



## ADDRESS BY THE DEPUTY MINISTER FOR SMALL BUSINESS DEVELOPMENT, HON SIDUMO DLAMINI (MP), ON THE OCCASION OF THE DEBATE OF BUDGET VOTE ON SMALL BUSINESS DEVELOPMENT | 10 MAY 2022

Speaker of the National Assembly, Ms Nosiviwe Mapisa-Nqakula  
Chairperson of the National Council of Provinces, Mr Amos Masondo,  
Ministers and Deputy Ministers, Honourable Members of the National Assembly,  
Honourable Members of the National Council of Provinces,  
Distinguished Guests, Members of Cooperatives present here today and those listening all over the country, the small, medium and micro business owners, Ladies and gentlemen

### INTRODUCTION

The issues and questions which have been raised in the house are welcomed. We will attempt to provide a response that is as honest as possible as taught by Amilcar Cabral to “...hide nothing from the masses of our people. Tell no lies. Expose lies whenever they are told. Mask no difficulties, mistakes, failures. Claim no easy victories”. Just as our country was attempting to address the legacy of apartheid and colonialism of a special type, we had to deal with the 2007/8 global economic crisis. As if this was not enough, we had to confront Covid - 19 head on in 2020. Just recently when we had developed an Economic Reconstruction and Recovery Plan, we had to deal with unrest in KZN and parts of Gauteng and now it is the impact of floods which happened in KZN and in Eastern Cape. These are provinces with high levels of poverty incident. All these have worsened the crisis of unemployment, poverty, and inequality. Therefore, the challenges we face require our collective effort across the political divide. Just as we would appreciate the criticism, we also need your constructive ideas and solutions to the challenges facing our country.

### ON THE NATIONAL INTEGRATED SMALL ENTERPRISE DEVELOPMENT ( NISED) MASTERPLAN

The work of the Department of Small Business Development can be described as intricate. It is multi-faceted and multi-disciplinary in nature with various moving parts at different points. One of the chief cornerstones that is an overarching guide of the work that we do is the National Integrated Small Enterprise Master Plan. This Master Plan is a coordinating framework for the development and support of SMME's in South Africa. It is formulated based on resolving four key issues that restrict the growth potential and success for SMME's and Co-operatives. These include the following (a) Information asymmetry (b) Policy uncertainty (c) Service delivery shortfalls and (d) Mistrust between government and business Cabinet has approved the draft Masterplan for public comments, and we are calling on the academia, community, labor, and various spheres of government including all South Africans to submit comments.

### ON RED TAPE REDUCTION

Red-tape refers to “excessive bureaucracy or adherence to official rules and formalities that inhibit the ease of doing business”. The Department of Trade, Industry and Competition and National Treasury have focused on specific reforms linked to 10 of the World Banks Ease of Doing Business indicators. Task teams for some have focused on specific improvements leading to such initiatives as the online Bizportal that has significantly cut the time taken to register a business; reduced the number of procedures in the issuing of construction permits through doing away with approval stamps from four different agencies. National Treasury through the City Support Programme has been supporting the metros to improve their Ease of Doing Business rankings.

Whilst the Ease of Doing Business Programme focuses on the necessary regulatory and business process efficiency reforms, the DSBD has been driving awareness around the need to address unnecessary red-tape within government. Our department has been particularly active in understanding the complexity of

red-tape, convening a task team of officials from across local, provincial and National Departments and in partnership with GTAC have completed a Diagnostic report on Red-Tape Reduction. Coming out of this report, the DSBD has run a municipal level initiative (the Pilot Administrative Simplification Programme). This has been piloted in 3 municipalities. The outcomes of this initiative will input into government's Circular 88 reforms that are focused on rationalizing municipal reporting requirements as well as initiatives at national, provincial and district level.

