



small business  
development

Department:  
Small Business Development  
REPUBLIC OF SOUTH AFRICA

**OPENING REMARKS BY THE DIRECTOR GENERAL OF SMALL BUSINESS  
DEVELOPMENT, MS. THULISILE MANZINI**

**DURING**

**THE NATIONAL PRESIDENTIAL MSME & CO-OPERATIVE SUMMIT AT  
GALLAGHER CONVENTION CENTRE, MIDRAND**

**21 NOVEMBER 2024**

*Programme Director*

*Minister of Small Business Development, Honourable Stella Ndabeni- Abrahams*

*Deputy Minister of Small Business Development, Honourable Jane Sithole and other*

*Deputy Ministers present today*

*SEDFA Board Chairperson and Board Members*

*Director-Generals and CEOs*

*Senior Government officials*

*Representatives of the organised business formations, Co-operatives movement,  
academia and other partner institutions*

*Entrepreneurs, MSMEs and members of Co-operatives*

*Ladies and Gentlemen*

*Good morning*

**Introduction**

Today's National Presidential MSME & Co-operatives Summit is pivotal for small enterprise development in South Africa. In the next two days, we will review our progress, renew our commitments, and chart a transformative path forward.

## **Outcomes of the 2022 Summit and Setting the Scene for the 2024 Summit**

The inaugural National Presidential MSME and Co-operatives Summit was hosted back-to-back with the first Presidential Awards in 2022. In terms of the National Integrated Small Enterprises Development Strategic Framework (NISED), National summits will be hosted every second year, with provincial conferences hosted in between. The National Presidential MSME and Co-operatives Summit 2024 is the second summit since the approval of the NISED framework and its proclamation as the National Enterprise Support Strategy in February 2023.

The outcomes from the 2022 inaugural national summit included:

- The implementation of a comprehensive Red tape reduction programme. Research findings have noted that regulatory constraints and unintended consequences of regulatory measures are among the pronounced impediments to small enterprise growth in South Africa.
- Creating an enabling environment that is conducive to the growth of technology-based enterprises and start-ups as well as the green economy.
- Leveraging the existing enterprise and supplier development (ESD) programme to ensure private sector funding is channelled to small enterprises.
- Refuelling the incubator/accelerator programme to develop the requisite technical capability and capacity of small enterprises.
- Scaling up small enterprise funding. Existing small enterprise funding needs to be scaled up with the intention of achieving higher penetration and higher impact through high-growth enterprises, which includes available equity finance and the Khula Credit Guarantee (KCG) scheme, amongst others.
- Strengthen coordination among partners and other key players in the ecosystem and establish an agreed-upon overarching monitoring and evaluation framework.

Each of these items informed the seven-panel discussions that will be held during this summit. The discussions have been structured to foster participatory engagement and co-ownership with different ecosystem role players and experts, locally and internationally, providing and sharing case studies, successes, and learning. This

information is shared and interrogated to serve as a basis for framing collective actions going forward.

### **Overview of the small enterprise landscape in South Africa: Key challenges and issues that need to be addressed by the ecosystem**

The overview of Small Businesses and Co-operatives in South Africa has been informed by the findings from a 3-Year Study by the Department of Small Business Development (with support from the EU EDSE programme). *Copies of the Summary report are part of the Summit documentation provided to all participants.*

The DSBD undertook a 3-year longitudinal study with SMMEs and co-operatives across all nine provinces in South Africa to assess the impact of government support programmes aimed at SMMEs and co-operatives and to uncover the inhibitors and opportunities for growth for the development of this sector. The study was the first of its kind in South Africa and has provided a vital picture of the current realities of SMMEs and co-operatives and what they need to survive and thrive in South Africa's current economic landscape.

The study found that:

- There have been high hopes that entrepreneurship and small business development will play a critical role in South Africa's transformation, particularly in wealth creation and equitable distribution of resources and access to capital.
- However, this will never be fully realised if most MSMEs continue in survival mode.
- High utility costs, rising prices of petrol and food, increased levels of crime, frequent power and water cuts, and high unemployment (impacting the spending power in MSME markets) are just a few of the critical problems that SMMEs are experiencing

The South African economy began recovering in 2021 and 2022, as the COVID-19 lockdown was lifted and economic activity resumed. However, StatsSA data suggests that the contribution of MSMEs to GDP declined by 20% from 2020 to 2021, with little

further improvement in 2022. Currently, economic recovery in the country is driven largely by medium and large enterprises, with many small and micro enterprises falling out of the economy as they face significant socio-economic challenges.

