. They each have a niche market segment that they will service in the broader SMME sector. This diversity bodes well in that many more SMME's are likely to fall into the net and be assisted.
- The intermediaries will manage the application and credit processes.
- Loan Funding will be provided at the lowest interest rates – max of 1% per month.

4.2.3 Gauteng rebuilding fund

This fund only supports businesses that have suffered losses due to COVID-19 and looting in July. Funding is available on a first-come, first-served basis for those who qualify until they are exhausted.

It is the applicant's responsibility to prove that they suffered losses through COVID-19 or looting and unrest. The Gauteng Rebuilding Fund is the Gauteng Provincial Government's response to the recent unprecedented challenges faced by small business. The R100 m fund includes a R50m contribution by the Gauteng Provincial Government and a further R50m from the Industrial Development Corporation (IDC). This fund has been exclusively set aside to support businesses that have suffered losses due to COVID-19 and looting that took place in July. The loan/grant blend will be capped at R1 million for smaller formal business in distress and R50 000 for informal business. The fund will help business cover rebuilding costs, replacement of infrastructure, inventory, equipment and critical suppliers. It will also cover increased business security and employee costs.

Gauteng Implementing Partners

4.2.4 The Gauteng Enterprise Propeller (GEP)

GEP is an agency of the Gauteng Provincial Department of Economic Development in Gauteng. The main objective of the agency is Small Business Development, this includes financial and non-financial support to Small, Medium and Micro Enterprises (MSMES) and cooperatives.

Table 7: Gauteng Implementing Partners

Intermediaries/Strategic Implementing Partners	Sector Focus	Loan size for MSMES
1. Crede Capital	Supply chain funding	R100 000 – R5 million
2. Indlu Living	Backyard real estate	R600 000 to R800 000
3. Profit share capital	Supply Chain Funding	R250 000 up to R8 million
4. Bridge Taxi Finance	Mini bus Taxi financing	Approx. R600 000
5. Spartan Impact Finance	General Sector Allocation (with certain exclusions) Offering: Growth Finance: · Working capital · Asset Finance	Minimum R1 million

4.3 Northern Cape MSMES financial offerings

The Department of Economic Development and Tourism (DEDAT) in the Northern Cape and the National Empowerment Fund (NEF) have launched a multi-million-rand enterprise development programme. As part of the initiative, DEDAT and the NEF have jointly set aside R75 million to establish the Northern Cape Blended SMME Fund that will provide concessionary funding to local entrepreneurs across all sectors of the provincial economy. DEDAT has contributed R30 million to the partnership which will be used for non-refundable grants of up to R4 million per transaction, with 60% comprising a refundable loan portion from the NEF's contribution of R45

million to the Blended Fund. A business must only pay back 60% of the loan. As businesses in South Africa and beyond continue to do battle against the constraints imposed by the COVID-19 pandemic, NEF Chief Executive Ms Philisiwe Mthethwa says “relief has arrived for black-owned and managed MSMES in the Northern Cape, following the establishment of the Blended SMME Fund between DEDAT and the NEF.

The DEDaT has two funding instruments:

- a) The NC SMME Blended Fund : the collaboration between the NEF and the DEDaT
- b) The Township and Rural Economy Grant Fund

The Northern Cape Department of Economic Development and Tourism

4.3.1 Township and Rural Economy Grant Fund

All MSMES and informal businesses to apply for the Township and Rural Economy Grant Fund maximum of R100 000. The grant financial support is offered for various economic activities and materials, including market access, business equipment, and inventory stock, etc. No Start-Ups will be considered. Only enterprises owned by persons living with disabilities may be considered Start-Ups.

Blended Funding Solutions to avoid Double Dipping

The department partnered with the NEF and established the Northern Cape SMME Blended Fund: the funding is blended: 60% loan and 40% grant. Estimated Size of the Fund: R 154 657 600 (including NEF's matching funds)

4.3.2 Northern Cape Enterprise Fund

Northern Cape province unveiled an Enterprise Fund worth R80 million, designed to benefit Small, Medium, and Micro Enterprises (MSMES) owned by individuals with disabilities, women, and young people.

4.4. Western Cape Financial offerings

4.4.1 SMME Booster Fund

The SMME Booster Fund (the Fund) provides financial support to organisations implementing business development support projects and programmes aimed at growing and developing MSMES based and operating in the Western Cape.

The Fund utilises a co-funding implementation model which encourages collaboration and partnerships. The support provided by the Fund will enable the selected organisations to enhance or expand their projects and programmes.

The Fund will support projects and programmes that focusses on the following categories:

- Category 1: Developing MSMES for the export market
- Category 2: Business Incubation and Acceleration Support
- Category 3: Support to township-based businesses

Category 4: Infrastructure support for entrepreneurial centres

The selection of the organisations will be initiated through this Call for Proposals. The proposals received will undergo a pre-qualification (compliance with the minimum criteria) check. The compliant proposals received will undergo an evaluation and adjudication to identify the most suitable and impactful projects for support.

4.5 Free state MSMES Financial offerings

Access to finance remains a challenge, the department is continuously engaging with DFIs and other Financial Institutions to close the gap.

FDC is a specialist economic development agency formed to offer the Free State people and potential investors a wide selection of services. These services include:

- a) SMME support – both financial (through loans) and non-financial support through:
- b) Development of agro-processing industry in the province.
- c) Financing of commercial vehicles (light and medium trucks) including heavy duty trucks with semi-trailer configuration for transporting goods can be financed by the FDC.
- d) Financing of plant, machinery and equipment, including industrial equipment Based on the capital needs, FDC can capitalise above R50 000 and not exceeding R5 000 000.00 per investment with exclusions of property financing, debt financing, purchasing of shares, non-income generating assets, guarantees, financing of vehicles/automobiles for private use and/or commuter services.

4.5.1 Free State Small Business Development on SMME relief fund

COVID 19 has been declared a national disaster, and it has since become clear that the effects will be catastrophic for the economy of the country. Both Government and private sector will suffer considerably but the effects will be far worse for MSMES.

In an attempt to bring relief to the hit hard MSMES, Government has introduced a relief fund to reduce the burden for MSMES. The funds can be used to buy raw material, pay labour and other operational costs. The relief fund is designed for the following categories; spaza shops, informal traders and black owned wholesalers.

Free State financial Incentives

Table 8: financial Incentives

Incentives	Requirements
Informal, Micro, and Small Enterprise Incentive (IMSEI)	(0 – R100 000.00)
Medium Enterprise Incentive (MEI)	(R100 000.00.00 >)
Industrialization Support Incentive (ISI)	(Merit of the application)
Catalytic Projects	(Merit of the application)

Blended Funding	(Pre-approval by finance institutions)
Youth Business Pitching	
Informal Support:	Tuck shops , productive equipment for operations

4.6 Mpumalanga MSMEs financial Offerings

4.6.1 Mpumalanga Small and Medium Enterprise (SME) Fund

Mpumalanga Economic growth Agency's (MEGA) objectives are fostering the sustainable growth and development of the Mpumalanga economy by attracting investment to the province; facilitating investment in the province; and maximising the development impact of investment in the province. This programme has the aim to enhance the capacity to fund the development of MSMEs and cooperatives in townships and rural areas. Mpumalanga Economic Growth Agency promotes the development and growth of MSMEs, including cooperatives in the Mpumalanga Province.

Products and services offered for Enterprise Development:

- Loan funding, through term loans of between R10 000 and R1 million.
- Bridging finance, linked to an existing contract.
- Facilitation of mentorship to funded enterprises.
- Development of cooperatives.
- Development of strategic partnerships with e.g. the IDC, SEDA and the Umsobomvu Youth Fund.

Table 9: Types of loans for MSMEs and Co-operatives

Type of Package	Repayment term
Seasonal loans	Seasonal repayment terms
Livestock loans (poultry, piggery)	Maximum repayment term of 3-8 years
Revolving credit facility	Maximum repayment term of 1 year
Bridging loans	Repayment terms based on the duration of the contract period
Business loans	Maximum repayment term of 10 years
Guarantee	Repayment terms based on the duration of the contract period
Equity Funding	Repayment terms based on the duration of the contract period

4.7 Limpopo MSMEs financial offerings

Limpopo Department of Agriculture and Rural Development

4.7.1 Farmers Support Grant

Through the Farmers Support Grant and the Limpopo Department of Agriculture and Rural Development, substance, small holder, commercial, and organised farmers can obtain support for infrastructure, production inputs, and mechanism support services. The Limpopo Department of Agriculture and Rural Development (LDARD) aims to strategically mobilise, distribute and utilise resources equitably to achieve the Government objectives, through

supporting the agricultural sector. The grant supports the vision of LDARD, for a united, prosperous and sustainable agricultural sector. The grant will assist the Provincial Department in achieving its mission of promoting economic growth and food security, through sustainable agricultural and entrepreneurship development. The grant will offer support for poultry, fruits, livestock, mechanisation, mechanisation subsidiary, on & off farm infrastructure, and vegetables.

4.8 KwaZulu Natal MSMES financial offerings

KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

4.8.1 Operation Vula Fund

Only South African-owned businesses based in KwaZulu-Natal province preference will be given to rural and township businesses. will target the furniture, detergents, bakery, clothing and textile, and farming sectors, among others.

Operation Vula Fund is part of the provincial government's radical economic transformation projects, which seek to increase the number of entrepreneurs from underprivileged communities, so that they can participate in the mainstream economy.

