

BUDGET SPEECH 2024/25

NATIONAL COUNCIL OF PROVINCES



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA



“ I am humbled to stand before you to present the Budget Vote 36 for the Department of Small Business Development.

We are gathered here at the end of the month in which we all remember and honour Tata Nelson Mandela who established the first GNU when there was no pressure to do so but because of the principles of his organisation the ANC that believed in democracy. As we find ourselves back in the GNU and this time because of the will of the people of South Africa it is appropriate that we invoke his decisiveness and wisdom to guide us successfully through this 7th Administration which has prioritized inclusive growth through micro, small and medium enterprises (MSMEs)

Honourable members, we are starting this 7th Administration on a solid footing. Building from the 6th Administration successes South Africa now has a clear MSME strategy, the National Integrated Small Enterprise Development Framework (NISED), which was completed in 2022, and supported by all critical eco-system stakeholders.

The 6th Parliament also passed the National Small Enterprise Amendment Bill (NSEA) that has just been signed into law by the President. I would especially like to commend the role played by the Portfolio Committee of Small Business Development through the leadership of the late Honourable Mme Violet Siwela (May her soul rest in peace) and the Select Committee of the NCOP led by Hon Mandla Rayi.

The NSEA has generated new hope among entrepreneurs and stakeholders in the eco-system as we all see it as a game-changer for small enterprises.

We are certain that even the 7th Administration will make its own mark by passing the Business Licensing Bill that we will table in the course of this term after approval of the business licensing policy that is awaiting Nedlac processes which will lead to cabinet presentation for approvals.

Honourable chair, the tide is turning irreversibly in favour of small enterprises.

The previous legislative framework for micro, small and medium enterprises development was outdated and not fit for purpose. It did not sufficiently respond to Constitutional principles of socio-economic rights and justice.

We now have a solid foundation and legal instrument to champion the interests of small enterprises.

As empowered by the NSEA we are in a process of establishing the Small Enterprise Development and Finance Agency (SEDFA) which incorporates the Small Enterprise Finance Agency (Sefa), the Cooperatives Bank Development Agency (CBDA) into the Small Enterprise Development Agency (Seda). The act also establishes the Office of the Enterprise Ombuds Service, while also empowering the Minister to declare certain trading practices in relation to MSMEs as unfair trading practices like long term exclusive agreements aimed at preventing weaker parties from entering existing markets, unfair compliance requirements practises or unfair contract terms in retail and commercial leases amongst others.

We have also revised the definition of SMMEs to set the size categories as well as criteria and the thresholds determining the size of small enterprises. We now use MSMEs instead of SMMEs. This has also led to the removal of “very small and Total gross asset value (which was part of the criteria used to determine size category.

Honourable Chairperson, Members and guests, we stand here before you fully cognisant of the central role that provinces and local government play in socio-economic development.

We have so much work ahead of us.

One of the reasons why the South African economy continues to experience low growth is because we have not unlocked the economic potential of all corners of our beautiful country. Since 1994, the percentage contribution to national output has declined in all provinces except Gauteng, the Western Cape and Kwazulu-Natal.

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We need to change this and get behind local growth drivers in all provinces. We must drive localisation and increase the participation of MSMEs in key value chains. Our District Ecosystem Facilitation Strategy which we piloted through Seda is aimed specifically at aligning our MSME support as a portfolio to local growth drivers, LED strategies and DDM Plans.

We are committed to improving the ease of doing business at local government level and working with provincial governments on various efforts to reduce red-tape. Deputy Minister Sithole will talk more to this.

Honourable Chairperson, access to finance remains one of the key constraints that confront small businesses and cooperatives, particularly those owned by historically disadvantaged individuals and those in the start-up phase of the business lifecycle.

To address this, we have developed the MSME and Co-operatives Funding Policy to expand access to finance and early-stage investment. We will be tabling this policy to Cabinet for final approval over the course of the next month or two. This policy is another gamechanger as it also proposes the establishment of a Fund of Funds, which we are currently designing.

We will also continue to build on the work we have already under-taken in the previous administration to invest more in under-served MSMEs and co-operatives.

Now Hon Members, During the 6th Administration, we managed to support MSMEs by R9.68 billion in direct and wholesale lending, blended finance and grants to 378 201 small enterprises across the country which is done through SEFA.

Through Seda, we established 110 incubators and in total provided non-financial business support to 252 942 MSMEs at a cost of R4.1 billion.

This includes 104 595 township and rural enterprises.

The breakdown by province is listed below:

- R1.79 billion in the Western Cape,
- R833 million in the North- West,
- R1,33 billion in Mpumalanga,
- R1.55 billion in Limpopo,
- R2.21 billion in KwaZulu-Natal,
- R3.58 billion in Gauteng,
- R1.47 billion in the Eastern Cape,
- R610 million in the Free State, and
- R848 million in the Northern Cape.

Honourable members, there can be no denying that despite our small budget, we are making an impact across the entire country. Both with respect to financial and non-financial support.

