



MINISTER
SMALL BUSINESS DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

KEYNOTE ADDRESS TO THE NATIONAL ASSOCIATION OF STUDENT DEVELOPMENT PROFESSIONALS' WOMEN IN LEADERSHIP CONFERENCE

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Programme Director, NEC President Dr Bernard Sebake, Deputy President Nicole Morris, Secretary General Muzomuhle Mhlongo, Deputy Secretary General Philani Hlatshwayo, Treasurer General Fulufhelo Netshidzati, all other members of the NEC present; UCT's Deputy Registrar Mihloti Mkhathswa and other leaders from universities present, student leadership and other stakeholders represented here tonight, and especially to the women and the entrepreneurs in the room,

Let me greet you and thank you for inviting me to be with you this evening. This Conference, themed "Achieving Gender Parity: Include, Enrich, and Innovate" is indeed a fitting celebration of women's month. When I saw the conference programme and knowing what I know about NASDEV, I simply had to fit this event into my diary.

You have given me quite a lot of guidance and structure on what you want me to speak about tonight. I will stick to the five talking points suggested: they make perfect sense in how they were conceptualised and sequenced.

The first talking point is about creating an enabling eco-system for women entrepreneurs.

Let me start by making a few points about entrepreneurs in general and women entrepreneurs in particular.

The Global Entrepreneurship Monitor Index shows that South Africa's early-stage entrepreneurial activity is relatively low for an upper middle- income country – at 17.5% of the Economically Active Population. The good news is that it is rising: up from 10.8% of the economically active population in 2019.

In real numbers, this represents an increase of some 1.6 million entrepreneurs – from just under 2.5 million in 2019 to more than 4.1 million currently. An increase of 64%.

The problem is that many of these early-stage entrepreneurs are not there by choice; they are there because there are no other jobs or livelihoods prospects.

With regards women entrepreneurs, we are not performing very well. The 2021 Mastercard Index of Women Entrepreneurs (MIWE) has, for the third consecutive year, ranked Botswana (38.5%), Uganda (38.4%) and Ghana (46.4%) as the countries with the most women business owners globally. South Africa has a relatively low proportion of women business owners, at 19%. So less than one fifth of business owners in South Africa are women.

Women face core barriers to entry to the economy which must be addressed. These include the fact that women-owned businesses have less access to information and markets and are excluded from male-dominated distribution networks.

Markets remain highly concentrated in line with our apartheid history. Not only do they exclude black people, but they are also male dominated. Black women in townships and rural areas are triple disadvantaged - by gender, by race, and by place of residence.

We will not achieve levels of sustainable growth until we address economic exclusion. The lessons from the other BRICS countries we have been interacting with over the past week are clear. We must grow levels of entrepreneurship and the contribution of MSMEs to national output. Not only will this grow the economy and give us the revenue we need for infrastructure capital expansion, but MSMEs will give us jobs and reduce inequality. This is not some populist leftfield position – the NDP in 2012 stated clearly that 9 million of the 11 million jobs we need by 2030 should come from MSMEs.

We just haven't sufficiently acted on this national goal, by building an eco-system in which MSMEs and co-operatives can thrive.

This is changing. My department has 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.

The NISED proposes interventions on several fronts around which eco-system players can be mobilized and coordinated. This includes reducing red-tape and regulatory barriers facing small enterprises. We are busy with several legislative changes here, including establishing

a Small Business Ombuds to deal with issues of non-payment and late payment, among other issues.

We are also addressing market access, both through advocating for procurement reform in the public and private sectors, and by deliberately supporting new entrant suppliers across various value chains. Here we are proposing changes to the Enterprise Supplier Development codes to ensure that supplier opportunities flow to entrepreneurs in townships and rural areas. We are also working with the DTIC to ensure that all the industry masterplans that form part of the country's Reimagined Industrial Strategy have very clear interventions to increase the share of MSMEs and co-operatives.

Aligned to BRICS, we are actively pursuing trade opportunities in these new BRICS markets and are working to ensure that MSMEs get the lion's share. In all these efforts, we especially focus on women entrepreneurs, and have specific instruments like SheTradesZA for this purpose.

Another core goal of the NISED is to address the MSME credit gap, which is the second talking point I was given by the NASDEV organizers.

This is a fundamental issue. If we do not resolve the MSME credit gap estimated by the World Bank at more than R350 billion, the other parts of the ecosystem will fail.

To address this. We are doing a number of things as Government. Through National Treasury and with our input, Cabinet has recently approved the Financial Inclusion Policy. As DSBD, we have also recently developed our MSME and Co-operatives Funding Policy which has been gazetted for public comment.

