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**GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS**

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**DEPARTMENT OF SMALL BUSINESS DEVELOPMENT****NO. 3054****17 February 2023****NATIONAL INTEGRATED SMALL ENTERPRISE DEVELOPMENT STRATEGIC  
FRAMEWORK AS THE NATIONAL SMALL BUSINESS SUPPORT STRATEGY****FINAL NATIONAL INTEGRATED SMALL ENTERPRISE DEVELOPMENT STRATEGIC  
FRAMEWORK**

I, Ms S Ndabeni-Abrahams, Minister of Small Business Development, hereby publish the National Integrated Small Enterprise Development (NISED) Strategic Framework, which I prescribe in terms of Chapter 1 definitions of the National Small Enterprise Act, 1996 (No. 102 of 1996) amended, as the National Small Business Support Strategy.

2. Furthermore, members of the public are notified that the soft copy version of the NISED Strategic Framework is accessible on the Department of Small Business Development website on [www.dsbd.gov.za](http://www.dsbd.gov.za).

3. Enquiries can be directed to Mr Vukile Nkabinde on [VNkabinde@dsbd.gov.za](mailto:VNkabinde@dsbd.gov.za) or Mr Tshepo Lebaea on [TLebaea@dsbd.gov.za](mailto:TLebaea@dsbd.gov.za)



Ms S Ndabeni-Abrahams (MP)  
MINISTER OF SMALL BUSINESS DEVELOPMENT  
DATE: ...31 /..01.. /2023

# National Integrated Small Enterprise Development (NISED) Strategic Framework (Masterplan)



**small business  
development**

Department:  
Small Business Development  
REPUBLIC OF SOUTH AFRICA



SOUTH AFRICAN  
**ECONOMIC  
RECONSTRUCTION  
AND RECOVERY**  
BUILDING A NEW ECONOMY





### Theme for NISED

Through partnerships we can support and develop Small Enterprises and advance economic recovery, growth and job creation. Together we can build sustainable and competitive small enterprises for inclusive economic growth and sustainable livelihoods.

### Statement of Purpose

The purpose of this document (core) is to strengthen and implement the vision of the White Paper – The National Strategy for the Development and Promotion of Small Business in South Africa and to provide the strategic framework of the National Integrated National Small Enterprise Development (NISED) for the support and development of growth to MSMEs in South Africa.

**Duration of the NISED Strategic Framework – 10 years (2022/32).**

**November 2022**

### Statement of Target

Throughout this document references are made to MSME's, small business as well as small enterprise. It is important to note that these references identify class sizes of firms which employ below the employment thresholds as prescribed by the NSEA. These firms may be constituted in a private company, informal sector or a cooperative arrangement and are inclusive. A special emphasis of the NISED is directed towards firms that employ below 50 employees.

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# Abbreviations and Acronyms

<b>4IR</b>	Fourth Industrial Revolution
<b>ADR</b>	Alternative Dispute Resolution
<b>AFS</b>	Annual Financial Survey
<b>APP</b>	Annual Performance Plan
<b>ASGISA</b>	Accelerated and Shared Growth Initiative for South Africa
<b>B-BBEE</b>	Broad-based Black Economic Empowerment
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>CDS</b>	Co-operatives Development Strategy
<b>COVID-19</b>	2019 Novel Coronavirus
<b>DDM</b>	District Development Model
<b>DPME</b>	Department of Planning, Monitoring and Evaluation
<b>DSBD</b>	Department of Small Business Development
<b>DTI</b>	Department of Trade and Industry
<b>Dtic</b>	The Department of Trade, Industry and Competition
<b>EDD</b>	Economic Development Department
<b>E-governance</b>	Electronic Governance
<b>ESG</b>	Environmental, Social and Governance
<b>ERRP</b>	Economic Reconstruction and Recovery Plan
<b>GDP</b>	Gross Domestic Product
<b>GEAR</b>	Growth, Employment and Redistribution
<b>IBDS</b>	Incubation and Business Development Services
<b>ICT</b>	Information and Communications Technology
<b>IFC</b>	International Finance Corporation
<b>ISPESE</b>	Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprises
<b>MSE</b>	Micro and Small Enterprises
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>MTSF</b>	Medium Term Strategic Framework
<b>NIBUS</b>	National Informal Business Upliftment Strategy
<b>NEDLAC</b>	National Economic Development and Labour Council
<b>NDP</b>	National Development Plan
<b>NISED</b>	National Integrated Small Enterprise Development
<b>NSEA</b>	National Small Enterprise Act
<b>PAYE</b>	Pay As You Earn
<b>PFMA</b>	Public Finance Management Act
<b>RDP</b>	Reconstruction and Development Programme
<b>RIA</b>	Regulatory Impact Assessment
<b>SA</b>	South Africa
<b>SAMAF</b>	South African Micro Finance Apex Fund
<b>SARS</b>	South African Revenue Service
<b>SBC</b>	Small Business Corporation
<b>SEDA</b>	Small Enterprise Development Agency
<b>SEFA</b>	Small Enterprise Finance Agency



<b>SEIAS</b>	Socio-Economic Impact Assessment System
<b>SMME</b>	Small, Medium and Micro Enterprises
<b>SOE</b>	State Owned Enterprises
<b>Stats SA</b>	Statistics South Africa
<b>TVET</b>	Technical Vocational Education and Training
<b>VAT</b>	Value Added Tax





## Executive Authority Statement

I hereby present the National Integrated Small Enterprise Development (NISED) strategic framework as the updated integrated national strategy to support and develop small enterprises. National planning to support small enterprises has been central to strengthening MSMEs and cooperatives. This plan forms our national governments' third strategic integrated plan for the development and support of small business communities, including cooperatives. Since the advent of democracy, the prioritisation of small business has been a prominent feature in South Africa's economic policy. The White Paper - adopted in February 1995, was the first national strategy implemented in the country, followed by the Integrated Strategy for Entrepreneurship and Small Enterprises (ISPESE). Each plan initiated key developments to achieving a transformed economic future for all of society.

The White Paper set the goals and established the framework for the adoption of the National Small Enterprise Act (as amended), which has been a critical legislative commitment for coordinating and developing our small business communities. The ISPESE tabled with amendments to the Act aligned the establishment of the Small Enterprise Development Agency (Seda) to the strategic focus on developing a thriving entrepreneurial culture. Today the NISED strategic framework is undertaken to build on the developments of the work done in the past and to set critical actions for our medium-term strategic goals for the development and support of the small business communities. Lessons from our previous plans emphasised the need for greater coordination to ensure better effectiveness and efficiency in delivering the support packages and programmes. These lessons are fundamental to the NISED.

