



MINISTRY
SMALL BUSINESS DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

SPEECH BY MINISTER OF SMALL BUSINESS DEVELOPMENT, MS LINDIWE ZULU, ON THE OCCASION OF THE LAUNCH OF UNISA ENTERPRISE AND SUPPLIER DEVELOPMENT

31 MAY 2018, UNISA

Programme Director,
Principal and Vice Chancellor, Prof Mandla Makhanya,
Members of staff,
SMMEs present,
Distinguished guests,
Ladies and gentlemen

I am humbled and privileged to return to UNISA this morning. As some of you may recall, the last time I was here was on the 6th of August 2014, barely two months after I was appointed Minister for Small Business Development. I was honoured to have been given an opportunity that evening to deliver an address at the Women's Empowerment Gala Dinner, which was hosted by the Principal and Vice-Chancellor.

As a department we have identified institutions of higher learning as very instrumental in the advancement of entrepreneurship and enterprise development.

I wish to commend UNISA for this noble initiative. Supplier development remains a critical intervention in our efforts to grow and sustain small businesses. We hope this will be a catalyst to unlock markets for our small businesses and cooperatives in all our institutions.

Indeed, expanding access to market opportunities for small businesses is one of the most precious national investments any institution can ever make. I hope other institutions and organisations will emulate your noble example. We have consistently called for partnerships with the private sector to contribute to the empowerment of emerging SMMEs and create space and opportunities for them to participate in their supplier development programmes. We continue to make a call to the private sector partners to work with us to help make this sector the main drivers of economic growth, poverty reduction, and job creation and stimulate entrepreneurship in order to contribute to radical economic transformation.

Let me reiterate the assertion I made at this university on that evening almost four years ago: We must never consider our mission accomplished and freedom achieved until all our people – blacks, workers, women, children, youth and people with disabilities - have been extricated from the crippling jaws of economic exclusion and are empowered to taste the fruits of our liberation.

It must, indeed, trouble our collective conscience as a nation that, twenty years since our freedom, the triple challenges of poverty, unemployment and inequality still bear a largely black, rural and woman face. It must worry all of

us, including the private sector, and move us into a collective radical action to transform our economy so that it responds to the needs of the masses of our people. Anything less is an invitation to political and social instability. We can turn this ugly situation around by pursuing a path that leads to economic inclusion. By growing the small businesses and cooperative sector we will be able, ultimately, to draw the majority of the historically marginalized citizens into the mainstream economy.

In 2014, the democratic government established the Department of Small Business Development to champion the cause of SMMEs and Cooperatives. We pursued this route as part of our firm understanding and recognition of the important role that small businesses and cooperatives play, especially in developing countries such as South Africa. Ours is a national task to build an economy of the future out of the ruins of our ugly past!! It is investing in small business development that we will be able to defeat the triple challenges of poverty, unemployment and inequality.

The fact is, twenty-four years after the dawn of our democracy, the participation of black people in the country's economy still leaves much to be desired. For government made a commitment to set the country on a path of radical socio-economic transformation in order to accelerate our onslaught on the triple challenges of poverty, inequality and unemployment.

In order to unlock this potential of SMMEs and Co-operatives, the DSBD is focusing on five critical areas that will drive the development and sustainability of the small business sector, namely;

- **public sector procurement**, (*which government has already pronounced itself on 30% procurement from SMMEs and Cooperatives*)

- **building market access into private sector value chains**, (*which we seek to partner with the private sector to ensure that our pipeline of entrepreneurs are introduced into local, regional and international value chains*)
- **simplifying the policy and regulatory environment**, (*through one stop shops, reducing red-tape and making it easy to start a business*)
- **access to finance**, and (*through providing loans, grants and incentives to SMEs and Cooperatives to increase their productive levels*)
- **support to township and rural economies** (*through support mechanisms especially for the informal sector, and graduating enterprises through each level with targeted support mechanism*)

In his State of the Nation Address President Ramaphosa said: “*Ultimately, the growth of our economy will be sustained by small businesses, as is the case in many countries. It is our shared responsibility to grow this vital sector of the economy.*”

The country’s high rate of unemployment and extreme inequality call for bold and far-sighted interventions. The National Development Plan is the vehicle which will address poverty, unemployment and inequality. It sets an ambitious aim to treble the size of the economy by 2030, a daunting challenge that will require our collective contribution. Meeting the NDP’s growth target of 5.4 % for the next 16 years would not only guarantee South Africa’s material prosperity, but would be an elevating and inspiring narrative for the country – ‘an optimistic new story’, as the NDP phrases it.

As the NDP makes clear, getting South Africa onto a high-growth trajectory demands that we fundamentally change our game plan and place small businesses and co-operatives at the centre of our war against poverty,

inequality and unemployment. Developing a strong and growing SME community is a cornerstone of the NDP's vision. SMEs are expected to be central to South Africa's job creation efforts, in line with international trends.

