



MINISTRY
SMALL BUSINESS DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

ADDRESS BY THE MINISTER OF SMALL BUSINESS DEVELOPMENT, MS STELLA-NDABENI ABRAHAMS (MP), AT THE SECOND NATIONAL MSME AND CO-OPERATIVES SUMMIT, GALLAGHER ESTATE, MIDRAND JOHANNESBURG 21 – 22 NOVEMBER 2024

Programme Director

Ministers

Deputy Minister Sithole and other Deputy Ministers present

SEDFA Board Chairperson, Board Members

Director-Generals and CEOs

Senior Government officials

Representatives of the organised business formations, Co-operatives movement, and academia,

Representatives from Banks and other financing institutions,

Representatives from Entrepreneurship Support Organisations and other partner institutions

Our special guests: Entrepreneurs, MSMEs and members of Co-operatives

Good morning

I wish to take this opportunity to welcome you all to the second National MSME and Co-operatives Summit following its inauguration in November 2022. Thank you for honouring and committing to being part of this important event and contributing to resolving our country's growth, unemployment and inequality challenges.

The national summit intentionally coincides with Global Entrepreneurship Week (GEW), a global initiative celebrated in over 200 countries to inspire and empower entrepreneurs worldwide.

This is the week where we celebrate entrepreneurs for the incredible contribution they are making to economic growth, job creation, innovation and technological development. The theme for Global Entrepreneurship Week 2024 centres on 'Inclusive Growth and Innovation', highlighting the importance of building an entrepreneurial culture that is accessible to everyone, regardless of gender, race, geography, or socioeconomic background.

Tomorrow evening at the Presidential MSME and Co-operatives Awards, we will honour and celebrate our entrepreneurs. Many of the finalists are here with us at this Summit. I especially wanted entrepreneurs, MSMEs and co-operatives at this Summit. It is critical that we develop policy and design interventions and partnerships with those who we serve centre of mind.

Programme Director,

The need to facilitate a National MSME and Co-operatives Summit is rooted in the National Integrated Small Enterprise Development Strategic Framework or NISED as

we call it, which was adopted by Cabinet in November 2022. This is the country's third iteration small enterprise development strategy. Our evaluation of the previous two national strategies showed that as Government we were too inward looking. We didn't place enough emphasis on mobilizing and leveraging all role-players behind entrepreneurship and small enterprise development. The NISED corrects this by taking an ecosystem approach, enabling various public and private actors to collaborate in a focused, targeted, and coordinated manner.

The NISED clearly states that that we are required, as DSBD, to host a National Summit every two years. The purpose is twofold.

First, to report back to stakeholders on how we have fared in implementing the commitments we made at the last Summit held in November 2022.

Secondly, to share our agenda and programmes with stakeholders, announce strategic partnerships, and mobilize key role-players in the eco-system behind a common agenda.

I will start with the report back.

Since we held the inaugural Summit in November 2022, we have achieved much. We committed then that we would amend our enabling legislation, the National Small Enterprise Act, which we have achieved. The amended Act aligns the definitions of MSMEs in line with international best practice. The amended Act also enables the

establishment of the Office of the Small Enterprise Ombuds. The process of shortlisting the Ombuds is currently with Parliament.

The amended National Small Enterprise Act also enables the delivery of the second major commitment we made in 2022 – to establish a one-stop-shop small enterprise agency. As you know the Small Enterprise Development and Finance Agency (SE DFA) came into being on the 01 October 2024. We have the Chairperson Nonzuzo Makanda and various Board members here with us over the next two days, and we will hear much more about what they are doing to reposition and capacitate this very strategic organization.

To address the R350 billion MSME credit gap, we committed at the last Summit in 2022 to develop the MSME and Cooperatives Funding Policy. This policy is finalized and has recently been approved by Cabinet. Among other things, the policy will enable the establishment of an alternative credit information system, a movable asset registry to address the problem of insufficient fixed collateral, as well as a Fund of Funds. We are busy putting the flesh to the Fund of Funds, together with the DTIC and National Treasury. Importantly, the Fund of Funds will birth more capital for startups and early stage MSMEs and will serve to derisk additional funding for under-served groups from banks and non-bank financial institutions. At the next Summit in two years' time, we will report back on the impact of this Fund of Funds.

On non-financial business support, we hit our target of 110 incubators, which we have done in partnerships with the private sector, universities and TVET Colleges. But we

know there is much more work to be done to make these more impactful, and also to look more at less costly digital incubation and acceleration platforms.

On market access, we committed then to establishing and sustaining the Enterprise Supplier Development (ESD) Community of Practice. This we have done - the last meeting held a few months ago I am told was attended by 45 ESD practitioners and stakeholders. This is a key mechanism for integrating MSMEs into corporate and state-owned company supply chains, especially township and rural-based MSMEs. I know we have the ESD Summit next week where we will deep dive into successes and challenges, and what must be done to make ESD more impactful and less of a tick-box exercise.

