



## **Submission on the 2021 Revised Fiscal Framework and Revenue Proposals**

**15 November 2021**

**For Attention: (via email)**

**Standing Committee on Finance Secretaries –**

Mr Allen Wicomb [awicomb@parliament.gov.za](mailto:awicomb@parliament.gov.za) and

Ms Teboho Sepanya [tsepanya@parliament.gov.za](mailto:tsepanya@parliament.gov.za)

**Select Committee on Finance Secretary –**

Mr Nkululeko Mangweni [nmangweni@parliament.gov.za](mailto:nmangweni@parliament.gov.za)

Dear Madam and Sirs

## **Submission on the 2021 Revised Fiscal Framework and Revenue Proposals**

1. We, hereby, would like to submit our comments and submission on behalf the SMME Industry Council (**SMMEIC**) the on the 2021 Revised Fiscal Framework and Revenue Proposals.
2. I, Howard Johnson, CEO of SASMEA (SA Small, Medium Enterprise Association) and Chair of SMMEIC would like to make an oral presentation to the committee. A presentation will be forwarded on confirmation of acceptance of our submission.

### **Introduction to SMMEIC**

3. SMMEIC comprises of 12 Business Associations representing more than 15 000 SMMEs that have banded together to be a truly representative voice of Small Business. We aim to change the landscape whereby SMMEs can thrive, create employment and make a meaningful change to the socio-economic conditions of communities in which they operate with the goal to create sustainable jobs and alleviate poverty.



4. Our objectives are:

- A) Seek to create an equitable and ethical business environment/ ecosystem between big business, government and SMMEs
- B) To ensure that all parties in this ecosystem are transparent, accountable, reliable and inclusive.
- C) To co-ordinate and foster partnerships across all spheres of government
- D) To be consultative voice for the Department of Small Business Development when drafting policy, regulations, budgets, plans for SMMEs to ensure the efficient employment of resources
- E) To cooperate, liaise and consult with local and international professional and similar business organizations on matters related to the development and sustainability of SMMEs.
- F) To facilitate international and national market access for products and services of small business as downstream demand for locally produced product and services
- G) To co-ordinate and monitor the provision of training, advice, counselling and any other non-financial services to SMMEs
- H) To seek financial support to service providers that provide the services contemplated in paragraph (7)
- I) To ensure adequate research, collection and dissemination of information concerning small business. Example statistics, trends, markets, growth focus areas, etc.
- J) To improve the general understanding of the public regarding small business' contribution to the South African economic growth, job creation and welfare.

Main objectives of our submission:

- 5. In preparing this submission, we have taken note of the Medium-Term Budget Policy Statement (MTBPS), the Division of Revenue Amendment Bill, Rates and Monetary Amounts Bill.
- 6. The purpose of our submission is to submit comments that are related to our area of expertise and experience.



## **Boosting revenue growth in a sustainable manner**

7. When reviewing the Medium Term Budget Policy Statement (MTBPS) by Minister of Finance, Enoch Godongwana on 11 November 2021, the following paragraph highlights a concern that SMMEIC holds too:

“Government recognises that we need more private sector jobs, driven by a strong and growing investment climate.

Today, 27.8 million South Africans are social grant recipients. This accounts for about 46 percent of our population.

At the same time, the number of people working has declined, further underlining the critical flaws in our economy. A key concern of government is the huge unemployment challenge we face as a country. South Africa continues to grapple with long-run unemployment and in the current conditions, unemployment is lagging the economic recovery.”

8. As an association, we want to assist in creating more sustainable SMMEs and in turn create more jobs and reduce unemployment thereby creating more taxable revenue.
9. The landscape of poverty in many communities has not changed. After 27 years of interventions there is still no significant shift in this regard. A paradigm shift and a special focus on SMMEs is now needed.
10. Many employees are now forced to become entrepreneurs because of retrenchments and the need to feed their families. They need help.
11. SMMEs play a vital role in the economy and could be better supported if the budget that is allocated was being spent in a manner that is more closely aligned with what SMME’s daily realities are.



12. We were encouraged when the Minister of Finance said that “In addition, we must remove the regulatory burden on SMMEs and cooperatives. In this regard, we will investigate different forms of support for township, inner city and rural enterprises”.
13. It is often reported that permits, licenses, etc. can take many months to get which affects the SMMEs ability to start their business activities. See paragraph 28.
14. It is paramount that we have to accept that not everyone is geared to become an entrepreneur. Pushing people into running their own businesses can set people up for failure
15. We also have to understand that just “ticking boxes” to reach targets of creating new businesses without understanding in which sectors they can flourish is counterproductive for the new SMME and for existing markets into which they are pushed.
16. “Fourthly, to boost tourism and attract skills, the now completed e-Visa system will be rolled out to 15 countries by March 2022.”
17. We welcome this initiative as it will greatly assist the much-decimated tourism industry.
18. Clarity and research are needed whether sectors and markets can actually absorb new SMMEs. Or access to new markets needs to be created for these SMMEs E.g. Tourism, renewable energy, agriculture, manufacturing.
19. “Madam Speaker, the facilitation of trade across our borders is an important enabler of economic activity, especially as we are implementing the African Continental Free Trade Agreement”.



