



KEYNOTE ADDRESS BY THE MINISTER FOR SMALL BUSINESS DEVELOPMENT, MS STELLA NDABENI-ABRAHAMS (MP), ON THE 2023/24 PLANNING CYCLE PORTFOLIO STRATEGIC PLANNING SESSION | 18 AUGUST 2022 (Department of Forestry, Fisheries and the Environment, 473 Steve Biko Arcadia, Pretoria)

Honourable Deputy Minister, Comrade Sdumo Dlamini
 Chairpersons of the **sefa**, Seda and CBDA
 DG and CEOs
 Invited Guests
 Executive Management and Team from the Ministry
 EDSE Programme facilitator

Good morning, everyone

We meet today to review how the department has performed over the past period in rendering its mandate. Over the next three days we will be taking stock of what we did to execute against our strategy and annual performance plan and deliberate on what we need to do going forward. As you all would agree, this is not just an annual ritual but an important engagement that requires our full-time dedication, concentration, and thoughtfulness to assess the ground we have travelled and where we need to go from here.

It is just on a year since we joined this portfolio in August 2021. During this period, we have had time to acquaint ourselves with the intricacies of the department, our mandate, and the nature of the constituency we are serving. During this period, we have not only learnt but most fundamentally engaged in improving our service offerings and improving our understanding of the dynamics of the SMME and Coops sector.

Key here, and emanating from the Provincial roadshows we undertook, is to look at how we improve the ease of applying for financial and business development support from our two entities, Seda and sefa, as well as how we improve turnaround times and keep applicants in the loop as to the progress of applications and where and how they need to be strengthened.

Remember we are not a bank, we are a developmental organization. This also speaks to our inaccessibility as a department at the local level, and the extent to which we are really supporting priorities on the ground. This also speaks to the efficacy of integrated planning and budgeting. The portfolio committee have also been an important sounding board for us. In the main they are frustrated with the slow pace of legislative reforms, including the pace at which the merger is happening. They also consistently raised issues of us being too Gauteng focused, and the fact that we are not spending effectively. The co-operatives support programme is also singled out as needed special attention.

I guess, like myself, they have been frustrated by knowing the potential we have to really make an impact. We cannot be comfortable with what we are doing and how we are doing things. Especially considering the current growth, livelihoods and jobs crisis we face as a country. We must find new creative ways to upscale our overall performance and mobilize other role-players in the eco-system behind our strategic intent, especially in areas where we may be lacking capacity and/or resources. This I think underlies the optic of the Ministry coming across as impatient, and some of the frustrations with last year's APP.

The President has called upon us in Cabinet to act much more decisively and with a far greater sense of urgency. The current moment is not favourable and has set us back in our drive to build back better and reverse the lost ground from COVID. The aftermath of the July 2021 unrest is still fresh in our minds.

Structural weaknesses remain, and our growth prospects as a country remain too intertwined with global commodities cycles. We need to diversify into new sources of growth especially in sectors and industries where there is not excessive market power. And while the War in Ukraine may have increased demand for some commodities, as an oil importing country the overall effect has been negative with high inflation and declining levels of foreign direct investment. Hunger poverty is on the increase and government is under huge pressure to expand the social safety net. The fiscus remains under pressure, and there is less money going into productive infrastructure.

Our business case for increased funding to SMMEs and co-operatives must be premised on our ability to show that we can spend with impact. What is the impact we want to see? Do we have a clear theory of change that underlies the work we are doing, and the work we want others in the eco-system to do? What are the big indicators we are measuring, and how are we doing? I would assume these should speak to levels of entrepreneurship; the success rate of start-ups; the market

share of SMMEs and co-operatives; the contribution of SMMEs to national output and jobs; the share of SMMEs the black and women-owned share of the economy; the relative share of township and rural economies in the overall economy; the proportion of SMMEs that have access to credit, etc. I do not think we are doing very well against most of these metrics - I know for example the country regressed in the latest BBBEE Report.

What do we need to do differently going forward? Which parts of the eco-system need to be recalibrated and how do we do this? Is our regulatory and legislative environment enabling or constraining our intent? Is our tax regime aligned to our goals as a country? If it is not us a department who is raising these issues, addressing constraints and creating enablers in the eco-system, who else are we expecting to do this?

Which sectors and industries should we be focusing on? Which have the lowest barriers to entry and the most potential for small enterprise development and jobs? Where in the different value chains do we want to play, and how do we use our instruments to insert black and women-owned small business? How does this relate to our idea of the space economy and how we want to transform it? How do we make sure we are having impact in every small rural town? This is why Cabinet took the decision to establish the DSBD as separate from DTIC.