The NISED is not published as a separate strategic plan nor as a departmental Masterplan, but as part of a package of strategic actions tabled by the Sixth Administration. At the departmental level, the plan is implemented in conjunction with the Strategic Plan of the Department of Small Business Development (DSBD) as referenced in each year's Annual Performance Plan (APP), which is aligned to the Medium-Term Strategic Framework (MTSF) and the budget allocation of the Fiscus. The overall objective of the NISED strategic framework is to coordinate the many actors on essential undertakings as tabled in the National Development Plan (NDP) and the new Economic Reconstruction and Recovery Plan (ERRP). It is wholly understood that the development and support of small businesses is

not the domain of one department but the collective action of many public and private actors. Coordinating the efforts of many will not be an easy task, but it must be done to ensure that we achieve our goals of a prosperous and transformed South Africa to catalyse a speedier course in tackling the triple challenges of poverty, inequality and unemployment.

South Africa has faced enormous adversity in the past year following the devastating impact of the global COVID-19 pandemic. This is not only a South African phenomenon as we share this global health crisis with many across the globe. A brief period of global recovery in 2021 has been dealt a set-back with the conflict in Ukraine and associated volatilities which will impact global patterns of trade, production and consumption. The vulnerabilities of our economy have seen many of our communities experience devastating effects due to the unequal ravages of our past and the stagnant and lacklustre growth experienced in recent years.

A clear shift is required to ensure we mitigate against further erosion of jobs and livelihoods and to this end, the South African Government has developed and is implementing the Economic Reconstruction and Recovery Plan. The ERRP targets crucial actions to bring together social partners to generate growth and inclusive development, and is aimed at building back better, with a greener, more digitally enabled, and more inclusive economy. As announced in the 2022 State of the Nation Address, a social compact is being assembled to enable the growth, jobs and inclusivity goals of the ERRP.

The NISED is intended to support and work in combination with the ERRP and various Sector Masterplans, adding value through growing the contribution of MSMEs to national output and employment. In line with the Social Compact, this will be done through collaborative partnerships with business, labour and civil society. The DSBD's role is to facilitate, coordinate and strengthen these partnerships. As a critical instrument to enable these partnerships, this plan will introduce the concept of "Game Changing Programmes" to leverage capacity and resources and have high impact both on survivalist enterprises and co-operatives, as well as on competitive, high-growth MSMEs.

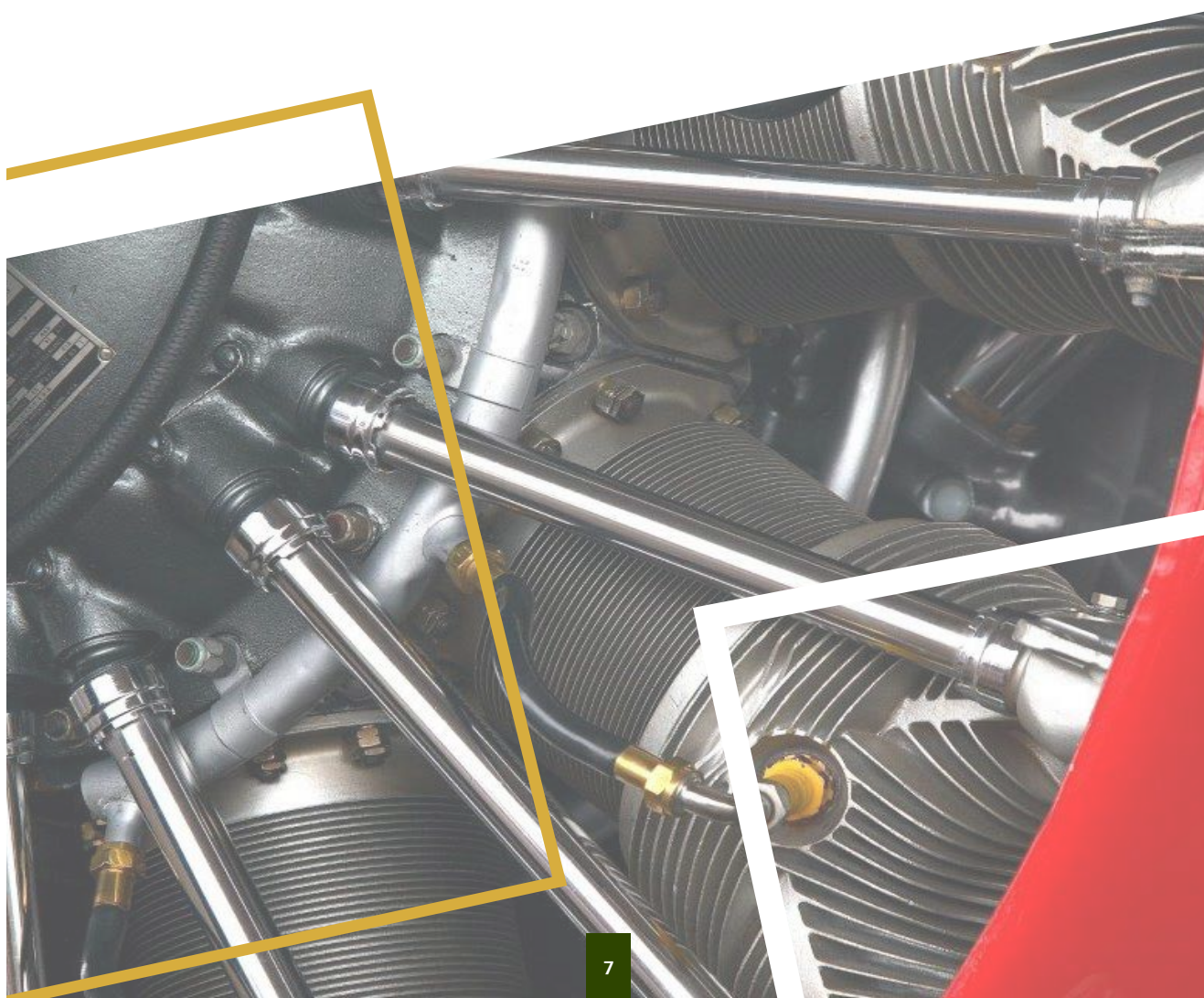
In this sense, the NISED is a support framework for the entire MSME ecosystem, enabling various public and private actors to operate in a targeted, collaborative and coordinated manner. A critical part of the ecosystem is to ensure that the policy, regulatory and legislative climate is fit for purpose to foster MSME growth and facilitate an enabling environment. The need to support and work with the Red-Tape Reduction Office in the Presidency will be vital.