Looking forward, we are planning interventions and partnerships in a very volatile and constrained global context. This will require us to better optimize local markets and those that will be opened through the ACFTA.

Despite economic reforms, especially on energy supply front, starting to yield results, and overall investor confidence starting to improve, economic growth prospects remain subdued over the medium term. Levels of inequality and unemployment remain high.

The Government of National Unity has made inclusive growth its apex priority, and MSMEs are now firmly on the policy agenda. This is in keeping with other middle income and G20 countries, which are increasingly seeing small enterprises as the engines of growth, jobs and inequality reduction.

Global estimates cited from the World Bank suggest that micro, small and medium enterprises (MSMEs) contribute 40% towards gross domestic product (GDP) in emerging countries and more than 50% towards employment in the whole world. South Africa is pretty much aligned, with MSMEs accounting for 64 % of all jobs, but only 34% of GDP.

The National Development Plan suggests that if we want to achieve our 2030 jobs targets, 90% should come from MSMEs. This means we must more than double the number of MSMEs and co-operatives, to achieve a stretch target of 5.8 million enterprises.

To do this we will need to be way more urgent and aggressive on reducing red-tape. We have identified 26 pieces of legislation that require to be reviewed and amended.

We need to close policy gaps, especially around start-ups, as well as for township and rural -based enterprises. We are currently kickstarting the Startup Policy. Global benchmark studies of other countries show that while we have steadily improved over the past 20 or so years, we are still behind other comparative countries like India, Brazil, Indonesia, Malaysia and many others when it comes to start-up skills, access to technology, and access to risk or startup capital.

We have made some progress on the Township and Rural Economy Development and Revitalization Policy. The current issue of food safety and food handling enterprises in townships has underscored the need for better policy and better financial and non-financial support for township and rural enterprises. Together with

DTIC, we have created a R500million facility to support spaza shops and convenience retailers and are looking at partnerships to create new distribution networks for bulk - buying of affordable safe food.

The current food safety issues also bring attention to the issues of licensing and bylaw enforcement at local government level. We do not want to create red-tape, but must protect vulnerable citizens, especially children from risks of unsafe and contaminated food. The counterfeit industry also destroys local productive capacity. We have formed a Township Economy Task Force, as a stakeholder platform that works alongside NATJOINTS. As DSBD we are busy with the Business Licensing Policy and amendments to the Business Act, which we were given by Presidential Proclamation from DTIC in 2020.

Programme Director, it is essential, as we host this national summit, that we reflect on its significance and the purpose of the Department of Small Business Development (DSBD) in coordinating the various stakeholders from the private sector, academia, entrepreneurship support organisations, small enterprises, startups, and emerging businesses representing the agenda of transformation, inclusivity and redress.

I am happy to see that the department has been consulting stakeholders on the interventions required for each of the four pillars. I'm sure these will be further endorsed at this Summit. These projects are part of our annual performance and operational plan and are reported quarterly. These, amongst others, include the identification of agreed sector indicators that will be applied across all spheres of government to ensure that we adopt a common agenda for joint action. We have also

developed a partnership framework to inform and strengthen our partnership approach to ensure they are meaningful and impactful.

Programme Director, we have spoken about creating a digital platform to enable better eco-system co-ordination and access to the products and services we provide as government and our DFIs. We have made insufficient progress here, and this is something that must be in place by the next Summit in 2026. This will enable better accountability across the eco-system.

The other area where we need to pick up pace is the establishment of the Advisory Body. The constitution has been published for comment and we will soon be calling for nominations.

The years ahead promise to be extremely busy, especially 2025 now that we are formally hosting the G20. We will be facilitating the Startup20 which was started in India in 2023, but also integrating broader small enterprise issues, especially from the continent as a whole. Brazil led the way, putting the interests of the poor and marginalised at the centre of policy debates and discussions. We are up for taking up the baton. I especially like the inclusion of the AI working group. As a continent and nation we must unlock the opportunities that come with AI, rather than fall victim in a growing global digital divide.

Programme Director, as I conclude, let me again thank stakeholders for attending and request that you are robust and constructive in your engagements. The theme of this

year's summit is "Powering Growth through Partnerships: Joint action towards MSMEs and Co-operatives Development."

Let's work together to power a transformed and faster growing economy, with MSMEs at the centre. Let's be bold and urgent. And let's dive deep and be practical, rather than high-level. We need to emerge from this Summit with a clear sense of what can be done in various sectors and industries to accelerate growth, transformation and MSME participation. What are the quick wins and impactful interventions that we must prioritize? And most importantly, what must each of us do to make this happen?

I thank you.