



ADDRESS BY THE MINISTER FOR SMALL BUSINESS DEVELOPMENT, HON STELLA TEMBISA NDABENI-ABRAHAMS (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 / Chair of the sitting, Chairperson of the National Council of Provinces, Mr Amos Masondo, Ministers and Deputy Ministers, Chair of the Portfolio Committee and Members of the Portfolio Committee Honourable Members of the National Assembly, Honourable Members of the National Council of Provinces, Deputy Minister, DG and officials from the DSBD. Board members and staff of Seda and sefa Distinguished Guests, Entrepreneurs and small, medium and micro business owners,

INTRODUCTION

Honourable Chair, as we are in times of economic hardship, we stand before the people of our country to bring programmes that will lift the burden from their shoulders. Government policies drawn from manifesto commitments of the ANC continue to make it easy for investors to inject money in our economy, creating business opportunities for small businesses to trade. Honourable members, we will use our policy instruments to provide business finance to start-up businesses, and invest in existing businesses to give them the much needed support for their growth. The budget vote we are tabling here as the department of Small Business Development contains programmes and services drawn from progressive policies that the ANC received as per the mandate received from the people of our country. Small businesses might be small in size and turnover but they are not small in injecting jobs in our economy and in sustaining the livelihood of our people. While we are in times of hardship, we have a responsibility to use policy instruments like business grants that are offered by many government institutions to bring joy and hope to the people of our country.

President Ramaphosa in his 2022 State of the Nation Address announced a number of measures in the Economic Reconstruction and Recovery Plan to bring such hope, and to place our economy on a path of economic recovery to replace the 2 million jobs lost as a result of the COVID-19 pandemic. The President was clear. Government has prioritized SMMEs and co-operatives on the basis that these are the businesses that create the most jobs and provide the most opportunities for poor people to earn a living.

All stakeholders must pitch in, as part of the new social compact for jobs, growth, and transformation. We must leave no-one behind. In the spirit of social compacting, the Ministry and officials from the department together with board members and management from Seda and sefa, have met with stakeholders, SMMEs and co-operatives across the width and breadth of our beautiful country over the past few months. We undertook road-shows across the provinces - to date we have covered 6 of the 9 provinces. We met with SMMEs, co-operatives and other stakeholders working at the coal-face to hear their concerns and issues.

We opened up our door to meet with strategic stakeholders including the community constituency in NEDLAC, international and local development partners, large corporates in the banking, mining, agricultural, manufacturing, retail, telecoms and digital sectors, representative business structures, relevant ministries, departments and entities, and our counterparts at provincial level.

In all these meetings we asked three questions. Are our policies and instruments working for SMMEs and co-operatives? What can we do better? How do we work together to achieve greater scale and impact? What did we find?

First, we need to make it easier for SMMEs and co-operatives to do business. The regulatory burden on SMMEs is real, and we need to reduce red-tape. Second, we need to do more to open up markets to SMMEs. Everywhere, small business owners are complaining about being squeezed out of markets by large players. This is what the Competition Commission has characterized as over concentration in our economy. Third, SMMEs and co-operatives are battling to obtain credit from banks. This has been especially disastrous for SMMEs hard hit by the COVID-19 pandemic, by the July 2021 unrest, and by climate change disasters like the recent floods in KZN and the Eastern Cape.

Fourth, our own reach and accessibility as the DSBD portfolio was questioned, especially in townships and impoverished rural areas. We must address this to have more impact. Fifth, government is not working as one joined-up force to support SMMEs and co-operatives. The District Development Model is directing us towards working as one, and we must do more to make this work.

Lastly, and which augers well for the broader social compact, there is huge appetite and goodwill among a wide range of SMME stakeholders to partner with the DSBD and its entities. This will ensure that the public funds voted to the DSBD will leverage significant additional resources and capacity from our strategic partners. Honourable Members, this approach of mobilizing strategic partnerships across the entire small enterprise eco-system is directly aligned to our National Integrated Small Enterprise Development Masterplan, which has recently been approved by Cabinet for public consultation.