4.8.2 eThekweni fund Enterprise Supplier Development Fund

The eThekweni Enterprise Supplier Development Fund programme has key focus areas, including the infrastructure fund where suppliers will be largely financed and supported with strategic technical partnership resources. The aim is to channel 51% or more of the funding to black owned MSMES.

4.8.3 KZN youth fund

This fund aimed in assisting youth in rural areas. It will ensure the sustainability of new businesses during their critical start-up phase. The Department of Economic Development, Tourism and Environmental Affairs has undertaken to ensure that this support for youth entrepreneurs comes from the captains of industry attached to the KZN Growth Coalition, KZN Economic Council and chambers of commerce across the province. The fund was aimed at ensuring continuous support for start-up firms.

Ithala Bank

4.8.4 Agriculture & Agro - Processing Finance

Products under this sector have been developed to support MSMES and Co-operatives in putting productive land to use. Ithala provides funding solutions to farmers focusing on commodities such as sugar cane, grain crops, fruits, forestry, vegetables and livestock.

4.8.5 Asset Based Finance

This is a medium to long term product targeted at MSMES and Co-operatives wanting to purchasing moveable assets required by the business. These assets are usually utilized for the generation of income

4.8.6 Commercial Property Finance

Assist SMME's and Co-operatives with funding the acquisition or financing of fixed commercial property(ies) used for trading or investment purposes. This includes inter alia industrial properties, Student accommodation, hotel developments (including Bed and Breakfast and Lodges), residential developments.

4.8.7 Micro Finance

The Micro Finance applies to lending activities to clients that require short-term liquidity funding of up to R500 000. The product is targeted at small and micro businesses operating their activities on a commercial scale. The product is designed to allow informal and micro-businesses to enter the formalised sector of the economy.

4.8.8 Agribusiness Development Agency (ADA)

ADA is an agency that falls under the control of the KwaZulu-Natal Department of Agriculture and Rural Development (DARD). Its purpose is to facilitate a strong, transformed, diversified, dynamic, competitive and sustainable agro-processing industry in the province.

Grants available from ADA need to be above R 600 000 and cannot exceed R 4 000 000 per applicant.

4.9 North West MSMES financial offerings

4.9.1 North West Development Co-operation Small Business Development Funding

The Department of Economic Development, Environment Conservation and Tourism and the NWDC take pleasure in introducing the NWDC's Small Business Funding.

The purpose of this Funding is to assist small businesses with access to finance, business advisory services as well as business mentorship and coaching.

North West Rural, Environment and Agricultural Development

4.9.2 North West Agricultural Fund

The NWAFF is mandated to provide funding to farmers in respect of agricultural development with a particular emphasis on previously disadvantaged individuals.

The Department of Economic Development, Environment, Conservation & Tourism

4.9.3 Empowerment Fund

This fund is earmarked in assisting the start-ups and small business enterprises with duly registered companies/enterprises/cooperatives. The objective of the Empowerment Fund is to support qualifying applicants with machinery and equipment to reduce their cost of doing business and improve their viability and competitiveness in the market

Annexure E: Report on access to finance by 20 000 township-based businesses



FINFIND SMME ACCESS TO FINANCE DATA - REPORT ON 20 000 TOWNSHIP BASED BUSINESSES

Location of Loan Seekers



1 Gauteng	38.9%
2 Western Cape	14.8%
3 Kwa-Zulu Natal	14.2%
4 Eastern Cape	6.8%
5 Limpopo	6.5%
6 Mpumalanga	6.0%
7 Free State	5.2%
8 North West	4.7%
9 Northern Cape	2.9%

Top SIX Reasons Funding is Required

Cash flow assistance		13.4%
Buying equipment		11.3%
Money to buy stock		10.7%
Business expansion		7.4%
Buying vehicle or fleet finance		7%
Money to help with a contract		6%

Total Loan Amounts (Requested)

<R5m	R16 465 805 529
<R1m	R4 297 633 345
<R750k	R3 452 842 328
<R700k	R3 274 414 183
<R500k	R1 871 920 142
<R300k	R1 123 538 362
<R250k	R830 582 118
<R100k	R193 291 780

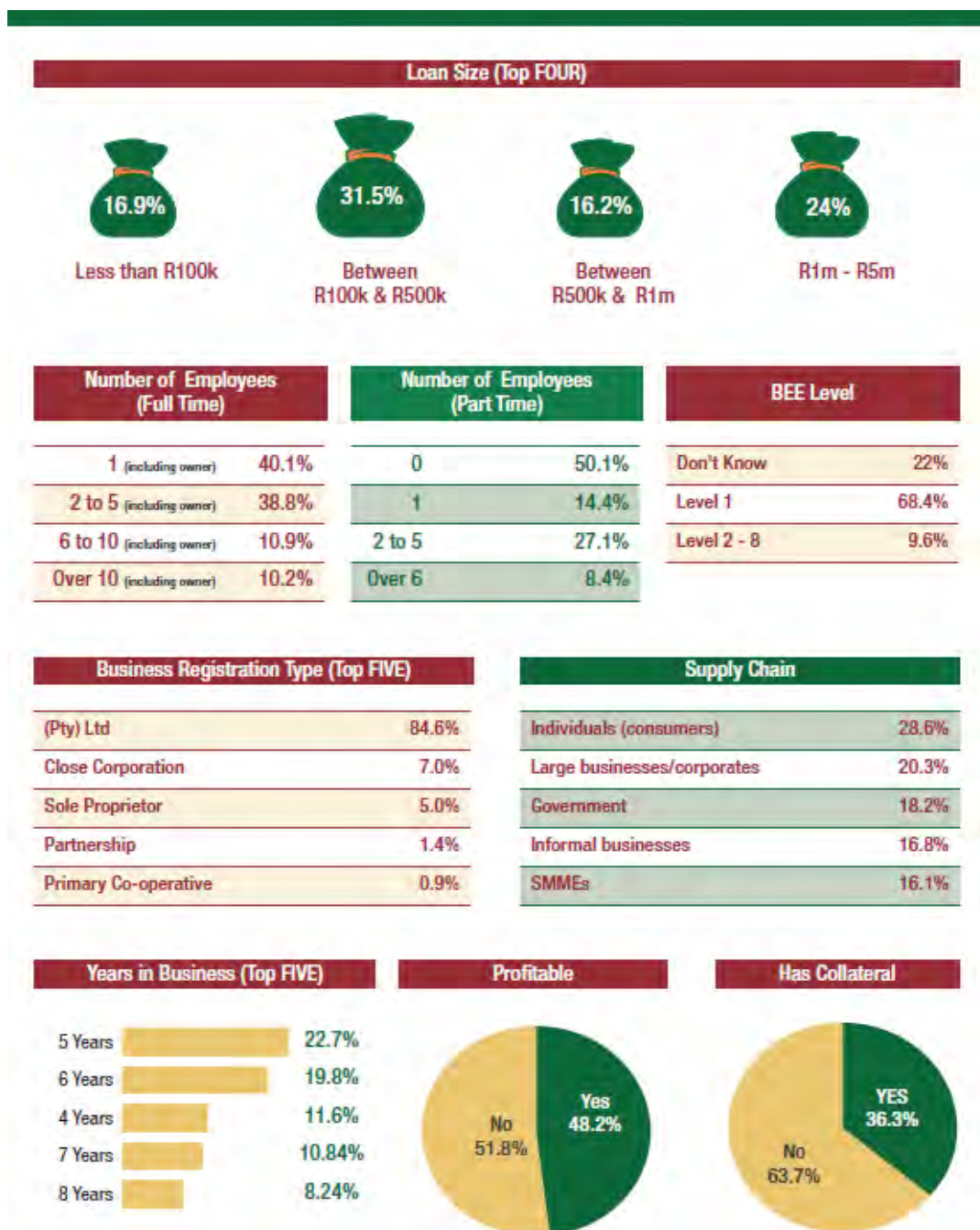
Industry Sector (Top SIX)

11.1%	Other Service activities
5.6%	Other land transport
4.6%	Building of complete constructions or parts thereof, civil engineering
4.2%	Restaurants, bars and canteens
3.0%	Other personal service activities
2.7%	Retail trade in food, beverages and tobacco in specialised stores

Average Annual Turnover (Top FIVE)

R1 - R50 000	28.1%
R1m - R2m	12.1%
R50 001 - R100 000	7.6%
R750 001 - R1m	7.5%
R100 001 - R250 000	6.8%

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Annexure F: Key problem statements per province consulted

Free State	North West	Limpopo	Western cape
1) Business licences/permits and lack of enforcement & compliance; trade in fake goods	1) Influx of foreign nationals and Illegal foreign nationals operating business in township and rural areas	1) Illegal /unregistered businesses; Non-compliance by MSMEs; Foreigner owned; Exclusion of locals from access to buildings; lack of bylaws enforcement	1) Access to markets & opportunities; Exposure to opportunities; Red tape reduction; value chain focus; need to diversify economy
2) Foreigners & Informal businesses operating business; non-compliance with regulatory requirements	2) Trading bylaws/Business licencing/CIPC; implementation & enforcement	2) Access to markets & opportunities: Exposure & events; Red tape reduction; Matchmaking; Location/reach; Impact of malls/franchises on local MSMEs; Diversify economy	2) Spatial & town planning; Digital infrastructure; Spatial planning & development – overlays, reduced development charge, spatial planning barometer; Access to appropriate operational space / facilities; SEZs & manufacturing; Public space guidelines
3) Fragmentation & alignment of role players and support	3) Lack of information & awareness; Access to information; Data & information on districts/areas/ MSMEs; Explore areas for innovation	3) Infrastructure & land; Physical – upgrading; Digital; Spatial planning & development; Land tenure system; Access to operational space / facilities; SEZs and Manufacturing	3) Incentives; Aware of what gov offers; Cover both formal and informal / private/corporate and MSME; Self-management / development policies, not punitive/over regulation; Circulation of funding; Funding/tender conditions/requirements
4) Financial & non-financial support for MSMEs; Funding application requirements; Customised support – not blanket approach; Sector specific support; guard against dependence syndrome – rather mentoring	4) Barriers to access finance for MSMEs, funding tied to non-financial support guard against dependency syndrome	4) Funding requirements and constraints	4) Extortions; “active assets” focus; Foreigners; Monitoring; all role players have obligations to uphold law

