

**TRAINING AS A TOOL FOR SMME DEVELOPMENT
WITHIN THE YOUTH SECTOR OF THE KOSH AREA**

BY

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ASSIGNMENT PRESENTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MASTER IN
PUBLIC ADMINISTRATION AT THE UNIVERSITY OF
STELLENBOSCH

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December 2001

DECLARATION

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submit it at any university for a degree.

MOILOA, JUSTICE MOETI



Date: 26 October 2001

SUMMARY

An effort to enhance job creation and to alleviate poverty amongst the youth as an important sector of the South African society has created a need to determine the relevance of training as a way of promoting SMME development in the KOSH area. Training is an important tool for SMME development.

Based on the above analysis, the objectives of the study are to assess the relevance of training provided in relation to the economic profile and business opportunities in the KOSH area and to assess the effectiveness of training that is provided by various agencies in the KOSH area. The study also looks into the business and employment opportunities put in place to help youth participation after undergoing training. The study focuses on training as a tool for SMME development within the youth sector of the KOSH area. It mainly deals with the importance of training, which if conducted in a proper manner, should contribute to the development of SMME.

While policies and institutions have been put in place to provide technical and business training skills in the KOSH area, targeting both women and youth who aspires to be entrepreneurs, there seem to be not significant expansion of the small business in order to create job opportunities. The status quo remains. Participants from these training programmes are pursuing their traditional form of business and there is little, if any, innovation and diversification in economic activities in this sector.

Conclusions based on the study indicate that training should be an integral component for any SMME development strategy. Programmes promoting entrepreneurial culture should target all studying young people, and also those not enrolled at institutions of learning. The private sector seems to be playing a minimal role in the provision of training. This sector's contribution in training programmes, in a partnership with public institutions, is lacking. After care services to trainees is not provided for adequately. Planning for effective SMME training in the KOSH area should further take into consideration technology, social, economic, political and institutional factors which are affecting it at the moment.

OPSOMMING

In 'n poging om werkskepping te bevorder en armoede onder die jeug te verlig, as 'n belangrike fokuspunt in die Suid-Afrikaanse gemeenskap, is dit belangrik om te bepaal wat die relevansie van opleiding is ter bevordering van SMME ontwikkeling in die KOSH-gebied.

Gebaseer op 'n ontleding in dié verband is die oogmerke van die studie om 'n waardebeoordeling te doen ten opsigte van die toepaslikheid van opleiding in die KOSH-gebied, en om die doeltreffendheid van opleiding wat veskaf word deur die onderskeie agentskappe in die KOSH-gebied te evalueer. Die studie fokus op opleiding as instrument vir SMME-ontwikkeling. Dit ontled hoofsaaklik die belang en waarde van die opleiding wat, indien korrek toegepas, kan bydra tot die ontwikkeling van SMME's.

Alhoewel beleid en institusionele reëlings voorsiening maak vir opleiding in tegniese- en besigheidsvaardighede, en bemarking spesifiek fokus op vrouens en die jeug wat entrepreneurskap bevordering betref; blyk dit dat daar nie beduidende groei is in die skepping van werksgeleenthede nie. Die status quo word gehandhaaf; deelnemers volg hul tradisionele vorme van ondernemerskap of besigheid en daar bestaan min, indien enige vernuwende denke en diversifikasie in ekonomiese aktiwiteite.

Samevatting gebaseer op die studie dui daarop dat opleiding 'n integrale element van enige SMME-ontwikkelingstrategie moet wees. Programme ter bevordering van 'n entrepreneurskultuur moet gerig wees op beide jongmense in akademiese instellings en die nie-skoolgaande jeug. Vennootskaps pogings deur die private- en openbare sektor, skyn te kort te skiet aan koördinerende in die verskaffing van opleiding. Die private sektor se rol is onvoldoende en daar word nie vir 'n nasorgdiens voorsiening gemaak nie. Beplanning vir effektiewe SMME opleiding in die KOSH-gebied moet verder tegnologiese, sosiale, ekonomiese, politiese, en institusionele faktore in aanmerking neem wat dit tans beïnvloed.

ACKNOWLEDGMENTS

There are people to whom I owe my profound gratitude for their inspiring influence to the completion of this study.

To my father, Toka and my mother, Mamothusi, I acknowledge with joy and pleasure for having nurtured, taught and encouraged me to be able to put pen to paper. My deepest appreciation to my wife, Mmakgang for being calm, clear in the midst of the hustle and bustle required to complete this venture. What you exhibited during my studies made me believe that service and kindness are priceless things for which no one can pay, and the giver finds rich recompense in giving them away. You will always be a treasure. I further offer appreciation to my sons, Lethlohonlo and Kekeletso, daughters, Thato and Khalalelo for having been sympathetic when I acted as a recluse as a deadline approach.

I owe immeasurable gratitude to the School of Public Management and Planning at the University of Stellenbosch. It is without doubt that their conduct provided a supportive environment to finish my studies. I must thank my supervisor, Johan van Baalen, who first saw my proposal and believed in it. His clear understanding of the necessity for research in this field, as well as his insightful guidance is appreciated.

To my brothers, sisters and relatives, I want to indicate my sincere appreciation for their unfailing support, also during my years of studying. To all optimists who saw what I am capable of, not what is my incapability, my heart felt thanks.

I truly believe that the more one grows older the more one learns. The more one learns, the more one realise how little one know. I now possess an insatiable appetite to study further.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACHIB:	African Chamber of Hawkers and Informal Business
CBO's:	Community-Based Organisations
CSS:	Central Statistic Services
DTI:	Department of Trade and Industry
GDP:	Gross Domestic Product
GGP:	Gross Geographic Product
KOSH:	Klerksdorp, Orkney, Stilfontein and Hartebeesfontein
NGO's:	Non-Governmental Organisations
NQF:	National Qualifications Framework
NWDC:	North West Development Corporation
KYDECO:	KOSH Youth Development Council
LBSC:	Local Business Service Centre
PDO's:	Provincial Development Organisations
SAB:	South African Breweries
SBAB:	Small Business Advice Bureau
SMME:	Small, Micro and Medium Enterprises
VAT:	Value-Added Tax

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND AND CONTEXT

It is a common fact that Small, Medium and Micro-enterprises (SMME's) are internationally recognised as an important cornerstone of any country's development and growth in the creation of more jobs, poverty alleviation, faster economic growth and redistribution of wealth. In the context of South Africa, core economic development problems of unemployment, inflation, lack of investments, high interest rates and other problems essentially associated with the institutionalised policies of apartheid and inequalities cannot be alleviated without focusing on SMME as one of the economic development strategies.

South Africa is characterised by high levels of inequalities in terms of income distribution and employment opportunities between races, classes, gender and geographic regions. The burden of these inequalities falls disproportionately on the youth, women and disabled persons especially those in rural areas. This is in spite of the fact that these sections of the population are key targets of a national effort for the promotion of the SMME sector. They still lack the relevant training that should necessarily enable them to meet future challenges. They also have limited access to finance markets, business linkages as well as information and technology. This is despite the government's stated policy to address these issues.

The youth that constitute a substantial part of the South African¹ population have not been afforded the opportunity to develop their full human resource potential. They have not only been marginal to the socio-economic mainstream of the society but they also experience limited access to education and training. This is despite being recognised as a vital resource whose future prospects are tied to that of a country.

The South African economy has its particular history, one of which is characterised by two eras namely the era before the discovery of gold in the 19th century and the gold era. During the pre-gold era, farming industry was a major economic activity. With the discovery of gold in 1800 in Johannesburg, gold became South Africa's major source of foreign income; it is during this era that South Africa experienced rapid economic growth. The mining industry became the major provider of jobs not only for its citizens but people from neighbouring

¹ According to the National Youth Policy 2000, the category of youth in South Africa is those between 14 and 35 years. In 1997, 39% of the population were classified as youth.

countries also benefited from these opportunities. The Kingdom of Lesotho, Zimbabwe, Swaziland, Mozambique, Botswana are just a few of the countries from where labour were employed in the mining industry in South Africa. Of the entire work force in this industry, blacks particularly the youth, compared to whites were used as cheap labour.

Although the country experienced economic growth, the economy relied heavily on primary industry. The manufacturing sector was not that strong. Profits from mining were used to set up finance houses that invest in the setting up second industry factories. The history of business conducted by the black community within the established economy was in the past impeded by various factors. Blacks could not trade in any area of their choice due to laws of segregation. The laws confined black entrepreneurs to Bantustans and Black townships. The government regarded Black people as a source of cheap labour. Through Bantu Education the government was able to maintain and further the idea that Blacks are a source of cheap labour. Giving them skills was not a priority. As such necessary skills for operating a successful business could not be cultivated easily by young aspirant entrepreneurs who were confined to the economic periphery.

The imposition of economic sanctions by the international community on the then apartheid government, political instability and increased industrial actions affected the economy negatively. A number of big companies in South Africa disinvested which added to unemployment levels created by jobs losses already experienced. Technological development equally has its own effects on the unemployment levels in any country in the world. Mechanisation in the economy also replaced a large portion of the unskilled and semi skilled work force. The more machines were introduced the more jobs were lost. Notwithstanding the positive part played by technology in the economy, the structure of the economy diminished advancement opportunities for the Black population, mainly the youth with low literacy levels.