We have also drawn from the collective wisdom and feed-back of the DSBD portfolio committee which has helped shape our strategic focus and priorities for 2022/23. For the year ahead, as the DSBD portfolio we are focused on 5 core priority areas. Madam Speaker, the first core priority area is to enable the start-up and development of SMMEs and co-operatives through red-tape reduction and enabling legislation. Our focus here is on reducing red tape and the cost of regulatory compliance. The President announced in his State of the Nation Address on the 10th February 2022 the creation of the Red-Tape Reduction Office in the Presidency.

The DSBD will support the Red-Tape Reduction Office in the Presidency in terms of understanding where the bottlenecks and pain-points for SMMEs are, as well as supporting the resolution of issues. We have done extensive research as the DSBD on red-tape issues facing SMMEs, and through our Road-Shows to get a first-hand account of the frustrations of the business community. 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. The Department's Red Tape Reduction Programme for 2022/23 will focus predominantly on the local government sphere. Building on the Administrative Simplification Programme Pilot for SMMEs and Co-operatives which we are piloting in 3 district municipalities, we will scale up support during 2022/2023 to assist 20 municipalities in different provinces with red-tape awareness and solutions.

Here we will collaborate with COGTA and with SALGA. We will work with Provinces through MINMEC to gear up their role in red-tape reduction. The other significant piece of work we are doing on red-tape reduction is a review of SMME regulatory impediments. The focus will be on existing regulatory burdens as well as on preventing new burdens through new laws/regulations/and by-laws. We will be working closely with other government departments/agencies at all levels of government to create an enabling environment within which SMMEs and co-operatives can thrive. During 2022/23, we will continue with the review of the Businesses Act which will provide for a simple and enabling framework for business licensing by setting national norms and standards.

Honourable Members, we will also give effect amendments to the National Small Enterprise Act, 1996 (Act No 102 of 1996) to provide for the establishment of the Small Enterprise Ombud Service. The proposed Office of the Small Enterprise Ombud Service will provide a fair and inexpensive dispute-resolution for SMMEs, averting their need to resort to costly and long drawn-out litigation. Public comments received on the Bill have been considered and the process of amending the Bill is under way. We will keep the House as well as the social partners in NEDLAC closely informed of progress in amending legislation, and of challenges should they arise. Madam Speaker, our second strategic focus area for 2022/23 is market development and market access.

Our work in this area comes from the recognition that markets are not sufficiently competitive and are overly concentrated, a legacy of our apartheid past. The recent report of the Competition Commission provides useful guidance on market power across different sectors, and how SMMEs continue to be disadvantaged. We must at the same time use the public spend and work with the private sector to co-create inclusive markets within which our SMMEs can thrive. This is at the heart of our localization strategy, with prioritization given to black-owned,

youth-owned and women-owned enterprises. Markets are also spatially concentrated, and we are developing strategic private sector partnerships to integrate township and rural entrepreneurs into key retail, manufacturing, and other high potential value chains. We are implementing a Localisation Policy Framework including the listing of product brands produced by SMMEs and Co-operatives with Wholesalers and Retailers, among other industries, as a way of increasing access to markets. We are also working with several government departments and entities to increase the SMME density of state markets while the public procurement bill is being finalized.

It is vital that the country reduces its dependency on imported products by supporting locally manufactured products. This is also strategic given the disruptions we have come to experience over the past two years in Global Value Chains. The Department and its agencies have established working relationships with large retailers and wholesalers across the country to list and purchase the products manufactured by SMMEs. These include Dischem, Clicks, Pick n Pay, among others. Buzwe Bethu, a women-owned textile and design manufacturer based in the township of Zwelitsha in the Eastern Cape has been introduced to a major clothing retailer to design locally inspired African prints. The business was supported with machinery and equipment. The localisation programme also saw an official of the Department, Ms Chantell Martin win the Public Sector Leader Award for the 18th Annual Top Women Awards hosted by Standard Bank on 04 November 2021.