Free State	North West	Limpopo	Western cape
5) Spatial planning limitations	5) Access to markets; exposure to opportunities; Exploring new opportunities; create opportunities; linkages to value chains	5) Fragmented ecosystem; Need for improved collaborations and awareness.	5) Fragmented ecosystem; key partnerships and collaboration; participation; include all key role players; networks; implementation;
6) Access to facilities/buildings	6) Support for MSMEs; aggregation of support; local access point/one stop; practical / applicable knowledge and skills	6) Business development support; awareness and communication; incubation; digital infrastructure; fake qualifications	6) Business development support; information sharing; awareness and communication; soft skills and cultural attitude of entrepreneur; responsive tailored needs; practical toolkits; monitoring
7) Access to infrastructure and services	7) Land & infrastructure; physical & digital connectivity; aging infrastructure; access to land and buildings; repurposing of unutilised recreational facilities	7) Partnerships / collaboration and aggregation; ESD CSI points versus real supplier development; value-chains not accessible for MSMEs	7) Role clarity amongst ecosystem role players; clarify accountability / strengthen different role players; leadership required – elevate role of LED; Capacity in municipalities; planning & budgeting alignment to enable implementation; streamlining of funding resources and government systems
8) Capacity in government & the need for partnerships; digitization of business processes	8) Role clarity & collaboration between role players; alignment; planning	8) Role clarity amongst ecosystem role players; avoid duplication; clarify powers and accountability	

Free State	North West	Limpopo	Western cape
9) Access to a market support / responding to opportunities			
10) Inclusive and innovative approach required	-	-	-

Annexure G: Extract from Competition Commission grocery retail market inquiry – Recommendations

The grocery-retail-market inquiry recommended that there should long-term exclusive lease agreements- National supermarket chains must, with immediate effect, cease enforcing exclusivity provisions, or provisions that have a substantially similar effect, in their lease agreements against: SMME's; speciality stores; and other grocery retailers (including the emerging challenge retailers) in shopping centres located in non-urban areas. No new leases or extensions to leases by grocery retailers may incorporate exclusivity clauses (or clauses that have substantially the same effect) or clauses that may serve to restrict the product lines, store size and location of other stores selling grocery items within the shopping centre. the Government should introduce legislation, in the form of a statute, regulations, or a code of practice to give effect to these recommendations.

Rental rates

Property owners and managers of shopping centres must: use fair, transparent and commercially justifiable criteria in determining differences in rental rates across tenants; ensure that escalation rates across tenants are uniform unless there are fair, transparent and commercially justifiable reasons for them to differ; and ensure that lease deposits and shop fitting allowances are based on fair, transparent and commercially justifiable criteria. The Government should introduce a legislative framework to give effect to these recommendations in the form of a code of good practice and the establishment of an industry Ombudsman to be financed by landlords.

Buyer power

Suppliers of fast-moving consumer goods must ensure that trade terms are uniformly available to all retailers, wholesalers and buyer groups; that the trade terms offered have an objective justification based on cost savings, supply chain efficiencies, efficient risk-sharing or sales promotion. The supplier must clearly stipulate and communicate the link between the trade terms offered and the efficiencies to all retailers, wholesalers and buyer groups; that the available trade terms and the conditions required to qualify for those terms are clearly communicated to all retailers, wholesalers and buyer groups and applied in a fair and uniform manner; that the percentage value provided under each trade term to different customers is reasonably related to qualifying criteria and value provided in respect of the objective justification for the trade term; and that the volume purchased may not form the basis for qualification or relative percentage value offered for any trade term to the designated class of retailers or wholesalers.

In order to address the challenge faced by small suppliers in accessing the shelf space of the national supermarket chains and taking into account the recent amendments and retailer initiatives noted above, the Inquiry recommends the following actions: First, that the current draft regulations designating agro-processing and grocery wholesale/retail, as well as the draft enforcement guidelines detailing specific practices as unfair be confirmed in the final regulations and guidelines. It is also recommended that these are widely publicised in order to empower small and historically disadvantaged suppliers in negotiations with the large national retail chains. In addition, the Inquiry recommends that once the regulations and guidelines are finalised, the Commission must engage the large national retail chains on their procurement practices to ensure that their procurement practices are aligned with the final enforcement guidelines, failing which, it should consider initiating an investigation of these firms' trading practices.

Second, the enterprise development programmes of the national retail chains should be formalised and strengthened. Accordingly, the Inquiry recommends that the national supermarket chains commit to a formal ongoing programme to develop small and historically disadvantaged suppliers. Furthermore, that such a programme should establish binding industry targets for a proportion of turnover to be supplied by SMMEs and historically disadvantaged suppliers, as well as a proportion of turnover to be spent on the development of new SMME and historically disadvantaged suppliers. These may initially be set in line with current enterprise development spend in order to entrench such programmes. However, the formal commitments should also entail a gradual escalation of these binding commitments over time. This escalation should take into account what is realistic and achievable but should also be ambitious in its efforts to address concentration in the supply chain. Given that it is also the government department that oversees the B-BEEE codes of practice which incorporate an enterprise development component, this industry commitment may be facilitated by the DTIC.

Competitiveness support for spaza shops and small independent retailers

Government should facilitate the establishment of distribution centres to be located in peri- and non-urban areas to service small and independent retailers and wholesalers. Government should establish an incentive programme that will provide seed finance for innovative commercial models of private businesses that aim to offer the following support for small informal spaza shops: the effective incorporation of spaza shops into buyer groups and larger wholesale operations in order to assist them to realise economies of scale and scope in purchasing; the generation of key information on individual spaza shop operations such that the

risks of extending credit finance to these shops can be more accurately assessed in order to facilitate credit access for the purchase of stock; and the development of consumer and business information to assist in the improvement of such businesses, including business and financial management training.

Removal of regulatory obstacles to meeting competitive challenges

All three spheres of government involved in the regulation of planning and trade should cooperate with one another to coordinate their activities and legislation in accordance with section 41(h)(iv) of the Constitution and coordinate their actions in terms of section 35 of the Intergovernmental Relations Framework Act, 13 of 2005 to give effect to the following recommendations: Organised local government must seek to develop a common approach for local government in terms of section 3(3)(a) of the Local Government: Municipal Systems Act, 32 of 2000 to develop uniform guidelines for by-laws and regulations to give effect to these recommendations; provinces and municipalities must coordinate and streamline applications for liquor licenses with applications for the rezoning of premises; municipalities must review the trading times in by-laws and regulations in relation to spaza shops and street traders, with a view to amending or abolishing those by-laws and regulations in accordance with the uniform guidelines; municipalities must fast-track the processing of existing re-zoning requests for spaza shops in township areas; municipalities must proactively rezone areas to enable them to carry on business in a more effective and formalised manner and in accordance with the uniform guidelines; municipalities must develop and implement preferred zoning processes and practices that facilitate ease of entry for SMMEs in non-urban areas including imposing conditions on the approval of shopping centre developments to secure the inclusion of SMME businesses in and around shopping centres; and municipalities must develop and implement a simplified framework for the registration of informal businesses, particularly spaza shops. In so far as counterfeit goods are concerned, it is recommended that- law enforcement officers appointed by municipalities are given powers to enforce the Counterfeit Goods Act, 37 of 1997 either under section 22 of that Act or by way of declaration in terms of section 334(1) of the Criminal Procedure Act, 51 of 1977; and there must be increased coordination between the South African Revenue Services, South African Police Services and municipalities to facilitate proactive policing of counterfeit goods. Given the multiplicity of issues that appear to distort and impede competition in the South African grocery retail sector, the Inquiry recommends that government should develop a legislative framework with a statutory industry body for the regulation of the retail sector in South Africa, taking into account, among others, the findings and recommendations of this Inquiry.

Competition Commission Grocery Retail Inquiry Recommended remedial action

“Having regard to the foregoing, the Inquiry recommends a number of remedial actions that may rectify the circumstances identified that have the effect of preventing and distorting competition in the grocery retail sector and inhibiting the effective participation of spaza shops and independent retailers in this sector.

Broadly, the required remedial actions comprise a suite of interventions ranging from (i) changes in firm behaviour in order to ameliorate the distortions in competition in relation to long-term exclusive lease agreements and buyer power; (ii) support mechanisms to bolster the sustainable competitiveness of small and independent retailers; and (iii) modernisation of the regulatory landscape in order to create a conducive environment for the optimal functioning of competition.

The following is a direct extract from the Inquiry recommends, recommended to be effective as of the date of publication of the Final Report, i.e. 2029.

Long-term exclusive lease agreements

1. National supermarket chains must, with immediate effect, cease from enforcing exclusivity provisions, or provisions that have a substantially similar effect, in their lease agreements against:
 - 1.1 SMME's;
 - 1.2 speciality stores; and
 - 1.3 other grocery retailers (including the emerging challenger retailers) in shopping centres located in non-urban areas.
2. No new leases or extensions to leases by grocery retailers may incorporate exclusivity clauses (or clauses that have substantially the same effect) or clauses that may serve to restrict the product lines, store size and location of other stores selling grocery items within the shopping centre.
3. Subject to 1 above, the enforcement of exclusivity by the national supermarket chains as against other grocery retailers must be phased out by the next extension of the lease or within five years from the date of the publication of this Final Report, whichever is earlier.