The NISED is based on four key pillars with measurable outcomes and outputs to achieve recognisable impact. Pillar/Outcome 1 outlines the work to facilitate well-informed MSMEs with continuous monitoring, evaluation and learning. Pillar/Outcome 2 outlines the focus on facilitating policy, laws and regulatory reform to enable MSME growth and efficient governance. Pillar/Outcome 3 details the steps to be taken to ensure that effective support and services are delivered for MSME growth, both financial and non-financial, and Pillar/Outcome 4 bring together a coordinated government with strengthened private sector partnerships for MSME growth.

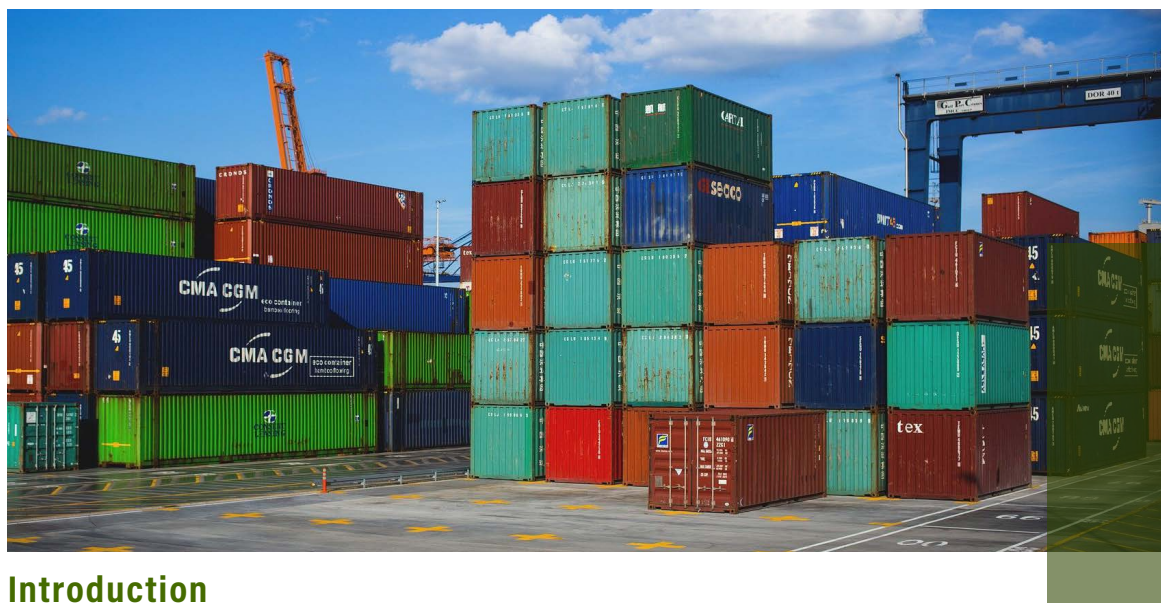
It is critical that we integrate a “life cycle” approach to all our support programmes to ensure that we tailor the support offerings of the NISED to the differentiated enterprise needs of all MSMEs, including township and rural enterprises, suppliers in key value chains, innovative start-ups, and those with the highest propensity to create jobs. Under-served communities, and especially black-owned, women-owned and youth-owned enterprises will receive particular focus.

I am confident that this NISED will rapidly and fundamentally shift the dial on the country’s growth, unemployment and inequality crisis, and move us to a more prosperous economy for all.

**MS. STELLA NDABENI-ABRAHAMS, MP**  
Minister of Small Business Development







## Introduction

The Department of Small Business Development presents this document to facilitate continuous consultation in developing programmes and policy for the growth and development of MSMEs. The NISED forms the third iteration of the high-level strategic framework of MSME development and targeted support, following the White paper in 1995, the Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprise (ISPSE) in 2004 and the Improvement plan developed in 2019 post the ISPSE's evaluation. The NISED represents the next 10-year strategic approach to facilitating the promotion of entrepreneurship, growth and support of MSMEs in line with the NDP targets to assist small business.

Understanding that these difficult economic, trade and health circumstances precipitated by the Covid-19 pandemic have put immense pressure on the development and growth of MSMEs, the NISED represents a partnership-led approach to urgent economic recovery and a sustained focus on practical MSME support. In response to the country's socio-economic challenges, the Presidency launched the Economic Reconstruction and Recovery Plan (ERRP) in late 2020. The NISED's strategic actions align with supporting the ERRP, particularly to intensify MSME's integration in the mainstream economy.

The NISED strategic framework is structured as an outcome-based strategy to help coordinate the many actors invested in small enterprise support and development. Therefore, a key thrust of this strategic framework is principled on targeted and tailored support for the different life cycle stages of MSMEs and is inclusive of all types of business ownership and population demographics. Targeted and tailored support requires a rethink of the "one size fits all approach" to MSME development. A key principle of the NISED is inclusivity which aims to effect positive change in transforming the economy for all types of micro and small enterprises, particularly those that employ below 50 employees. Building a strong ecosystem of support actors is essential for the NISED to yield results and to this end the NISED emphasises strengthening partnerships for delivery and support, especially with the private sector. Following a tailored context to development, the NISED emphasises the importance of distinctions of micro, small and medium enterprises and supporting and encouraging women and youth enterprise development. Through partnerships we will make greater impact.

Section A of the strategic framework, as follows, provides the rationale for the NISED. Against this background, Section B introduces the new integrated approach to the growth and development of MSMEs and presents fundamental principles underpinning the NISED. Following extensive consultation between government at all levels, business across South Africa, civil society, labour and other key stakeholders, Section C of the strategic framework will provide the practical actions and activities in alignment with the outcomes and outputs. These project and programme actions will be reviewed and publicly reported on annually in the Annual Review for Small Business as prescribed in the National Small Enterprise Act (NSEA) (against measurement criteria) to publicly track and monitor progress. Section D presents implementation considerations and the summary table of actions.

## Section A: Background and Overview

Since the publication of the white paper in 1995, MSMEs have been recognised for their strategic importance in addressing inclusive economic growth, job creation and transformation. The National Development Plan Vision 2030 also places significant importance on the MSME segment of the economy to drive productivity growth and job creation. The 1995 White Paper estimated 800 000 MSMEs operating in the economy at that time.