1.2 MOTIVATION FOR THE STUDY

The promotion and development of SMME's is perceived as a strategy that would enhance job creation opportunities for the poorest of the poor, particularly the youth. Prior to 1994, the previously disadvantaged groups could not participate effectively in economic development activities in the country due to constraints such as a closed market system, lack of finance, markets, information, advice and training. In order to address these obstacles, the

Department of Trade and Industry (DTI), in consultation with other key stakeholders, developed policies and institutions as vehicles for SMME development and support.

It was expected that youth who have ventured into business and have undergone training in technical and business skills, product design and marketing advice, provided by various agencies, would have by now expanded their businesses. Those who were not in businesses at the time they received training would also have ventured into businesses. However, feedback from these targeted groups gives a different experience. A number of small business collapses, many entrepreneurs who had obtained loans are left indebted, unemployed and poor. Training is important because appropriate training will result in improved standards and quality of products produced. Products will easily penetrate the market and with more demand business will grow and more jobs will be created.

1.3 STATEMENT OF THE PROBLEM

Training agencies do not provide relevant training to SMME participants. The training agencies focus mainly on managerial and financial skills, whilst other aspects such as mentoring, technical skills and the use of modern technology to enhance improved quality of products, are not provided. Entrepreneurs who are technically skilled regarding modern technology and have access to mentoring programmes stand a better chance to succeed and be competitive in business. Therefore, the methodology and the capacity of the implementing units have an impact on the quality of training provided.

Policies and institutions have been put in place to provide technical and business training skills in product design and marketing advice (with particular focus to the product of crafts) to women and youth who aspire to be entrepreneurs. Since this programme was started in the KOSK area there seem to be no significant expansion of small businesses in order to create job opportunities. The status quo remains, participants are pursuing their traditional forms of businesses and there is little, if any, innovation and diversification.

It is against this background that the government recognises the need to stimulate the SMME sector, with the objective for people to become creators of jobs, not job seekers. The White Paper on the National Strategy of the Development and Promotion of SMME in South Africa, 1995, recognises the SMME sector as a vehicle to poverty alleviation and job creation opportunities for the poorest of the poor, particularly the youth. Despite the fact that women

and youth is the key target of the national strategy of the promotion of the SMME sector, poverty and unemployment levels are still high among their ranks.

The problems outlined in this study are illustrated in the problem tree analysis in Figure I. The problem tree outlines the cause-effect relationship of the problems caused by irrelevant training that does not suit the demands of the SMME market.

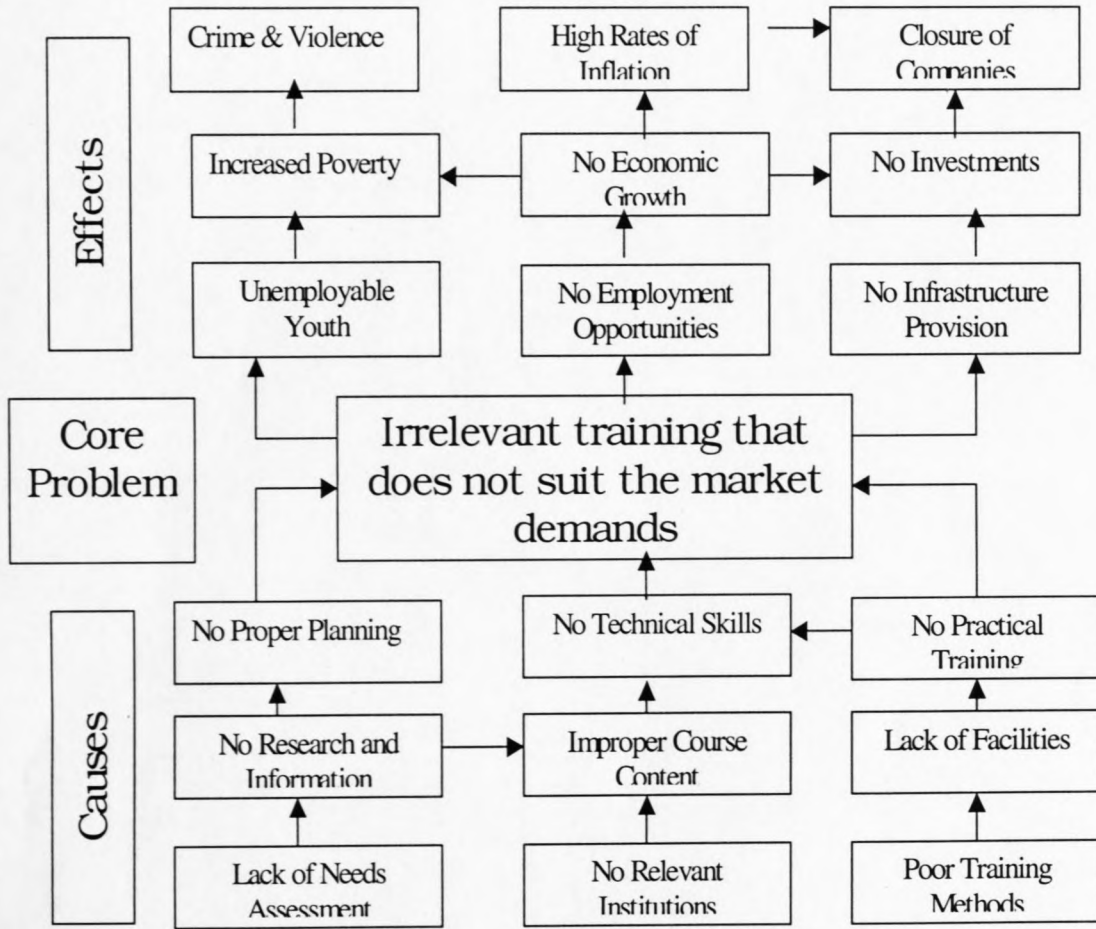


Figure I: Cause-effect Problem Tree

1.4 PREMISE FOR THE STUDY

Collaboration between the training agencies and the private sector in the implementation of the training programmes is vital. The researcher has made an observation at the time being a Commissioner of the Youth Commission in the North West Province, that there is no after care services provided and monitoring done to ensure that the training acquired is applied. This raises questions as to whether or not the methodology applied in the provision of

training is correct. Whether the private sector provides space for mentoring programmes as articulated by the national strategy.

Interest for this study arisen firstly, out of the fact that no study was conducted yet in the KOSH area to ascertain whether implementing agencies meet the policy requirements of training. Secondly, policy implementation requires constant scrutiny. It is important to scrutinise government development policies in this era for the purpose of ensuring improvement of policy implementation. Thirdly, the completion of this research will help the researcher concluding an academic project. The Promotion and development of SMME's constitutes part of an integrated strategy to economic development to ensure sustained participation of the targeted sector i.e. the poor youth. Through SMME development, job creation will result in poverty alleviation.

1.5 AIMS AND SCOPE OF THE STUDY

The overall aim of the study is to determine the relevance of training that is currently provided in the KOSH (Klerksdorp, Orkney, Stilfontein and Hartebeesfontein) area as a way of promoting SMME development and how such training enhances employment opportunities for the youth participants.

Flowing from this aim, the specific objectives of the study are to:

- Assess the relevance of training provided in relation to the economic profile and business opportunities in the KOSH area;
- Assess the effectiveness of training that is provided by various training agencies in the KOSH area; and
- Assess the business and employment opportunities that are put in place to help the youth participants after they have undergone training.

The study focuses on training as a tool for SMME development within the youth sector of the KOSH area. It mainly deals with the importance of training that if conducted in a proper manner, should contribute to the development of SMME. There are issues that are currently affecting the youth in South Africa and unemployment is rated among the most serious. The harmonious integration of the youth into the mainstream of society should be deepest aspirations of all in South Africa. There are also factors that determine the future of South

Africa, representing a force required steering and managing the rapid changes taking place in the spheres of technology, economics and social development.

The KOSH area was chosen because it is the economic centre of the North West Province, generating more than 25% of the economy of the province. Unemployment, particularly for the youth is acute. The provincial government has targeted youth related poverty as one of the areas that require economic growth and development. Since the advent of the new democratic dispensation in 1994, much development regarding SMME's have taken place in the KOSH area.

1.6 RESEARCH QUESTIONS

The questions that orient the study are as follows:

- Is the training provided relevant to enhance economic participation from the previously disadvantaged? If not so, how it can be improved so that it can help them to be integrated in the economic mainstream of the society?
- What can be done in order to provide after training support for the youth participants in order to help them to become economically active after undergoing training?
- What is the interaction between the training agencies and other key players like the government, private sector and community organisations in order to have an integrated and holistic approach in the SMME development?

1.7 RESEARCH METHODOLOGY

The study is based on qualitative data and is primarily an investigative nature, requiring careful description of data. Quantitative data is used to support the qualitative data. Both primary and secondary methods and techniques were applied to collect the necessary data and the following methods were used.

