



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

Towards Developing SMMEs and Transforming the micro-economy through the DDM Model and growing the township economy

His Excellency, the President of the Republic of South Africa
Deputy President of the Republic
Honourable Speaker of the National Assembly
Chairperson of the NCOP
Honourable members
Fellow South Africans

“Starting a business is hard especially if you are coming from disadvantaged areas like the Cape Flats. But organisations such as SEDA and DSBD give us hope, makes being an entrepreneur so much easier. You do not feel the isolation of being alone, you feel like there are organisations helping you.

This support has proven that we as entrepreneurs can do so much more when we are being supported.

One thing I want to guarantee when my business grows, I want to inspire people in my community because I can see the poverty and struggle every day. So, what we receive today is more than just a tangible item, IT IS HOPE”

These are the words of Ms Melanie Abrahams of Meltz Amazing Cakes during the handover of IMEDP for Mitchells Plain and Cape Flats beneficiaries.

House Chair, I stand here to join those that welcome and support the President for delivering the State of the Nation Address (SONA) giving direction to our beloved country.

I am not just supporting because he is the President of the governing party, but the SONA is in line with the 55th ANC Conference resolutions, the January 8th statement and our Strategy and Tactics document.

The strategy and tactics document is very clear on the issue raised by President Ramaphosa that *“Social cohesion in a national democratic society will depend on the extent to which the rights of those in lower rungs of the socio-economic ladder are protected”*

In these difficult economic circumstances that the world and our country are under, SMMEs and cooperatives are potentially the source of economic vitality and employment creation.

In his address on Thursday last week, the President reminded us that “we are, at our most essential, a nation defined by hope and resilience”. The substance of that hope lies in our concerted efforts to position SMMEs and cooperatives as avenues for growth, employment creation and resilience.

It is on this basis that the President re-affirmed government’s commitment to unleash the full potential of small businesses and cooperatives.

This is aligned with the NDP which categorically states that most new jobs will come from SMMEs. But to unlock the potential of SMMEs, we need to address the issues of market concentration and barriers to entry; access to finance; as well as business development support, especially through incubation.

The country’s Economic Reconstruction and Recovery Plan (ERRP) identifies a number of strategic areas around which the growth of SMMEs can be enabled. I will talk briefly to these;

The first area talks to reviewing government support for SMMEs.

Here we recently completed the 3rd iteration SMME strategy for the country, which is called the National Integrated Small Enterprise Development Strategy (NISED). The approach of our strategy is to mobilize and co-ordinate support across the SMME ecosystem, with the focus on practical partnerships that leverages more resources and capacity for support.

These include for new economy start-ups; on a recapitalized financing package for SMMEs and co-operatives; on a refuelled incubator programme; on a Youth Entrepreneurship Initiative; on an Enterprise Supplier Development Scale-Up, and on a greatly expanded Township and Rural Enterprise Programme. Contrary to the view perpetuated by certain opposition parties, we have found incredible goodwill among the private sector and other stakeholders to partner with government on these initiatives. We should guard against narratives of mistrust that seek to divide us as South Africans and redirect us from our transformation path.

House Chair, we have heard complaints that our application systems are outdated and that we have inadequate offices countrywide. To address this, ease of application will be better enabled through the digitalized systems we are working on. We intend to use advanced analytics supported by modern financial technology solutions to improve our delivery model. We have been engaging with established players in the SMME finance ecosystem and we are partnering to extend our reach and loan approval time.

We are also increasing our footprint as a portfolio at local level, to improve access to our services.

House Chair, the second strategic focus area identified is to reduce red-tape and remove regulatory blockages. We are making strides as government in this direction. We have identified various red tape constraints that hobble the success of SMMEs and cooperatives.

While we are working on amending the enabling legislation, namely the Business Amendment Bill, we have simultaneously commenced stakeholder engagements with SALGA to address some regulatory impediments at local level, like by-laws, permit fees and zoning.

We will also be paying attention on measures to curb illegal trade that operate in the shadows of criminality and is a source of violent tensions in many communities. It is important that trading activities happen within the parameters of rule of law and fair competition.

House Chair, the third strategic focus area relates to more appropriate financing products. Before I outline, we have in our midst some of the beneficiaries of our various schemes.

Firstly, in the gallery we have Mr Sanele Ngwenya of Conformity LPG Gas from Durban operating on the South Coast of Durban. The business provides service on refillable fire extinguishers for residential, commercial, and industrial purposes, as well as diving and breathing cylinders. The Company was funded under Amavulandlela programme with an amount of R835 691.00 and has created 2 Jobs.

Secondly, we have Mr. Alleen Magumbi of Ulusoy Africa (Pty) Ltd which is a 100% Black Youth-owned business based in Hartebeespoort, producing broiler chickens on a 5year grower contract for Kroon's Chicken. The company sustained 45 Jobs and was funded an amount of R14 979m under the Youth Challenge Fund programme.

Thirdly, we have Mr Enoch Mofokeng of Mo and Mo Investment Holding (Pty) Ltd which is a 100% youth-owned entity with his brother, Johannes and is based in Welkom. The business is an agricultural entity which has created 192 jobs and was funded under the Youth Challenge programme and was approved for an amount of R5 764 034 to purchase agricultural equipment.