However, estimates in 2018 show that less than 300 000 formal MSMEs provide formal employment (i.e. file an IRP5 PAYE tax form). It is estimated that there are between 600 000 to 800 000 formal enterprises in existence; these include sole proprietor owned businesses registered for tax. This suggests that in the past three decades, MSME growth has been stagnant at best. Estimates for the informal economy show between 1,2 million and 1,5 million survivalist or informal type enterprises.

This highlights that before COVID-19, South Africa was facing considerable socio-economic challenges. Soaring unemployment, stagnant economic growth, rising inequality, fiscal constraints and sub-investment downgrades. Furthermore, a review of the NDP conducted by the National Planning Commission in late 2020 highlighted ineffective support to MSMEs, market and regulatory barriers to the environment hampering their formation growth and employment potential. The report highlighted that MSMEs have declined in overall employment and have had little support from DFIs where finance is provided similarly to traditional finance institutions.

The COVID-19 pandemic accelerated these challenges and brought them into sharp relief. Health-related lockdowns have seen many micro, small and medium enterprises (MSMEs) close-down and jobs shed significantly, with poverty increasing. Rising above these challenges will take considerable effort by all South Africans. Government is committed to a strategy that supports the development and growth of MSMEs as an essential segment of the country's economy to help drive South Africa's economic recovery and follow a path of sustainability built on sustained investment, enhanced productivity and expanding employment opportunities. The strategic framework recognises that with the tightened fiscal environment, the role of the State will need to shift to one of leveraging resources and strengthening partnerships at all levels both within and outside of the State.

The NISED is about increasing the participation of informal, micro and small enterprises (MSEs) in the formal economy as well as enabling the already formal micro, small and medium-sized enterprises (MSMEs) to grow. At its core, this strategic framework represents a national strategy to coordinate governments efforts in partnership with private sector actors by building a supportive ecosystem for MSMEs to thrive and grow. Key impacts of the NISED are indicated by:

1. more small enterprises productively contributing to GDP.
2. significant increase of formal employment by MSMEs.
3. intensifying formalisation and sustainability of MSMEs to support transformation
4. raising the productivity and competitiveness of MSMEs

The NISED is structured as an outcome-based strategy to help coordinate and partner with the many actors invested in small enterprise support and development. A considerable emphasis of the strategic framework is around ensuring that governance systems (in support of MSMEs) are better functioning, in alignment with the national government's objectives to improve efficiencies. A core element is building and strengthening partnerships with business, labour and civil society at the local level to improve services, products and opportunities for MSMEs. These partnerships are detailed in the strategic framework under project areas that align with the strategic framework's overall outputs and outcomes.

The national government in South Africa has embarked on a sectoral-based inclusive growth programme in collaboration with Business and Labour to identify, investigate and implement innovative and practical interventions to the key challenges facing the South African economy.

Masterplans are being developed for several key industrial sectors with the overall strategic objective to facilitate the transformation of the economy to promote industrial development, investment, competitiveness and employment creation. The sectoral based Masterplans are the outcomes of evidence-led research into each of the sector's value chains, including multi-sectoral socio-economic research and review of spatial development practices to identify economic opportunities in local development areas, regions and provinces.

In addition, the national government has introduced an integrated approach towards nation-wide economic coordination. The purpose is to collaborate, coordinate and target cooperative planning and investment efforts, requiring an outcomes-based approach. This approach is further outlined by the District Development Model (DDM) under the one district and metropolitan municipality integrated plan, presenting a united plan for development. Likewise, the Presidency has published the ERRP for the country's economic recovery to which MSMEs are integral.

This document sets out a strategic framework for the Department of Small Business Development (DSBD) National Integrated Small Enterprise Development (NISED). It represents a national support strategy as prescribed by the National Small Enterprise Act, 1996 (as amended) to advance a thriving MSME sector that contributes meaningfully to the National Government's inclusive growth and job creation targets.

This document should not be viewed in isolation. It forms part of the package of the sectoral Masterplans and is in alignment with the government's integrated approach to coordinating economic development. An integrated approach, underpinned by cooperation and coordination with other actors engaged in small enterprise support and development, is a key thrust of the DSBD. The National Development Plan Vision 2030 (NDP) emphasises the importance of MSMEs and their contribution to the growth and development of an inclusive South African economy. The NDP emphasises the importance of lowering barriers to entry, employment and regulatory reform for small enterprises to start, run and grow their operations. As noted above, the review of the NDP in 2020 highlighted ineffective support to MSMEs and market and regulatory barriers to the environment hampering their formation and growth.

### **Problem Statement**

Despite considerable resources and policy intervention to support MSMEs, support for these enterprises remain uncoordinated and fragmented with duplication of initiatives based on symptoms and, at best anecdotal evidence. Research and data to monitor MSME performance remain elusive at the national level, resulting in the ill-informed design of programmes and support to match MSME needs and opportunities (financial and non-financial). This continues to result in low survival rates of MSMEs and stagnant growth.

### **Status of the NISED**

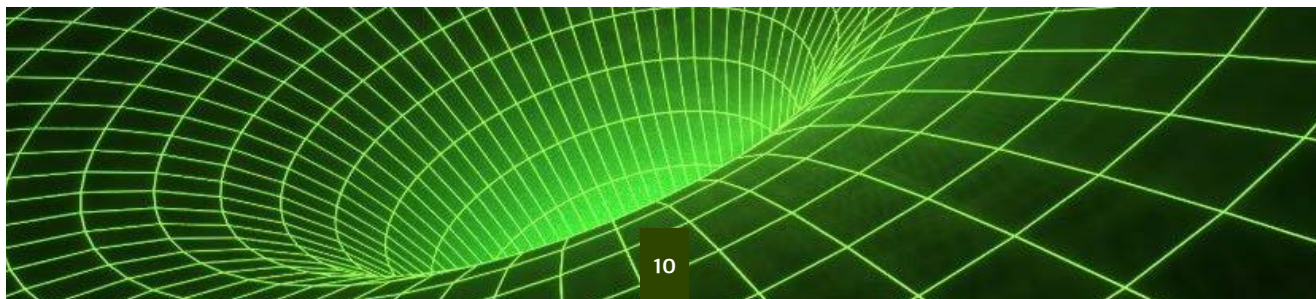
In response to the problem statement, the NISED represents the "National Small Business Support Strategy" as contemplated in the National Small Enterprise Act 102 of 1996 (NSEA as amended), aligning with the principles and directives contained in the founding White Paper. Gazetted as the DSBD National Small Business Support Strategy as contemplated in the NSEA under the title "The National Integrated Small Enterprise Development" (NISED), represents the framework for all actors to commit to measurable programmes, products and services to accelerate MSME growth in the economy and to support coordinated efforts. The NISED provides measurable targets. It is an outcomes-based strategic support framework for all actors to coordinate, measure, track and monitor their efforts. The measurement of committed programmes will be reviewed and revised at the national MSME summits held every two years. While the NISED is presented as a living document, its strategic framework, including the vision, mission and outcomes, will remain constant over its lifespan.