4. In order to continue the work of the Inquiry, the Commission must seek to secure voluntary compliance by the national supermarket chains within six months from the date of publication of this Final Report. If the national supermarket chains do not undertake to give effect to these recommendations, the Government should introduce legislation, in the form of a statute, or regulations, or Code of Practice to give effect to these recommendations.
5. Lastly, the above recommendations do not preclude the Commission from pursuing litigation in respect of the existing complaints and evidence gathered in this Inquiry. A final decision on a referral to the Tribunal should have regard to the response of each of the national supermarket chains to the efforts of the Commission in relation to the procurement of voluntary compliance with the above recommendations. The Inquiry is of the view that the evidence gathered in these proceedings may establish a prima facie case for a referral to the Tribunal. However, the Inquiry also accepts that litigation is a protracted process, and the interests of consumers may be best served by an immediate and voluntary compliance by the national supermarket chains.

Rental rates

6. Property owners and managers of shopping centres must:
 - 6.1 use fair, transparent and commercially justifiable criteria in determining differences in rental rates across tenants;
 - 6.2 ensure that escalation rates across tenants are uniform unless there are fair, transparent and commercially justifiable reasons for them to differ; and
 - 6.3 ensure that lease deposits and shop fitting allowances are based on fair, transparent and commercially justifiable criteria.
7. In order to continue the work undertaken by the Inquiry, the Minister should appoint a facilitator to seek to secure voluntary compliance by property owners and managers of shopping centres. If the facilitator is unable to secure voluntary compliance within six months from the date of publication of this Final Report, the Government should introduce a legislative framework to give effect to these recommendations in the form of a code of good practice and the establishment of an industry Ombudsman.

Buyer power

8. Suppliers of fast-moving consumer goods must ensure:

- 8.1 that trade terms are uniformly available to all retailers, wholesalers and buyer groups;
 - 8.2 that trade terms offered have an objective justification based on cost savings, supply chain efficiencies, efficient risk-sharing or sales promotion; the supplier must clearly stipulate and communicate the link between the trade terms offered and the efficiencies to all retailers, wholesalers and buyer groups;
 - 8.3 that the available trade terms and the conditions required to qualify for those terms are clearly communicated to all retailers, wholesalers and buyer groups and applied in a fair and uniform manner;
 - 8.4 that the percentage value provided under each trade term to different customers is reasonably related to qualifying criteria and value provided in respect of the objective justification for the trade term; and
 - 8.5 that the volume purchased may not form the basis for qualification or relative percentage value offered for any trade term to the designated class of retailers or wholesalers.
9. In order to address the challenge faced by small suppliers in accessing shelf space of the national supermarket chains and taking into account the recent amendments and retailer initiatives noted above, the Inquiry makes the following recommends:
- 9.1 First, that the current draft regulations designating agro-processing and grocery wholesale/retail, as well as the draft enforcement guidelines detailing specific practices as unfair be confirmed in the final regulations and guidelines. These should be widely publicised in order to empower small and historically disadvantaged suppliers in negotiations with the large national retail chains. In addition, the Inquiry recommends that once the regulations and guidelines are finalised, that the Commission engage the large national retail chains on their procurement practices to ensure that their procurement practices are aligned with the final enforcement guidelines, failing which, consideration should be given to initiating an investigation into these firms' trading practices.
 - 9.2 Second, the enterprise development programmes of the national retail chains should be formalised and strengthened. Accordingly, the Inquiry recommends that the national supermarket chains make industry commitments to a formal ongoing programme to develop small and historically disadvantaged suppliers. Furthermore, such a programme should establish binding industry targets for a proportion of turnover to be

supplied by SMMEs and historically disadvantaged suppliers, as well as a proportion of turnover to be spent on the development of new SMME and historically disadvantaged suppliers. These may initially be set in line with current enterprise development spend in order to formally bind such programmes. However, the formal commitments should also entail a gradual escalation of these binding commitments over time. This escalation should take into account what is realistic and achievable but should also be ambitious in its efforts to address concentration in the supply chain. Given that it is also the government department that oversees the B-BEEE codes of practice which incorporate an enterprise development component, this industry commitment may be facilitated by the DTIC.

10. In order to continue the work undertaken by the Inquiry, the Minister should appoint a facilitator to seek to secure voluntary compliance by suppliers of fast-moving consumer goods. If the facilitator is unable to secure voluntary compliance within six months from the date of publication of this Final Report, the Government should introduce a legislative framework to give effect to these recommendations in the form of a code of good practice and the establishment of an industry Ombudsman.

Competitiveness support for spaza shops and small independent retailers

11. Government should facilitate the establishment of distribution centres to be located in peri- and non-urban areas to service small and independent retailers and wholesalers.
12. Government should establish an incentive programme that will provide seed finance for innovative commercial models of private businesses that aim to offer the following support for small informal spaza shops:
 - 12.1 the effective incorporation of spaza shops into buyer groups and larger wholesale operations in order to assist them to realise economies of scale and scope in purchasing;
 - 12.2 the generation of key information on individual spaza shop operations such that the risks of extending credit finance to these shops can be more accurately assessed in order to facilitate credit access for the purchase of stock; and
 - 12.3 the development of consumer and business information to assist in the improvement of such businesses, including business and financial management training.

Removal of regulatory obstacles to meeting competitive challenges

13. All three spheres of government involved in the regulation of planning and trade should cooperate with one another to coordinate their activities and legislation in accordance with section 41(h)(iv) of the Constitution and coordinate their actions in terms of section 35 of the Intergovernmental Relations Framework Act, 13 of 2005 to give effect to the following recommendations:
 - 13.1 organised local government must seek to develop a common approach for local government in terms of section 3(3)(a) of the Local Government: Municipal Systems Act, 32 of 2000 to develop uniform guidelines for by-laws and regulations to give effect to these recommendations;
 - 13.2 municipalities must review the trading times in by-laws and regulations in relation to spaza shops and street traders, with the view to amending or abolishing those by-laws and regulations in accordance with the uniform guidelines;
 - 13.3 municipalities must fast-track the processing of existing re-zoning requests for spaza shops in township areas;
 - 13.4 municipalities must proactively rezone areas to enable them to carry on business in a more effective and formalised manner and in accordance with the uniform guidelines;
 - 13.5 provinces and municipalities must coordinate and streamline applications for liquor licences and for rezoning;
 - 13.6 municipalities must develop and implement preferred zoning processes and practices that facilitate ease of entry for SMMEs in non-urban areas including imposing conditions to the approval of shopping centre developments to secure the inclusion of SMME businesses in and around shopping centres;
 - 13.7 municipalities must develop and implement a simplified framework for the registration of informal businesses, particularly spaza shops.
14. In so far as counterfeit goods are concerned, it is recommended that
 - 14.1 law enforcement officers appointed by municipalities are given powers to enforce the Counterfeit Goods Act, 37 of 1997 either under section 22 of that Act or by way of declaration in terms of section 334(1) of the Criminal Procedure Act, 51 of 1977; and
 - 14.2 there must be increased coordination between the South African Revenue Services, South African Police Services and municipalities to facilitate proactive policing of counterfeit goods.

15. Given the multiplicity of issues that appear to distort and impede competition in the grocery retail sector, the Inquiry recommends that government should develop a legislative framework with a statutory industry body for the regulation of the retail sector, taking into account, among others, the findings and recommendations of this Inquiry.

Annexure H: Final SEIAS report



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

SOCIO-ECONOMIC IMPACT ASSESSMENT SYSTEM (SEIAS)

REVISED (2024): FINAL IMPACT ASSESSMENT TEMPLATE –PHASE 2

NAME OF THE PROPOSAL: Township and Rural Economy Development and Revitalization Policy

DATE OF REPORT: 29 August 2025

1. Please DO NOT ALTER the template and questionnaire
2. Date of report must be clearly stated
3. The report must be compiled by the policy drafter
4. Draft SEIAS report should be accompanied by the supporting documents (draft proposal, M&E plan and pieces of research work)
5. FINAL report will be in PDF format and will be inclusive of the sign-off
6. Sign off forms are only valid for a period of six months.
7. Bills and Regulations that introduce permitting, licensing and registration system must be accompanied by a streamlined process map and indicate the proposed turnaround time for processing of such.
8. Herewith link to all SDG related evidence <https://sasdghub.up.ac.za/database/>
9. Please submit the draft report and all supporting documents to seias.submissions@presidency.gov.za and your department PRS SEIAS representative
10. **If your department deems the impact of this proposal insignificant please discuss with your SEIAS PRS representative and complete the SEIAS Significance Test assessment**

PART ONE: ANALYSIS FOR FINAL SEIAS REPORT

Please keep your answers as short as possible. Do not copy directly from any other document.

1. Conceptual Framework, Problem Statement, Aims and Theory of Change

1.1 What socio-economic problem does the proposal aim to resolve?

Since the advent of democracy in South Africa, support for rural areas and township economic development to date has been insufficient and uncoordinated. Support initiatives need to be reorganized and overhauled through existing resources from the different role players within the entire eco-system. The approach should be through improved co-ordination, cooperation, collaboration and directed focus of multiple disjointed support that exists across government.