For this financial year – 2024/25 - sefa plans to disburse just under R2.16 billion which will facilitate the creation of 130 000 jobs. The R2.16 billion disbursements comprise fiscal transfers and sefa's balance sheet funds.

We will target underserved MSMEs. Of the R2.16 billion we will disburse: 40% women owned, 30% youth owned, 7% people with disabilities

- R1.5 billion to black-owned businesses.
- R866 million to women-owned businesses
- R649 million to youth-owned businesses
- R64 million to businesses owned by persons with disabilities
- R629 million to businesses based in townships, and
- R1 billion to businesses in rural towns and villages.

Honourable members, even with the little budget we have we are leading on issues of economic transformation.

In this financial year, we have made sure that we increase non-financial support – what we call pre-investment and post-investment support - in those provinces where we do not have the investment pipeline to attract sefa and other funding. These include provinces like the Free State, North-West, Northern Cape, and others. As we establish our new entity, SEDFA, we will also strengthen our presence and capabilities in the poorer and less developed provinces to improve our funding pipeline.

For 2024/25, Seda and sefa will disburse and spend:

- R808.9 million in Gauteng, largely because of its large MSME base and investment pipeline for sefa's balance sheet lending,
- R502.3 million in KZN,
- R403 million in Limpopo,
- R368.5 million in the Eastern Cape,
- R162.2 million in the Free State,
- R309.9 million in Mpumalanga,
- R144.5 million in the Northern Cape,
- R219.7 million in the North-West, and
- R466.4 million in the Western Cape.

We also have instruments such as the Shared Economic Infrastructure Facility which we implement in partnership with provincial and local government, and the private sector.

Recently, we have completed the Mangaung Retail Hub and Informal Trader Stalls in the Free State; King Sabatha Dalindyebo Ntozonke Market in the Eastern Cape; Manguzi Market Precinct Stalls in Kwazulu-Natal; Intloko Meat Sellers Facility in Kwa-Mashu, KwaZulu-Natal; and the Manufacturing Supplier Park, (Spartan) Industrial in Gauteng.

In May this year, we launched the Light Industrial Hub project in Bergville, KwaZulu-Natal. Work is continuing to ensure completion of the North-West Development Corporation's Mahikeng Trade Market project.

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These projects will go a long way in easing the cost and burden of doing business for many micro enterprises in townships and rural areas. For 2024/25, R63.3million is allocated to the Shared Economic Infrastructure Fund to support 5 projects. In addition R153 million is allocated to the Product Markets Programme currently in Seda, and which will be integrated with the SEIF programme to achieve synergies and efficiencies.

We will also support MSMEs and co-operatives access markets, which we know are very concentrated with high barriers to entry. Here we will support MSMEs access export markets, especially targeting new BRICS+ and ACFTA markets. We will also be ramping up our support to MSME suppliers, both to leverage the new Public Procurement Act as well as Enterprise Supplier Development programmes of large private corporates.

To enable this, we have allocated an amount of R266.8 million to the Small Enterprise Manufacturing Support Programme (SEMP) to build capacity of black-owned, women-owned, and youth-owned suppliers. We also have our partnership with Proudly SA and are developing an e-commerce platform that will go live this year.

We will also focus on enabling township and rural enterprises to service local market demand. This year, we have allocated R344.2 million for the Township and Rural Entrepreneurship Programme (TREP), R255 million to the Asset Assist Programme, and R45 million to support General Dealers.

Ladies and gentlemen, LET'S PLEASE BUY LOCAL.

Honourable Chair, as I move to wrap up, let me table our budget of R2.437 billion. This budget is primarily directed towards transfers and subsidies, which account for 83.5% or R2.034 billion, with the remaining 16.5% or R403 million, spread between compensation of employees at R251.6 million, with goods and services accounting for R146 million and capital at R5.2 million.

Of the R2.034 billion for transfers and subsidies, the Small Enterprise Development Agency (Seda) receives R1.316 billion (64.7% of the transfers and subsidies) and the Small Enterprise Finance Agency (sefa) is allocated R642.4 million (31.6% of the transfers and subsidies).

DSBD as the department, manages the remaining R478.1 million accounting for 19.6% of the total budget.

This budget has been cut in line with the government's broader cost containment measures, but we have tried as much as possible to ensure outputs are not affected. This is evident in our big targets for the year - 50 000 competitive MSMEs, 10 000 youth start-ups, and 30 000 township and rural enterprises.

Working together with provinces and municipalities, we will be unwavering in our commitment to make small enterprises the engine of economic growth and job creation.

As government, we cannot do this alone, and will be entering into strategic partnerships with key eco-system stakeholders. We will also be ramping up our capacity and capabilities as the DSBD portfolio and will automate business processes to achieve efficiencies and scale.

We do not have the luxury of time and need to act with unity of purpose as the three spheres of government and the broader support eco-system. As tata Nelson Mandela said "The time has come to affirm and celebrate the decisions that you have taken to put in place a national leadership collective that will take our conutry into the new millennium. The people have spoken, in the true spirit of democracy.

I thank you.



MINISTER

Stella Ndabeni-Abrahams