1.7.1 Literature Review

Literature review was an ongoing process undertaken in order to have adequate background information on the latest developments in the subject area. It has helped to sharpen and deepen understanding of the theoretical foundations of the research and to discover connections and relations between different results by making reference to various investigations. Research institutions, government-supported institutions and libraries were

contacted for the acquisition of relevant information. Published research journals and Internet were accessed for more information on the subject area.

1.7.2 Fieldwork Study

Study visits were undertaken to different institutions during the fieldwork. During these visits, interviews and observations were made. Official reports and policies papers were also collected from various institutions.

1.7.2.1 Interviews

Unstructured interviews with key persons involved in SMME development, training of the youth and the youth participants were conducted. This was done to allow respondents to freely express themselves in the course of the interviews. Non-scheduled interviews where respondents were asked broad and specific questions were also conducted. Interviews were carried out in offices and houses of respondents. In the light of limited time, others were conducted by means of the telephone.

1.7.2.2 Non-participant Observation

Visits to various training institutions in the KOSH area, SMME companies and other agencies were made in order to observe how they operate. The researcher observed how training was conducted and the methods, materials and equipment used during the training period.

1.7.2.3 Workshops and Seminars

Consultative workshops and seminars conducted by various training institutions and government agencies addressing growth and development of the KOSH area, SMME development and youth employment strategies were attended by the researcher. During these workshops and seminars, the researcher attend as an outsider in order to achieve higher levels of objectivity and impartiality and ensured non-interference.

1.7.2.4 Policies and Reports

Data was collected from legislation, annual reports, policies and programmes of different institutions. This has given the researcher in-depth knowledge and understanding about the

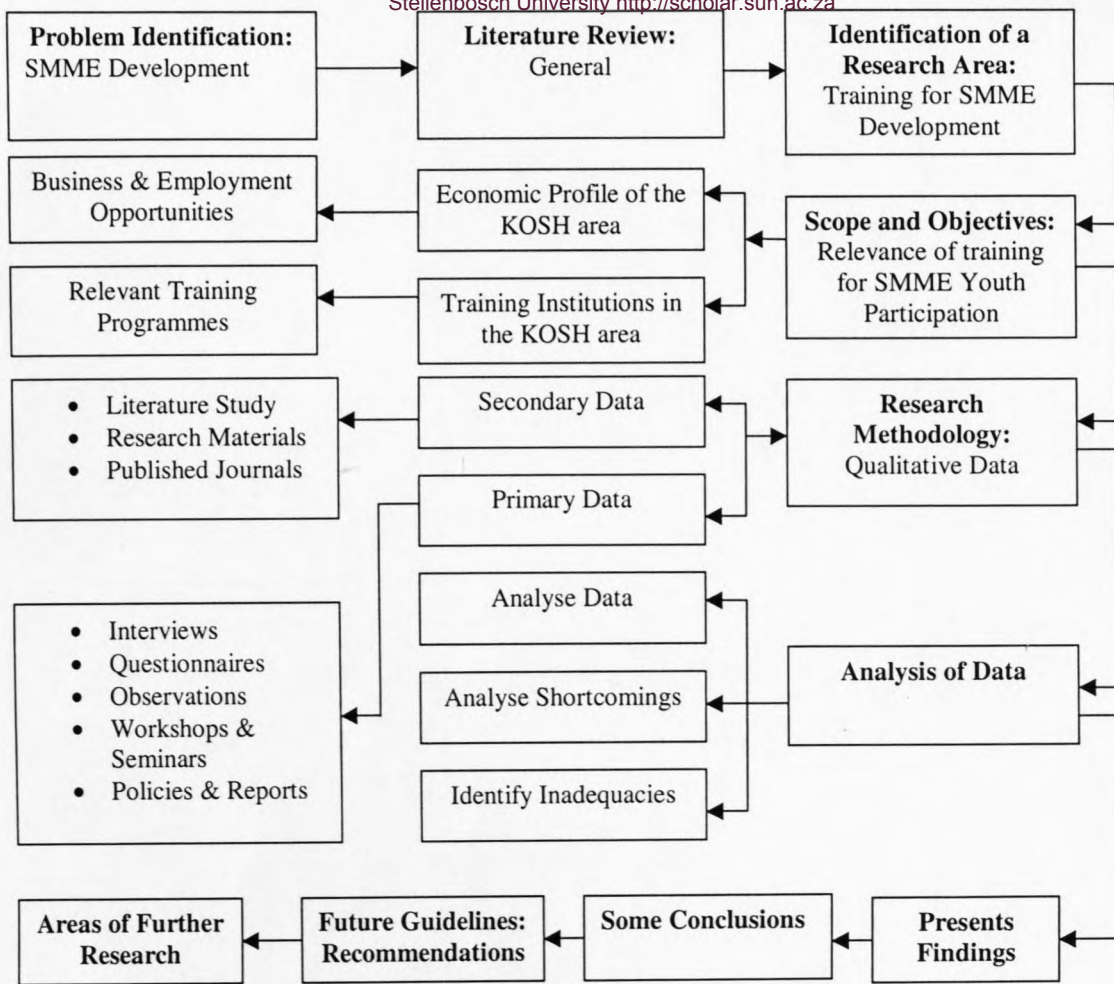


Figure II: Research Methodology Framework

South African situation with regard to the SMME development, training agencies and youth participation in business ventures.

The above research methodology followed in conducting this study and presenting findings, conclusion and recommendations are illustrated by means of a research methodology framework as outlined in Figure II.

1.8 CONCEPTUAL AND OPERATIONAL DEFINITIONS

For the purpose of this study, the following definitions are given the meaning below:

- **Opportunities:** advantages created for the small business to grow.
- **Access to Finance:** financing of business initiatives through retail financing intermediaries, such as Non-Governmental Organisations (NGO's), Provincial Development Organisations (PDO's) and Banks.
- **Access to Market:** access to information on tenders and advice on tendering procedures, through Tender Advice Centres.

- **Access to Information:** support of SMME's through research and training.
- **SMME Service Providers:** any business or organisation providing support in terms of one or more services to SMME's.
- **Retail Financial Intermediaries:** are outlets on a retail level that provide finance to small business. They can be NGO's, PDO's and/or banks.
- **Local Business Service Centres (LBSC):** provide training, consulting, information and referral to SMME's.
- **Tender Advice Centre:** are service providers that provide, amongst others, services such as information on tenders and advice on tendering procedures.

1.9 STRUCTURE OF THE ASSIGNMENT

The study is presented in five chapters. Chapter 1 serves as introduction. Chapter 2 deals with a theoretical review of Small, Medium and Micro-enterprises. It provides background on the importance of the sector in the economy and locates training particularly for the youth in business development. Chapter 3 outlines the economic profile of the KOSH area and the SMME sector. It outlines the trends in the sector as well as its impact in the economy. Of importance is how this sector has been able to integrate the youth in the economic mainstream. Chapter 4 gives an exposition of training institutions in the KOSH area and the role of different players in the provision of training. It examines how the youth were taken along in these training programmes. Chapter 5 contains conclusion and recommendations.

CHAPTER 2: SMALL BUSINESS DEVELOPMENT

2.1 INTRODUCTION

The chapter provides definitions to what SMME's are and outlines different types of SMME's. It gives an exposition of their importance in getting the economy going as well as in the creation of job opportunities and poverty alleviation. The development theory as it relates to SMME development is also an important theoretical review in this chapter, giving different perspectives on what different authors and professionals have written about them. The chapter also outlines the constraints and challenges facing the SMME sector and locates training as one of the tools for SMME development with specific reference to the youth.

2.2 SMME: DEFINITIONS AND CLASSIFICATIONS

2.2.1 Definition of SMME's

According to Ntsika (1999:8) SMME's is a term used to describe a diverse range of activities and businesses operating in various sectors of the economy that differ in terms of size, ownership structure, formality as well as technological and entrepreneurial content. SMME's are separate and distinct business entities that cannot be part of a group of companies and if they do not have subsidiaries and branches, they must be included when measuring their size. It must be managed by its owners and can therefore be a natural person, a sole proprietorship or partnership, or a legal person such as a close corporation or a company (Hirschowitz *et al*, 1991:7; Ntsika 1998:9; Martinussen, 1997:36-37).

Hirschowitz *et al* (1991:7) defines small businesses as those having at least two of the following characteristics:

- Smallness of size, measured by few, if any, paid employees;
- Absence of officially recognised business premises (e.g. the business is run from private residence, backyard or a street corner);
- Lack of official registration of the business (e.g. the business has no license or Value Added Tax (VAT) number);
- Lack of any official records of the business (hence business earnings are excluded from the calculations of the Gross Domestic Product (GDP));
- Lack of access to resources like finance and supplies in the informal sector.

It is essential to define SMME as well as the different size classes within SMME for the following reasons:

- Policy makers and service providers need to know which target groups they need to assist so as to develop better policies and services for SMME's;
- Small business owners need to know in which target group they fall so that they can determine for which support measures they qualify; and
- Researchers need a common understanding of what small business is so that they can measure and compare its performance in different regions and sectors and with other countries.

2.2.2 Classification of SMME's

SMME business can be classified into five categories namely survivalist, micro, very small, small and medium enterprises.