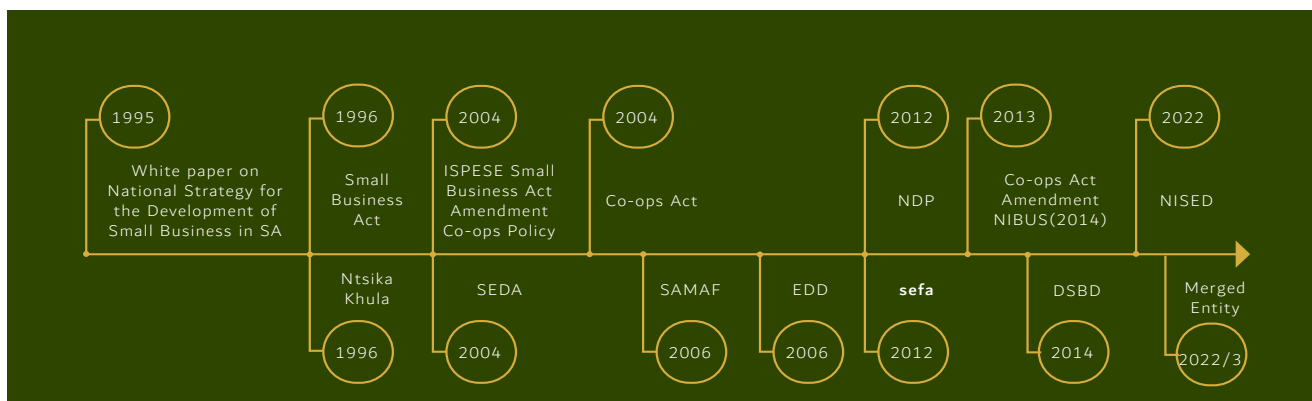
### **Background**

Globally, MSMEs account for most businesses worldwide and are essential contributors to economic growth and job creation. Accelerating the growth and development of South Africa's MSMEs has featured prominently in South Africa's various economic strategies: from the RDP in 1994, through GEAR and ASGISA, to the New Growth Path in 2010 and the current National Development Plan Vision, 2030.

The 1995 White Paper raised MSMEs to a level of strategic importance previously unheralded in South Africa. It identifies several constraints facing small enterprises relating to the legal and regulatory environment, access to markets, access to finance, access to non-financial support services, the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden, information and access to quality business infrastructure in poor areas or poverty nodes, all of which remain relevant today.

The National Small Business Act of 1996 (amended to National Small Enterprise Act) that followed provides for the implementation of the White Paper's developmental policy strategies for small business and giving effect to the creation of several implementation structures and policy implementation plans with the 2004-2014 "Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprises" (ISPESE) being the most recent.





Despite the considerable resources spent by Government over the past three decades to support and develop small enterprises, including the establishment of a separate ministry in 2014, evaluation of national government's ten-year (2004 -2014) "Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprises" (ISPESE), finds amongst others that:

- The contribution of small enterprises to investment and economic growth has been stagnant at best for the period of 2004 to 2015.
- MSMEs employing less than 50 people are becoming less important as job creators in the South African economy, at odds with the rest of the world.
- Skills shortages in the labour market have limited the ability of small enterprises to raise competitiveness, productivity and employment.
- While there has been rapid growth in the number of cooperatives in recent years, this has not translated in financially viable and sustainable entities.
- The environment in which small enterprises operate has become increasingly hostile to business, MSMEs carry a higher regulatory compliance cost burden than that of their larger counterparts.
- There is an ongoing need for reforms to the business environment to accelerate small enterprise sustainable growth and their contribution to the economy and employment.

The ISPESE evaluation echoes conclusions from assessments on the earlier 1995-2004 national small business strategy, which noted that:

- many of government's support programmes only tackle the symptoms of deeper-lying problems, preventing a more systematic approach to structural issues (e.g. access to finance, access to markets);
- lack of co-ordination at different levels of government on small enterprise development leads to less effective results and impact; and
- integration and interaction between government's small enterprise support programmes with other thrusts of the government's socio-economic development goals has been insufficient.

Small business is a critical segment of the business community. When stagnant economic growth negatively impacts the business community it affects small businesses more acutely. South Africa has for the past decade experienced low to stagnant economic growth, low productivity and policy misalignment. The challenges affecting the growth of MSMEs are as complex as those faced by the larger business across sectors, across value chains, but small businesses are less able by their size to weather the economic challenges presented by long periods of stagnation. A common thread that runs through both the ISPESE evaluation and assessment of government's earlier small business development efforts is the need for improved coordination by - and across - all spheres of government, and stronger partnerships between government and the private sector.

Intra-government coordination, together with strengthening partnerships with private sector actors, shape the strategic framework and thrust of the NISED to support the development and growth of small enterprises in South Africa's economy.

#### Definitions Matter: Defining Micro, Small and Medium enterprises (MSMES)

The description of micro, small and medium enterprises commonly referred to as "SMMEs" colloquially, has the tendency to drive a misconception that all micro, small and medium enterprises constitute a homogenous "sector". The ongoing use of the term "SMMEs" used to describe the community in South Africa has been described as unsuitable, misleading policy makers to focus on these firms with a "one size fits all" policy approach. It is also unique to only South Africa as the rest of the world describe - and differentiate - micro, small and medium enterprises as MSMEs.



Formal micro-enterprises and small and medium sized enterprises are distinctly different; they do not naturally merge in an unbroken continuum. Micro, small and medium enterprises are diverse; they range in size, and they operate in all sectors in the economy including manufacturing, retail, ICT, tourism, business services and agro-processing, amongst others. They constitute an important segment of our business community, operating in value chains across all key sectors in the economy.

Indeed, it can be said that the catchphrase "SMMEs" is used with an erroneous understanding that they represent only survivalist and emerging enterprises, with little commitment to advancing competitiveness and industrialisation. Understanding the dynamics at work at different stages in the firms' growth and the barriers they face to their growth - at different points of their growth cycle - enables targeted policies to be tailored for greatest impact among specific groups of firms. Be they in early-stage development, sustained business operation or growth.