During 2022/23 we will build on the localization support work we have done to date. We are currently finalizing Enterprise Supplier Development partnerships with a number of large corporates around market co-creation, as well as gearing SMMEs to service these markets at the right quality and price. We are setting up a Public Private Partnership Platform which will enable collaboration and shared accountability. By way of example, our partnership with Tiger Brands will introduce aggregator models, where small black producers can collectively achieve the scale for large off-takes. Tiger Brands will provide warehousing and logistics as well as stock finance and technical skills to support the integration of township-based entrepreneurs into their formal food and beverage supply chains. I would like to invite other companies to join.

As a department we will make sure we support the SMMEs who access these supply chain opportunities by contributing to the other critical parts of the eco-system - access to finance, access to business development services, and access to incubation and accelerator programmes. The R500 million Innovation Fund developed through the Eco-system Development for Small Enterprise Support (EDSE) Programme partnership with the EU is an important initiative to finance black suppliers. It is envisioned that this fund will leverage more than R3 billion for Enterprise Supplier Development support from private banks and non-bank financial institutions.

The other important piece of work we are doing around market development and market access is implementing the SheTradeZA Hub through our implementing agency, Seda, in partnership with the International Trade Centre (ITC). We have just recruited Provincial Ambassadors to create awareness and pursue potential collaborations with both private and public sector institutions. During 2022/23 we are targeting another 2 500 women-owned enterprises to register on the SheTradeZA platform. We will allocate R416 million over the medium-term to sector and market development work within the department. Madam Speaker, **the third strategic focus area for 2022/23 is Access to Business Development Services and Support Infrastructure.** Our approach here is to up-scale our support to incubators and digital hubs, to roll-out business support infrastructure in townships and rural areas, and massify entrepreneurship and business development training and support. Much of this work happens through our entity, Seda.

With regards the incubation support, it is now widely recognized that incubation significantly increases the survival rate of start-ups. As a country we currently have a low survival rate for SMME start-ups, with the recent GEM Report indicating that 80 percent of businesses fail in their first three year of existence. To address this, we have set a target of establishing 250 operational business incubators in South Africa by 2024. These Incubators consist of both private and government funded Centres. At the end of March 2021, 110 incubators were supported through the Seda Technology Programme. Twelve (12) new Incubators were approved through the Incubation Unit at a cost of R 60 000 000.00 (sixty million rand) during the 2021/22 Financial Year and are currently being established.

An additional pipeline of 11 incubators is being readied for approval during the 2022/23 Financial Year. We are deliberately targeting under-served provinces and districts. Some of the areas where the additional incubators are planned for includes the districts of Sarah Baartman, Joe Gqabi, Fezile Dabi, Xhariep, Sedibeng, West Rand, Amajuba, iLembe, Umgungundlovu, Mopani, Waterburg, Nkangala, Namakwa, Pixley ka Seme, Dr K Kaunda, the Central Karoo and Overberg. We will leave no-one behind. The additional new incubators being developed by the private sector and Seda will create an additional 25 000 jobs, in addition to the more than 100 000 jobs already secured through the 110 incubators we have established.

We are deliberately trying to link our incubators with the broader innovation and tech eco-system. This underlies the model of the Digital Hubs and the Centres for Entrepreneurship and Rapid Incubators we are implementing in partnership with TVET colleges and Universities. Next week we will also launch the Innovation Bridge Digital Start-Up Community, an open innovation platform that enables collaboration, access to finance, markets, and support services for under-served entrepreneurs and innovators. This is a partnership between the DSBD, the Department of Science and Innovation, the CSIR and the World Bank.

The focus on capacity building for technology start-ups is also the focus of the partnership between the DSBD, the Global Entrepreneurship Network (GEN), the UNDP and the 22-On-Sloane Incubator, supported by the Allan Gray Foundation. We are also partnering with GEN, the UNDP, 22-on-Sloane, and the Department of Social Development to grow social-entrepreneurship in the country and the continent. This partnership with GEN and 22-on-Sloane builds on the work undertaken directly by the DSBD and Seda around entrepreneurship training and support. During 2022/23 a total of 20 000 SMMEs and Cooperatives will be provided entrepreneurship awareness training through Seda, with 75 000 SMMEs and co-ops being targeted over the MTEF. There will be a similar emphasis on Training, Mentorship, and Coaching with 66 000 enterprises/SMMEs and co-operatives supported over the MTEF.

