

PRESENTATION TO THE PORTFOLIO COMMITTEE ON
TRADE AND INDUSTRY



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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

**NATIONAL SMALL BUSINESS ADVISORY
COUNCIL-A MONITORING TOOL FOR SMALL
ENTERPRISE STRATEGY**

09 SEPTEMBER 2009

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ENTERPRISE DEVELOPMENT

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PURPOSE

ENTERPRISE DEVELOPMENT

- ⑩ **Empowerment and Enterprise Development Division: To promote broader participation, equity and redress in the economy**

- ⑩ **Enterprise Development is responsible for creating an enabling environment conducive for the development and growth of SMMEs including Cooperatives enterprises as well as increase their contribution to the country's GDP, with a focus to employment creation and poverty reduction.**



EVOLUTION OF SMME POLICY

ENTERPRISE DEVELOPMENT

- 1994-95 Presidential conference on SMME development
- The White Paper on the Development and Promotion of SMMEs in SA 1995
- The National Small Business Act, 1996
 - Establishment of Ntsika Enterprise
 - Establishment of Khula Enterprise Finance
 - Appointment of the National Small Business Advisory Council
 - National Manufacturing Advisory Centres (NAMAC)
- Mid-Term strategy Review in the year 2000
- Ten Year review in 2004
- The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises

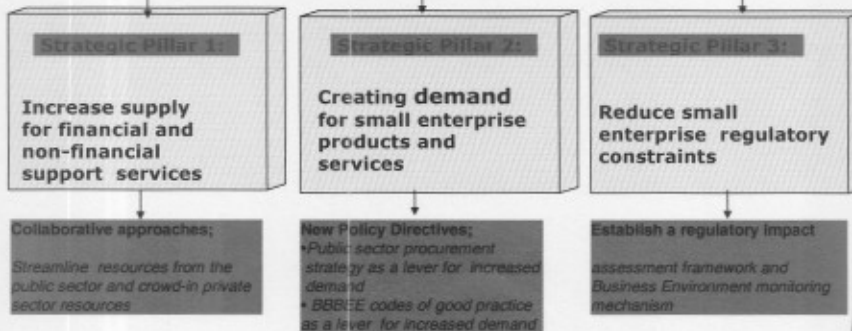


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STRATEGY GUIDELINES - FOCUS AREAS

ENTERPRISE DEVELOPMENT

STRATEGIC PILLARS FOR THE SMME STRATEGY



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COMMON STRATEGY PRIORITY AREAS FOR SMALL ENTERPRISES

- Creating a Culture of entrepreneurship and collective entrepreneurship
- Enhance Small Enterprise survival rate and their sustainability
- Improve enterprise competitiveness
- Creation of enabling environment for enterprise growth and development of small enterprises and Cooperatives
- Enhance Access to finance, markets and information available to small enterprises and cooperatives
- Coordination of efforts, alignment and collaboration-monitoring
- Segmentation of the market according to enterprise size and needs
- Streamlining of institutional delivery mechanism for enterprises support
- Integration of fragmented programmes and support services for enterprises



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TARGETED BUSINESS ENVIRONMENT- SEGMENTING THE MARKET

Driver	Category	No. of enterprises	Characteristics	Nature of Demand noted	Non-financial support services	Financial Support Sources
Opportun- ity driven, Entrepre- neurial ↑ Necessit- y driven, survival N.B. Estimates show that the are approx. 1m unregist- ered informal micros	Medium	Aprox. 3000	<ul style="list-style-type: none"> -Up to 200 employees -Turn over >R25m per annum -Developed technical & business skills 	<ul style="list-style-type: none"> -Medium - long term debt & equity finance - over R250K -Asset base, working capital, property finance, etc. 	Regulatory compliance, incubation-quality control and productivity and franchising and market intelligence.	<ul style="list-style-type: none"> -Corporate Banks, financial institutions -Private equity/ venture capitalist -Khula, IDC, NEF, other DFI's
	Small	Aprox. 5000	<ul style="list-style-type: none"> - up to 50 employees - turn over < R25m per annum - developed technical/ limited bus. skills 	<ul style="list-style-type: none"> -Short - medium term debt -Asset base & working capital finance - up to R80K 	Technical diagnostic, business mgt training/Incubation, mentorship and access 2 markets	<ul style="list-style-type: none"> -Own resources -Banks & corporate -Khula & provincial DFI's
	Micro	Aprox.1m	<ul style="list-style-type: none"> Up to 5 employees -Turn over < R 150K per annum - Some technical and very limited bus. skills 	<ul style="list-style-type: none"> -Short term loans -Up to R 10K -Working capital finance 	Business start advice, information, registration, & business planning	<ul style="list-style-type: none"> -Own & family resources -Micro lenders & banks -Samaf & provincial DFI's
	Survivalist	Approx 1.2m	<ul style="list-style-type: none"> - Owner self employment - turn over < R50K per annum - Limited bus. & technical skills 	<ul style="list-style-type: none"> -Short term loans -Up to R3k -Stock purchase finance 	Business start advice and information	<ul style="list-style-type: none"> -Own and family resources -Micro lenders -Samaf



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STRATEGIC OBJECTIVES

ENTERPRISE DEVELOPMENT

- Promoting the development and growth of small enterprises and increase their contribution to the country's GDP with a particular focus on employment creation and reduction of poverty;
- Facilitating an increase in access to market opportunities through 10 designated products, BEE procurement and enterprise development, and supplier development programmes;
- Improving human resources and capacity - management and technical skills in the SMMEs in order to enhance their sustainability
- Raising the level of exports from small enterprises;
- Increase supply of financial and non-financial support services available to small enterprises; and
- Contributing towards economic empowerment of people in living peri-urban and rural areas, women, youth and people living with disabilities.