We are also taking lessons from the pilot into the red-tape reduction awareness programme we will run with 20 municipalities this year. Red Tape cases derive from bottlenecks across the local, provincial, and national level. In this context we see the Red Tape Reduction Office in the Presidency working as an escalation mechanism for issues that cannot be dealt with at provincial level, by COGTA, by the DTIC, by National Treasury, or by the DSBD. There will be no duplication of efforts. The DSBD, COGTA, and the DTIC have clearly earmarked responsibilities in red-tape reduction and will work closely with the new office in the Presidency. We are confident that the political authority and leadership of the Presidency across the whole of government will enable red-tape and blockages to be resolved. As per our mandate as DSBD, we will continue to engage with small business across the country, understand their issues, and identify red-tape issues as well as their underlying administrative and legislative constraints.

### ON INCORPORATION OF SEFA AND CO-OPERATIVES BANK DEVELOPMENT AGENCY INTO SEDA

As part of the comprehensive strategy to reduce red tape, the Department is looking to carefully co-ordinate and pull levers that would allow it to achieve its objectives. Underpinning this philosophy is the incorporation of the Small Enterprise Finance Agency (sefa) and the Co-operatives Bank Development Agency into the Small Enterprise Development Agency, Seda. Compared to global peers, small enterprises are the biggest contributors to job creation and economic growth but in South Africa the small enterprise sector is underperforming. The reasons for the small enterprise sector's underperformance range from historical legacies, the structure of the economy and other issues. One of the key elements is the lack of suitable and properly coordinated government support for the sector. The current reality is that support offered to small enterprises in the country is disjointed, not at the required magnitude, and generally gets too few SMME's and Co-operatives in respect of both financial and non-financial support. This is reflected in the data on SMME's survival rates and broader indicators of SMME growth. In light of the above, the DSBD got approval from Cabinet to proceed with the process of incorporating small business support functions into a single Agency. After Cabinet approval, the department engaged in a series of exercises to address substantial changes to the operating model of the envisaged entity to achieve its strategic objectives and deliver on its proposed mandate.

We are at the advance stages of setting up a Project Management Unit that will offer support to the Department in ensuring that this work of incorporating Sefa and the Co-operatives Bank Development Agency into Seda is finalized by 31 December 2023 as per Cabinet directive.

### ON THE DEVELOPMENT OF COOPERATIVES

International studies reveal that countries which have created an environment conducive to promoting co-operatives, by developing legislative instruments, supportive programmes, and delivery institutions, grow rapidly and contribute positively to economic development, employment creation, economic ownership by local communities, and human resource development. For an example Canada, Spain, Kenya, Italy, India, and Bangladesh have proven to be successful in the development of co-operatives. As a country we need to derive lessons from these experiences as we prepare to scale up our work on cooperatives. We acknowledge that we have not had the impact we wanted in terms of building a vibrant and sustainable co-operatives sector.

In this context we are scaling up our work towards ensuring that the Cooperatives are made to be functional and have access to financial support and markets. Guiding legislation in this regard is the Cooperatives Act no. 14 of 2005, the Cooperatives Amendment Act of 2013. This also include the Cooperatives Development and Support Program (CDSP) We will enchoe the work of cooperatives around traditional leaders and will be facilitated through the District Development Model organised around District Plans.

### ON THE FUNDING POLICY FOR SMMES AND COOPERATIVES

Cabinet through the Medium-Term Strategic Framework (MTSF 2019-2024) has approved that the Department of Small Business Development (DSBD) develop the SMMEs and Co-operatives Funding Policy to unlock funding opportunities to the SMME sector, The Policy is aimed at strengthening the provision of development finance towards the SMME sector with a view to improve access to finance for SMMEs and Co-operatives. In line with its mandate, the department is leading the process of developing the SMMEs and Co-operatives Funding Policy. Given feedback received for more extensive consultations with various stakeholders, the Department has been involved over the past two months in several consultative sessions supported by the EU-funded Eco-system Development for Small Enterprise Programme.

We are currently in the process of consolidating these inputs so that they can be tabled in Cabinet for approval. Lastly, the envisaged introduction of the Co-operative Banks Development Agency into our portfolio has presented us with an opportunity to assist and support co-operative enterprises in this regard.

### CONCLUSION

Honourable Speaker in conclusion, we call on all South Africans to hold hands with the Department of Small Business Development as we march forward to scale up our effort to ensure that the SMMEs and Cooperatives are supported and positioned to play their role towards economic growth of our country.

Thank you, Honourable Speaker,