

TRADE

# New Guidelines

New guidelines released in bid to reduce municipal red tape

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The departments of Trade and Industry (DTI) and Cooperative Governance and Traditional Affairs (CoGTA) have unveiled guidelines aimed at assisting municipalities in enhancing the business environment for small, medium-sized and microenterprises (SMMEs).

The 'Guidelines for reducing municipal red tape: How municipalities can improve service delivery that supports small business', which was compiled in conjunction with the South African Local Government Association (Salga), outlines recommendations for municipalities to reduce the bureaucratic red tape hindering the growth of South Africa's most promising sector.

Speaking at the booklet's launch earlier this month, Trade and Industry Minister Dr Rob Davies explained that SMMEs were key to boosting economic growth, but that only two out of every seven small businesses survived the first year of operation.

A 2011/12 study of 12 municipalities spread equally across all provinces, except Gauteng and the Western Cape, showed that red tape issues at local government level affected the operation of smaller enterprises.

Red tape, which the document describes as "rules, regulations and bureaucratic procedures that are excessively complex [and result in] inaction and costs that exceed their benefits", was holding back job creation and crippling small business growth.

The study worked to determine the most critical red tape issue at local government level and identified areas of improvement and efficiencies across the municipalities.

The guidelines targeted municipal overlaps and duplications, excessive paperwork leading to delays, easing procedural burdens on small business and unnecessary or inflexible regulations.

A particular focus was mitigating lengthy processes, including payments taking longer than 30 days by municipalities owing to inefficient supply-chain systems.

The DTI said that it had no outstanding or arrear payments, with over R700-million paid in under 30 days.

CoGTA Deputy Minister Yunus Carrim, who said that the guidelines were "long overdue", boasted that the next step would be a 15-day payment period to "set a trend" for other business, including the private sector, which, in some cases, had standard 60- to 90-day payment processes. The red tape reduction

document also guided municipalities on updating and aligning inefficient processes and systems with existing modern information and communication technologies, which could lead to increased efficiency and effectiveness.

Most municipalities had access to information and communication systems such as computers and the Internet, yet some still insisted on unnecessary in-person submissions for some applications and processes, Davies explained.

"There are not many municipalities left that do not have access to [connected] computers," he said.

Another key focus for the DTI was levelling the playing field for small businesses that were hindered by 'uneven' enforcement of regulations.

The department aimed to stimulate competitiveness through the elimination of illegal businesses and facilitation of the development of competitive township and informal – but legal – businesses.

Davies said that many legitimate informal and township businesses complained of unregistered operators selling subpar, illegally imported goods and undercutting them on pricing.

He pointed out that the proposed Licensing of Businesses Bill, which was currently under consideration, would aid in tackling this and complement the recommendations in the guidelines that seek to reduce red tape.

The contested Bill, which opponents say will overwhelm small businesses with its compliance and regulatory framework, would require a business to register at its local municipality.

Davies believed the process would "piggy-back" existing municipal processes, albeit on a larger scale.

Certain sectors and types of businesses were currently required to register at their local municipality, he argued, pointing out that the Bill would not add more red tape or overburden municipalities as the procedures and infrastructure were already in place.

The legislation would enable a central database of operations in the country and ease of monitoring red-flagged, suspicious, and possibly illegal, businesses cutting into the profits of legal traders.

Simultaneously, the broad-based economic legislation was also being examined with a view to eliminating the requirement that



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small, black-owned businesses undergo the often-unaffordable R30 000 to R40 000 verification process for a certificate to partner with a bigger player.

The amendment of the codes would result in small businesses only requiring an affidavit outlining their black economic-empowerment (BEE) status, and those misrepresenting their BEE levels would be taken to task through a "fronting" investigation, warned Davies.

The DTI's complementary initiatives aimed at boosting small business included collaboration with sector education and training authorities to increase the capacity and business development of potential entrepreneurs in the townships and amending the country's cooperatives legislation to establish a cooperatives agency and tribunal to resolve reported issues of hindrance owing to municipal red tape.

Meanwhile, Davies noted that, while the guidelines would act as a framework to assist local government in improving the general ease of business for the smaller players, it was not a form of deregulation, but rather action at inefficient bureaucracy.

However, the South African Chamber of Commerce and Industry, which welcomed the guidelines as a significant step towards creating a supporting environment for SMME growth, said that the "root of all red tape" was regulation.

"This means all levels of government needs to be proactive to stop red tape from entering the economy to start with, as opposed to cutting the red tape once it has caused damage to economic activity," the organisation said in a statement last week.

The parties aimed to roll out the programme nationwide during the "course of the year", distributing hard copies of the document and undertaking four to five nationwide workshops bringing awareness and understanding of the programme to the respective regions. The guidelines would also be available on the departments' websites.