We will also be facilitating the Presidential SMME Awards to recognize and showcase entrepreneurial talent. This will be part of a broader SMME Indaba where we will officially launch several partnerships we will implement with the private sector and other development partners. Madam Speaker, our Roadshows revealed the challenge of service access in townships and rural areas. Many entrepreneurs complained about the expensive public transport to get to their nearest Seda Branch. We have listened. This year we will establish 80 new Seda service access points in townships and rural areas at a cost of R 24 million. As we move towards the merged new entity, these service points will also incorporate sefa offerings. I repeat, we will leave no-one behind.

Besides service infrastructure, we will also co-fund the establishment of shared infrastructure facilities for SMMEs and co-operatives through the Shared Economic Infrastructure Facility (SEIF). The facility has approved and supported five projects in the 2021/22 financial year with an accumulative value of R 55, 9 million, and which will be finalized this year. The approved projects will support emerging farmers, co-operatives, and informal business, and create more than 5000 jobs. Madam Speaker, **our fourth strategic focus area for 2022/23 is Access to Finance.** Our work here is aimed at reducing the prevailing credit gap estimated to be R346 billion. A key milestone in this

work will be the finalisation of the South African SMMEs and Co-operatives Funding Policy. The policy is currently undergoing thorough consultations and will be concluded this financial year, creating a seamless flow of funding from financiers to small enterprises in South Africa.

Through **sefa**, we will prioritize building a sustainable loan book through the expansion of credit and decreasing impairments. We will also build on the success we have had with credit guarantees which have been able to leverage additional monies from private banking and non-banking financial intermediaries. Here we will be deliberate in building a sustainable black-owned financial intermediary base. This is critical to our future success. We are also prioritizing the automation of sefa's application process to speed up turnaround times. We are also undertaking measures to increase access in rural areas and townships, through improving sefa's visibility and through direct outreach. We will leverage more off Seda's footprint.

We are confident that there will be an equitable fund flow across provinces. The R2 billion **sefa** funding envelope for 2022/23, which is inclusive of the DSBD transfer together with other generated funds, will see over R200 million disbursed in each province, and slightly more for the poorer rural provinces such as Limpopo, the Free State, the North West, the Eastern Cape, Mpumalanga, and the Northern Cape. We are deliberate about redress. This R2 billion is expected to support 84 831 SMMEs and co-operatives creating 104 968 jobs. This is the massification and scale that the President called for in SONA. We have also developed our own funding instruments to respond to the SMME credit gap. Our flagship is the Township and Rural Entrepreneurship Programme (TREP). The Township and Rural Entrepreneurial Programme is a dedicated programme aimed at transforming and integrating opportunities in townships and rural areas into productive business ventures.

For the FY2022/23, the allocation for TREP is R953 325 000, with a target of supporting 24 000 township and rural enterprises across various sub-sectors. The second programme is the Small Enterprise Manufacturing Support Programme. This is a key programme of South Africa's localization strategy. The purpose of the Small Enterprise Manufacturing Support Programme is to diversify and strengthen the country's industrial base through a focused import replacement programme. The financial support provided through this programme is up to R15 million per entity. An amount of R295,994 million has been set aside for the programme for 2022/23.

The third programme is the Young Entrepreneurs Programme. This is aimed at contributing to the high youth unemployment in the country, and to align with the National Youth Policy. One of our new initiatives here which we are implementing with Seda and **sefa** is the Youth Challenge Fund (YCF), launched in 2021. The goal is to support young entrepreneurs with opportunities for self-employment and enable a generation of job creators. This year the Young Entrepreneurs Programme is being put to scale with 10 000 start-ups targeted for the 2022/23 financial year. We are also ensuring an increased targeting of youth across our various financial instruments. Between the DSBD and **sefa**, R630 million will be made available for youth entrepreneurs and SMMEs during 2022/23.

