

## **INFORMAL ECONOMY SYMPOSIUM**

### **Speaking Notes for Minister Stella Ndabeni-Abrahams**

Let me begin by greeting the esteemed leadership present, Deputy President David Mabuza, Premier Oscar Mabuyane, Executive Mayor of Amatole District Municipality Cllr Anele Ntsangani, Ngqushwa Mayor Cllr Sanga Maneli, all other government representatives and officials present; the new EU Ambassador to SA, Sandra Kramer, members of the EDSE team and National Treasury who worked in partnership with us in putting this symposium together, entrepreneurs and ecosystem role players present,

My job here today is simple. To unpack what we expect from this symposium.

This is a very timely and important symposium. The world economy is volatile, and our country faces significant headwinds which continue to dampen growth and employment prospects. Growth forecasts for the next three years are forecast to be lower than the current year, which has been downwardly revised to 2.1%. Unemployment on the narrow definition is at 34%. In this province its sitting at 43%. In townships, unemployment is often upward of 70%. Livelihoods are under pressure with rising fuel and food prices. And as Bob Marley reminds us, “A hungry man is an angry man”. We saw glimpses of this in July 2021. Government has found itself having to increase allocations to social protection – the Social Relief of Distress Grant and the like - which is obviously crowding out monies for infrastructure and productive investment.

It is unlikely that most of the jobs we need will come from formal employment in large corporates and factories. The National Development Plan recognizes this and suggests that 9 million of the 11 million jobs we need by 2030 will come from SMMEs, with a high number of these coming from self-employed entrepreneurs. According to the NDP, at least 2 million of these jobs should come from growing the informal sector.

According to Prof Haroon Borhat, South Africa is an outlier and has a very small informal sector (making up 20% of employment) and low levels of self-

employment (only 10% of employed people in SA are self-employed compared to 30% for upper-middle-income countries).

This symposium should look at why this is the case?

Are we less entrepreneurial than other countries?

Do we have too much red-tape and regulatory bottlenecks (I know there is a lot of debate now around municipal licensing charges for informal businesses)?

Do we have the right policy frameworks and support instruments in place? I know the DSBD has been implementing the National Informal Business Upliftment Strategy (NIBUS) and programmes like the Integrated Micro Enterprise Development Package (IMEDP) and the Shared Economic Infrastructure Facility (SEIF). More recently we have designed and are implementing the Township and Rural Enterprise Programme (TREP). Are these working? What can we scale up and what do we need to change?

I like to think about the golden triangle of support. One component without the others will not yield the necessary results.

First, we need access to markets. How do we integrate enterprises in townships and marginalized rural areas into mainstream markets, and how do we co-create new markets in these spaces for local enterprises?

Second, we need business development services. My feeling is that our incubators and accelerators only focus on formal enterprises. In fact, much of our approach to informal enterprises is to get them to formalize. Whilst this might be appropriate some of the time, I think we need to rethink business support for informal enterprises. We need to be looking at instruments that enable pathways to improved livelihoods, rather than simply pathways to formality. This means we also need to work more with community-based organisations, rather than just the business incubators we usually work with.

Third, we need access to finance. Again, most of our direct lending, blended finance and credit guarantees are directed to formal enterprises. We do wholesale lending through **sefa** to 2 micro-finance intermediaries who are doing good work with micro informal enterprises. How do we scale this up? Can we think about digital systems – fintech and the like – that is appropriate for micro

enterprises? And can we think differently about credit information systems – for example using community knowledge and building on platforms like stokvels?

I know there are interesting and impactful things going on in townships and informal settlements across the country. What makes these successful? How can we share lessons and look at replication and scaling? Equally, there is money being wasted on projects that have little value. How do we redirect funds and energy towards programmes where impact is greatest? Who is measuring these things, and how do we share results?

The other big question I hope we address over the next two days is whether we are working towards common objectives as a joined-up government and together with other critical eco-system partners? We have just completed our National Integrated Small Enterprise Development Masterplan, which implores us as government to leverage capacity and resources through partnerships. Who are the critical eco-system players in the informal sector and solidarity economy segments? What are we doing to build this eco-system and ensure it works coherently? How do we ensure the DDM model can also shift government to plan and work together with stakeholders outside of government?

Finally, this symposium is not only about the informal sector – it is also about the social and solidarity economy. This is a space which holds out so much promise, but we do not seem to get it right. As DSBD, we are busy reviewing our Co-operatives Development Support Programme and look forward to useful and well considered insights about how we can improve our offerings. We also need to give more consideration to other forms of enterprise, especially community-based models that provide livelihoods and other social benefits. How do we build on other social economy initiatives out there, such as the public employment programmes and the skills development programmes, especially those targeting new venture creation?

I can see there is a good mix of government officials, development practitioners, academics, activists, and entrepreneurs present. We hope the outcomes will be practical and assist us as policy makers guide the country through these difficult times.

I wish you well in your deliberations.