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STATE OF SMMEs IN THE ECONOMY

SMMEs

Monitored through the Status of Small enterprises and Cooperatives Annual Reviews

Growth Trends for small enterprise

- 2007 there were 27% more formally registered enterprises in the Stats SA Integrated Business register than in 2004.
- Almost 40 000 new entrants annually
- 40 % GDP Contribution small enterprises

Main contributing Sectors

- Construction - Services- Transport, retail, telecommunications and financial services

Spread of small enterprise representation in above sectors

- Construction and services and retail account for 90 % (by number) of informal sector
- Formal small business concentrated in business services (44%) trade (23%), manufacturing 12%
- Sector growth highly depends on domestic expenditure



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CHALLENGES FACED BY SMMEs

ENTERPRISE DEVELOPMENT

Common challenges faced by SMMEs range from the following:

- **Access to markets to sell their goods and services**
- **Access to services provided under one roof (one-stop-shop)**
- **Access to financial services provided by Development Finance Institutions (DFIs)**
- **Legislation compliance**
- **Appropriate and affordable business infrastructure**
- **Well packaged and appropriate business information with trading platforms**



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COUNCIL ESTABLISHING ACT

ENTERPRISE DEVELOPMENT

In keeping with the Small Business Act, No. 26 of 2003, the Minister of Trade and Industry shall facilitate a process aimed at the establishment of an advisory body, which seeks to represent and promote the interests of small business, as contemplated in the National Strategy for the Development and Promotion of Small Business in South Africa. This body is referred to as the NSBAC in the Integrated Small Enterprise Development Strategy, approved by Cabinet in 2005.



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ESTABLISHING ACT Cont.

- ✔ National small Business Amendment Act, 2003
- ✔ Minister's powers:
 - Appoint the National Small Business Advisory Council
 - Determine the constitution of the Council
 - Determine and convene the Council meetings
- ✔ Constitution of the Council provides for:
 - The composition of the council
 - The quorum and the meetings of the council
 - Procedure for the functioning of the Council
 - Interaction with Parliament, the department and the statutory bodies



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ESTABLISHING ACT Cont.

ENTERPRISE DEVELOPMENT

➔ The Council must advise the Minister on:

- Strategies to address the identified market failures affecting the sector
- National standards pertaining to small business development and regulations
- The impact of the current and new legislation on small business
- Measures to ensure the creation of physical business infrastructure through viable business sites
- The development of skills in all aspects of running a business
- Steps to be taken to create access for small business into the value chains
- Methods to liaise with small business community
- Methods to monitor and influence the provisions of support services to the small business sector
- Any other matter the Minister may deem appropriate



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FOCUS ON STRATEGY IMPLEMENTATION ADVOCACY

ENTERPRISE DEVELOPMENT

THE NATIONAL SMALL BUSINESS COUNCIL

- **Small Business advocacy**
- **Monitoring the impact of small business in the economy;**
- **Monitoring the impact and effectiveness of existing institutions and programmes for small business development;**
- **Ministerial Advice (pro-active as a result of research done and responsive based on Ministerial requests)**

By nature of its establishment and context of its work;

- **The role of the Small Business Advisory Council requires interaction with other government departments**
- **Small Business Advisory Council to be recognized as a Body of experts providing an independent view on how government as whole responds to the small business development challenge (autonomy)**



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FOCUS STRATEGY IMPLEMENTATION ADVOCACY

ENTERPRISE DEVELOPMENT

The Secretariat will be staffed with officials of the dti, and be responsible for the following functions:

- **Assisting the Council with effective and efficient administrative support;**
- **Managing and controlling the NSBAC budget;**
- **Co-ordinating communication to the Minister;**
- **Providing the Council with relevant information from the Department and other government departments;**
- **Prioritising issues or concerns raised by small business for the attention of the NSBAC;**
- **Managing the implementation of existing and new assignments commissioned by the Council, and the compilation of a directory of previous studies;**
- **Fostering partnerships with relevant bodies in the small business sector; and**
- **Publicising and maintaining a positive and professional image of the Council.**



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FOCUS STRATEGY IMPLEMENTATION ADVOCACY

ENTERPRISE DEVELOPMENT

WHAT DISTINGUISHES THE NSBAC FROM OTHER "BUSINESS BODIES"

- **The Council is independent in formulating the advice it gives to the Minister and is therefore an objective advisory body.**
- **The Council possesses specialised small business skills and expertise**
- **Members of the Council are selected on the basis of their contribution to and knowledge of the small business sector and technical expertise in areas related to the sector.**
- **The Council has ongoing engagement in small business issues**
- **The Council has or can establish linkages with other players that can add value to small business development and monitoring effectiveness of support programmes**
- **The Council fills the void between existing bodies and the Minister**



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THE WORK OF THE COUNCIL

ENTERPRISE DEVELOPMENT

The Councils Spent a greater part of its work consulting the stakeholders across the country and undertook the benchmarking activities.

Based on this the council recommended the following:

- **Measuring the value of Annual Small Business Summit and other imbizo's and road shows is essential.**
- **Improving the functionality/independence of NSBAC and meeting its budgetary requirements in order for it to function properly;**
- **The emergence of multiple small business organizations and the lack of integration, co-operation and a strong voice remains a problem;**
- **Need for further relief and exposure for small business, e.g. VAT, tax, grants-in-aid, international tours for exposure including Africa, mobile services by the dti agencies to rural communities, simplifying procurement procedures, e.g. tax certificates, complicated tender forms, levies, etc**

The Council has finished its term and the department is in the process of appointing a new Council.



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THANK YOU