

Minister Lindiwe Zulu's 2014/15 Budget Vote Speech for the Department of Small Business and Development

23 Jul 2014

Honourable Chairperson/ Madam Speaker;
Minister Davies and other Ministers;
Deputy Minister Thabethe;
Deputy Minister Masina and other Deputy Ministers;
DG Mr Lionel October;
Acting DG Ms Pumla Ncapayi;
Honourable Members;
Chairmen and CEOs of State Owned Companies;
Distinguished guests;
Captains of Industries;
Ladies and gentlemen.

We have just returned from a flurry of activities responding to a call by our government to honour the birthday of the late Comrade Nelson Mandela. Thousands responded positively. I for one joined the Premier of the Free State Comrade Ace Magashule in cleaning and painting Pelenomi Hospital. We take the opportunity to thank all who positively responded to this noble call. This show of solidarity and responsibility Chairperson, Honourable Members, should extend beyond just honouring Comrade Nelson Mandela.

There are critical areas in the life of South Africa that need unity of purpose, one of which would be the support for the call by the ANC for radical economic transformation. Furthermore it is important to, that the ANC is not anti-business, however, it has a responsibility to radically respond to the needs of the people including strong protection measures against exploitation and unjust measures. The ANC stands for an economy that is inclusive equitable and fast growing.

Those still debating the concept of radical economic transformation should realize it's a do-or-die situation for the majority black people of South Africa. Government cannot forever be a buffer between the rich and poor, neither can it be a scapegoat for those who prefer to meander or sit on the fence and not contribute meaningfully to the socio-economic challenges facing our country; this country belongs to all of us.

Government must deliver on its promises and create a conducive environment for all to earn their living. Together we will move South Africa forward. The world is conscious of the deep wounds inflicted upon our people by the defeated apartheid regime, it is also aware of our efforts to heal, but the focus on us is no longer as it was 20 years ago. The world that supported us is going through its own challenges, with some now looking at us as competitors. We therefore need to step up and take responsibility of our destiny.

Honourable Members, we must focus on ourselves and our needs, while realizing our commitment to African development and to the better world we envisage. Our ultimate goal is to build a South Africa with decent employment, entrepreneurial opportunities, a vibrant economy and a high quality of life; a South African economy geared towards addressing the triple challenges of unemployment, poverty and inequality.

Honourable Speaker/ Chairperson it is an honour for me to present my maiden budget vote jointly with the Department of Trade and Industry (dti), a department that has been the custodian of Small Medium

and Micro-sized Enterprises (SMMEs) and Cooperatives. I am ably supported by Deputy Minister Elizabeth Thabethe, in this regard.

Chairperson, honourable members,

In the past years, much has been done by the dti and Department of Economic Development respectively to address SMMEs and Cooperatives. However, and due to the ANC's recognition of the importance of this sector, as well as listening to the calls by SMMEs and Cooperatives for a stand-alone Department, the ANC-led government decided to create a Department to give undivided attention, with its own budget and structures to advance the interests of SMMEs and Cooperatives.

Chairperson it is important for us to note the programmes considered by the dti during the previous financial year including:

- Through the Incubation Support Programme, the dti has to date approved support to 39 incubations amounting to R590 million focusing on agriculture, services and the manufacturing sector. In addition the Small Enterprise Development Agency (SEDA) Technology Programme has created 291 new Small and Medium Enterprises (SME) entrants, supported 1227 existing SMMEs and created 1258 employment opportunities.
- Centres for Entrepreneurship, the King Hintsa FET College in Eastern Cape focusing on agro processing as well as Ekurhuleni West College in Gauteng focusing on welding and waste management. In the current financial year we envisage establishment of two additional institutions to upscale our efforts on entrepreneurship.
28 projects were approved through the Support Programme for Industrial Innovation (SPII) amounting to R76 million with beneficiaries from Gauteng, Western Cape and KwaZulu-Natal. Areas of focus include the green economy, ICT, energy, manufacturing as well as manufacturing.
- Through the dti, the review and amendment of the Cooperatives Act and National Cooperatives Strategy has been completed and these will allow for the establishment of new institutional arrangements such as the Cooperatives Development Agency and Cooperatives Tribunal. In addition a total of 243 projects amounting to R62 million were funded through the Cooperatives Incentive Scheme during the previous financial year, with 1897 beneficiaries of which 990 were female, 253 youth, 25 with disabilities and 629 as male beneficiaries.
- The new Small Business Development (SBD) department will continue collaborating with Provincial entities to advance the Cabinet Decision of 2007 which calls for 85 % procurement of ten specified products and services (set asides). Within this context I would like to commend KwaZulu-Natal, Eastern Cape and most recently Free State on their efforts to advance the initiatives of the cooperatives movement in South Africa.
- Furthermore the dti has approved the establishment of the Secondary Marketing Cooperatives as well as an incentive amounting to R10 million per cooperative, focusing on enhanced value-add in respect of goods and services, use of technology as well as improved logistics and infrastructure.
- In addressing measures for a conducive environment, the dti has recently launched the National Informal Business Upliftment Support which will enhance enterprise development support, and coordinate intergovernmental and stakeholder relations for broader participation of South Africa's informal sector in the economy. In addition to this the implementation of the Integrated

Small Medium Micro Enterprise and Cooperatives Development will allow for harmonisation and co - locating opportunities in the informal sector.