The picture that emerged from the first two years of the study (2021 and 2022) was of a small business landscape in South Africa that was trying to stabilise to a new, post-COVID normal. SMMEs and co-operatives reported lower impacts from the pandemic and related externalities, with the sector appearing to settle into more consistent and stable operational patterns. The 2023 survey results have revealed a changing picture, confirming the resilience and opportunity in the SMME sector and the sector's vulnerability in the face of increasingly harsh socio-economic conditions.

MSMES and co-operatives are challenged by:

- From 2021 to 2023, **financing remained a constant challenge for SMMEs and co-operatives**. In 2022, 64% of SMEs reported struggling with access to finance and in 2023, 58.1% reported it as a severe challenge. This was significantly lower than in 2021, when 90% of SMMEs reported struggling with financing. However, there is now an increased concern in 2023 that sales are decreasing as challenging economic conditions and high levels of unemployment affect customers.
- **Rising utility costs have also taken their toll on SMMEs and co-ops**, with a substantial increase from 31.7% of respondents reporting this as a challenge in 2022 to 51.5% in 2023. As shared by one business owner, "Electric faults and price hikes are a real problem."
- **Struggles with marketing also increased year on year**, with nearly 68.2% of respondents reporting this as a challenge in 2023, compared to 59.3% in 2022 and 20% in 2021. There was an increase in the percentage of SMMEs using digital technologies from 2021 to 2022, but this dropped in 2023. This includes bank accounts (from 63.3% in 2022 to 40.4% in 2023) and digital marketing (41.8% to 33.7%). The only increase was in the use of POS systems, up from 7.7% in 2022 to 22.8% in 2023.

- The **SMMEs impacted by crime also increased** from 19.6% in 2021 to 48.5% in 2023. This could be due to the lifting of the lockdown regulations and high levels of unemployment, which might be pushing more people into criminal activity targeted at small businesses. Respondents shared the devastating effects of crime on their businesses and a sense of little coverage or protection from law enforcement or other government agencies.
- The data points to a **need for more information to assist small and medium-sized businesses understand the tax system. However, regulation and red tape do not affect SMMEs as much as other challenges.** The percentage of enterprises operating in the informal sector has fluctuated from 68% in 2021 to 71% in 2022 and 61% in 2023. The survey data indicates the need for targeted interventions such as business registration and subsidies for women entrepreneurs, youth entrepreneurs and business owners living with disabilities.
- In 2022, a **tiny percentage of SMMEs had applied for and received government assistance** (4%). Overall, 16% of respondents had applied for government assistance, and 75% who applied were unsuccessful. In 2023, the percentage of businesses in the sample that applied and received government assistance was 9.4%, only a slight increase from 2022.

**These findings suggest that the situation for MSMEs in South Africa will worsen if the core challenges are not addressed.**

The survey data confirmed that **businesses operated by women, youth and people with disabilities are often very driven and resilient but also frequently face more challenges than other MSMEs.**

Overall, many small businesses in South Africa are survivalists, so business owners often don't see them as opportunities for long-term income generation and investment.

At the same time, there is a growing desire to increase market scope and expand their customer base, even though the lack of diversification and digitisation still needs to be improved for the long-term success of small businesses and co-operatives in the country.

These are all items for discussion at this National Presidential MSME & Co-operatives Summit 2024 programme. We hope that all participants and the ecosystem will begin to work together so that joint actions can enable small business development and growth. Our vision is bold yet achievable: a thriving MSME sector that uplifts communities drives innovation and contributes meaningfully to South Africa's economic recovery. This requires all of us—government, private sector, and civil society—to align our actions, resources, and energies.

I hope this summit will be the turning point for small enterprises and co-operatives. Together, we can overcome the barriers and unlock the true potential of South Africa's entrepreneurs.

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