



small business development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

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KEYNOTE ADDRESS BY PRESIDENT CYRIL RAMAPHOSA AT THE 2ND
PRESIDENTIAL SMME AND CO-OPERATIVES AWARDS, INDABA HOTEL,
JOHANNESBURG, 17 NOVEMBER 2023

Minister of Small Business Development, Ms Stella Ndabeni-Abrahams,
Premier of Gauteng, Mr Panyaza Lesufi,
Ministers and Deputy Ministers,
MECs, Members of Parliament and Provincial Legislatures,
Mayors and Councillors,
President of the Global Entrepreneurship Network, Mr Jonathan Ortman,
Ambassadors, representatives from the World Bank and development partners,
Government representatives and officials,
Business leaders,
Entrepreneurs,

I am delighted to be here this evening among some of the country's most distinguished entrepreneurial talent.

This evening, we celebrate the entrepreneurs who are doing our country proud, as well as the individuals and organisations who work tirelessly to support SMMEs and co-operatives.

It is fitting that these awards are taking place during Global Entrepreneurship Week. We are very pleased to have Mr Jonathan Ortman from the Global Entrepreneurship Network with us tonight.

As a country, we need to get behind our entrepreneurs and SMMEs and strengthen the eco-system that supports them.

This is even more pressing given the volatile global times we live in.

Our prospects for a faster and more sustained recovery after COVID-19 have been set back amidst continued supply chain disruptions, high inflation and depressed market demand.

Governments are under pressure to stimulate the economy and to provide more social relief, but with reduced fiscal resources.

Focusing on SMMEs and cooperatives can trigger growth, create jobs and build a more inclusive economy.

I am encouraged by the work being done by the Department of Small Business Development.

Almost exactly one year ago to this day we launched the third iteration of the country's SMME strategy, what we call the National Small Enterprise Development Strategic Framework.

The Framework aims to use resources within the broader eco-system to build practical partnerships that enable entrepreneurship and SMME growth.

As part of this effort, we are establishing a new one-stop small enterprise agency that will bring together the Small Enterprise Development Agency – SEDA – the Small Enterprise Finance Agency – SEFA – and the Co-operatives Banks Development Agency.

The Strategic Framework calls for concrete partnerships and actions in four areas.

First, we need to tackle the red-tape and regulatory burdens that frustrate SMMEs.

The Department of Small Business Development has identified 29 pieces of legislation which create regulatory impediments for small businesses. We are developing an implementation plan to address these obstacles.

The National Small Enterprise Amendment Bill is currently before Parliament. Once adopted, it will, among other tasks, establish a Small Enterprise Ombuds Office that can tackle unfair practices and non-payment of SMMEs.

The Department of Small Business Development is also streamlining business licensing processes, with the Businesses Licensing Amendment Bill soon to be gazetted.

But there is much more to be done. We know some of the frustrations which tech start-ups in particular have with foreign exchange controls that impede inward flows of venture capital, and affect the local registration of intellectual property.

I have tasked our Red Tape Reduction Unit, which has been established in the Presidency, to work with the Ministers of Small Business Development, Science and Innovation, and Finance, to solve these regulatory burdens.

The second area of focus for the National Small Enterprise Development Strategic Framework is to address market concentration and enable market access, especially for SMMEs owned by women, youth and other underserved communities.

Here the Competition Commission has done excellent work identifying and addressing anti-competitive behaviour and collusive practices in the private sector.

The recent work done in the retail sector, which has resulted in shopping malls phasing out exclusivity agreements, is a case in point.

We have tilted state procurement to benefit SMMEs, especially those from designated groups.

We have also had success in opening private sector supply chains through our Enterprise Supplier Development programmes, but more needs to be done to open these opportunities for township and rural enterprises.

I applaud the work that the Department of Small Business Development is doing through its Localisation Policy, linking SMME products and services to markets.

We must be alive to how markets are shifting and the new opportunities that present themselves, for example in the green and digital economies.

There are also the BRICS, AGOA and AfCFTA markets, which we are supporting through trade shows and business-to business linkages.

According to Statistics SA, the contribution of SMMEs to total business turnover in South Africa is growing.

Ten years ago, SMMEs contributed 25 percent of total business turnover, with large enterprises contributing the rest.

By 2021, the contribution of SMMEs had increased to 33 percent of business turnover.

We can see the positive impact of state procurement policy in sectors like construction, where the contribution of SMMEs increased from 39 percent of business turnover in 2013, to 63 percent in 2021.

This is significant progress.

There is no doubt that we are moving in the right direction. We just need to increase the scale and pace.

The third area of focus for the Strategic Framework is access to finance.

This is perhaps the greatest challenge that SMMEs and co-operatives face, especially start-ups. The World Bank estimates the SMME credit gap in our country to be as high as R500 billion.

Our approach as government is to provide loans and blended finance to higher risk SMMEs and start-ups that banks ordinarily will not touch.

We also de-risk lending from banks and non-bank financial institutions through credit guarantees and first loss facilities.

We are seeing some success in these instruments and as such we are looking at various ways to get more funding for the development finance institutions that will be directed solely towards SMMEs and co-operatives. We continue to partner with non-state financial institutions to fill the gap.

Since it was established in 2012, SEFA having disbursed more than R15 billion to 642,000 SMMEs, creating and sustaining more than 850,000 jobs.

Since 2005, the National Empowerment Fund has approved transactions of over R23 billion, leveraging the government's initial capitalisation of R2.4 billion as well as funding from private banks and other DFIs.

This has contributed to over 124,000 jobs in the country.

There are several other DFIs that finance SMMEs, including the Industrial Development Corporation, the Land Bank, the newly launched R1.2 billion Tourism Equity Fund as well as many provincial DFIs.

We have decided that at least half of all DFI finance should go to SMMEs, and we are looking at how this can be better coordinated.

The fourth and final area of focus in the Strategic Framework is entrepreneurship support. If we get this right, we can change the country's fortunes.

For this 6th Administration, we set a target of establishing new 100 small enterprise incubators.

We have to date established 110 with another 11 under development. We do this in partnership with the private sector, universities and TVET colleges.

It is encouraging that the number of people engaged in entrepreneurial activity has significantly increased.

According to the Global Entrepreneurship Monitor, the percentage of the working age population involved in business start-ups in South Africa increased from 6.5 percent in 2001 to 17.5 percent in 2021.

This clearly reaffirms what our National Development Plan envisioned, the creation of 11 million jobs by 2030 with 9 million of these coming from small enterprises.

We just need to scale up our interventions to create a conducive environment for SMMEs, and on board other eco-system partners, especially the private sector, to play their part.

To the entrepreneurs here this evening and to the many other across the country, our people depend on your innovation and entrepreneurship to create the opportunities that will enable them to get the jobs they need.

As I conclude, let me congratulate the winners and the runners-up. You have gone through a rigorous selection process and thoroughly deserve to be here.

It is your dynamism and drive that will revitalise our economy and improve our global competitiveness.

I also salute all eco-system partners gathered here tonight.

Finally, let me thank Minister Stella Ndabeni-Abrahams and her team for organising these awards, as well as the corporate sponsors for making it happen.

We have exceptional talent in this country and it is fantastic that tonight we can recognise this talent and celebrate its contribution to improving the fortunes of our country.

I thank you.

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