These policies represent a significant shift in MSME finance. They call for alternative credit information systems, given the narrow way banks assess credit worthiness. They call for the recognition of moveable collateral, including for example livestock, instead of just fixed property. Importantly our DSBD policy suggests the establishment of a Fund of Funds, which can then leverage more by de-risking MSME lending through credit guarantees and first loss facilities. We know that the greatest gap is in the start-up space, and we are currently working with the DSI on a Venture Capital Fund proposition as instructed by the President.

We are also gearing up our own DFI, sefa, through which we have disbursed R2.68billion to women-owned businesses and financed a total of 220 347 women-owned MSMEs over the past 3 years.

We are currently merging sefa with Seda and the Co-operatives Development Bank Agency. This will integrate funding with pre-investment and post-investment support and reduce the chances of business failure and associated loan impairment.

In all these efforts, we are specifically targetting women, and have a 40% funding target across all our instruments like TREP, the IMEPD, the Co-operatives Development Support Programme etc.

Programme Director, let me now turn to the third talking point and one very close to my heart – that of encouraging digital entrepreneurship.

We know that digitalisation and 4IR is a game-changer and is set to contribute an additional \$180 billion of value to Africa's economy by 2025. Digitalization and innovations in fintech and e-commerce are giving entrepreneurs in marginalized communities access to finances, supply chain opportunities, and broader global markets.

But currently, 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 are not leveraging technology to the extent of their male counterparts.

To address this, we are prioritizing digital skills, digital infrastructure, and digital entrepreneurship training. Through Seda we are rolling out incubators (we have more than 110 now in operation) many of which have a distinctive technology focus. Many of these are implemented in partnership with universities and TVET colleges and provide a useful platform around which NASDEV and the DSBD portfolio can collaborate. Our Technology Transfer Assistance (TTA) programme provides funding for acquiring advanced technological machinery and equipment, and specifically targets women entrepreneurs.

An exciting outcome of BRICS is the BRICS Partnership on the New Industrial Revolution – or PARTNIR as it is known – which is a co-operation framework among BRICS members to capitalise on the advantages of new technologies associated with 4IR and artificial intelligence. This is something that our universities need to get onboard and ensure benefits flow to our women entrepreneurs and innovators.

We are also busy working with the DSI and CSIR on the Innovation Bridge, which is a digital portal that integrates the innovation eco-system (built around ideation and prototyping) with the entrepreneurship eco-system (which focuses more on commercialization). This is to

ensure that we don't become importers of technology developed elsewhere – our ability to remain competitive as a country depends on our ability to fully embrace the 4th Industrial Revolution.

Programme Director, I will be brief on the last two talking points I was given.

The fourth is about fostering collaboration and networking to empower women entrepreneurs. In all what I have been saying, it is about partnerships and collaboration. As Government we have realized we can do little on our own. But we must be deliberate about the partnerships and networks we build. As I have said, one of the reasons why MSMEs and women entrepreneurs remain excluded from markets, finance, and business development support is because these networks exclude black and women entrepreneurs.

As Government we are looking for credible partners to work together with, with good governance being key. Its also not just about partnerships with government – we can use our networks to leverage opportunities in the broader eco-system. The digital portal we are developing which will bring innovators, entrepreneurs, business service providers, compliance agencies, incubators and accelerators, procurement and sourcing agencies, funders and impact investors, all together in one platform will be a game-changer.

There are also now the BRICS networks which we can work together to access for the benefit of black and women entrepreneurs, especially working with organisations such as NASDEV.

The final talking point as I conclude: how we address gender bias and promote gender responsive policies. My position here is simple. As women, we must take our seat at the decision-making table in all our institutions and organisations. And if we are not invited, we must force ourselves.

Over the two years in DSBD, we have done well bringing women into leadership in the department, with Minister, Deputy Minister, ADG, and two DDG designate positions now all held by women. We can now make sure that women entrepreneurs are prioritised in government procurement and financial access, and that this policy intent is implemented. And we can ensure consequences for those who don't comply with this policy.

We have taken care to advance capable women into these positions. I think as women we often shoot ourselves in the foot by pushing the least capable among us into leadership positions for which they are not ready. This then reinforces stereotypes about women. This is a problem we have made as the governing party, especially at local government level. We

need to groom ethical and transformative leaders, promote them only when they are ready, and not set them up for failure with inadequate support systems and networks.

There is no doubt that women make better leaders. We are more considered, have higher levels of emotional intelligence and empathy, and generally put more emphasis on building and maintaining relationships with the constituencies we serve.

Our problem is that we don't recognise this ourselves, and either defer to men, or undermine other women in leadership positions. This must stop. If we do not stand together, nothing will change.

I thank you and look forward to future engagements with NASDEV.