Fourthly, we have Ms Ashleigh Robin Barlow of ARCL Enterprises (Pty) Ltd based in Kimberley. The business focusses on transportation of fuel and owns a fuel wholesale license to deliver fuel monthly on a six-year contract with Kimberley Truck Shop (Pty) Ltd. The Company has created 2 jobs and was funded an amount of R4 578 306 under the Youth Challenge Fund.

Fifthly, we have Ms Mabatho Elsie Rammala from Limpopo province. She joined Small Enterprise Foundation in 2002.

Lastly, we have Mr Lufefe Nomjana of Green Innovations t/a Spinach King a 100% youth-owned business based here in Phillipi and Woodstock. The business manufactures gluten free spinach bread and other green health products. sefa initially funded the business through the Township and Rural Entrepreneurship Programme (TREP) for R250 000. However, funding gradually grew the business and has since been funded with approximately R7.5 million under the Youth Challenge Fund. Offtakers include Pick n Pay, Spar, Shoprite and Wellness Warehouse to name a few.

Fellow South Africans the story does not end here.

During our roadshow in Saldanha Bay the SMMEs raised their concern over lack of support to black and coloured women owned businesses by the Western Cape Government.

We have listened to their pleas. In response thereto we have engaged a plethora of stakeholders to collaborate with us to realise the localisation policy to enhance the Small Enterprise Manufacturing Support Programme

House Chair, we will be doing more to provide financial support to small businesses. Crucially SONA has indicated that, through sefa, R1.4 billion will be allocated towards financing entrepreneurs.

This amount is significant, however, nowhere near what is required to address the SMME credit gap which the International Finance Corporation estimates at upward of R350 billion. There are a number of interventions we are making to address this.

House Chair, the future must not replicate the past in terms of racial patterns of economic ownership. Economic reforms must embed transformative outcomes that are meaningful and measurable. This requires that we are bold and courageous in changing the old structures of our economy. The state must fund the developmental dividend.

Micro-enterprises are also the most excluded by the mainstream financial services sector. It is in this regard that we have designed some financial products which we are confident will address this harrowing picture as follows:

1. **SMME-focused Localisation Programme** which is aimed at diversifying and strengthening 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. In 2022/23 we have already disbursed R133 million to 25 SMMEs.
2. **Township and Rural Enterprise Programme (TREP)** is a blended finance which is aimed at supporting businesses in townships and rural areas, and linking market opportunities in townships and rural areas to local productive business ventures. R230 million has been disbursed to 643 SMMEs.
3. **Young Entrepreneurs Support** aims to support youth owned businesses across our various financial instruments. Between the DSBD and **sefa**, R630 million was made available for youth entrepreneurs and SMMEs during 2022/23.
4. **Cooperatives Support** - The objective is to support co-operative enterprises financially and non-financially in partnership with other key strategic stakeholders.

5. **Small Enterprise Infrastructure Fund (SEIF)** where we fund light industrial hubs, SMME container clusters, informal trader markets, and other small business infrastructure.
6. **Informal and Micro Enterprise Development Programme (IMEDP)** which is a 100% grant offered to informal and micro enterprises from the minimum grant amount of five hundred rand (R500) up to the maximum of forty thousand rand (R40 000) to assist them in improving their competitiveness and sustainability.
7. **Khula Credit Guarantee Scheme** which is aimed at de-risking bank finance to SMMEs and unlocking private sector funding. To date, Khula Credit Guarantee operates with 25 partner institutions (banks, corporates, suppliers, and donors). Through the guarantee intervention, 9068 SMMEs are participating under the guarantee programme and guarantees to the value of R3.1 billion have been approved.

Through Department of Agriculture, Land Reform and Rural Development (DALRRD) we have an array of financial and other support instruments, which include among others the following:

- the Comprehensive Agriculture Support Programme (CASP) to assist new entrant farmers with infrastructure;
- AgriBEE which is a fund aimed at supporting farmers and agripreneurs to acquire equity in existing; and the Blended Finance Scheme (BFS) which is a combination of loan (60%) and grant (40%)

Currently this is in operation with the Land Bank and IDC, and soon to be expanded to commercial banks and agribusinesses.

Through DMRE, we have also designed measures to enable new entrant black, women and youth-owned enterprises in the mining sector. While there have been noticeable efforts to include the previously marginalized groups in this sector through issuing of licence permits, however, these efforts have been thwarted by lack of finance. It is for this

reason that Cabinet has approved an initial budget of R500 million to establish an exploration fund to be administered by the IDC in support for junior exploration in South Africa.

The announcement by the President of a possible R2.5 billion rands to be committed to the SME Fund to leverage a further R7.5bn of private sector support is a step in the right direction if matched with good investment on business development support.

In order to support SMMEs during this energy instability phase, we will be rolling out a Power Purchase Package to assist SMMEs to deal with this challenge. We have designed packages to cater for all segments of our sector. In rolling out these packages, SMMEs need to capitalize on opportunities presented by this transformation of energy production.

We need to massify business skills to reduce the high failure rate of entrepreneurs and start-ups. To this end we are partnering with the National Skills Fund to train 14000 entrepreneurs and unemployed graduates wishing to venture into business. An amount of R592 million has been approved for this exciting project.

As Martin Luther King JR said *“Darkness cannot drive out darkness, only light can do that. Hate cannot drive out hate, only love can do that”*.

House Chair as I depart from this platform please allow me to quote the words of Mama Charlotte Mannya-Maxeke:

“This work is not for yourselves, kill that spirit of self and do not live above your people but live with them, and if you can rise, bring someone with you”

I Thank You