Townships were originally designed by the apartheid system to be dormitories of cheap black labour, with little commercial or industrial activity to support considerable job creation in the mainstream economy. Given the lack of the overall township economy being absorbed in the mainstream economy, townships ended up having disproportionately high levels of informal enterprises and in some instances a proliferation of illicit goods were traded in these areas across the country. Publications such as [Township Businesses in South Africa highlight the socio-economic isolation of townships](#) which resulted in the development of what was considered an “informal” economic sector containing nearly six (6) million businesses across the country. It is estimated that around 65 % of all township enterprises are informal.

World Bank ¹⁵research on South African townships notes that due to the township low development and weak linkages with the formal sector and the negligible industrial production within the township borders, it was important for policy to address the economic deficiency within the township economy. Rural areas have also through the years suffered the effects of being at the periphery of the mainstream economy. Studies on the rural economy show that rural communities face numerous difficulties, such as unemployment, poverty and inequality. These studies corroborate research findings on challenges experienced by entrepreneurs in rural areas that there is lack of access to finances, human resources, infrastructural challenges and social issues such as crime and lack of demand for products or services of entrepreneurs in these areas. Generally, these challenges are experienced by entrepreneurs in townships, rural areas and to a large extent by small enterprises on a universal level. Examining the impact of job location on violent crime: the

study of South African metropolitan areas

Studies ¹⁶on crime in South Africa that compare areas that are integrated with economic opportunities with those that are disintegrated from economic opportunities and are less affluent and have lower job opportunities show that these areas have high levels of crime in the country, which to an extent is attributable to lack of opportunities, poverty and inequality. Furthermore, the World Bank

¹⁵ Economics of South African Townships. Special focus on Diepsloot

¹⁶ Examining the impact of job location on violent crime: the study of South African metropolitan areas

¹⁷indicates that approximately over forty percent (40%) of the working-age population resides in township areas and over sixty percent (60%) of the unemployed in the country reside in townships. Poverty levels are therefore skewed towards township areas in the country and given the Stats SA Quarterly Labour Force Survey (QLFS) publication for 2025, the official unemployment rate was 32.9 % in the first quarter of 2025. According to 2024 QLFS data the informal sector accounted for 19.5% of total employment in South Africa. The need for policy to redress the township and rural economic trajectory is amplified given these national statistics.

1.2 What are the main root cause of the problem identified above?

What socio-economic problem does the proposal aim to resolve	What are the main roots or causes of the problem
Investment in infrastructure and maintenance	Inadequate infrastructure investment i.e. economic and business infrastructure. The World Bank states that infrastructural inadequacies in South Africa were mostly rampant in townships characterised by poor road networks. Different studies such as the Re-imagining the complexities faced by rural entrepreneurs in South Africa: Implications for local economic development in the post COVID-19 pandemic period and the Department of Agriculture, Land Reform and Rural Development (DALRRD) through its Infrastructure Development in Rural Areas Policy acknowledges that the need for investment in infrastructure has been an identified key requirement for transformation of the rural economy. In addition, journals such as The Availability of Infrastructure in Townships: Is there Hope for Township Businesses, show that lack of business and basic infrastructure is a challenge for entrepreneurs in township areas. Furthermore, the report notes that in order for township businesses to improve, infrastructure was a prerequisite. Aforementioned research reports indicate that there is generally lack of adequate infrastructure to support entrepreneurship endeavours in township and rural areas.
Lack of adequate skills by rural and township entrepreneurs	Generic entrepreneurship training. The Aspen Network of Development Entrepreneurs' (ANDE) Entrepreneurship in South Africa's Townships: Ecosystem Challenges and Recommendations for the Path Forward report highlights that the lack of specialisation among business development service (BDS) offerings did not assist entrepreneurs in their stage of growth and sector-specific needs.

¹⁷ Ibid (Refers to the same source as footnote 1)

	The report further notes that lack of mentors and language mismatch between BDS providers and entrepreneurs, especially in rural and township areas was also noted to be an impediment in the entrepreneurship journey.
Lack of access to finance for rural and township-based enterprises	Lack of patient ¹⁸capital for township and rural-based enterprises. Regulatory requirements which render township and rural-based small enterprises not investment ready and therefore not viable to be funded.¹⁹ Lack of appropriate funding instruments for township and rural-based MSMEs. According to the aforementioned research by ANDE, township enterprises do not have access to lenient finance which offers favourable terms such as long-term investments or below-market interest rates. Furthermore, the research by ANDE refers to a gap in funding eligibility requirements between what funders require and realities of entrepreneurs in township and rural areas. Requirements such as documentation, including bank statements, lease agreements amongst others.
Trade in illicit or counterfeit goods	Poor law enforcement by government i.e., lack of capacity to employ enforcement officers. Studies by the Durban University of Technology (DUT) indicate that there has been a rise in counterfeit goods being traded in South Africa. The Safeguarding Township Tourism in South Africa from Counterfeit Consumable Products through Consumer-oriented Technology Solutions report shows that the problem of counterfeit goods is prevalent in South Africa with examples of factories worth R77 million producing counterfeit consumable products (food and beverages) being in operation. Publications such as the Rise of Illicit and counterfeit Fast Moving Consumer Goods (FMCG) in South African Spaza Shops and Fake Food Flooding South African Townships indicate that there is a rise in counterfeit goods being traded in spaza shops in township areas.
Lack of access to markets	Inability to scale services and products for broader market access. The World Bank reports that the South African economy is dominated by large companies

¹⁸ Patient capital refers to long term investments in early-stage or growth businesses, where investors are willing to offer flexible terms and willing to forgo immediate returns in anticipation of more substantial returns at a later stage and achieving strategic longer-term objectives

¹⁹ Department of Small Business Development Policy dialogue report: Addressing Regulatory constraints to funding the lower end

	that account for 90% of the South African market. It was also notable that these large companies preferred doing business with trusted suppliers they have built a long-term relationship with, which prohibits growth of small enterprises into these markets. Furthermore, township and rural entrepreneurs struggle with access to markets and distribution channels due to few opportunities to access broader markets beyond their immediate local area. Research on Building Sustainable Township Economies indicate that only 25 % of township businesses have access to markets beyond their immediate geographical area, therefore limiting their expansion opportunities.
Safety and security concerns and high crime levels	Inability of law enforcement to address high crime levels. Lack of investment in infrastructure to support crime prevention. A study commissioned by the South African Presidency titled, The Impact of Crime on South African Businesses in South Africa illustrates that township enterprises are severely affected by crime. The research covered business owners operating in inner city areas, large townships and informal settlements and densely developed suburban areas. The study notes that business owners operating in townships and informal settlements were most likely to describe their locations as being characterised by high levels of crime.
Lack of access to technology	Studies such as the Township Tech Sector Intelligence Report indicate that generally there is lack of access to technological tools in townships. In addition, the World Bank indicates that small businesses are not utilizing digital technologies in their business to its full potential, especially in townships and underdeveloped region. The following challenges prevail, including in rural areas: - Poor or no internet connectivity. - Poor knowledge of digital tools in the township business space. This also applies to rural areas. - Adverse general socio-economic circumstances preventing information and communications technology (ICT) adoption.

1.3 Summarise the **aims** of the proposal and **how** it will address the problem in no more than five sentences

The Department of Small Business Development through the development of the Township and Rural Economy Development and Revitalization Policy aims to:

- 1.3.1 The Policy will be redistributive in approach and will promote collaboration, coordination and partnership between the public and private sector on investment in township and rural areas. This investment will be quantified through alignment of departmental performance plans, municipal integrated development plans and private sector annual operating plans.
- 1.3.2 Improve employment and livelihoods in township and rural areas. The policy will outline an implementation plan that details resource allocation and stakeholder arrangements which will guide on implementation. With improved resource planning and allocation in township and rural areas, small enterprises operating in these areas will grow and employ local residents.

1.1 How is this proposal contributing to the following national priorities?

National Priority	Impact
1. Drive Inclusive Growth and Job Creation	Promote inclusion and growth of small enterprises in township and rural areas through collaborative planning effort. Annual Plans and integrated plans should be aligned and streamlined to ensure maximum impact and efficiency. Comprehensive planning and coordination of investment into township and rural areas will have promote growth of small enterprises operating in those areas with direct benefit of their growth and job creation.
2. Reducing poverty and tackling the high cost of living	A large population of the poor in South Africa reside in townships and rural areas where economic opportunities are scarce. The World Bank report, Economics of South African Townships: Special focus on Diepsloot, reported that over 60 % of the unemployed reside in townships. Intently addressing systemic challenges experienced in the township and rural economy should provide modalities in effectively delivering support services to small enterprises operating in township and rural areas.

National Priority	Impact
3. Building a capable, ethical and developmental state	Through coordination, the state and its various spheres of government will promote collaborative effort in planning and execution of programmes. Outcomes of this approach will promote the identification competencies by different government departments and their agencies, municipalities and the private sector. This will assist in addressing challenges such as access to market, access to business premises as well as scaling financial and non-financial support through strategic partnerships.

- 1.2 Please describe how the problem identified could be addressed if this proposal is not adopted. At least one of the options should involve no legal or policy changes but rather rely on changes in existing programmes or resource allocation.

Option 1.	Strengthen the implementation of the DDM through the Office of the Presidency. The Department of Cooperative Governance and Traditional Affairs (COGTA) as the lead department on intergovernmental relations needs to institutionalize the District Development Model (DDM) approach. Institutionalization of the DDM approach will go beyond issuing of DDM regulations i.e. establish coordinating mechanisms and guidelines beyond intergovernmental structures that will outline how various departments and their agencies plan, execute, report and periodically monitor the One Plan initiatives. These One Plan initiatives will need to identify high impact programmes for rural and township economy development. The Presidency will provide oversight support to COGTA through monitoring and evaluation mechanisms as well as enforcement.
Option 2.	Design a National Framework on Incentives for small enterprises on rural and township economy development. This framework will enable targeted implementation of programme support for township and rural-based small enterprises.