One of the specific targets of the NDP is to reduce unemployment to 6% by 2030 through the creation of 11 million jobs. The NDP projects that if we implement the full range of its recommendations, our economy will grow at 5% per annum, with 60-80% of this value being generated by SMMEs and expanding businesses, and that this sector will create 90%, or 9.9 million, of the 11 million new jobs we will boast by 2030. Hence our bold assertion: Small Business is big business!!

This task is not only limited to government but is a joint compact between government, civil society and the private sector. The key responsibility of government is to create an enabling environment for small business to take their rightful places in the mainstream economy.

We see small businesses and co-operatives as critical to creating an economy that benefits all. Our point of departure is that small businesses can be the backbones of any economy and the main driver of economic growth, poverty reduction and job creation. A healthy SMME sector can make a massive contribution to the economy by creating more employment opportunities and generating higher production volumes.

As South Africans, we remain concerned that small businesses have an exceedingly high failure rate, and the majority of the casualties are black and women-owned businesses. Statistics tell us that small businesses have only 37% chance of surviving four years and only a 9% chance of surviving ten years. 70% to 80% of small businesses fail in their first year, and only about half of

those who survive remain in business for the next five years. Among a variety of reasons why small businesses collapse, is lack of access to markets. For this reason, we must prioritise supplier development as one of our key and critical intervention strategy.

We have adopted new BBEEE Codes which incorporates supplier development programmes that include and integrate SMMEs – there is however a need for us to ensure that we have a solid monitoring and evaluation system that ensures that big business include SMMEs in their supplier development programmes.

It is through the department's overall portfolio which includes the Small Enterprise Development Agency (SEDA) which provides non-financial support to enterprises and the Small Enterprise Finance Agency (SEFA) which offers financial support to SMMEs and co-operatives, that we believe we can implement these interventions to enable SMMEs and Cooperatives to develop and thrive.

Programme Director, access to finance is one of the key constraints faced by entrepreneurs, be it a start-up or an existing SMME and cooperative wishing to diversify or explore a new opportunity. As I indicated in my Budget Vote speech, time and time again these starts-ups, young people, people living with disabilities and women in particular, tell us of their frustrations with banks and development finance institutions (DFIs), who refuse to support them because they are perceived as high-risk ventures, irrespective of the brilliance of their proposals or demonstrable potential to succeed.

A core tenant of government's small business policy is the provision of finance to start-up enterprises and those that struggle to get funding from commercial

finance institutions. Since its establishment six years ago, our agency, sefa has financed 286 000 SMMEs and Co-operatives to the value of R5.5 billion and facilitated the creation and maintenance of 312 235 formal and informal sector jobs.

The provisional 2017/18 financial year loan performance indicators show that sefa disbursed R1.2 billion to 45 035 SMMEs and Co-operatives and facilitated 54 144 jobs. Integral to its mandate sefa has during the last 12 months provided targeted finance support to:

- 44 792 black-owned enterprises to the value of R836 million
- 9229 youth-owned enterprises to the value of R191 million
- 44 116 women-owned enterprises to the value of R403 million

The Black Business Supplier Development Programme (BBSDP) is another financial instrument which a cost-sharing grant mainly extended to expanding SMMEs. Since 2014/15, 2 558 SMMEs were supported to the value of R 1. 32 billion.

President Ramaphosa reiterated in the State of the Nation Address that *“Government will honour its undertaking to set aside at least 30 percent of public procurement to SMMEs, cooperatives and township and rural enterprises.”*¹

Hence, the department together with National Treasury, is determined to sharpen the monitoring and implementation of the **30% Set Aside policy for SMMEs**. The Public-Sector Supply Chain Review confirmed that in 2016/17 alone, government spent over R750 billion on the procurement of goods and services, as well as construction works. However, many, many SMME continue to complain that they are overlooked.

¹ State of the Nation Address, 2018: Page 12

We hold the view that 30% is not the ceiling. Instead it is the minimum value of contracts which should be awarded to the SMMEs and Cooperatives. It is encouraging that there are many departments and a few provinces which have far exceeded the 30%.

The payment of suppliers within 30 days remains a challenge. As at September 2017, a total of 71 883 invoices to the value of R4.3bn were older than 30 days and not paid. While I am happy to report that in the 2017/18 financial year, my department is amongst those departments which paid 100% of its invoices within 30-days, there are many departments who are non-compliant, and we know who the major culprits are.

We are determined to put stronger enforcement measures because we cannot turn a blind eye to departments who are in flagrant violation of a policy decision and Treasury Regulations and who cause the collapse of SMMEs and cooperatives.

Working together as the Small Business Development Portfolio comprising the Department, SEDA and SEFA including our social partners, we are determined to strengthen the small business sector to enable it to occupy its rightful place in the mainstream economy. If we focus on this goal with a single-mindedness of purpose, we will be able to practically demonstrate that a small business of today can be a big business of the future.

Working together we can grow our economy through small business development.

I thank you

