



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

ADDRESS BY THE MINISTER FOR SMALL BUSINESS DEVELOPMENT, HON STELLA TEMBISA NDABENI-ABRAHAMS (MP), ON THE OCCASION OF THE NATIONAL COUNCIL OF PROVINCES' THREE SPHERE PLANNING SESSION UNDER THE THEME: “*DELIENATING KEY PRIORITIES FOR CONSOLIDATION AND IMPLEMENTATION DURING THE FINAL YEAR OF THE SIXTH DISPENSATION*”.

30 MARCH 2023

Chairperson of NCOP, Hon, Mr Amos Masondo

Deputy Chairperson Hon, Ms Sylvia Lucas

Deputy President of the Republic, HE Mr Paul Mashatile

Honourable members of the NCOP

Minister Maropene Ramokgopa

Premiers of the Provinces present

All Protocol Observed

It is an honour for me to present to you progress on the work done by our Department and further outline our plans this year to advance service delivery and uplift small businesses in the country.

Honourable chair, the Global economic context is highly constrained with the COVID-19 after-effects, the general slowing of Chinese growth, and the Russia-Ukraine conflict. The recent IMF report suggested that one third of countries across the world may fall into recession this year. South Africa's growth was projected initially projected at 1.4% for

2023 but has been lowered to 0.4% due to global demand constraints and the recent escalation in load-shedding.

The global economy remains in a tight monetary policy cycle, which means less investment flows to the developing world. In this context, it is unlikely in the short term that large corporates and foreign direct investment will give us the growth and jobs we need. The role of SMMEs and co-ops both in sustaining livelihoods and in driving growth has never been greater.

The Economic Reconstruction and Recovery Plan prioritizes SMMEs and co-operatives and calls on government to review and scale up support for SMMEs, reduce red-tape and regulatory impediments, and co-create markets through value chain localization, especially integrating townships and rural economies.

We have just completed the country's third National SMME Strategy (NISED) Framework and have developed a high-level implementation plan of game-changer programmes around which we are now developing partnerships that bring in resources, capacity and where possible expanded market access.

Over the last 14 months of this 6th administration, the work of the Department and its Agencies will be structured and coordinated through the following interventions that are implemented in close collaboration with the private sector as well as other spheres of government, namely:

1. **SMME-focused Localisation Programme** which is aimed at reconfiguring supply chains to co-create market opportunities for SMMEs, enabled through the Small Enterprise Manufacturing Support Programme (SEMSP), which gives support up to R15 million.
2. **Township and Rural Entrepreneurship Programme (TREP)** which is aimed at supporting micro, small and medium enterprises in townships and rural areas, and

linking market opportunities in townships and rural areas to local productive business ventures.

3. **Enterprise and Supplier Development** partnership programme, where we are partnering with major corporates and SOCs to open up supplier opportunities for black-owned and women-owned SMMEs, including those based in townships and rural areas.
4. **Incubation and Digital Hubs Roll-Out**, where we have established 122 incubators and digital hubs, many in collaboration with universities and TVET Colleges.
5. **Young Entrepreneurs Support** where we are targeting youth across our various financial instruments.
6. **Cooperatives Support** - The objective is to support co-operative enterprises financially and non-financially in partnership with other key strategic stakeholders.
7. **Shared Economic Infrastructure Facility (SEIF)** - where we fund light industrial hubs, SMME container clusters, informal trader markets etc
8. **Informal and Micro Enterprise Development Programme (IMEDP)** which is a 100% grant offered to informal and micro enterprises from the minimum grant amount of five hundred rand (R500) up to the maximum of forty thousand rand (R40 000) to assist them in improving their competitiveness and sustainability.
9. **Khula Credit Guarantee Scheme** which is aimed at de-risking bank finance to SMMEs. Currently, the KCG is achieving a capital leverage effect of 6.25, meaning that for every R1 million guaranteed by KCG, R6.25 million is leveraged for SMME funding. This is key to begin addressing the R350 billion SMME credit gap in the economy.
10. **New economy start-ups**: As a new game-changer, we are packaging a range of measures aimed at creating a more enabling support eco-system for high tech start-ups, and increasingly linking incubation support to this key growth area.

The DDM One-Plans become critical tools to mobilize the three spheres behind the work of DSBD on the ground. Here we are building co-location points in different District and Local municipalities, with the fourfold aim:

- (1) To ensure the accessibility of the department, Seda, and **sefa** services in townships and rural areas.
- (2) To raise awareness about how municipalities can reduce red-tape and ease doing business for SMMEs and co-operatives.
- (3) To raise awareness about the Township and Rural Entrepreneurship Programme (TREP) to increase the pipeline of applications from SMMEs, and
- (4) To ensure close cooperation with LED offices and gearing them to assist SMMEs with registration and/ or applications for the department's products and services.

We also see a critical role for provinces and are working with the Red-Tape Office in the Presidency to facilitate the establishment of red-tape offices in each province. To enable this, and to better enable provincial governments to champion the products and services we offer as the DSBD portfolio, we have recently established a Provincial Coordination Forum constituted by all nine (9) Provincial Economic Development Departments. This "Provincial Coordination Forum" will be convened quarterly and provide the technical inputs for the convening of MINMEC's focused on localization and the development of small businesses and cooperatives.

We are also appointing and assigning DDM champions. This will allow us to roll our digital SMME license application systems (for example building on the experience of KZN), including systems integration and inter-operability. It will also ensure that we spend with more impact if LED offices assist with the development of the SMME pipeline for the take up of TREP and other departmental instruments. Municipalities played a pivotal role in ensuring uptake of social relief during COVID, and we see them playing this support role to broaden our reach and strengthen delivery of TREP.

To ensure maximum participation of SMMEs in township and rural areas this year, we have split the function between the two agencies with Seda administering the grant funding for micro enterprises while **sefa** will focus on small and medium enterprises.

Municipalities, despite the challenges they face, are our front-line forces, and key to the work that all of us do across all spheres. We look forward to working with COGTA, SALGA and other key role-players to make the DMM work in the interests of the poor and under-served communities.

LEGISLATIVE REVIEW

Honourable members, we have commenced the process of reviewing the Businesses Act which intends to introduce an amendment Bill to Parliament during this financial year. The Businesses Act provides for the issuing of trade licenses and permits by Municipalities to both formal and informal businesses who want to operate in their geographic jurisdiction. As it stands the Act provides a very broad policy and legislative framework without sufficient guidelines or a framework to ensure policy coherence and similarity across all the Municipalities. This has also resulted in uneven implementation across the country, with effective implementation in highly resourced Municipalities and Metros, while most poor Municipalities have ineffective systems and procedures thus contributing to increased red tape.

The amendments we intend to introduce will enable the growth of the small business industry in the country, to reduce red tape in business licensing. The regulations to the Act will also introduce mechanisms of governance to ensure all businesses operate within the ambit of the law and bringing SA and foreign owned businesses under equal regulations.

We intend to introduce this Bill to Cabinet in May. Upon completion of Cabinet processes the Bill will be tabled in Parliament. We urge Honourable members to assist in fast-tracking this Bill to completion.

Secondly, we are at advanced stages of amending the Small Enterprise Development Amendment Act which will assist with the merger of our entities, including the Co-operatives Bank Development Agency to create the Small Enterprise Development & Finance Agency which will provide both financial and non-financial support as well as initiatives to support the development of a broader SMME / Co-operative ecosystem. We intend to introduce the Bill to Cabinet during May this year.

I thank you.