small business development
Department: Small Business Development
REPUBLIC OF SOUTH AFRICA

Keynote Address by the Minister Stella Tembisa Ndabeni

The Legal Indaba

Virtual

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Programme Director,
The Legal Indaba Executive,
Public Protector, Adv. Kholeka Gcaleka,
Representatives of the legal and business communities,
Entrepreneurs and development partners,
Distinguished guests,
Ladies and gentlemen,

Good Day,

Thank you for the opportunity to address you on a matter that sits at the heart of South Africa's economic transformation: how we strengthen our legal and regulatory environment so that small businesses can start, survive, attract investment, grow and participate meaningfully in our economy.

The starting point for us is our Constitution. Section 22 provides that every citizen has the right to choose their trade, occupation or profession freely, subject to regulation by law. That constitutional commitment must have practical meaning. It must mean that a young person with a business idea can enter the economy. It must mean that a woman in a township or rural community can formalise and grow her enterprise. It must mean that an entrepreneur does not spend more time navigating bureaucracy than building a business.

Programme Director,

Regulation has an important purpose. We need laws that protect consumers, workers, communities and the integrity of our economy. But regulation must be proportionate, predictable and enabling. When licensing takes too long, when different spheres of government impose overlapping requirements, when compliance costs are disproportionate to the size of an enterprise, and when entrepreneurs cannot understand what is expected of them, regulation becomes an economic barrier rather than an economic enabler.

For a large corporation, an administrative delay may be inconvenient. For a micro or small business, that same delay can mean the difference between survival and closure.

This is why the Department of Small Business Development has placed red-tape reduction and ease of doing business at the centre of our reform agenda.

We are busy rolling out the Red Tape Reduction Framework, supporting municipalities to improve business registration systems and targeting legislation and regulations that impose unnecessary administrative burdens on MSMEs. The Department has identified 25 pieces of legislation with potential administrative burdens and is prioritising reforms to five of these during this financial year.

We are also working towards a one-stop digital platform for business licensing. An entrepreneur should not have to move from office to office, municipality to municipality and department to department simply to determine what licences or permissions are required. Technology must allow government to become easier to navigate, more transparent and more responsive.

Programme Director,

Consultations on the Business Licensing Bill have been completed, and the intention is to modernise and streamline the business licensing environment and bring greater consistency across the different spheres of government.

But strengthening the legal environment is about much more than reducing forms and shortening queues.

It is also about creating fairness in the marketplace.

The National Small Enterprise Amendment Act of 2024 represents an important step in this direction. Among other reforms, the legislation established the Small Enterprise Development Finance Agency, SEDFA, and provides for the Office of the Small Enterprise Ombud Service. Importantly, the legislation seeks to promote an equitable trading environment for small enterprises, improve affordable access to justice and creates provision for certain practices affecting small enterprises to be declared unfair trading practices.

This matters enormously.

A small enterprise negotiating with a large company rarely enters that relationship with equal bargaining power. A small supplier waiting months for payment cannot simply absorb the delay. Salaries still need to be paid. Stock must be replenished. Loans must be serviced. Another order may need to be fulfilled.

That is why the Small Enterprise Ombud is so important. The Parliamentary process has now concluded, and we are soon to announce the Small Enterprise Ombuds. The process of operationalising the Office is advancing, including the establishment of a complaint register, as government moves towards providing small enterprises with a more accessible mechanism for addressing unfair treatment and commercial disputes.

We must create an economy where being small does not mean being powerless.

Programme Director,

The legal framework is also directly connected to investment.

Investors look for certainty. They want to know that contracts can be enforced, that regulatory requirements are understandable, that licenses will be processed within reasonable periods and that policy does not change unpredictably.

The same principle applies to an entrepreneur considering whether to invest their life savings into opening a factory, a restaurant, a technology company or a small manufacturing operation. Every unnecessary regulatory uncertainty increases the risk of that investment.

Our objective therefore cannot simply be to regulate businesses. It must be to create an environment in which businesses are confident enough to invest, employ and expand.

This enabling environment includes both regulatory certainty and ease of doing business, as well as an effective support eco-system.

Through SEDFA, government is strengthening the financial and non-financial support ecosystem available to MSMEs. Over the Medium-Term Development Plan period, our ambition is to reach more than a million MSMEs and co-operatives through various forms of support, including development finance, commercial finance, credit guarantees, entrepreneurship support, incubation and pre-investment assistance.

But finance and regulation must work together.

There is little value in approving funding for an entrepreneur who then spends months waiting for a license. There is little value in training a small manufacturer if regulatory barriers prevent them from entering markets. And there is little value in helping an enterprise secure a contract if that enterprise is paid so late that it collapses before receiving its money.

Our support system must therefore follow the entire entrepreneurial journey.

From business ideas to licensing and/or registration, to being able to access finance, productive assets, and markets.

Programme Director,

We must pay particular attention to township and rural entrepreneurs.

A regulatory framework designed around the circumstances of a large formal business operating in a metropolitan commercial district cannot simply be imposed in the same way on a micro-enterprise operating in a village or township.

This does not mean abandoning standards. It means designing smart, proportionate regulations that recognizes different levels of risk, capacity and development.

The informal economy must not be treated as something permanently outside the mainstream economy. Our task must be to create realistic pathways through which informal and micro enterprises can formalise progressively, access support, build compliance and eventually compete for larger opportunities.

To enable this, we have developed the National Informal Business Upliftment Strategy, which we are currently reviewing and updating.

South Africa cannot achieve meaningful economic transformation while millions of people remain consumers on the margins of the economy rather than producers, entrepreneurs, investors and owners within it.

And this is where legal reform becomes a key economic transformation enabler.

When we shorten licensing times, we unlock investment.

When we simplify registration, we widen participation.

When we protect small suppliers from unfair practices, we improve survival rates.

When we improve dispute resolution, we give entrepreneurs confidence to enter commercial relationships.

When we remove unnecessary compliance costs, we free up capital that can instead be used to employ another person or buy equipment or stock.

Programme Director,

This cannot be achieved by the Department of Small Business Development alone.

It requires municipalities, provincial governments, national departments, regulators, organised business and the legal profession to examine our regulatory environment through the eyes of the entrepreneur.

For every rule we introduce, we should be able to answer three questions:

What problem are we solving? Is the regulatory burden proportionate to that problem? And can a small business realistically comply?

If we cannot answer those questions, then we must be willing to reform.

South Africa does not need an economy without regulation. We need an economy with better regulation. Regulation that provides certainty, protects legitimate interests, enables investment and lowers unnecessary barriers to entry.

Our vision is of a South Africa where starting a business is easier, where growing a business is possible, where entrepreneurs can access finance and markets, where small suppliers are treated fairly and where government becomes an enabler rather than an obstacle.

Programme Director,

The success of our legal framework should not be measured by the number of rules we produce. It should be measured by whether those rules enable South Africans to participate productively in the economy.

If we get this right, we will not simply create more compliant businesses.

We will create more investable businesses, more sustainable businesses, more employers and more economic participants.

And that is how strengthening the legal environment becomes a practical instrument for inclusive economic growth.

I thank you.