2.2.2.1 Survivalist Enterprises

People who are unable to find paid jobs or get into an economic sector of their choice manage survivalist enterprises. The income generated by these people is less than the minimum income standard or the poverty line. Little capital investment, no skills training and only limited opportunities for growth into a viable business also characterise the enterprises. According to Ntsika (1998:9) these enterprises have no paid employees and asset value is minimal. The economic activity is mainly directed at providing minimal means to keep the unemployed and their families alive. This group might be indicated as pre-entrepreneurial and is formed by hawkers, vendors, subsistence farmers, etc.

2.2.2.2 Micro Enterprises

They are very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack formality in terms of business licenses, VAT registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills among their operators (White Paper on the National Strategy of the Development and Promotion of SMME in South Africa, 1995). The micro enterprises involve enterprises with informal characteristics such as spaza shops, taxi operators and

household industry. There is a thin line dividing the smallest and least capable members of this category and the survivalist enterprises.

2.2.2.3 *Very Small Enterprises*

This category of enterprises employ less than 10 paid persons, operate in the formal market and have access to modern technology. Earning levels of these enterprises differ widely, depending on the particular sector, the growth phase of the business and access to relevant support. The lower limit is the self-employed with no employees, such as artisans and professionals.

2.2.2.4 *Small Enterprises*

According to Ntsika (1998:9) the upper limit of this category are less than 50 employees. The enterprises in this category are in general more established as compared to very small enterprises. The business practices of these enterprises are more complex and most often they have outgrown direct supervision by the entrepreneur and have developed secondary co-ordinating mechanisms which distinguish them from very small enterprises. Growth into medium-scale enterprises requires an accumulation of resources and appropriate incentives for their expansion.

2.2.2.5 *Medium Enterprises*

The maximum number of employees is 100, except for the mining, construction, manufacturing and electricity sectors, which is 200. Although still owner or manager controlled, the ownership and management structure is more complex. Often decentralisation of power to an additional management layer and division of labour is the difference between small and medium sized enterprises. On the other hand the separation of ownership and management is the natural barrier between medium and large enterprises (Ntsika, 1998:9).

2.3 IMPORTANCE OF SMME's IN THE ECONOMY

There exist general acceptance that small businesses have a major role to play in the economy in terms of job creation, income generation, poverty alleviation and growth output. They are perceived as vehicles by which the lowest earners in many societies gain access to economic opportunities. Throughout the world SMME's play a critical role in absorbing

labour, penetrating new markets and generally expanding economies in creative and innovative ways. The stimulation of SMME's is seen as part of an integrated strategy for the economy of a country.

Economic development is a process whereby the per capita income of a country increases over a long period of time while simultaneously poverty is reduced and inequality is generally diminished or at least not increased. The core of the conception of growth among development economists of the 1950s was increasing production and consumption, but also increasing employment and improved standards of living (Martinussen, 1997:36-37).

According to the World Bank (1995:235) in the 1980s the focus of development shifted towards aggregate growth in conjunction with restoration of macroeconomics balances, structural adjustment and increased foreign exchange earnings. Since 1990, the World Bank has emphasised growth for the poor and resource-weak groups along with aggregate growth. According to the theory stated above, the overall objective of economic growth puts more emphasis on changing economic conditions of the poor, changing of economic conditions of people through increased income generating methods, such job creation, and self-employment schemes.

Small business development is one of the most effective means of ensuring the success of redistributive policies. Redistribution results in an increased demand for 'basic' products and services to the poor. Small businesses have a track record of being able to satisfy the demands for these products, thus ensuring that the benefits of redistribution remain within the poorer communities and the country as a whole. Given that the conditions conducive to their survival exist, small business in both formal and informal sectors of the economy could become a driving force behind an increase in employment levels and the reduction of poverty (Cawker and Whiteford, 1993:106).

2.4 DEVELOPMENT THEORY AND SMME'S

Developmental efforts are usually based on a particular theory. The theory serves as a guide to developmental strategies. It is imperative therefore to establish which theory guides the South African strategy on the promotion of SMME programmes. According to Martinussen (1997:14) development theory seeks to answer questions such as how chosen and specified development objectives can be promoted? What conditions will possibly obstruct, delay or

detract progress towards the objectives? What causal relationships and laws of motion apply to the societal change process?

Esman (1991:5-6) states that development strategy as an abstract notion refers essentially to the actions and interventions that can be appropriately used to promote strictly defined development objectives. Esman states further that although the concept of development has been and remains imprecise, it connotes steady progress towards improvement in the human condition; reduction and eventual elimination of poverty, ignorance and disease; and expansion of well being and opportunities for all. It entails rapid change but change alone is insufficient; it must be directed towards specific ends. Development involves societal transformation.

2.4.1 Dimensions of Development

Esman (1991:6) holds that development entails the following dimensions:

- Economic growth is the indispensable material base for a better life;
- Equity is the fair distribution of fruits of economic expansion;
- Capacity is the cultivation of skills, institutions and incentives that enable societies to sustain improvement and to cope with fresh challenges;
- Authenticity while learning from foreign experience, the distinctive qualities of each society are expressed in its institutions and practices; and
- Empowerment means expanded opportunities for individuals and collectivities to participate and make their influence felt in economic and political transactions.

2.4.2 Capacity Building and Development by People

According to more recent notions of development, a society exhibits development primarily in the form of better abilities and greater capacity to make decisions and implement them effectively (Martinussen, 1997: 41). This can be realised through increased participation of people in decision-making structures, e.g. government and non-governmental organisations (NGO's). In the same breadth capacity building may refer to the cultivation of skills for people to participate meaningfully in their income generating activities.

2.4.3 The Nature of Development Economics

Development economics in addition is concerned with the efficient allocation of existing scarce productive resources and with sustained economic growth over time. It deal with economic, social, political and institutional mechanisms, both public and private, necessary to bring about rapid and large scale improvements in levels of living for the masses of poverty-stricken, malnourished and illiterate peoples (Todaro, 1989: 8)

Development economics is concerned with the economic, cultural and political requirements for effecting rapid structural and institutional transformation of the entire societies in a manner that will most efficiently bring the fruits of economic progress to the broadest segments of their populations. As such, a larger government role and some degree of co-ordinated economic decision-making directed towards transforming the economy are usually viewed as essential components of development economics.

2.4.4 Social Development

Social development refers to those investments and services carried out by a community for the mutual benefit of the people of that community whether as a village, a district or a nation. Parallel to these, shifts in perception, from passive recipients to active participants also take place. Corresponding paradigm shifts occurred in the formulation of strategy – away from the macro-economic strategies with no attention to poor groups, towards a combination where the poor are the focal point of development, whilst economic growth is still an objective (Burkey, 1993: 37; Martinussen, 1997: 297).

The theory presented above argues that people themselves are an important factor in the process of meeting their developmental needs and SMME's plays an important role in the economic and social development of a country. There is ample evidence that the labour absorptive capacity of the small business sector is high.

2.5 CONSTRAINTS AND CHALLENGES FOR SMME's

2.5.1 Legal and Regulatory Environment

According to the White Paper on the Promotion of Small Business in South Africa (1996:23-24), the experience from other countries in Europe, Asia and Latin America shows that

properly designed legislation can play a positive role in bringing about change in the SMME sector. There is a need for government's commitment to pass legislation to formally recognise the importance given to the small-enterprise sector in the process of economic reconstruction and development of any country. Inappropriate or unduly restrictive legislative and regulatory frameworks are often viewed as critical constraints to the access of small enterprises into the business sector and an obstacle to their growth.

2.5.2 Information and Research Capacity

Collective processing and analysis of secondary data to expand and update an integrated statistical database is a challenge facing the small business sector. According to Ntsika (1999:7) the development and maintenance of economic models for estimation and projection will assist in making quantitative information available which is aimed at systematic development of base data and trend indicators. When information is available and research is conducted on regular basis, it will enable policy makers and entrepreneurs to define their priorities and be able to implement and design more effective programmes. Reliable data is therefore critical for the assessment of policy efforts and the planning of policy reforms for the development of the small business sector.

2.5.3 Access to Market

Small enterprises usually regard market constraints and the inability to sell their products and services as obstacles to the starting of business and growth beyond mere subsistence level. This perception is parallel by many studies that view market access as a critical factor in business growth, in particular in the case of entrepreneurs from disadvantaged communities (White Paper on Promotion of Small Business in South Africa, 1996:28). To enable small businesses entry into the market it is important to provide focused infrastructure combined with non-financial, financial and technological support to the SMME's. This can be realised by facilitating networking and focused provision of support services, by clustering small business in a common industry sector, and geographically located increasing the number of SMME manufacturers and competitive SMME supplier base.

2.5.4 Access to Finance

Lack of finance is one of the issues that impedes the growth and development of SMME's. Often SMME's are discriminated against by financial institutions that are reluctant to underwrite mortgages. The financial institutions cite lack of guarantees on the part of

SMME's as an perceived high risks that characterise the sector. According to the White Paper on Promotion of Small Business in South Africa, (1996:30) in the surveys among enterprises over the world, access to finance is the most urgent felt need of the SMME's. Their financial needs vary widely with access problems being severe among start up enterprises, and those owned by women particularly in rural areas of South Africa.

