



Securing a Conducive Environment for Sustainable SMME
Development

by

The Deputy Minister of Economic Development

Prof. Hlengiwe Mkhize, MP

Sefa Public Outreach in Collaboration with the Nelson

Mandela Bay Business Chamber

Venue: Garden Court, Kings Beach

La Roche, Humewood, PE

Date: 18 March 2014

Nelson Mandela Bay Executive Mayor, Councillor: Ben Fihla

sefa Chairperson, Dr Sizeka Magwentshu-Rensburg

sefa CEO, Mr. Thakhani Makhuvha

Nelson Mandela Bay Business Chamber representation

Distinguished guests

Colleagues

It is such an honour for me to be standing here in front of you today, participating in this crucial event for the SMMEs in this municipality. When the department started in 2010, we had to come up with a policy document to help us measure the progress made whilst at the same time putting the country on a new growth trajectory. The New Growth Path (NGP) identifies key “jobs drivers” for creation of decent jobs and inclusive growth. These are,

1. Infrastructure for employment and development
2. Improving job creation in economic sectors (Agricultural-, Mining-, Manufacturing- , Tourism & High-level services value chains)
3. Seizing the potential of new economies (Green, Knowledge)
4. Investing in social capital (Social economy, Public Sector)
5. Spatial Development (Rural development, African regional development)

These **jobs drivers** are sectors that have a relatively high level of value add while generating employment both directly and indirectly.

The focus on **high-value-add production of goods and services** aims to ensure that the core economy develops self-sustaining growth even if the activities involved themselves do not generate employment or support smaller producers directly on a large scale. The commitment to developing **action plans for agriculture and mining** on the lines of IPAP are critical instruments for achieving this aim.

The Department has as one of its duties, oversight of a key agency for smaller enterprise – the Small Enterprise Finance Agency or **sefa**.

Sefa was established in the 2011/12 financial year through **the consolidation of Khula and Samaf**, which provided credit to small and micro enterprise respectively, with the IDC's small and

medium financing facilities. The IDC committed over R1 billion in additional funding to this newly created agency.

In May 2013 **sefa** celebrated its first anniversary with a good record of having **doubled the approval and disbursement rates** achieved in the previous financial year by Khula and Samaf together.

Over **R439-million** was approved for **direct lending** by **sefa** and for **wholesale lending channels**. Of the R439-million, **R146 million** was for direct lending and **R293 million** for wholesale lending channels. Over **47 000 SMMEs** were supported covering **an estimated 53 700 jobs**.

During the financial year 2012/13, a commitment to provide special finance for executing the Youth Employment Accord was made by EDD public entities - **sefa** and IDC. Nearly **R3 billion** was committed by these public entities, which is not only for financing youth business and industries, but **to serve as a stimulant for private sector** and other social partners to make

and or **increase their youth business targeted financial support.**

To date SEFA has total loan approvals of about R950-million which is higher than the set target of R815-million. SEFA's total disbursements to date is R454-million, they are now at 61% of their spending. The total funding allocation for the next five years is R6.5 billion. SEFA ring fenced **R1.7 billion** over the next five years to support young entrepreneurs and promote youth mainstreaming in the economy particularly those contributing in addressing the challenging youth unemployment.

The department is also in support of policy documents such as the Broad-Based Black Economic Empowerment. If implemented correctly, the BBBEE policy has a potential to create the much needed black industrialist in our economy. The policy can also help uplift the young and upcoming small businesses grooming them as suppliers for example.

Through the New Growth Path (NGP), department is also in support of and participates in important policy processes such as the **Industrial Policy Action Plan (IPAP)** which is owned by **the dti**. The NGP knits together the Industrial Policy Acton Plan (IPAP) 2 as well as policies and programmes in rural development, agriculture, science and technology, education and skills development, labour, mining and beneficiation, tourism, social development and other areas.

The IPAP is intended to:

- Facilitate diversification beyond traditional commodities**
- Increased value addition in tradable goods and services**
- Long term industrialisation**
- Promotion of long term labour absorbing economic development**
- Industrialisation that ensures increased participation (B-BBEE) and marginalised regions**

- **In the medium term contributes to building industrial development on African continent**

SMMEs should position themselves strategically to be able to enjoy benefits available. For example SMMEs can come together and make a manufacturing cooperative. By doing this they will enjoy benefits offered by a policy such as the IPAP whilst on the other hand enjoying benefits offered to coops. SMMEs should also take advantage of opportunities offered by industrial zones such as this one closer to you (COEGA IDZ). If it looks too huge a step to take, come together as cooperatives and there shall be no limit to the things you can achieve.

I thank you.