In practice however, many government departments and independent surveys deviate in their use of definition, most often referring to small businesses in much broader terms than the official definition prescribed in the NSEA as amended. **The dtic**, SARS and Stats SA vary on the definitions that they each use to track and monitor MSMEs. Consequently, discrepancies have persisted since the development of the White Paper on how MSMEs are counted, which have further complicated the data gathering processes. For example, the B-BBEE definition, which is the pre-eminent policy for enterprise procurement among the private sector, has different definitions of MSMEs from the National Small Enterprise Act (NSEA).

The use of multiple definitions among policy documents and institutions is problematic for several reasons. Widely divergent definitions used in studies have produced data that often cannot be compared, adding to the fractured understanding of MSMEs in South Africa, rather than contributing to a more comprehensive picture. This is true from academic research as well as official government reviews. For example, researchers note that the figures of the total number of small businesses operating in South Africa remain elusive compounded further by the lack of disaggregated national statistics (including the informal sector) that track the contributions of MSMEs. Likewise, commentators note that because of definitional problems with MSMEs and weak data gathering processes it is not possible to develop a full picture of public procurement from small businesses in South Africa, a key strategic aim of all public policies.

Underpinning the problem too, was those definitions for micro, small and medium enterprises contained in Schedule 1 of the National Small Enterprise Act were not being regularly updated since the Act's promulgation in 1996. Only one amendment done in 2003. The definitions for micro, small and medium enterprises were recently updated and gazetted in 2019 by the Minister of Small Business Development.

## New MSME definition Schedule 2019

Enterprise Size	Number of Employees	Annual Turnover (in Rands) upper band
Medium	Fewer than 250...	R35 million to R220 million. Industry dependent.
Small	Fewer than 50.	R15 million to R80 million. Industry dependent.
Micro	Fewer than 10.	R5 million to R20 million. Industry dependent.

The National Small Enterprise Act and its amendments refer to MSME's in general as 'small enterprise'. In this context "Small Enterprise" refers to a separate and distinct business entity, together with its branches or subsidiaries, including co-operative enterprises that are managed by one owner or more and predominantly carried on in any sector or subsector of the economy as specified in Schedule 1 of the Act.

Moreover, the amended category size of co-operatives in the Co-operatives Act, 2005 (No. 14 of 2005) is not aligned to the National Small Enterprise Act as amended. For example, the Co-operatives Act, 2013 regulations state that Category A2 or Small Primary Co-operative is defined by annual revenue of below R 10 million in a given tax year. The number of employees or total full-time equivalent of paid employees' proxy is not accounted for needless to mention that the annual revenues defining the different co-operative sizes do not correspond with Schedule 1 of the National Small Enterprise Act as amended.

However, as the supplementary report cautions, these changes in definition do not alleviate the confusion currently in play across numerous policies and laws. For example, a Small Business Corporation (SBC) - as defined by the Income Tax Act - cannot exceed an income of 20 million Rands. These SBCs incur a lower tax rate structure. However, these firms should only qualify if none of the shareholders at any time during the year of assessment hold any shares or had interest in any other company, close corporation or co-operative which has not during any year of assessment carried on any trade and has never owned assets of more than R5 000. Aligning the new definitional turnover cut-offs is a matter of urgency, especially for those small firms in the industrial sectors who have higher turnovers to the 20 million (SBC) cut-offs by the South African Revenue Services (SARS). These firms have been a major focus of government's "reindustrialisation", yet the tax authority has not made any adjustments accordingly in recognising a growth continuum.

Furthermore, the revenue authority defines micro enterprises as those who have incomes that do not exceed R1 million. These two definitional constructs are in stark contrast and out-of-step to the new definition contained in the updating of the Schedule by the DSBD (as noted above). Just these two examples alone suggest that a review of the definitions currently applied to MSMEs across all the relevant policies, laws and regulations should be conducted to bring them into alignment with the new updates to the definitions gazetted by the DSBD in March 2019.

Policy and support programmes should be developed and differentiated on data driven evidence - and differentiated - for firms that fit with the micro enterprise category, small enterprise category and medium enterprise category. This is particularly important given the fast-changing times and the advent of fourth industrial evolution. This targeted approach is a fundamental thrust of the NISED.

#### **Context: South Africa's National Small Enterprise Strategies from 1995 – 2019.**

Since the advent of democracy, the prioritisation of micro, small and medium (MSME) firms have been a prominent feature in South Africa's economic policy. The White Paper - adopted in March 1995, was the first national strategy implemented in the country. Government articulated several measures to foster an enabling environment, which included:

- Creating an enabling legal framework
- Streamlining regulatory conditions
- Facilitating access to information and advice
- Facilitating access to marketing and procurement
- Facilitating access to finance
- Facilitating access to affordable physical infrastructure
- Providing training in entrepreneurship, skills and management
- Improving industrial relations and the labour environment
- Facilitating access to appropriate technology
- Encouraging joint ventures
- Capacity building and institutional strengthening
- Introducing differential taxation and other financial incentives

It emphasised the need for institutional reform, particularly at **the dti** level, to incorporate small, medium and micro businesses into its core functions and set out an action programme until 2005. Following the White Paper, and after having conducted a detailed study - Review of Ten Years of Small Business Support in South Africa 1994 to 2004 - the dti, in response to several challenges identified, recognised that a comprehensive and cohesive approach was required to address new constraints and institutional shortcomings that were hampering the development and growth of small businesses in South Africa. The Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprises (ISPESE) was subsequently developed and approved in 2005, as a strategy to guide the development and growth of small businesses in South Africa over a ten-year period. The ISPESE lifespan concluded in 2014.

Over the past two decades, government has invested extensively in establishing a wide-ranging institutional support framework and support measures. Yet the problems highlighted in the White Paper in 1995 continue to remain. More worryingly, the challenges hampering the growth of our small business community seem to be increasing. The success of building an entrepreneurial culture and sustainable, creative and productive MSMEs in the coming decade will be strongly contingent on an innovative and decisive national strategy with policy changes that shape a more supportive and enabling environment with targeted support measures for MSMEs to thrive.

#### From 1995 – 2004

Prior to the establishment of the DSBD in 2014, the Department of Trade and Industry (**the dti**) had primary responsibility for private and small business development. The key landmark for small enterprise development was the adoption of the National Strategy for the Development and Promotion of Small Business in South Africa, released by the Department of Trade and Industry as a White Paper in March 1995, and tabled in South Africa's first democratically elected parliament. This was the result of a wide-ranging and intensive process of consultation with key small business stakeholders across the country. The approach taken is based on the idea that large enterprises can take a growth path with relatively limited support from government, while MSMEs require concerted policies and "the deliberate creation of an enabling environment".