2.5.5 Access to Technology

Technology is often seen as a factor influencing the success of SMME's. However, this technology is not accessible to them. The White Paper on Promotion of Small Business in South Africa, (1996:31) states that this problem applies to sophisticated technology needed for the competitiveness of SMME's in modern manufacturing and services sectors as well as appropriate technology operating in the labour intensive and low-skill spheres. If technology is available coupled with the training of personnel to operate such technology, it can make an impact in terms of helping SMME's in the economy.

2.5.6 Acquisition of Skills

In order to operate and manage their businesses effectively and profitably, certain skills and expertise are needed. As in other areas of socio-economic development, the strengthening of SMME's is crucial. The White Paper on Promotion of Small Business in South Africa, (1996:31) emphasises that the majority of SMME's have limited capacity to operate successfully in meeting the competitive business environment. Training is therefore imperative to enhance the skills of SMME's and to enable participants to be successful in their endeavours and manage their businesses efficiently and profitably. In order to realise this, programmes are developed to offer support, advice and counselling to SMME's.

2.5.7 Institutional Development

In many countries government have brought about unity, regulation and support as well as more effective compliance to development policies and greater financial strength of SMME's by creating institutions to serve these purposes. In this regard the responsibility for support and assistance to SMME's falls upon a wide range of organisations, associations and agencies. These institutions include all levels of government, parastatal institutions, private sector, non-government organisations and community-based organisations. In most instances, their co-operation and collaboration determine the successful rendering of services to the SMME sector.

2.6 TRAINING: AN INTEGRAL PART OF SMME DEVELOPMENT

Whether people enter small businesses for profit or survival, they need specific training to enable them to run a business. They need to acquire, albeit on an elementary level, certain skills such as marketing and sales, record keeping, financial management, stock control, etc. applicable for the running of a small business. This training differs markedly in many respects from the training given to people employed in large organisations (Hirschowitz, et al., 1991:12; Cawker and Whiteford, 1993:118-119).

Attempts should be made through the educational system, media, etc. to promote a culture of entrepreneurship and small business, which has traditionally been lacking in many developing countries. At present most entrants to the informal sector do so for the purposes of survival- very few do so as entrepreneurs seeking to make profit. The educational system has been geared towards the needs of large organisations. People should be trained to think of self-employment as a viable career alternative and not simply a 'dead end street reserved specially for the poor' (Cawker and Whiteford, 1993:118; Godsell and Clarke, 1990:7).

2.7 CONCLUSION

From the analysis made in the chapter it is concluded that training is important in the development of SMME's. There are different categories of SMME's. Specialised training has to be offered to those SMME depending on their size and nature in order to make impact in terms of job creation, poverty alleviation and economic growth.

It is accepted that SMME's are important for the growth and development of any country. In order to get the economy going it is necessary to develop the capacity of SMME's by absorbing labour, penetrating new markets and generally expanding the economic base of a country. The challenges that confront SMME development should also be tackled as a matter of extreme urgency. These challenges are critical in the determination of the contribution of SMME's in the economy and in addressing the social development of the people who do not have access to opportunities.

The following chapter deals with the development of the SMME sector in the KOSH area as well as the contribution of the sector to the economy.

CHAPTER 3: SMME DEVELOPMENT IN THE KOSH AREA

3.1 INTRODUCTION

The chapter examines the KOSH area as the focus of the study. KOSH is a common name for the towns of Klerksdorp, Orkney, Stilfontein and Hartebeesfontein. The four towns are in close proximity. They basically share one economic unit. The chapter looks into the geographic location of the area and its demographic profile. It also looks into the structure of the economy of the KOSH area, various economic sectors and their contribution to the GDP.

The chapter specifically focuses on the economic activities in KOSH such as manufacturing, finance, retail and wholesale, government, mining and quarrying, transport, agriculture, construction, electricity, gas, water and social services. The chapter examines further how the promotion of SMME's in the KOSH area, with specific reference to training offered to aspirant entrepreneurs fit in with the economic trends of the area.

3.2 LOCATION OF THE KOSH AREA

KOSH is situated a semi-arid part of South Africa. KOSH is the economic centre of the North West Province, forming a high-density metropolis. The area surface is 276 km². It is situated on the N12 highway between Gauteng and Cape Town, 170 kilometres from Johannesburg. Major rail and road links, as well as a modern airport are available to the area. Educational facilities ranges from pre-primary schools to primary, secondary and technical schools, as well as special schools for the handicapped. Klerksdorp Technical College, Excelsior Nursing College and Vaal Triangle Technikon North West Campus offer tertiary education.



Map I: Map of the KOSH area

3.3 SOCIO-DEMOGRAPHIC PROFILE

The socio-demographic profile of the KOSH is characterised by the following -:

- Almost half a million population;
- 12% of the total, 25% of the urban and 4% of the rural population of the North West Province live in KOSH area;
- Mine hostel dwellers constitute 17% of the population;
- The formal and informal housing ratio is 50/50; and
- There are diversified educational and health facilities.

(Central Statistic Services, 1997: 4-9; Wesvaal Business Guide, 1998:6-8; City of Klerksdorp, 1998:9-13).

3.4 ECONOMIC PROFILE

The regional economy of KOSH revolves primarily around mining and agriculture, with the commercial and service sector showing market growth over the past decade. Although the

basis of the economy is currently biased towards gold mining and agricultural, there is potential for expansion (City of Klerksdorp, 1998:4-8; Wesvaal Business Guide, 1998: 5-7).

3.4.1 Macro Economy of the KOSH Area

KOSH is the economic nucleus of the North West Province and generates 25% of the total Gross Geographic Product (GGP) of the Province. This distinguishes it as the major commercial and business centre of the Province (City of Klerksdorp, 1998:4-8; Wesvaal Business Guide, 1998:5-7).

Other characteristics of the economy in the area are: -

- More than 25% of the province's GDP is generated in KOSH area;
- Mainly mining based economy with increasing signs of diversification;
- The share as well as the growth of mining is declining;
- Relative diversified manufacturing potential, but fluctuates with changing mining prospects;
- Decline in the mining sector has negative effects on the growth of other sectors; and
- Government services are the exception and have expanded (City of Klerksdorp, 1997:14-19; Wesvaal Business Guide, 1998:4-5).

The macro economic profile of the KOSH area as well as the sectoral input and output sources are indicated in Table I below.

	Sectoral contribution ² to GDP			Location Quotient ³		Shift Share ⁴	
	1988	1991	1994	1991	1994	1988-1991 (%)	1991-1994 (%)
Agriculture	0,7	0,6	1,6	0,1	0,2	-0,9	30,8
Mining	80,6	65,2	62,5	1,5	1,5	-99,1	-45,8
Manufacturing	2,2	3,4	3,3	0,3	0,4	9,5	-1,9
Electricity	0,7	1,3	1,3	1,0	1,0	4,5	-0,6
Construction	2,6	4,4	4,3	1,3	1,3	13,6	-2,4
Trade	4,3	8,5	9,2	0,9	0,9	30,6	28,1
Transport	1,1	1,3	1,4	0,5	0,5	1,7	1,2
Finance	5,1	9,7	8,0	0,9	0,9	33,8	-49,3
Services	0,7	1,6	8,4	0,6	0,6	6,3	39,6
Government	2,0	4,0					
Total	100	100	100	1.0		1.0	

Table I: Macro economic profile of the KOSH area over time
Source: Metroplan, 1997:4

² % share sectoral GDP in the KOSH area

³ An indication of the comparative advantage of an economy

⁴ The shift in the relative share of a sub-regional economy

3.4.2 KOSH Sectoral Input and Output

The KOSH economic sectoral output in comparison with the one of the North West Province, Gauteng Province and other areas is reflected in the Table II below.

	KOSH		North West		Gauteng		Other Areas	
	Input	Output	Input	Output	Input	Output	Input	Output
Agriculture	3,1	5,8	1,5	1,2	0,9	0,3	4,5	0,8
Mining	2,7	19,0	1,1	2,8	2,1	1,0	1,3	1,9
Industry	8,7	10,3	0,6	0,9	18,8	1,9	3,2	1,7
Retail	9,0	10,3	0,9	3,0	7,0	1,5	1,3	1,5
Wholesale	6,0	8,9	0,6	1,9	12,6	1,0	2,3	0,9
Individuals	4,5	13,2	0,4	2,5	0,6	0,1	1,3	1,2
Public Sector	0,5	0,7	0,5	1,0	0,4	1,0	0,7	1,0
Other	0,1	0,4	0,5	0,7	1,1	0,7	1,3	1,0
Total	34,6	68,6	6,1	14,0	43,5	14,0	15,8	10,1

Table II: KOSH Sectoral Input and Output Source

Source: Klerksdorp Nywerheidsontwikkelingstrategie, 1994:7

An analysis of table I show that mining forms the mainstay of the local economy. The mining sector contributes 62,5% towards the GGP. The second largest contribution is made by the commercial sector and service sector being the third largest contributor.