PART TWO: IMPACT ASSESSMENT**2. Policy/Legislative alignment with other departments, behaviours, consultations with stakeholders, social/economic groups affected, assessment of costs and benefits and monitoring and evaluation.**

2.1 Are other government laws or regulations linked to this proposal? If so, who are the custodian departments? Add more rows if required.

Government legislative prescripts	Custodian Department	Areas of Linkages	Areas of contradiction and how will the contradictions be resolved
The Constitution of the Republic of South Africa, 1996	Department of Agriculture, Land Reform and Development (DALRRD) Cooperative Governance and Traditional Affairs (COGTA), Metropolitan, District and Local Municipalities	Chapter 14 stipulates that rural development includes road, electricity and storm water infrastructure, ICT infrastructure and by extension includes support to small enterprises development support. Chapter 7 stipulates that municipalities shall promote economic development	No contradictions. The proposed policy advocates for streamlined support through coordination and collaboration.
The Local Government: Municipal System, 2000 (Act No. 32 of 2000)	COGTA, Metropolitan, District and Local Municipalities	Section 3(3)(b) provisions for local government must seek to enhance co-operation. mutual assistance and sharing of resources among municipalities. Section 4(2)(g) provisions for municipal councils to promote and	No contradictions. The proposed policy advocates for streamlined support through coordination and collaboration.

		undertake development in the municipality.	
Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005)	COGTA, Metropolitan, District and Local Municipalities In addition, objects of the Act are applicable to national, provincial and local government	The object of the Act is to facilitate co-ordination in the implementation of policy and legislation, including coherent government, effective provision of services, monitoring implementation of policy and legislation and realisation of national priorities.	No contradictions. The proposed policy advocates for streamlined support through coordination and collaboration.
National Small Enterprise Act, 1996 (Act No. 102 of 1996)	Department of Small Business Development (DSBD)	The primary object of the Act is to establish a developmental legislative framework that represents and promotes the growth of small enterprises.	The Act aligns with objectives of the proposal.
Gauteng Township Economic Development Act, 2022 (Act No. 2 of 2022)	Gauteng Department of Economic Development (GDED)	The primary object of the Act is to promote economic transformation of the local township economic that enables meaningful participation by historically disadvantaged individuals (HDIs)	The Act aligns with objectives of the proposal.

2.2 Proposals inevitably seek to change behaviour in order to achieve a desired outcome. Describe (a) the behaviour that must be changed, and (b) the main mechanisms to bring about those changes. These mechanisms may include modifications in decision-making systems; changes in procedures; educational work; sanctions; and/or incentives.

- a) What and whose behaviour does the proposal seek to change? How does the behaviour contribute to the socio-economic problem addressed?

National, provincial and local government and their implementing entities.

Various government departments, municipalities and their entities implement support programmes for small enterprise development. However, rural and township economy development remains uncoordinated with little collaborative effort by stakeholders in addressing rural and township economy challenges. Township and rural area-specific challenges prohibit township and rural-based small enterprises from growing and participating in the mainstream economy. These challenges include lack of economic infrastructure, business premises, patient capital that considers the operational level of the enterprise, enterprise specific business development support services amongst others.

The proposed policy aims to guide all government departments and their entities and the private sector partners on coordinating, collaborating and partnering collectively to support the growth of the rural and township economy. The implementation framework of the policy will serve as a mechanism on aligning departments with constitutional and legislative mandate with departments, entities and private sector stakeholders that support the rural and township economy as a shared responsibility.

b) How does the proposal aim to bring about the desired behavioural change?

The proposed policy is redistributive and provides guidance on what, through the consultative process, will be a shared vision and objectives. National objectives on township and rural economy development should guide stakeholders, in the public and private sectors, on investment initiatives directed towards townships and rural areas in the country.

Currently initiatives are not aligned given that there are no established coordinating mechanisms by stakeholders on township and rural economy development. Small enterprises that are supported through different initiatives such as business development services and funding may not necessarily be supplemented by information and communication technologies, access to business premises where products can be manufactured. Collaboration and coordination through the proposed policy should enable joint planning by stakeholders which should identify the type of initiatives and outcomes the initiatives should bring.

2.3 Consultations

- a) Who has been consulted inside of government and outside of it? Please identify major functional groups (e.g. business; labour; specific government departments or provinces; etc.); you can provide a list of individual entities and individuals as an annexure if you want.

Consulted Government Departments, Agencies and Other Organs of State

Department's name	What do they see as main <u>benefits</u> , <u>Implementation/</u> <u>Compliance costs</u> and <u>risks</u> ?	Do they <u>support</u> or <u>oppose</u> the proposal?	What <u>amendments</u> do they propose?	Have these amendments been <u>incorporated</u> in your proposal? If yes, under which section?
The Department of Trade, Industry and Competition (the dtic)	The proposed policy promotes cohesion and aligns initiatives by the dtic with other stakeholder programmes	Support	None	N/A
South African Local Government Association (SALGA)	The proposed policy promotes indirect capacity building, knowledge sharing and resource mobilisation and allocation in the national, provincial and local spheres of government	Support	None	N/A
Provincial Departments of government in the Free State, Gauteng, North-West, KwaZulu Natal, Limpopo, Mpumalanga, Western Cape, Northern Cape and the Eastern Cape	Rural development is a constitutional mandate and township economy development is a concurrent mandate. The proposed policy will enable the establishment of key performance indicators on rural and township economy development through existing coordinating	Support	None	N/A

	mechanisms and encourage private alignment with sector-led initiatives.			
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Consulted stakeholders outside government

Name of Stakeholder	What do they see as main <u>benefits</u> , <u>Implementation/</u> <u>Compliance costs and risks?</u>	Do they <u>support</u> or <u>oppose</u> the proposal?	What <u>amendments</u> do they propose?	Have these amendments been <u>incorporated</u> in your proposal?
Small enterprises operating in township and rural areas in the provinces during consultations	The proposed policy will address challenges experienced by township and rural areas such as lack of access to: - business premises - funding - markets - information - business specific business support services e.g. sector support, growth stage etc. - information and communications technology	Support	Reflection and emphasis of the proposed policy on socio-economic challenges. Outline specific roles and responsibilities of national, provincial, and local governments in the policy. Alignment of the proposed policy with other policies and standard bylaws needs to be considered. The Salga small town regeneration programme needs to be linked in the proposed policy.	Amendments have been incorporated with the exception of the SALGA Small Town Regeneration Programme. The programme aims to revitalize the small-town economy and parameters of the proposed policy is rural and township economy development and revitalization. A lot of the proposals were operational in nature and not strategic in nature.

- b) Summarise and evaluate the main disagreements about the proposal arising out of discussions with stakeholders and experts inside and outside of government. Do not give details on each input, but rather group them into key points, indicating the main areas of contestation and the strength of support or opposition for each position

Research indicates that townships recorded high levels of unemployment, persistent poverty and record-high levels of inequality and therefore at the centre of the triple crisis facing South Africa. Poverty levels are relatively high in townships and were

estimated at 55.5 % in 2022; promoting the economic divide between suburbs and cities and historically excluded areas such as townships and rural areas. This divide resulted in the high Gini coefficient of 63 % for South Africa, making it the most unequal society in the world.

Based on this, stakeholders did not have disagreements with the proposed policy and therefore provided inputs into strengthening the policy stance on redressing the economic neglect faced by township and rural areas.

- 2.4 Describe the groups that will benefit from the proposal, and the groups that will face a cost. These groups could be described by their role in the economy or in society. Note: NO law or regulation will benefit everyone equally so do not claim that it will. Rather indicate which groups will be expected to bear some cost as well as which will benefit. Please be as precise as possible in identifying who will win and who will lose from your proposal. Think of the vulnerable groups (disabled, youth, women, SMME) but not limited to other groups.

List of beneficiaries (groups that will benefit)	How will they benefit?
Rural and township-based small enterprise.	Better service delivery through alignment of national, provincial and local government in planning and execution. Better planning and execution of the different spheres of government would potentially crowd-in private sector role players given improved outcomes of initiatives. Private sector role players also have existing initiatives supporting township and rural areas and alignment will yield greater outcomes and impact in the long run.
Community members in the rural and township areas.	Alignment of national, provincial and local government will improve service delivery i.e. roads, information and communication technology, employment opportunities as small enterprises in these areas grow and the opportunity to run business grows.

List of cost bearers (groups that will bear the cost)	How will they incur / bear the cost
National, provincial and local government and their entities	Escalation in budget commitment on infrastructure development and maintenance i.e. road, information and communications technology infrastructure, allocation of business premises etc. The possibility of the need to capacitate smaller municipalities in rural and township areas through human and financial resources. Identification of additional budget requirements can only be assessed

	through budget and personnel resource planning in the respective municipalities.
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- 2.5 Describe the costs and benefits of implementing the proposal to each of the groups identified above, using the following chart. Please do not leave out any of the groups mentioned, but you may add more groups if desirable. Quantify the costs and benefits as far as possible and appropriate. Add more lines to the chart if required.

Note: "Implementation costs" refer to the burden of setting up new systems or other actions to comply with new legal requirements, for instance new registration or reporting requirements or by initiating changed behaviour. "Compliance costs" refers to on-going costs that may arise thereafter, for instance providing annual reports or other administrative actions. The costs and benefits from achieving the desired outcomes relate to whether the particular group is expected to gain or lose from the solution of the problem.