- Furthermore the Red Tape Reduction Measures for Municipalities were launched and rolled out in all 9 Provinces. These will allow for reducing red tape at local government and also serve as a means for local business environment monitoring mechanism.
- During the course of the previous financial year the dti approved a Youth Enterprise Development Strategy aimed at increasing the contribution of youth owned enterprises to South Africa's GDP. The Youth Strategy envisages direct support schemes for young entrepreneurs with an objective of creating and managing sustainable and efficient business capable of providing decent permanent jobs. In this regard my department will take the lead in the implementation of these programmes in collaboration with other departments and this will serve as direct response to South Africa's National Youth Policy.

Honourable Members, it became imperative to set up a focused centre to help create a conducive, legal and regulatory environment including support for infrastructure and mechanisms to assist SMMEs and Cooperatives to grow sustainably. This centre will scale up support and expand the number and viability of the sector to achieve the development vision.

The SBD aims to provide extensive support to small business and cooperatives, increase support through consolidated public agencies, enterprise coaching, mentorship, incubation and intensive support programmes.

We will build on the commitment in the social accords to bring black owned small business and cooperatives into the supply chain of large companies and the public sector. We will also mobilize the private sector and state owned enterprises to support SMMEs and Cooperatives.

Chairperson, the National Development Plan (NDP) envisages a treble sized economy by 2030 with a target of 11 million job opportunities and SMMEs and Cooperatives can make a meaningful contribution to this objective. We believe SMMEs and Cooperatives are a critical means to empower our people, a mechanism to draw new entrants into the economy, strengthen inclusive growth, build the social economy, encourage solidarity and create large numbers of jobs.

We envisage a close collaboration with Ministers Davies, Patel and their Deputies and draw on their respective experiences. This will allow for a successful and complete migration of functions, programmes and projects that have been in their purview. A coordinated effort is important as we believe the work around SMMEs and Cooperatives cuts across almost all government departments.

Chairperson, we present the budget mid-year and also at a time when we are engaged in the process of configuring the department as well as fulfilling the government's plans to implement the changes to effect the macro-organisation of the state.

We are conscious of the need to establish the department with high speed, SMMEs and Cooperatives cannot afford vacuums of any sort. Within this context we have been mindful of the end user and have considered business continuity as a principle of which recipients will continue to benefit whilst we configure our department.

We cannot afford to disappoint organisations such as Black Business Council, National African Federated Chamber of Commerce (NAFCOC), the Cooperatives movement in South Africa and many others including Mr Sandile Zungu and our Honourable Chairperson Ruth Bengu who's passion for cooperatives runs deep.

Chairperson, facts and figures indicate that: SMMEs contribute 57% of South Africa's GDP and account for 56% employment (77% with Informal sector). In an attempt to benchmark South Africa's performance, there are three countries of interest, Brazil, Chile and India whose SMMEs and coops have approximately contributed 20% to their country's GDP and employs 60 million people. This highlights the significant contribution by SMMES and cooperatives towards economic growth.

The department, guided by this understanding, will have to ensure a concerted effort focusing on enhancing areas such as policy, regulatory environment, advancing localization as well as leveraging on public procurement, financial and non-financial support, human capital, skills development, competitiveness, access to markets and entrepreneurial culture.

These elements will be achieved through enhanced coordination and transversal agreements with government entities and State-owned Enterprises whilst ensuring measurable accountability of State Institutions in support of SMMEs and Cooperatives.

Chairperson, Honourable Members, in advancing the initiatives of the SBD, we will be looking at up-scaling the identified interventions, enhancing existing partnerships to enable a structured approach to the envisaged transversal agreements with government departments and State-owned entities. Furthermore there shall be a concerted effort in our engagement with the private sector and labour to sustain the gains and advance the common objective of supporting this sector. These will be considered as parallel and important processes whilst we configure the department.

With this in mind my department will focus on :

- Active participation of SMMEs and Co-ops in the priority sectors as identified in National Development Plan , Industrial Policy Action Plan and New Growth Path as well as the priority areas for public procurement.
- Implementation of the entrepreneurship programme through Centres for Entrepreneurship in all 9 Provinces.
- SEDA Technology Programme in the 9 provinces.
- Incubation Support Programme.
- Increased and expanded demand for goods and services produced by Small Businesses and Cooperatives.
- Implementation of programmes to enhance secondary cooperatives for inclusion into value chains.
- Implementation of National Informal Business Upliftment Support.
- Collaboration with the dti on implementation of Export Villages.
- Support for township economies jointly with Economic Development

Lastly Chairperson and Honourable Members I thought it would be important to indicate and for the record the migrating functions, programmes and projects which will include:

- Cooperatives Strategy;

- Gender and Women Empowerment Programmes;
- Incubation Support Programme;
- Support for Township business;
- Enterprise Development Programme;
- Centres for Entrepreneurship;
- Small Enterprise Finance Agency (SEFA);
- SEDA; and
- Financial incentives within the dti that have supported SMMEs as well as Cooperatives.

We have also taken note of the views to include Cooperatives to our department's name and we will consider this through the relevant processes and structures for possible amendment.

Chairperson, I wish to thank the Portfolio Committee, Deputy Minister Thabethe for her unwavering support and valuable leadership, the staff in my Office, staff Broadening Participation Division, and my family represented by my son, who has made it possible for me to deliver on this budget vote.

In conclusion my department will work tirelessly towards advancing the radical economic transformation as expressed in the Manifesto of the ANC and through our accepted blue print, the NDP, which advocates for the objectives of a developmental State.

Honourable Chairperson I hereby pronounce on Budget Vote 36 as collectively presented by the leadership of the dti and the SBD, which have focused on the elements that are aimed at advancing our mandate as the department.

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