Although the agricultural sector's contribution to the total GDP may be relatively low, its input - output contribution is higher than the North- West average. As one of the biggest sectors, mining has one of the lowest local input contributions. Areas outside the North West Province contributes $\pm 60\%$ to inputs of all KOSH sectors. Industry and trade contributes $\pm 70\%$ to the total output of KOSH area. The output pattern of the economy shows that $\pm 8\%$ is to the local market.

3.4.3 Sectoral Development Potential

Economic analysis of KOSH points to agricultural, mining and manufacturing sectors as the initiating sectors. Other sectors usually follow as a result of growth in the initiating sectors.

3.4.3.1 Agricultural Development

KOSH is situated in a region with a high agricultural potential. This can give further impetus to agricultural processing as one of the key sectors of development. Availability of vacant municipal land, potential water sources, local markets as well as sufficient labour create the potential for urban agricultural development in the form of intensive crop and small livestock productions.

KOSH has municipal land that could be used for agricultural purposes. Currently municipal land is mainly used for grazing purposes. Youth participation in the agricultural sector is minimal. Youth groups involved in vegetable gardening lacks both training and finance. Currently they use a piece of land that belongs to the local Jouberton Technical College. Despite the huge potential market for exporting flowers to Europe, little is done to train youth to exploit the opportunity.

Klerksdorp has the biggest fresh produce market in the North West Province. Markets supply to North West Province, Northern Free State, Botswana, Namibia, and Northern Cape. A government initiative to address economic empowerment and job creation in the agricultural sector included the purchase of a small farm holding, +-500 hectares together with farming machinery. This project is one of the Presidential Lead Projects in the Province, owned and managed by the community members. Despite the youth being a target group in the school leavers opportunity training programme that aims to empower young with tangible skills, it don't necessarily reach the youth. This School Leavers Opportunity Training (SLOT) programme targets unemployed youth who are aged between 18-29 by putting them through training in basic business start up, technical skills training and management. The career guidance programme focuses mainly on youth living in rural and semi urban areas.

The whole initiative was not youth focused. The project is focused on the entire community. Despite government initiatives to promote agricultural production to address unemployment and poverty alleviation, the community is not using the land productively. The only economic activity carried out there is trading, with the house bought together with the farm was turned into a tavern.

3.4.3.2 Mining Development

Mining is still a major economic activity in KOSH. Although the mining sector is declining, this sector can still contribute towards local economic development. There is a need to assist local businesses by buying local products. Availability of redundant mining infrastructure, such as skills training centres, disused mine shafts can still contribute towards local economic development.

Current economic conditions make it expensive to use conventional forms of mining,

pointing to the need for the promotion of small-scale mining. Currently, main shafts are too deep to mine through the conventional forms of mining. Mining houses promote subcontracting of the two Sub-Contractors namely African Mining Company and Patrice Motsepe Mining Consortium that involved young people continue to be used as the source of labour.

Youth participation can be enhanced through training and concerted programmes initiated by both the mining houses and government. A number of young people have various skills acquired during their work experience in the mines. It is a potential resource that should be focussed on for development in KOSH.

3.4.3.3 Manufacturing

Klerksdorp is known as the economic centre of KOSH. It has two large industrial areas, Klerk Industria and Uraniaville. Due to availability of land (municipal land) redundant mining infrastructure, well-developed service infrastructure to support economic development, surplus water and electricity (due to scaling down of mining activities), training facilities and large potential labour force, the following industries can form key sectors for primary income and job creation.

- Fabricate metals (structural metal products, metal work and engineering services);
- Non-metallic minerals (clay and ceramic products, cement);
- Food processing; and
- Textile industries.

This sector also offers the potential for a variety of SMME developments. SMME in this regard largely dominated by the two sections of the entire KOSH population, whites and coloureds. The participation of African or black youths in particular is very much limited. Black youth participation is only in the form of labour supply. These young people do not have relevant skills to explore opportunities available.

Food processing is done on a small scale, i.e., peanut butter making and dairy products. It is offering a wonderful opportunity for economic expansion linked with the situation that Klerksdorp is having a large fresh produce market that supplies to the North West itself and to the Northern Province, Free-State, Botswana, Namibia and Northern Cape.

3.4.3.4 Transport

Public transport does not constitute a major economic activity in KOSH. Public transport is mainly rail transport that runs through Potchefstroom and Klerksdorp. In essence it's a rail service from Johannesburg to Cape Town. Private taxis are the main form of transport used in the area. There are three taxi ranks and nine taxi associations. Klerksdorp is accessible by road; rail and the P.C Pelsers Airport provide air services.

KOSH is however well served by rail both internally and in terms of external linkages to:

- Harbour ports of Cape Town, East London and Port Elizabeth via either Warrenton or Kroonstad for maize exports;
- Botswana /Zambia and Zimbabwe via Vryburg or Coligny through Mafikeng; and
- The major R29 road from is the Kimberly, over Potchefstroom to Johannesburg.

Whilst there is potential for the expansion of the transport industry, e.g. transport management; trucking industry and tourists transportation, taxi industry continues to dominate the industry. The market is saturated to the point that there is a need for diversification. The majority of participants in the taxi industry are previously disadvantaged individuals.

3.4.3.5 Trade and Retail

Trade and retail activities comprise another important economic sector in Klerksdorp. Trade and retail sector forms the economic base of KOSH. Its growth prospects are inextricably linked with future urbanisation patterns. National chain stores clothes, hypermarkets, wholesalers and distributions are found in KOSH.

KOSH is centrally situated, with excellent road and rail links within the province as well as the country at large, and is one of the largest nodal points in the province with a population of about 500 000 people of which 89% is urbanised. 80% of participants in the trade and retail sector are from the previously disadvantaged communities and they operate kiosks called spaza shops. Men operate 60% of them.

According to Entrepreneurial Support Centre, in KOSH 90% of young people who received training in managerial and financial management cannot get funding or are still struggling for funding to venture into business.

3.4.3.6 Financial Services

Financial services are urban-based and an important component of the tertiary sector. The relative role of this sector in the economy is directly dependent on the level of economic activity in KOSH. Most commercial banks are found in KOSH..

3.4.3.7 Tourism Sector

Whilst KOSH is not an established tourist destination in the national and provincial context, the area has unexplored tourism potential. The area has a rich history and many historical sites. KOSH has several game farms, many guest houses, the Klerksdorp Dam resort, Orkney Vaal Resort and Faan Meintjes Game Park. KOSH is situated on the N12 highway between Gauteng and Cape Town only 170 kilometres from Johannesburg. Maximising the benefits of through traffic on the N12 route given the proximity to recreational opportunities of the Vaal River can impact positively on tourism.

3.4.3.8 Construction

Construction has shown a relative improvement in its contribution to the KOSH economy and comprises 10% of GDP in the area. Previously disadvantaged individuals constitute an insignificant percent of the participants in the construction industry. Previously disadvantaged individuals participate mainly as sub-contractors. The youth participate mainly as sources of labour and constitute the greater percentage of involvement in the industry.

3.4.3.9 Social Infrastructure

The level of education is an important indicator to development and advancement in a society. There are proportionally fewer people in the KOSH area with an education of higher than standard 10, but proportionally more people than in the North West Province). A higher percentage of the KOSH population has a standard 6–10 qualification (38.24%) than the RSA (33%) and the North West Province 28.0%. The literacy rate of the KOSH area is 76.08% (Southern Transitional District Council, 1997:40).

3.5 CONCLUSION

Economic trends in KOSH indicate that the mining sector is the backbone of the KOSH economy. The second largest contribution is the commercial sector and the service sector being the third largest. Whilst agriculture contributed 1.6% it has a potential that can be tapped. Economic analysis of KOSH points to the fact that development must focus on the agricultural, mining and manufacturing sectors as the initiating sectors for future development.

Economic trends in KOSH should inform the SMME initiatives, including the training offered. Programmes should be youth centred, and providing a holistic approach to entrepreneurial skills training. Training should empower young people with tangible skills so that they can exploit opportunities available in all sectors of the economy.

The following chapter deals with SMME training institutions in the KOSH area and their impact on the youth.

CHAPTER 4: SMME TRAINING INSTITUTIONS IN THE KOSH AREA

4.1 INTRODUCTION

The chapter evaluates training institutions that are operating in the KOSH area. These training institutions provide programmes that are geared towards increasing employment opportunities for the youth and bringing them into the socio-economic mainstream of the society. The evaluation of training is in line with its relevance in relation to the SMME sectors that are in operation in the area. In this regard, institutions that are created by the government, private sector, non-government organisations and community-based organisations are examined particularly with regard to the improvement of the lives of the youth by providing job opportunities, eradicating poverty, increasing the output and contributing to the economic growth of the area.

4.2 GOVERNMENT INSTITUTIONS

The section evaluates the role of the North West Provincial Government and the KOSH Municipal Government with regard to training in general and specifically SMME training. It focuses on the training programmes and strategies that were initiated by these two government institutions.

4.2.1 North West Government

Through the Department of Economic Affairs and Tourism, the North West Provincial Government has in 1998 developed a strategy for SMME development as a game plan for all sectors of the economy in the Province. These sectors include manufacturing, agriculture, construction, mining and tourism. The strategy emphasises training that ought to be based on partnerships between small and big business, the private sector and organs of civil society. Since then various SMME training programmes for the KOSH area have been instituted, as outlined below.