Small businesses were purposefully singled out as a vector for domestic private sector growth and importantly as a source for the expansion of new jobs, being absorbed by the growth and expansion of micro and small businesses. Thus, the underlying policy premises of the White Paper remain in alignment and consistent with those of South Africa's National Development Plan Vision 2030.

Following the tabling of the White Paper, the promulgation of the National Small Business Act of 1996 led to the establishment of several implementation structures and government support programme interventions at national level. Briefly, these included the Ntsika Enterprise Agency, which subsequently became the Small Enterprise Agency (Seda) in 2004, and the South African Micro Finance Apex Fund (SAMAF) as well as Khula Enterprise Finance Limited which were merged into the Small Enterprise Finance Agency (**sefa**) in 2012.

The National Small Enterprise Act also prescribes several policy making provisions. These include:

- Publication of an Annual Report on Small Business.
- Provisions to support regulatory governance and service delivery through the publication of gazetted guidelines for:
  - procedures for consultation with the department on all proposed legislation identified by the Minister
  - the assessment of the effect and application of legislation on small business.
  - co-ordination between organs of state in order to promote the consistent application of the National Small Business Support Strategy.
  - procedures for consultation with small business organisations, trade unions and other representative organisations.
  - the review of the effect of existing legislation on small business and the National Small Business Support Strategy.
- criteria to define micro, small and medium enterprises.

#### From 2004 – 2014

The National Small Enterprise Act was amended in 2004. The amendments provided for the transitional arrangements to convert the Ntsika Enterprise Agency (and the structures that fell within it) to the establishment of the Small Enterprise Development Agency (Seda) in 2004. The Act, in accordance with the directives contained in the National Small Business Support Strategy, establishes Seda as national government's small enterprise implementing agency and mandates it to implement government's small enterprise/business strategy. It provides for Seda to:

- i. facilitate the building of sustainable and competitive enterprises.
- ii. facilitate the promotion of entrepreneurship.
- iii. facilitate the creation of an enabling operating environment for small enterprises.
- iv. facilitate access by small enterprises to non-financial resources, capacity-building services, products and services.
- v. facilitate international and national market access for products and services of small enterprises.
- vi. facilitate, develop, co-ordinate and foster partnerships across all spheres of government, the private sector and relevant stakeholders that may assist the Agency to achieve its objectives.

- vii. promote a service delivery network to facilitate access and outreach to development support for small enterprises.
- viii. facilitate and co-ordinate research relating to small enterprise support programmes.
- ix. provide advice, information, analysis and support in the implementation of a Small Enterprise Development Policy [Strategy].
- x. at the request of the Director-General, investigate, advise on and comment on the effect of existing and proposed legislation on small enterprises and to report to the Director-General thereon; and
- xi. improve the understanding of the public regarding the contribution of small enterprises to domestic economic growth, job creation and general welfare.

As the lead department for small business in 2004, the DTI introduced the ten-year ISPESE as a national government's strategic implementation plan to give effect to the policy directives contained in the White Paper for the following decade (2004-2014). The ISPESE was however not gazetted nor published as government's updated National Small Business Support Strategy. Moreover, it was not championed through coordination in the DTI but by default, delegated to government departments and agencies mandated to small enterprise development, to implement.

The ISPESE contained three strategic actions: increasing the supply for financial and non-financial support services (pillar 1); creating demand for small enterprise products and services (pillar 2); and reducing small enterprise regulatory constraints (pillar 3).

The ISPESE acknowledged that there was a need to focus support to designated target groups and priority geographical areas and sectors. Furthermore, support for fostering different enterprise type organisations (e.g., Co-operatives, and enterprises owned by youth, women and people with disabilities), and the development of special institutional arrangements were required. Central to the strategic actions and institutional arrangements was to shift from uncoordinated implementation to an integrated service delivery approach. Thus, the ISPESE took to broadening support programmes and the streamlining of support institutions.

This was a fundamental guiding principle of the ISPESE strategy, underpinned by the need to enhance resourcing of support and the monitoring and evaluation of the support interventions to report on the progress and impact of the strategy's actions and activities. The core thrust of the ISPESE framework, cutting across all its activities and in alignment with the White Paper, was the aim to ensure ongoing profiling of small businesses, improving access to small business support and information, strengthening small business advocacy, delivery of effective service, and monitoring impact.

In line with the constitutional arrangements that devolve authority to the provinces and local governments, the ISPESE was premised on a decentralised approach; the department would play a co-ordinator role in ensuring that the integrated strategy was implemented across government as well as coordinated amongst wider actors in private sector and society. The ISPESE introduced and emphasised the "Think Synergy First" mantra and in this regard provided guiding principles in relation developing support programmes and new initiatives.

#### **2014-current: Establishment of the Ministry and Department for Small Business Development**

In 2014, a new Ministry and the Department of Small Business Development was established to champion the interests of the small business community and to coordinate the activities of the relevant departments and their agencies, particularly within the economic cluster of government.

Following its establishment in 2014, the DSBD inherited the parent role for small enterprise development at national government level from the dtic. It is mandated to "coordinate an integrated approach to the promotion and development of entrepreneurship, small business and Co-operatives, and ensure an enabling legislative and policy environment to support their growth and sustainability".

The NISED thus introduces South Africa's 3rd (third) national strategy for small enterprise development, in alignment with the policy directives contained in the founding White Paper, the National Development Plan Vision 2030, national government's recent sectoral based inclusive growth programme, the Economic Recovery and Reconstruction Plan and the District Development Model introduced by the sixth administration. The NISED is fundamentally positioned on building strong and collaborative partnerships with all actors engaged in the MSME development and growth ecosystem, especially the private sector. The NISED presents a new, pragmatic strategic framework that is adjustable to prevailing conditions, which guides all actors engaged in MSME development with clear direction, measurable outcomes and programme interventions that are evidence led.



### **Are MSMEs contributing to growth?**

Over recent years, firms of all sizes in South Africa have reported an inhospitable economic environment, lack of skills and labour regulations in South Africa as obstacles to their growth. This has manifested in reduced demand for business products, and a choke on profit margins. Although this is a general problem, small businesses – with smaller reserves, less access to credit and with fewer options in general available to them to deal with these conditions – have been particularly vulnerable.

