



small business development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

INSETA KEYNOTE ADDRESS

MINISTER STELLA NDABENI-ABRAHAMS

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Programme Director, INSETA CEO Gugu Mkhize and team, Event Partner Foodbev CEO Nokuthula Selamolela, stakeholders, women leaders and entrepreneurs presents.

Let me start by thanking you for inviting me to give the keynote. I have structured my keynote in two parts. The first talks about me – how I find balance beyond the business and the workplace. The second is about the current work we are doing and the relevance for a SETA like INSETA. Depending on time, I will pick up on some of these issues as well as reflect on issues from BRICS.

Finding the right balance is critical in the highly stressful government and political work I do. Failure to prioritize yourself outside of the work we do will ultimately lead to burnout and stress.

Women also have multiple jobs. Even if you are a Minister, you are also a mother, a wife, a family member etc. Juggling these is incredibly difficult and I'm sure at times we all wish we were men, and we didn't have the care burden on our shoulders. But I think it is because we have this care burden that we approach the world of work and business the way we do. We are more compassionate and intuitive than men.

So how do I find the balance? The first thing I do is set boundaries between my work life and my other life. This isn't always easy because the President and the SG expect you to be on call 24/7. So, I need to block parts of my diary for my studies, for my family, and for my own relaxation.

The second thing I do is really get to know myself. You must know when you are starting to get stressed or approach burn-out. This is your body telling you that there is trouble ahead and something must change. Don't fight this. Trust your intuition.

Linked to this, you must know what relaxes you. For some people its watching TV, reading a book, reading the Bible, drinking a glass of wine, exercising whatever – as long as its relatively healthy and takes your mind off work. So, know yourself and what you need to do to relax. Sometimes its good to put your phone off when you do this – I don't have this luxury but can give my phone to a protector or my PA to call me in an emergency.

The third important thing for me is to have a routine. This is not easy given the travelling that I do. But wherever I am I rise very early so that I can have the first hour or two of the day to myself and if possible, my family. This is my personal time and is essential for my rejuvenation. My problem is that I sometimes use this time to catch up on social media which then can become annoying and stressful.

The fourth area is time management. Make time for all aspects of your life. Your family, friends, church, politics, and work. And most importantly yourself. You can only do this if you put a good team around yourselves. Your support team must allow you to manage your time and bring some degree of predictability. If you are always in crisis mode, your work will suffer because you will take your eye off the transformational agenda. And obviously your private life, relationships and friendships will suffer.

My fifth - find time to be joyous and spiritual. For me this is through church. I know others find it communing with nature. The important thing is to keep in touch with your spiritual side.

The sixth – keep healthy. Find time to exercise – not hardcore gym but at least walk every day. And eat healthy. This is one of the hardest parts given that my line of work sees many catered/hotel meals every week. It is the combination of overworking, lack of exercise and poor diet that brings on stress.

Stress undermines the ability to make good decisions and that then impacts your professional life. So, my seventh piece of advice - be calculated about decisions you take. Do some kind of cost benefit analysis on difficult decisions. One bad decision can bring huge stress and pressure. Never sign things in a rush.

My eighth, and very important for me, keep intellectually stimulated. Sometimes people think that the work we do keeps us intellectually stimulated. This is not necessarily the case, and I have found studying and reading hugely rewarding and

beneficial for my overall state of mind. Studying also brings its own stresses though, with deadlines sometimes clashing with Cabinet meetings.

My last way and I think most important way to balance yourself, is surround yourself with people who love and care about you. We all need affirmation, we need love, and we should avoid those who disrespect us and what we stand for. In the workplace this isn't always possible, but beyond the workplace, we must socialize with real friends and not people who want something from us or feel threatened by us.

Programme Director, those are some of my thoughts on finding the balance beyond the workplace and what I do to manage stress.

If there is time I will touch on some of the pertinent issues of the moment. We have just concluded our BRICS Summit where we were further exposed to what other countries have done to grow their economies, transform their economies, and grow their MSMEs.

The lesson is clear. We need to do more to create an enabling environment for MSMEs to flourish. To address this, as DSBD we have recently completed the 3rd iteration MSME Strategy for the country – what we call the National Integrated Small Enterprise Development Strategic Framework or NISED for short. This is a direct response to the NDP's call to create 9 million jobs through MSMEs by 2030.

The NISED proposes actions on five fronts.

First, address the red-tape. Here we are working with the Presidency (Red-Tape Office) to cut red-tape across a range of legislations and regulations. To paraphrase the Indian Prime Minister Narendra Modi in his BRICS address, what we need to do is replace the red-tape with the red carpet. This is easier said than done, given that there are many different laws which impact on MSMEs. We have just completed a study of these and are working with stakeholders to identify those that are easiest to address and will have the most impact.

What are the key red-tape issues we should address in the insurance sector, and in the food and beverages sector given that we also have the CEO of Foodbev SETA present? While you are primarily concerned with skills development working for

SETAs, I'm quite sure you have a good understanding of the broader issues that pertain in your sector. As we do these things, we must think about red-tape that specifically impacts on women-owned enterprises.

Second, we must address the gender credit gap, estimated to be upward of R200 billion for women owned businesses in South Africa, mostly in the micro and early-stage financing space. We know that women-owned businesses have less access to finance than their male counterparts, and we must design specific instruments for women, or at least guarantee a certain uptake.

Our entity **sefa** is at 38% loan disbursement to women since 2018 against a target of 40% but we must up both the target and the performance to 50%. This should be spread to all DFIs, and we need private banks to also commit to tackling the gender credit gap. This is a missing piece in the puzzle.