20. We welcome this and need more information and awareness of this for SMMEs to access new markets and not just push SMMEs into existence without creating a value chain where there can get business.

21. “In early 2020, we introduced a Loan Guarantee Scheme, which enabled commercial banks to support firms in distress as a result of the COVID-19 crisis.

This programme has been concluded. In its place we are considering new small business support measures to enable affected businesses to bounce back.”

22. A recent poll we took at a SMMEIC meeting, access to funding was not first on priority list but access to markets. SMMEs are also not looking for grants but rather easily accessible loans with lower barriers and interest rates. Government can save money by getting these loans repaid.

<b>POLL: What is the most important hurdle?</b>	<b>%</b>
Access to markets & lack of sales	32%
Red tape, regulations & policy	17%
Lack of finance	13%
Affordable of support, advice, mentoring, etc	11%
Corruption & crime	7%
Impact of the pandemic	7%
Availability of useful information	6%
Access to appropriate technology	3%
Internet access	1%
Other	4%
<b>Total</b>	<b>100%</b>

23. Suretyship that looks past the registered entity and holds entrepreneur liable for all debts for factors very often beyond their control is damaging to livelihoods and puts business owners’ assets (house, car, furniture, etc.) at risk.



24. A new suretyship insurance or guarantee scheme funded by SMMEs is needed.
25. “Let me reiterate, madam Speaker, that government cannot drive economic recovery and growth alone because most areas of economic activity are dominated by the private sector, including investment, employment and innovation. In this, we strongly call on a greater social compact to raise growth and improve livelihoods.  
  
This we will do by providing expanded funding options, broadening the types of financial institutions which can provide this funding to include DFI’s and non-banks.”
26. Government guarantees during 2020 were channeled through instruments (banks) that have high qualification barriers and are generally risk averse.
27. Involve Business Associations as they have their ear to the ground working closely with their members.
28. Let Associations be consulted in the design of instruments in the disbursements of loans.
29. Whereas we are cognisant that Treasury tables the budget and amendments thereto, departments are doing their planning and implement against their budgets. We think that the available budget allocated to support SMMEs can be better aligned for impact.
30. If the Small Business Department would consider consulting Business Associations in budget planning, needs assessments and focus areas when drawing up plans that affect SMMEs, we believe that greater impact can be realised.
31. The Department of Small Business needs to be a 1-stop shop for SMME needs where issues affecting them (red tape, no replies from certain



government departments, bureaucracy, etc.) can be channeled to various government departments for quicker responses.

32. “Our climate change mitigation commitments are bold. However, we need globally coordinated initiatives to succeed in reducing greenhouse gas emissions.

If we invest in the correct infrastructure for the future, we will be able to take advantage of opportunities to increase our trade with other countries.

We note and welcome promises for funding to support our transition to a low carbon economy. We strongly welcome this commitment and will engage further on the details and obligations of all parties in this regard.”

33. Loadshedding impacts on SMMEs. It is damaging when an SMME cannot afford a generator yet must experience up to 4 hours of downtime

34. SMMEs can really be instrumental in mitigating factors contributing to climate change.

35. SMMEs can be developed to become the forerunners in driving the renewable energy sectors. With proper access to funding this is achievable.

36. “Between now and February 2022 we will be working on the details of measures to deal with the socio-economic challenges we face, especially the crises of unemployment and poverty. This must be done in a manner that does not depart from the strategy of stabilizing government debt.”

### 37. Local Economic Development

In terms of the Municipal Act and the MPFA, the following are the duties of Mayors, Councillors, and City Managers and City Administration:

Mayors and City Managers in particular are to identify the needs of the municipality and recommend to Council strategies, programmes and services to address such needs;

- identify and develop criteria for the evaluation of strategies, programmes and services implemented to address needs of the municipality;



- evaluate progress against key performance indicators;
- review the performance of the municipality in terms of its;
- economy, efficiency and effectiveness;
- Credit control and debt collection efficiency;

By economy, efficiency and effectiveness, it is meant that the Municipal executives developed a responsive Local Economic Development Strategies, ward up, ground up, inclusive and leaving no one out.