For instance, when the UIF was extended to domestic workers:

- The implementation costs were that employers and the UIF had to set up new systems to register domestic workers.*
- The compliance costs were that employers had to pay regularly through the defined systems, and the UIF had to register the payments.*
- To understand the inherent costs requires understanding the problem being resolved. In the case of UIF for domestic workers, the main problem is that retrenchment by employers imposes costs on domestic workers and their families and on the state. The costs and benefits from the desired outcome are therefore: (a) domestic workers benefit from payments if they are retrenched, but pay part of the cost through levies; (b) employers pay for levies but benefit from greater social cohesion and reduced resistance to retrenchment since workers have a cushion; and (c) the state benefits because it does not have to pay itself for a safety net for retrenched workers and their families.*

Group	Implementation costs	Compliance costs	Costs/benefits from achieving desired outcome	Comments
National, provincial and local government	Promote the use by rural and township-based small enterprises of a single access portal on financial and non-financial offerings and opportunities by both and public sector.	A single access portal was established by partnership between the Department of Small Business Development and the Department of Science, Technology and Innovation. This portal can be retrofitted to satisfy the user i.e. access to providers of financial and non-financial providers.	The cost in time management by the Department of Small Business Development to map and onboard providers of financial and non-financial providers. The benefit would be the ease of access to information by rural and township-based enterprises. This benefit would also be realized by national, provincial and local government in that the need to embark on information session roadshows would decrease.	A potential risk is that some rural and township areas might not have good network coverage to utilize the single access portal. Rural and Township-based provincial and local government will need to utilize existing mobile services of the Small Enterprise Development and Finance Agency (SEDFA)
National, provincial government and their entities	Establishment of patient capital fund for investments in high-risk areas with low expectation for turning in quick profit	Repurposing existing blended funds to target township and rural-based small enterprises. These funds will not be exclusive for township and rural-based small enterprises but will be managed through target setting.	Township and rural-based small enterprises will have improved access to funding opportunities that cater to their current growth phase.	Current budget commitments will be utilized to serve as capital funds

Municipalities	Enforcement of the Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013)	Municipalities through their spatial, land and infrastructure database will identify available land for rezoning for business purposes.	Fallow land can be rezoned for commercial purposes and planning (infrastructure investment and investment in existing government premises) will improve economic output in rural and township areas.	Potential to crowd-in private sector investment. Municipalities through their Integrated Development Planning (IDP) can attract private sector investment i.e. planned refurbishment of business premises can led to internet service providers investing in optic fibre cables and other infrastructure
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2.6 Cost to government: Describe changes that the proposal will require and identify where the affected agencies will need additional resources

- a) Budgets, has it been included in the relevant Medium Term Expenditure Framework (MTEF) and

Support for township and rural economy is expressed under the Strategic Priority 1: Drive Inclusive Growth and Job Creation. The strategic intervention is to expand financial and non-financial support for small businesses, focusing on township and rural areas. The outcomes baseline for the strategic intervention is R 700 billion in investment, and the outcomes target (2029/2030) is R 3 trillion in investments.

- b) Staffing and organisation in the government agencies that have to implement it (including the courts and police, where relevant). Has it been included in the relevant Human Resource Plan (HRP)

The Department of Small Business Development as the lead department on the strategic intervention to expand financial and non-financial support for small businesses, focusing on township and rural areas, will be supported by the Department of Tourism, Department of Trade, Industry and Competition, Department Agriculture, Department of Forestry, Fisheries and the Environment, Department of Science, Technology and Innovation as well as provincial departments responsible for economic affairs.

Staffing requirements will be informed by the different department's personnel planning and funding for posts.

Note: You MUST provide some estimate of the immediate fiscal and personnel implications of the proposal, although you can note where it might be offset by reduced costs in other areas or absorbed by existing budgets. It is assumed that existing staff are fully employed and cannot simply absorb extra work without relinquishing other tasks.

- 2.7 Describe how the proposal minimises implementation and compliance costs for the affected groups both inside and outside of government.

For groups outside of government (add more lines if required)

Group	Nature of cost (from question 2.6)	What has been done to minimise the cost?
National, provincial and local government	Different government departments and municipalities offer initiatives for township and rural economy development. The policy proposal advocates for use of existing initiatives and existing or reconfiguration of delivery mechanisms to develop and revitalize the township and rural economy through cohesion i.e. aligned planning, execution, monitoring and reporting.	The policy proposal was developed with cognizance of existing initiatives. The proposal advocates for the alignment and reconfiguration of existing delivery mechanisms where necessary i.e. the proposed policy supports the objective to institutionalise rural development and strengthen intergovernmental sector coordination through the DDM with clear monitoring and reporting systems. Existing initiatives such as the DDM will continue to be delivery models for an integrated government and where reforms are necessary, the proposed policy as a guiding national framework on rural and township economic development will serve as a basis for review and reform supported by evidence.

For government agencies and institutions:

Agency/institution	Nature of cost (from question 2.6)	What has been done to minimise the cost?
Small Enterprise Development Finance Agency (SEDFA)	Revision of the Township and Rural Entrepreneurship Programme TREP to align to policy recommendations.	Revision of TREP was not a product of the policy proposal. The revision of TREP was informed by the review of its performance and intended outcomes.
Cooperative Governance and Traditional Affairs (COGTA)	Institutionalize the District Development Model (DDM) in government. The proposed policy proposes that a bottom-up structure needs to be established for operational purposes, i.e. from DDM level to ensure needs-based services and	COGTA has established Provincial DDM Technical Forums to strengthen coordination. In addition, COGTA published in the Gazette DDM regulations in April 2024 as means to institutionalize the DDM approach in government.

	effective implementation of policy interventions.	
District and local municipalities	Develop systems or processes to enable compliance with municipal by-laws by township and rural-based small enterprises.	COGTA published in the Gazette Standard Draft By-Law for Township Economies in November 2024.
Provincial departments responsible for economic affairs	Enhance research with specific attention to township and rural economy nuances i.e. sector-specific support and sectors with the competitive advantages in the province, skills gap compared to sector demands in the province etc.	The Department of Small Business Development (DSBD) has established a Research Community of Practice guided by an agreed research agenda that informs a research action plan.

2.8 Managing Risk and Potential Dispute

- a) Describe the main risks to the achievement of the desired outcomes of the proposal and/or to national aims that could arise from implementation of the proposal (to be addressed in column A in table below). Add more lines if required.

Note: It is inevitable that change will always come with risks. Risks may arise from (a) unanticipated costs; (b) opposition from stakeholders; and/or (c) ineffective implementation co-ordination between state agencies. Please consider each area of risk to identify potential challenges.

- b) Describe measures taken to manage the identified risks (to be addressed in column B in table below). Add more rows if necessary.

Mitigation measures means interventions designed to reduce the likelihood that the risk actually takes place.

A) Identified risk	B) Mitigation measures
Resistance to implement the proposed policy due to budget limitations, or jurisdictional conflicts.	The proposed policy identifies departments that have a constitutional mandate on rural development, development in the municipalities, facilitation of coordination in government and the promotion of small enterprises. These constitutional mandates are further supported by various legislations, strategies and plans of the various departments such as COGTA, the Department of Agriculture, Land Reform and Rural Development (DALRRD), the DSBD, municipalities, provincial departments responsible for economic affairs. To remedy the risk, the DSBD will establish a coordinating mechanism that will allow for continued planning, reporting and monitoring of performance of the proposed policy. COGTA currently facilitates strategic coordinating platforms through the intergovernmental

	relations framework and the District Development Model (DDM) approach, which definitively includes private sector participation.
Responsibility creep	COGTA is responsible for overseeing and supporting local government, as well as promoting cooperative governance between the different spheres of government in South Africa. The DSBD might interfere in the responsibility of COGTA in its pursuit of advocacy for implementation of the proposed policy. To mitigate this, the DSBD has engaged with COGTA on the proposed policy and its scope. In addition, COGTA will be a key stakeholder in the implementation of the proposed policy and through COGTA's intergovernmental relations coordinating mechanisms, including the DDM, the DSBD will jointly plan, report and monitor implementation of the proposed policy and constitutional mandates that should be observed. Roles and responsibilities will be outlined and performance measured against these.
Budget constraints	Given the current low economic growth, the proposed policy does not propose establishment of new initiatives or support institutions to carry out township and rural economy development, however, the proposed policy acknowledges existing institutional and constitutional mandates to supporting the township and rural economy. To achieve greater impact on township and rural economy development, the proposed policy identifies institutional arrangements that will pursue higher impact by leveraging resources and aligning plans for township and rural economy development. A resource plan with key result areas that have budget commitments from respective institutions will be tabled for approval by respective Accounting Officers to enable planning and execution of the policy.

- c) What kinds of dispute might arise in the course of implementing the proposal, whether (a) between government departments and government agencies/parastatals, (b) between government agencies/parastatals and non-state actors, or (c) between non-state actors? Please provide as complete a list as possible. What dispute-resolution mechanisms are expected to resolve the disputes? Please include all of the possible areas of dispute identified above. Add more lines if required.

Note: Disputes arising from regulations and legislation represent a risk to both government and non-state actors in terms of delays, capacity requirements and expenses. It is therefore important to anticipate the nature of disputes and, where possible, identify fast and low-cost mechanisms to address them.