4.2.1.1 Entrepreneurial Awareness Programme

According to the Department of Finance and Economic Affairs (1998: 22) this is a programme that focuses on secondary schools and the unemployed youth in the KOSH area. It entails awareness training and basic business skills training. It attempts to address the high employment levels in the KOSH area within the context of a relatively youthful and rapidly growing population. The programme aims at informing pupils at secondary schools to be able to consider self-employment as a career and to focus their attention on various business opportunities.

The programme also helps them to have knowledge on how to establish their own business and run that independently as well as helping them to deal with the unique problems encountered by entrepreneurs and the strategies through which such problems can be addressed. With regard to unemployed youth, the aim of the programme is to make them aware of the concept of entrepreneurial culture and encourage them to establish their own viable businesses.

4.2.1.2 Business and Management Skills Programme

According to the Development Strategy for SMME Sector (1998:22) this programme focuses on the existing business owners as well as potential business owners who already have certain management skills and business experience. It enables them to acquire the necessary skills in order to run their businesses profitably.

4.2.1.3 Capacity Building Programme

This programme focuses on training the trainers, who in turn address the problems, that Local Business Service Centres (LBSC's) encounter. The programme's primarily focus is on training voluntary teachers who in turn provide the training to their scholars. The spin-offs are job creation and the establishment of an entrepreneurial culture at a very opportune time and of income earning capacity in general (Department of Finance and Economic Affairs (1998: 22)).

4.2.1.4 Technopreneur Programme

The programme aims to promote science, engineering and technology among the youth. The programme incorporates technological capacities and skills into the entrepreneurial

programmes. Since its adoption as a viable programme to increase technical skills among the youth, the technopreneurs programme is yet to be implemented in the KOSH area.

4.2.1.5 Tertiary Entrepreneurial Skills Programme

This programme focuses on undergraduate and postgraduate students in the fields of business management, information technology, agriculture, mining, tourism and commerce. The Department of Finance and Economic Affairs (1998: 23) sees the programme as an intention to provide additional knowledge to participants, enhancing current fields of knowledge with applicable business and management skills. The aim is to change the focus of the youth from being job seekers to job creators.

4.2.2 KOSH Municipal Government

The KOSH Municipality came into being after the 5th December 2000 municipal elections. Before that the towns now constituting the KOSH area were four separate municipalities, operating as independent and autonomous entities. Out of the four municipalities, had Klerksdorp municipality had a strategy to increase the participation of the youth in business and entrepreneurial developments. Only the Klerksdorp Municipality adopted a strategy, already adopted prior to the 2000 municipal elections, that sets the following objectives in a programme for access to market and business linkages by the youth:

- To facilitate increased participation of SMME's in public sector contracts;
- To facilitate the formation of linkages between SMME's and big business within spatial development initiatives, private and public sector programmes;
- To facilitate networking and focused provision of support services by clustering small business in a common industry and geographical location;
- To facilitate better negotiated deals for SMME's with suppliers, to help them get raw materials at reasonable prices thereby charging competitive prices;
- To create a dynamic SMME sector through improving international competitiveness through specific focus on emerging entrepreneurs; and
- To enhance business linkages between SMME's and the public and the private sectors, through facilitating for a broad base of competitive SMME suppliers (Klerksdorp City Council, 1999:24).

4.3 GOVERNMENT-SUPPORTED INSTITUTIONS

The section presents key government-supported institutions that are involved in the training of SMME's in the KOSH area. These institutions are the North West Development Corporation, Ntsika Enterprise Promotion Agency, the Entrepreneurial Support Centre and the Millennium 2001 Fund for SMME Development.

4.3.1 North West Development Corporation

The North West Provincial Government has created the North West Development Corporation (NWDC) as a body to strengthen the current institutional support for SMME. According to the Development Strategy for SMME Sector (1998:24), the NWDC offers the following services for SMME development:

4.3.1.1 Sub-contracting

This entails provision of linkages between the needs of big organisations and potential ideas from small business concerns. The NWDC has launched the Tender Advice Centre in 1997 as a way of bringing small business in touch with opportunities offered by government at national and provincial level through its tender board operations.

4.3.1.2 Marketing

KOSH was one of the four nodal points in the North West Province to be provided with kiosks to advertise the available opportunities and services offered by small business in the area.

4.3.1.3 Training

Whilst the NWDC is not directly involved in training per se, it facilitates training that is provided by training institutions like the University of Potchefstroom, Technikon North West and University of the North West.

4.3.1.4 Counselling Programme

The NWDC trains counsellors and offers expert business advice and counselling on various aspects of business management and salvaging of ailing businesses.

4.3.1.5 NGO Capacity Building

The NWDC also offers capacity building support to NGO's with a view of enabling them to manage their own activities.

4.3.2 Entrepreneurial Support Centre

The North West Provincial Government has set up the KOSH Entrepreneurial Support Centre as one of the three Section 21 companies in the Province to provide a practical delivery vehicle for technology transfer, micro-technology demonstration and the incubation of small enterprises. The centre provides the necessary guidance and counselling, facilitate training and mentoring needs. The centre achieves this by empowering entrepreneurs with management and technical skills on micro-technologies and employment opportunities.

4.3.3 Millennium 2001 Fund for SMME Development

The Millennium 20001 Fund is a close corporation established by the North West Provincial Government to facilitate capacity building of NGO's, CBO's as well as other service providers in the Province. The Fund gives intensive support to small manufacturing co-operatives and other viable projects run by women, youth and disabled entrepreneurs. In line with this broad objective, the Millennium 2001 Fund seeks to:

- Support viable business ventures for youth, women and the disabled;
- Establish capacity building, infrastructure and management of NGO's and CBO's as well as similar institutions which provide assistance to SMME's;
- Integrate these programmes with the existing programmes in the KOSH area to achieve maximum synergy;
- Develop programmes and projects to facilitate the implementation of programmes including loan financing; and
- Leverage funds from other development funds such as donors, private sector and other provincial departments (Department of Finance and Economic Affairs 1998: 22 25)

4.4 PRIVATE SECTOR

This section deals with private sector institutions that provide training in the KOSH area for the youth. These institutions include the Ntsika Enterprise Promotion Agency and the Section 21 Finance Company and they are discussed below:

4.4.1 Ntsika Enterprise Promotion Agency

The vision of the Ntsika Enterprise Development Agency is to be a leading and dynamic national agency that supports and further develops a vibrant and thriving SMME sector in South Africa. Its mission is to render efficient and effective promotion and support services to SMME sector through broad range of intermediaries, to contribute towards equitable economic growth in South Africa (Ntsika Enterprise Promotion Agency, 1998; National Youth Policy, 2000:46).

In achieving its mission, the Ntsika Enterprise Development Agency operates the following training, research and support activities:

4.4.1.1 Business Development Services

The aim of this programme is to identify and accredit service providers that provide quality business development services to SMME's. The programme also establishes new service providers and supports the existing ones. It facilitates access to quality business development services by identifying and accrediting them as local business service centres in partnership with provincial and local stakeholders. In order to realise these, the programme supports institutional capacity and organisational development of service providers in order to enhance their capacity.

4.4.1.2 Management and Entrepreneur Development

This programme enhances the skills of trainers, counsellors and information officers to offer efficient SMME training counselling and information services in order to enhance the skills of service providers. The programme intends to enable service providers (SMME's) to operate and manage their organisations efficiently.

Apart from this, the programme entails offering the development of training materials that address the gaps in training provisions in the SMME. The programme also accredits training programmes that contribute and support the National Qualifications Framework (NQF) standards generating process within the SMME sector. By doing this it ensures the efficiency and quality standards in line with the NQF for training offered by accredited service providers.

4.4.2 Section 21 Finance Company

According to the Development Strategy for SMME Sector (1998:29) the North West Provincial Government established a Section 21 Company to focus on, among others, SMME financing in the Province. The company is seen as a vehicle without any historical baggage that fearlessly acts as an SMME development activist with minimum bureaucracy. Its primary objective is to mobilise donor aid specifically targeted for SMME development.

The company also focuses on training and has become a joint venture between government-supported institutions, private sector, university research units and labour unions. The company also plays a critical role in terms of lobbying and encouraging commercial banks to understand the dynamics of the SMME sector. It also encourages banks to empower owners of SMME's on the requirements and conditions for SMME funding, thereby unleashing the untapped cash reserves of banks and insurance companies (Department of Finance and Economic Affairs, 1998:29).

4.5 TERTIARY INSTITUTIONS

The section deals with tertiary institutions that, apart from their mandate of offering higher education, are also involved in SMME development in the KOSH area. These are the Vaal Triangle Technikon and the University of Potchefstroom.

4.5.1 Vaal Triangle Technikon

A satellite campus of the Vaal Triangle Technikon was established in the KOSH area in 1995 as a tertiary institution that offers higher education. The institution has set up a centre that offers short-term programmes on business and management development. According to the Vaal Triangle Technikon (1998:3) the objectives of the centre are to:

- Provide trainees with broad background for personal development and growth and practical training which develop skills and expertise whilst at the same time recognise the importance of a commitment to community service;
- Provide education and training courses which serve community needs;
- Provide training which satisfy a variety of private sector manpower needs, ranging from sophisticated multi-national companies to small businesses;
- Provide youth with a range of courses relevant to employment opportunities;

- Contribute to the development of manpower training through education; and
- Promote an innovative and technologically sound approach to the solution of development problems and to conduct research related to development priorities.