Third, we must address market access. The last StatsSA survey on SMMEs reported that entrepreneurs put market access even higher than access to capital as their biggest constraint. Markets remain highly concentrated in line with our apartheid history and are also male dominated. Women make up less than 20% of business owners in South Africa, with most women-owned businesses operating in the micro space. To address this, we must up the game with regards preferential procurement by the state and ensure that private sector supply chains more deliberately target women-owned businesses.

Here we are proposing changes to the ESD codes to ensure more opportunities flow to women in townships and rural areas. The insurance industry, like the banking industry, tends to be dominated by a few large players. There are high barriers to entry and capital requirements to compete in this industry. Where MSME opportunities do exist is in the supply chains, and we need to be very deliberate about identifying these and growing a pool of competitive and sustainable women-owned enterprises.

Many of these supply chains are in the back-office work - IT, accounting, legal, HR and in the contact or call centres. These back-office supplier opportunities are mostly dominated by larger established players, and we need to think about how we source and grow new suppliers. The call centre space is especially interesting because of the labour intensity. I was very perturbed to hear that some of our banks have calls centres abroad, and I'm hoping this is not the same with our insurance corporates. We

need to prioritize reshoring and jack up our infrastructure and skills development, if that's an issue. If our own corporates are not locating their call centres here in South Africa, how do we expect to attract global players in this industry. Call centres should also target poorer provinces with the highest unemployment, and we need to work together as government and the corporate sector to align infrastructure development, skills, and ESD programmes. As DSBD, we can also come on board with financial and non-financial business support for new suppliers.

On broader market access issues, the BRICS markets together with the AfCFTA markets offer enormous opportunities, both to large businesses and MSMEs. As these opportunities open, we are appealing to corporates to bring MSMEs along with you. In my address at the BRICS Business Council, I referenced the Chinese Dragon Head enterprise model which is made up of large commercial enterprises that achieve scale and competitiveness in markets, but in so doing deliberately bringing small enterprise suppliers along with them. CEO of Foodbev, I'm sure you will know about the role that these enterprises played in modernising China's agri-business.

Madam Program Director, the fourth front we need to galvanise around if we are to change ownership patterns is business development support. This is about increasing levels of entrepreneurship – to turn our people from job seekers to job creators. The SETAs have a massive role to play here in equipping small businesses and co-operatives with the skills to run businesses. So too do our incubators for start-ups and accelerators for scale ups.

We are on the up as a country – the latest Global Entrepreneurship Monitor Report on early-stage entrepreneurial activity put us at 17.5% of the Economically Active Population – somewhat low for an upper middle-income country - but reassuringly up from 10.8% in 2019. This represents an increase of more than 1.6 million entrepreneurs – from just under 2.5 million in 2019 to more than 4.1 million. So, we are improving, which is good, but nowhere near where we need to be.

As DSBD we are scaling up our entrepreneurship support and incubation programme through which we now have more than 110 incubators in operation. I have tasked our department and entity Seda to especially prioritize women entrepreneurs. We are also establishing a one-stop MSME digital portal where MSMEs can access services from across the support eco-system, including skills support through the SETAs.

Programme Director, the fifth and final area of focus to grow MSMEs is digital transformation. Digitalisation and 4IR is bringing millions of MSMEs into mainstream markets through fintech, e-commerce platforms, and yes insurtech. We know that the insurance industry has gone digital with data analytics and 4IR taking risk analysis to next levels, as well as hugely improving customer service and experience.

I won't dwell much on where this is going and the pros and cons. In the past, your risk profile was calculated on whether you had burglar bars, a wall, and a garage. And correctly, on your age and gender (we know women are far more considered and intelligent). We think with our brains and not other parts of our anatomy. Now with big data, risk profiling can be done at the most micro level – the street you live in, what you get up to late at night, POPI Act notwithstanding. It remains to see whether this benefits or further disadvantages the uninsured and MSMEs who are generally deemed high risk. Are there ways to use big data to de-risk insuring MSMEs? This become important if we want MSMEs to access new export markets.

Importantly, the insurance and financial sectors have triggered a boom of tech start-ups, and we need to make sure that we do the same thing here.

Again, referencing BRICS, a country like India has incredible learnings for us as South Africa in terms of how they grew their tech start-ups, with more than 100 unicorns now in operation. We must be cutting edge, avoid just importing technology, and jointly make the investments as government and the private sector in innovation and technology development. I think we are getting there, but there are still gaps in our innovation and start-up eco-system. One of these is access to start-up capital, and we are as DSBD working on a first loss-type venture capital fund.

As we do these things, we must acknowledge that there is a tech gender gap. Women are benefitting less from digitalization and 4IR. The 2023 SME Tech Index done by Nashua found South Africa's SME Tech Index score at 72% for men and 56% for women. Neither are good enough – we should be above 80% - but it is concerning that women-led businesses fall behind their male counterparts.

We need to up our game as government, the SETAs and the private sector, with a special focus on young women entrepreneurs. More than two thirds of young women find themselves disconnected from the mainstream economy, and this must become our core problem that we rally around as society. This is a real moonshot pact.

One of the things I have done in my 2 years at DSBD is bring women into key leadership positions in the department. As I have said before, women economic empowerment will only happen when we take the lead at the decision-table.

In conclusion, Programme Director, contrary to what we read in some of the media, it is not all doom and gloom ahead. Yes, the world economy is volatile, and we are facing many economic headwinds, including depressed global markets and of course loadshedding and others. These will pass, and we need to ensure that we are ready as entrepreneurs to take the opportunities that present. These are many, associated with new trade markets in an extended BRICS and the AfCFTA, as well as new growth sectors associated with agro-industry, the green economy, the creative industries, digitalization, critical minerals, business services, among others. But we will only realise these opportunities if we work together as a coherent eco-system. This will take heightened levels of leadership from all of us. In the women in this room, I have my faith.

I thank you.