Nature of possible dispute (from sub-section above)	Stakeholders involved	Proposed Dispute-resolution mechanism
Small enterprises in township and rural areas might have unrealistic expectations in accessing markets and funding i.e. demand factors within markets determine the growth of sectors and subsectors of the economy and availability in funding is determined by programme parameters such as qualifying criteria amongst others. Support services are also not linear in approach and enterprise readiness might determine the ability and readiness to supply.	Small enterprises in rural and township areas.	The DDM processes will allow transparent engagement between the various government departments supporting small enterprises in township and rural areas. In addition, the Department of Small Business Development is in the advanced stage of establishing an Advisory Body which will interact with small enterprise representative bodies. Outside government agencies and departments, the Advisory Body will be able to engage with small enterprises and advocate for their interests with the Ministry of Small Business Development. In addition, the Advisory Body will submit annual reports to Parliament and unresolved matters can be put to the attention of Parliament.

2.9 Monitoring and Evaluation

Note: Please ensure that your M&E plan is an annexure to the SEIAS report, guided by the key components listed below. Sound implementation of policy and legislation is due to seamless monitoring and evaluation integration during the policy development phase. Policies and legislation that are proficiently written yet unable to report on implementation outcomes are often a result of the absence of an M&E framework at the policy and legislative planning phase. It is therefore imperative to state what guides your policy or legislation implementation monitoring.

- 2.6.1 **Develop a detailed Monitoring and Evaluation Plan**, in collaboration with your departmental M&E unit which should include among others the following:

2.6.1.1 Provide clear and measurable policy or legislative objectives**2.6.1.2 Provide a Theory of Change** clearly describing the following components:

- Impact: the organisational, community, social and systemic changes that result from the policy or legislation;
- Outcomes: the specific changes in participants (i.e. beneficiaries) behaviour, knowledge, skills, status and capacity;
- Outputs: the amount, type of degree of service(s) the policy or legislation provides to its beneficiaries;
- Activities: the identified actions to be implemented
- Input: departmental resources used in order to achieve policy or legislative goals i.e. personnel, time, funds, etc.
- External conditions: the current environment in which there's an aspiration to achieve impact. This includes the factors beyond control of the policy or legislation (economic, political, social, cultural, etc.) that will influence results and outcomes.
- Assumptions: the facts, state of affairs and situations that are assumed and will be necessary considerations in achieving success

2.6.1.3 Provide a comprehensive Logical Framework (LogFrame) aligned to the policy or legislative objectives and the Theory of Change. The LogFrame should contain the following components:

- Results (Impact, Outcomes and Output)
- Activities and Input
- Indicators (A measure designed to assess the performance of an intervention. It is a quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor)
- Baseline (the situation before the policy or legislation is implemented)
- Targets (a specified objective that indicates the number, timing and location of that which is to be realised)

2.6.1.4 Provide an overview of the planned Evaluation, briefly describing the following:

- Timeframe: when it the evaluation be conducted
- Type: What type of evaluation is planned (formative, implementation or summative) – the selection of evaluation type is informed by the policy owners objective (what it is you want to know about your policy or legislation).

2.6.1.5 Provide a straightforward Communication Plan (Note: a common assumption is that the target group will be aware of, and understand how to comply with a policy or legislation come implementation. However, increases in the complexity and volume of new or amendment policy or legislation render this assumption false. Hence, the need for a communication plan to guide information and awareness campaigns to ensure that all stakeholders (including beneficiaries) are informed.

- 2.7 Please identify areas where additional research would improve understanding of then costs, benefit and/or of the legislation.

PART THREE: SUMMARY AND CONCLUSIONS

- Briefly summarise the proposal in terms of (a) the problem being addressed and its main causes and (b) the measures proposed to resolve the problem.
 - The township and rural economy suffers underdevelopment, and its development will require government institutions with cross-cutting mandates to direct support services in these areas. The policy identifies areas of township and rural economy that require investment, and it proposes a multi-stakeholder approach that will direct this investment through coordination, collaboration and the partnership between public sector institutions and private sector actors with the aim of creating jobs, making township and rural areas economically viable areas for entrepreneurship.
- Identify the social groups that would benefit and those that would bear a cost and describe how they would be affected. Add rows if required.

Groups	How they would be affected
Beneficiaries	
1. Small enterprises operating in township and rural areas	- Attain specialised skills through bespoke training, coaching and mentoring. - Increased access to BDS and financial support. - Access to business premises, including land and support infrastructure. - Increased access to information i.e. service offering from government institutions. - Improved turnover due to the stop in the proliferation of trade from illegal foreign nationals in township areas. - Improved access to mainstream markets and government procurement opportunities. Prioritization of township and rural-based small enterprise should enable their capacitation to supply goods and services in the corporate sector value chains and public procurement opportunities. - Possible tax breaks for township and rural-based small enterprises for a defined period.
2. National, provincial and local government	- Resource mobilization through coordinated planning, execution, monitoring and reporting. - Clear action plan for township and rural economy development.

	- Enhanced service delivery through coordination and collaboration in impoverished areas i.e. township and rural areas. This will position government to build a capable state on small enterprise support. - Oversight on compliance with by-laws and legislation governing the sale of certain goods such as food
3. Community members in township and rural areas	- Safe food products sold in township and rural areas. - Improved livelihoods through improved economic conditions.
Cost bearers	
1. National, provincial and local government	- Create awareness on existing information, communication and technology such as the innovation bridge. The potential to retrofit the innovation bridge as scope of needs increases with awareness by small enterprises. - Mobilize existing initiatives and possibly reconfigure those that are not effective. Review of initiatives should inform necessary reconfiguration.

3. What are the main risks from the proposal in terms of (a) undesired costs, (b) opposition by specified social groups, and (b) inadequate coordination between state agencies?

(a) Opposition by specified social groups

This can be described in non-monetary terms. Trade by illegal foreign nationals may be halted through oversight by the Immigration Unit in Home Affairs which may cause social unrest within the country.

(b) Inadequate coordination between state agencies

Since Cabinet approved the DDM approach in 2019, it has arguably not achieved its intended objective of improving an integrated planning and delivery across the three spheres of government with district and metropolitan spaces as focal points of government and private sector investment. The main risk is that the DDM as a coordinating mechanism is not in the ambit of the DSBD.

Awareness of the DDM regulations may need to be facilitated by COGTA in the different government departments.

4. Summarise the cost to government in terms of (a) budgetary outlays and (b) institutional capacity.

(a) Initiatives on township and rural economy development exist within the public sector and the private sector. Budgetary commitments find expression through departmental annual performance plans, municipal integrated development plans and annual operational plans. Additional budget requirements in government will follow procurement and demand plan processes.

Government departments, agencies and private sector actors will derive benefit through existing inter-governmental structures, such as the DDM, to strengthen coordination and collaboration. Coordinating investment in township and rural areas through planning, execution, monitoring and reporting will benefit government institutions where capacity constraints are a reality. Capacity building for government institutions will be informed by through budget and personnel resource planning.

5. Given the assessment of the costs, benefits and risks in the proposal, why should it be adopted?

The proposed policy proposes utilizing existing delivery mechanisms in government to direct investment by role players in government and private sector actors to develop the township and rural areas. New initiatives will be established by evidence-based reforms or reconfiguration. Budget commitment to support the township and rural economy is expressed in the Medium-Term Development Plan (MTDP) 2024 – 2029. The DSBD supports the Strategic Priority 1: Drive Inclusive Growth and Job Creation. The DSBD leads the strategic intervention to expand financial and non-financial support for small businesses, focusing on township and rural areas.

6. Please provide two other options for resolving the problems identified if this proposal were not adopted.

Option 1.	Enacting a Township and Rural Economy Development and Revitalization Act. The Act will outline objects and legal parameters on supporting township and rural areas and provide legal definition on township and rural economy development and revitalization
Option 2.	Implementation of the District Development Model. The governance structure should be developed in collaboration with COGTA and aligned to the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005) to give effect to the DDM that is premised on improving an all of government and all of society approach through fostering intergovernmental joint planning, budgeting, including programme and project implementation as well as monitoring through one plans and annual performance plans. Dedicated reporting by all stakeholders on township and rural development programmes, outputs and outcomes should be a requirement.

7. What measures are proposed to reduce the costs, maximise the benefits, and mitigate the risks associated with the legislation?

Avoidance of proposal of new delivery mechanisms. Existing initiatives can be modified through evidence or reconfigured for maximum impact through coordination and collaboration.

There is a shortfall in service delivery and to circumvent this, leading governments and their entities need to devise methodologies to increase chances of delivery. This can be realized through partnerships, repurposing of existing resources and complete overhaul and virement in low impact initiatives.

8. Is the proposal (mark one; answer all questions)

	Yes	No
a. Constitutional?	X	
b. Necessary to achieve the priorities of the state?	X	
c. As cost-effective as possible?	X	
d. Agreed and supported by the affected departments?	X	

9. What is the impact of the Proposal to the following National Priorities?

National Priority	Impact
1. Inclusive growth and job creation	The proposed policy articulates objectives of township and rural economy development and revitalization. The development of policy will enable joint planning and implementation by all role players in the public and private sector. Through greater coordination and collaboration, role players will be able to achieve greater impact which will have a net positive effect for the township and rural economy.
2. Reducing poverty and tackling the high cost of living	Improved service delivery will result in township and rural areas being economically viable areas for entrepreneurship and realizing improved livelihoods.

3. Building a capable, ethical and developmental state	Government can achieve synergy in coordinating and collaborating on rural and township economy development. Through collaboration, the state can delivery services effectively by mobilizing resources from all state and non-state actors supporting the development of township and rural economy.
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For the purpose of building a SEIAS body of knowledge please complete the following:

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