The fourth programmatic area of funding is Co-operatives Support. The objective is to support co-operative enterprises financially and non-financially in partnership with other key strategic stakeholders. The programme offers blended financing to eligible co-operatives on a cost-sharing combination of a grant and loan. For the 2022/23 financial year, the budget allocation is R76.9 million with a target of supporting 200 co-operatives. Madam Speaker, the 5th and last strategic focus area for the year is institutional strengthening and gearing. We have listened to the advice of the portfolio committee to urgently ramp up capacity. We have heard the line of march that service delivery should not be compromised while we establish the new entity which will result from the merger of Seda, **sefa** and the Cooperatives Bank Development Agency.

In the area of institutional strengthening, for the 2022/23 Financial Year we will be seized with four priorities. First, we will see the Draft National Integrated Small Enterprise Development (NISED) Masterplan through to finalization. The Draft NISED Masterplan was presented and subsequently approved by Cabinet to be gazetted for public comments. The NISED will provide the overarching strategy around which strategic partnerships in the small enterprise development eco-system can be facilitated and co-ordinated. A key part of organisational strengthening in the DSBD will be around co-ordinating the NISED, and preparing and managing strategic partnerships in the eco-system.

Second, we will strengthen our information management systems across the SBDB portfolio to better understand the relevance and value of offerings. Over the next two years we will complete the SMME database, put in place a district information system, develop a capable M&E system, and ultimately develop a digital one-stop shop with 4IR capabilities that will serve all players in the eco-system. To this end we will draw on technical support from the World Bank and the EDSE Programme.

Third, we will finalize our organizational structure and align it to our strategy. We will over the next few months fill critical posts, including the DDG posts that have been awaiting finalization of the new structure. The final piece of institutional strengthening we will be seized with is that of the proposed merger/incorporation of sefa and the CBDA into Seda. Already we have developed a working business case, we have established a Joint Operations Forum for co-ordination and accountability, and we have appointed new transitional boards for Seda and **sefa**. We are currently mobilizing the required technical expertise we need, and are finalizing a project charter with GTAC for the the necessary legal, change management, planning and content support to the process.

CONCLUSION

In conclusion, Honourable Members, I table before you the budget vote of the Department of Small Business Development for the year 2022/2023. The budget is an indication of government's commitment to promote the development of small businesses and co-operatives that contribute to inclusive economic growth and job creation. The Department is allocated a budget of R2,563 billion for the 2022/23 financial year. Transfers and subsidies amount to R2,305 billion, compensation of employees R190 million, goods and services R63 million and capital expenditure R4.7 million. This means that, 89% of the budget is channelled towards supporting small businesses and co-operatives and 11% towards operating costs. The allocation to the agencies of the Department, the Small Enterprise Finance Agency, sefa and the Small Enterprise Development Agency, Seda amounts to R2.2 billion. Seda is allocated R 884 million, sefa is allocated R1.3 billion of the transfers and subsidies.

Honourable Speaker, I would like to extend my sincere gratitude to the portfolio committee for guidance as well as to stakeholders and all SMMEs, Co-operatives and informal businesses for the continued support to this Ministry. I would also like to thank the Deputy Minister Mr Sdumo Dlamini, the rest of my Ministry team, the DG Mr Lindokuhle Mkhumane and the department, as well as the Boards and officials in sefa and Seda, for their contribution and support. I would also like to thank the President and Cabinet colleagues for the support they are providing. As the Minister responsible for Small Business Development, I invite you to work hand in hand with the Department in the year ahead as we continue to reinforce our commitment to develop, support and promote small enterprises to ensure their growth and sustainability.

This Budget Vote shows the unwavering commitment of the ANC and of the DSBD to SMMEs and Co-operatives development. Working together and leaving no-one behind, we will build a better tomorrow for the SMMEs and Co-operatives of South Africa.

I thank you.