We must become the champion of SMMEs and co-operatives and they must see us as that. The Roadshows that we conducted across the country showed that we have a long way to go. I'm afraid it can't be business as usual, rather what former President Mbeki called 'business unusual'. This doesn't mean we must act recklessly and with abandon. It means we need to act more strategically, deploy our resources where they will have greater impact, and partner with those who can add value to what we are trying to achieve. My interaction so far with stakeholders shows that they are more than willing to join us. Our approach must be one of continuity and change.

Continue that which is working and change where necessary, whether we change tact, delivery approach, focus, scope, spread, and whatever is required to have greater impact obviously within the ambit of the law. Our programs must be informed not only by the processes and outputs, and the prescripts of the AGSA, but critically by the impact and outcomes we desire. This implies an effective M&E system linked to a clear Theory of Change. As we engage in this session, our discussions must be characterised by robustness, objectivity, sound logic, evidence, and pragmatism.

We are not starting from scratch in what we do. We have a masterplan - NISED - which implores us to build a more coherent small enterprise support eco-system. We discussed this at length in Mbombela.

We also clearly outlined what we are doing in our Policy and Budget Speech, anchored around (1) Enabling the start-up and development of SMMEs and co-operatives through red-tape reduction and enabling legislation; (2) Addressing market concentration, developing markets and increasing market access; (3) Increasing access to business development services especially through incubators and accelerators; (4) Addressing the credit gap through expanded access to finance and early-stage investment; and (5) Gearing the department and entities to do these things, including merging the sefa, Seda and the CBDA.

Critically important also in our deliberations is to find space to incorporate our proposals that we made and were accepted by the recent Cabinet Retreat on the economy. These proposals incorporate some of the recommendations made by the Portfolio Committee, the Game Changers and what we subsequently submitted to the Policy Conference of the governing party. The game-changers we are proposing talk to a programme for high tech digital start-ups to address the problem that we are currently losing our best innovators and tech start-ups to other global tech hub competitors.

We are conceiving of an upscaled TREP type programme but with more focus on redirecting BBBEE resources and ESD accelerator funding towards SMMEs located in South African townships and rural areas. The third game-changer we proposed to the Cabinet Retreat is on a refuelled incubator and accelerator programme, focusing not just on our Seda incubators but on ensuring the best and most effective incubators out there get properly resourced to expand their scale and reach. The fourth game-changer we proposed is a recapitalized funding package including a Recapitalized KCG; a Micro Finance Intermediary Franchise Programme; a significantly up-scaled Direct Lending Programme; and Tailored Blended Finance.

The fifth game-changer is the Supplier Development Partnership Programme aimed at leveraging the commitment of corporates and large firms to on-boarding and supporting new suppliers. Already a number of large corporates across the retail, manufacturing, agriculture, services, energy, and mining sectors are on board. A public private partnership platform and operating model is currently being designed with several large corporates.

There may be others but these are some where we think we could leverage significant resources and impact. We have done some tentative costing and have engaged with the Minister of Finance. As always he asks about how well we are spending the money we currently receive. This is something we need to address where we can spend well and show the results and impact.

I know there is a session specifically on the game-changers - those areas where we think we can make the most impact and leverage effective partnerships. We must see how we can flesh these out, make them implementation ready, and align them with our Units and the work of the entities. Colleagues, as we engage in this planning session, there are no holy cows, no sacrosanct initiatives, and no untouchables. We must review and justify the work we do, the proposals we are making, and emerge with the same strategic understanding on what we must do beyond this session. We must sharpen our execution capacity, especially now given that DPISA has approved our structure. We must move with urgency and fill some of the critical budgeted vacancies before the end of this year.

In conclusion, DM, DG, and colleagues, we must be brutally frank with ourselves. We must ask those uncomfortable questions about whether we are on track with the current APP, why we are underperforming if we are doing so, how well we are leveraging our entities, whether our performance system is aligned to that between myself and the President.

We have indicated our intent to collaborate and crowd in other players through MoUs and various engagements. What are the next steps in fulfilling the letter and spirit of these? Have we left anyone behind? Are we mobilizing the right mix of role-players behind us? How do we address the trust deficit that is out there, and become recognized as the thought leader and champion of SMMEs and co-operatives? How can this thinking find expression in our APP and budget for next year?

Let us roll up our sleeves, leave our egos at the front door, and ensure that we emerge from here with clear, strategic, and executable programs. We cannot fail our country.

I thank you