4.5.2 University of Potchefstroom

The Small Business Advisory Bureau (SBAB) of the University of Potchefstroom has a skills training and support programme in the KOSH area. The primary objectives of the programme are to:

- Make the unemployed youth aware of the concept of entrepreneurship and to establish a culture of entrepreneurship among them;
- Develop the effectiveness and profitability of micro-business enterprises;
- Expose young entrepreneurs to business and management skills; and
- Make entrepreneurs aware of the correct tendering procedures, tender documents, legal contracts and access to finance.

4.6 NGO's and CBO's

The section gives an evaluation of training programmes provided by non-governmental organisations (NGO's) and community-based organisations in the KOSH area. These organisations include the African Chamber of Hawkers and Informal Business, KOSH Youth Development Council and the Unemployment Forum.

4.6.1 African Chamber of Hawkers and Informal Business

The African Chamber of Hawkers and Informal Business (ACHIB) is a national movement of street hawkers, vendors and informal business operators. As network alliance of semi-autonomous organisations, it strives to mobilise these organisations to improve standards in the running of their businesses, in organised fashion, geared towards profit making. Department of Finance and Economic Affairs (1998: 22) states that ACHIB trains its members in areas such as business development and management, on how to start your own business, basic financial accounting and management as well as entrepreneurship. The programme of ACHIB targets all its members and does not specifically target the youth component of its membership.

4.6.2 KOSH Youth Development Council

The KOSH Youth Development Council (KYDECO) is a non-governmental youth organisation established in 1996. It is an autonomous youth organisation that provides a platform for youth formations across the broad spectrum in pursuance of the aspirations and interests of the youth in the KOSH area. It achieves this objective by striving to integrate the youth into the socio-economic and political life of the society by maximising opportunities for them.

KYDECO also promotes a spirit of reconciliation and peace among the youth as well as to embark on job creation projects with a view of alleviating unemployment and poverty among the youth. In partnership with the North West Provincial Youth Commission, KYDECO has embarked on a training and development programme for business and employment opportunities. As part of this programme, in 1998, 10 young people were sent to The Netherlands to undergo training with the objective of entering the business and entrepreneurial market (KYDECO, 1998: 24).

4.6.3 KOSH Unemployment Forum

This is a forum established by the unemployed youth established after the advent of the new constitutional dispensation in 1994. The forum acts as a platform for unemployed youth to discuss strategies that they could create for employment. The forum as a way to increase job prospects for the youth in the area views training as an important element in their course of action. In partnership with the South African Breweries (SAB), the Unemployment Forum participated in a “kick-start” programme to provide business skills to the youth that showed interest in entrepreneurship.

In this regard 20 young people were recruited and underwent an intensive training programme, which covered the drafting of business plans, cash flow analysis and how to manage businesses. After the completion of training that lasted for two weeks, a panel of judges selected the three best business proposals to pilot them through start-up capital funds.

4.7 CONCLUSION

A great number of activities have taken place in the KOSH area to train the youth in order to bring them into the mainstream of the economic activity. These include the establishment of

an entrepreneurial support centre; the provision of management and financial skills to potential entrepreneurs; skills training and support programmes; and the establishment of information support network that incorporates tender advice facility. The question is whether all these activities have changed the economic circumstances of the youth. The observation was that very little has changed, e.g. youth still constitute a large section of the unemployed and their increased participation in the SMME sector is minimal.

The prevailing levels of unemployment, poverty and minimal participation of youth in the SMME sector raise questions as to whether or not the implementation of the training strategy is effective and whether the objectives of the strategy addresses the needs of the target groups. Simultaneously it could be asked whether the youth in the KOSH area, as a specific target group, accesses the opportunities created by the strategy better.

From what could be determined through observations and interviews, there seem to be a lack in co-operation and co-ordination of training efforts by the institutions and organisations that drive training in the KOSH area. This situation needs to be addressed.

The following chapter presents conclusions and recommendations based on the analysis of the finding of the preceding chapters.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

It is important to recap that the central aim of the study was to determine the relevance of training that is currently provided in the KOSH area, as a way of promoting SMME development and how such training enhances employment opportunities for youth participants. Flowing from this aim, the specific objectives of the study were to assess the relevance of training provided in relation to the economic profile and business opportunities in the KOSH area and further to assess the effectiveness of training that is provided by various training agencies in the KOSH area. The study also looked into the business and employment opportunities that are put in place to help the youth participants after they have undergone training.

From the analysis made in the study it is inevitable that the success of the SMME sector in the KOSH area is depended upon training of entrepreneurs who have to make the necessary contribution in the development and growth of the sector. Training is an important tool that can contribute to the attainment of general socio-economic objectives in society as well as in the poverty alleviation and job creation initiatives. Whether people in the KOSH area enter small businesses for profit or survival, they need specific training to enable them to run a business. They need to acquire, albeit on an elementary level, certain skills such as marketing and sales, record keeping, financial management, stock control, etc., applicable for the running of a small business. This training differs markedly, in many respects from the training given to people employed in large organisations.

However, it is necessary to highlight that for the KOSH area, training is not only a tool for a successful SMME sector in the economy. Factors such as the legal and regulatory environment, information and research capacity, access to markets, finance and technology as well as institutional development should be taken into account. Attempts should be made through the educational system and media to promote a culture of entrepreneurship and small business. At present most entrants to the informal sector do so for the purposes of survival, very few do so as entrepreneurs or business people seeking to make profit and creating jobs for others.

The KOSH area is characterised by high levels of inequalities in terms of income distribution and employment opportunities between races, classes and gender. The burden of these inequalities falls disproportionately on the black youth. This prevails in spite of the fact that this section of the population is a key target of a national effort on the promotion of the SMME sector. The black youth still lack the relevant training that should necessarily enable them to meet future challenges. They also have limited access to financial institutions, markets, business linkages as well as information and technology. This is despite the government's stated policy to fundamentally tackle these issues.

The youth that constitute a substantial part of the KOSH area's population have not been afforded the opportunity to develop their full human resource potential. They are not only marginalised from the socio-economic mainstream of the society, but also experience limited access to education and training. This is despite being recognised as a vital resource whose future prospects are tied to that of our country.

There are many training agencies that conduct training in the KOSH area. These training agencies do not always provide relevant training to SMME participants. The training agencies focus mainly on managerial and financial skills in their programmes. Other aspects such as mentoring, technical skills and the use of modern technology to enhance improved quality of products are not provided for adequately. Entrepreneurs who are technically skilled with modern technology and have access to mentoring programmes stand a better chance to succeed and be competitive in business. Therefore it must be acknowledged that the methodology and the capacity of the implementing units of training programmes have an impact on the quality of training provided.

While good policies and institutions have been put in place to provide technical and business training for the SMME sector in the KOSH area, little, if any, innovation and diversification has taken place in economic activities in this sector. The problem is compounded by lack of collaboration and co-operation between all the actors and training institutions that are involved to empower and develop the youth. There seem to be a lack of an integrated approach on the part of these institutions, which could avoid overlapping, and duplication of services. Collaboration between the identified training agencies and the private sector in the implementation of training programmes is vital, but it is lacking in the KOSH area.

The observation was also made that there is no after care services provided in the form of monitoring to ensure that the training acquired is applied. This led to the questioning of the training methods that are applied by various training institutions. As a result, the private sector also has failed to provide space for mentoring programmes for the youth.

From the exposition made above it can be concluded that the current training provided by different institutions is not in line with the economic profile and business opportunities in the KOSH area. Because of failure to collaborate and co-operate in the provision of training, the training provided is not effective and if it should continue without the necessary corrective measures taken, such training will not achieve the predetermined objectives of the empowerment and development of especially, the black youth. It seems as if the current training programmes do not enhance the economic participation of the previously disadvantaged communities, and particular the black youth in the KOSH area.

5.2 RECOMMENDATIONS

Based on the arguments advanced in this study the following recommendations are put forward for consideration and further research:

- All efforts towards the empowerment of the youth through SMME development should be done in such a way that they achieve the development objectives of the society, particularly addressing poverty alleviation; job creation and economic growth;
- It must be recognised that SMME development is an important cornerstone of the country's development and growth, and as such appropriate emphasis must also be put on the development of the SMME sector in the KOSH area;
- Strategies for SMME development must be holistic and integrated in order to deal with economic development problems of the society such as unemployment, diseases, poverty and lack of investors confidence;
- The black youth must be targeted as a specific group, giving their peculiar circumstances and they must be recognised as an important component of the society which seeks to be afforded opportunities to develop their human potential;
- After care programmes are necessary for the youth in order to help them to become economically active after undergoing training;

- It is necessary for interaction between the training agencies and other key players like the government, private sector and community organisations in order to have an integrated and holistic approach in the SMME development, and
- The training agencies should not only focus on managerial and financial management programmes. Other aspects such as mentoring, technical skills and the use of modern technology during training should be promoted.

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