This will be a challenge for all parties and independents to deliver as elected municipal officials without party bias but for the sole good of the citizens within the wards.

It will require the governing party or the majority party to take the lead for implementation also in the economic sphere, which according to our definition of SGB (above) means finding consensus on common values. These values are already in our national constitution and the terms of engagement must be consensus seeking.

Some studies have already been conducted SALGA and others on how the municipal body can achieve this. South Cities Network and SALGA produced a report entitled Rethinking LED – Local Economic Development in Intermediate Cities and they suggest the following as taken from the report:

#### **Four institutional principles for LED**

1. A functional economic development directorate can exist on a small budget.
2. A functional economic development directorate needs to be involved in both pro-growth and pro-poor projects.
3. LED needs to occupy centre stage within a municipality and economic thinking must be integrated into the other functions performed by a municipality.
4. A functional economic development directorate should furnish the rest of the municipality with robust economic intelligence.

#### **Six strategic issues in reimagining LED**





1. Local governments should mainstream economic considerations into their sectoral departments and also into the accompanying strategies of those departments.
2. Local governments need to use municipal levers, such as land-use planning, to support their economies.
3. Municipalities should do more to build economic intelligence, with the assistance of other spheres of government.
4. Local governments should strengthen economic strategies that are appropriate for their specific economic context and based on solid economic intelligence.
5. Local governments should develop economic partnerships, as municipalities need to facilitate, not drive, economic development.
6. Local governments should create appropriate institutional arrangements that support economic development.

In doing the above, executive mayors will direct the path toward delivering on the social and economic needs of residents.

### **The City Small Business Advisory Council**

Success depends on the extent to which the municipal structure will for partnership with the private sector. One way to do this is for the Executive mayor to appoint a City Small Business Advisory Council based upon the National Small Business in found the SME Act of the Republic of South Africa. This will be the foundation step in growing the small business ecosystem within communities and wards, connecting to established business and the municipal government.

Here is an extract from the SME Act about the National Small Business Advisory Council:

*Read Mayor for minister – applies equally*

Quote

The Advisory Body is required to advise the Minister on:

- a) strategies to identify market failures affecting the sector;
- b) the impact of current and new legislation on small businesses;
- c) national standards pertaining to small business development and regulation;
- d) new developments and trends with regard to the sector;
- e) steps to be taken to create access for small business into value chains;
- f) methods to liaise with the small business community to identify their needs;



- g) methods to monitor and influence the provision of support services to the small business sector; and
  - h) any other matter that the Minister may deem appropriate.
- Close quote

If such a council is constituted they could the Executive Mayors link to established business organisation, sectoral association, academia and community based organisations.

### **LED at Mayoral Executive Level**

The Executive Mayor could appoint a “LED “executive, to the mayoral executive who keep the executive connected to “LED” programs and processes in the wards. Linking the mayor to constituencies and voters ground up as the UN SDGs recommend.

Collaborate with LED officials within wards or sub council LED The Advisory Body is required to advise the Minister on: a) strategies to identify market failures affecting the sector; 2 b) the impact of current and new legislation on small businesses; c) national standards pertaining to small business development and regulation; d) new developments and trends with regard to the sector; e) steps to be taken to create access for small business into value chains; f) methods to liaise with the small business community to identify their needs; g) methods to monitor and influence the provision of support services to the small business sector; and h) any other matter that the Minister may deem appropriate.

officials.

1. Unifying role  
The Executive Mayoral office could advance the reconciliation and unifying process so that business associations chambers and the like can speak with a common voice, could be implemented by the LED executive on behalf of the mayor.
2. Negotiate with National and provincial bodies for the benefit of residents: Health, Water and Sanitation, Electricity for benefit of residents and businesses.
3. Be a symbol of unity for NGO’s and CBO’s

In summary all the above are achievable in the context of the small business ecosystem that promote SMMEs, capacitates SMMEs, and very importantly there is a need for collaboration with all SMME role players and stakeholders.

### **Conclusion**



38. We believe that as Business Associations we have a valuable role to play in really effecting change in the SMME space.
39. Flourishing SMMEs that are supported through an enabling environment, enhanced market access and reduced redtape have the potential to grow the economy and in turn the revenue base.
40. We want to work closer with government structures especially the Department of Small Business to ensure the voice of SMME's is heard.
41. And finally, there needs to be a greater concentration on SMMEs in all spheres of government starting in the President's Office.

Submitted by:

Howard Johnson  
CEO of SASMEA  
Chair of SMMEIC

Contact details:

Ph: 0837749810

Email: [info@sasmea.co.za](mailto:info@sasmea.co.za)