Even prior to the Covid-19 pandemic, data from Statistics South Africa show declining investment in growth orientated MSMEs; it is estimated that small businesses accounted only 8.5% of the total investment by non-financial corporations in the decade following the financial crisis 2008. Investment has declined mostly in the trade and manufacturing sectors over this period. According to the dtic, micro, small and medium enterprises accounted for 27-34% of total GDP in 2006. This contribution remained relatively constant across the period 2001-2006. Recent data from Stats SA reported 32% contribution to national turnover by all sectors in the economy (excluding agriculture).

The actual contributions to GDP from the micro small and medium businesses to the country's growth, including informal remains elusive. What is however quite evident is that MSMEs estimated contribution to GDP has remained stagnant.

Small businesses in South Africa can form under several incorporation models, cooperatives being an important component to them. Cooperatives have been a popular mechanism of government to stimulate job creation and enterprise development in the country. After a few legislative changes, there has been a significant increase in cooperative incorporation. Data gaps on the activity of small businesses in townships and rural economic areas including women and youth owned enterprises also do not allow for a comprehensive and textured picture of the MSMEs operating in the country. Regarding cooperative activity, an important incorporation in rural areas, the segment appears to have experienced rapid growth in numbers over the period, but this has not translated into significant financially viable and sustainable economically active entities.

### **The enabling environment and regulatory governance**

The effectiveness and efficiency of factors such as the quality of legislation, markets and institutions can be decisive for firms' performance, and for the performance of the economy. It has long been acknowledged that the enabling environment for MSMEs – business registration, licensing requirements, infrastructure, utilities, taxation, competitiveness conditions and labour conditions – must be improved. The dramatic fall in rankings in for example, the Ease of Doing Business reports demonstrates the decline in South Africa's 'enabling environment' for ease of entry, trade and exit.

A key issue commonly cited as a challenge to small business is the administrative burden of bureaucracy – the so-called 'red tape' cost. Dealing with red tape costs smaller firms a much higher proportion of their turnover than larger ones. National Treasury estimates that compliance costs represent a significant percentage of turnover for enterprises at the lower end of the scale whereas this is disproportionately inverted for business at the upper end. The use of "red tape" as a catch-all phrase can however be misleading. Many policymakers view "red tape" through a singular lens relating only to official forms that need to be filled in. However, heavy compliance burdens to business (that include administrative inefficiencies) are a symptom of an inability to critically analyse, and assess, the consequences (intended and unintended) of the impact of policies, laws and regulations to business and in administering and enforcing them.

Business concerns regarding the compliance burden relate not only to the volume of regulatory requirements and poor administration, especially at local level, but also the frequency of regulatory change or policy disruption applicable to their specific industry. Many of the common barriers to business growth and sustainability (especially small businesses) talk to the quality – and quantity – of regulatory change over the past two decades, especially the period from 2008 onwards.

One of the key thrusts of government's small business strategy (ISPESE) was to ensure that regulatory impact assessments would be conducted in the drafting of new legislation and regulations. This was in alignment with the government's aim at the time to ensure a better, easier, efficient environment to do business in South Africa. In 2005, the Presidency and National Treasury commissioned a study to investigate and recommend ways to introduce a Regulatory Impact Assessment (RIA) system into South Africa's law-making processes. The report's recommendations – built on international practice but tailored to South Africa – was approved by Cabinet in 2007. Later, in 2015 government adopted the use of Socio-Economic Impact Assessments or the Socio-Economic Impact Assessment System (SEIAS), effective from 1 February 2015. SEIAS replaced the RIA methodology. However, use of the regulatory impact assessment (RIA) methodology and subsequent socio-economic impact assessments has been patchy. Few impact assessment reports on significant policies and material changes to laws and regulations have been published over the years.

Importantly, Section 18 of the NSEA prescribes the Minister of Small Business Development to provide guidance to the rest of government on assessment and consultation to the effects of legislation and law to MSMEs. However, these prescripts have not been implemented by either the dtic (as the earlier lead department for small business development) nor the DSBD following its establishment in 2014. Implementation of impact assessments as prescribed in Section 18 of the Act of 1996 as amended, by the Minister of the DSBD, can ensure the application by government of the principle to “Think Small Business First”, especially since small businesses constitute many economic actors in the business community in the economy, and as a fundamental requirement to ensure harmonisation with the objectives of the NDP and the NISED.

For MSMEs to thrive, South Africa needs better regulation: better in its design, more efficient in its application and less demanding on the time and resources of those subject to it. There also needs to be an embedded understanding that informality does not automatically presuppose an illegal economy. Many enterprises in the informal economy are survivalist in nature, operated by sole proprietors earning a living through their enterprising activities. The NISED does not support conceptually an approach to force transition to formality. The transition to formalising businesses is not a linear process. Attention needs to be given in understanding the needs of these enterprises to graduate into the formal economy hence a targeted approach in this regard is fundamental including the targeting of women, youth and people living with disability led enterprises as well as rural and township based small enterprises. The key message here is to encourage formality through reforms to the regulatory environment and programmes and services, that will support the transition of informal enterprises to formal businesses. South Africa is a signatory to the International Labour Conference (ILC), Recommendation 204 to which the National Informal Business Upliftment Strategy (NIBUS, 2014) targeting entrepreneurs in the informal economy has been developed. The NIBUS strategic objectives and programmes are incorporated into the NISED.

An enabling environment does not only refer only to the policy, legal and regulatory regime of a country, it also applies to the quality-of-service delivery and strong partnerships between government and the private sector, civil society and labour. Providing effective support, and a supportive environment for MSMEs, requires a coordination of efforts by all stakeholders; improvements in infrastructure especially at local municipal level, and capable delivery of effective services and products that match the needs of MSMEs.

Sector impediments identified by MSMEs operating in different sectors also vary. For example, shortage of skills, productivity challenges, lack of access to sustainable market opportunities and appropriate financial products is a dominant concern for firms in manufacturing and business services. On the other hand, tourism firms cite a lack of finance as their most common barrier. This illustrates the challenges for firms operating in different sectors and emphasises that MSMEs cannot be identified as one whole but a sum of parts, many of which require different and tailored support measures.

There is insufficient information on the extent to which regulations impact negatively on MSMEs and transversal and interdepartmental coordination on the collection of information has made it difficult to identify cross cutting issues that can better guide business environment reform. Central to this is an understanding that not all MSMEs are alike; different regulations will impact on different MSMEs in different ways. This surfaces the need for more detailed evidence-based information and more sophisticated impact analysis by policy makers and regulators.

“Think small first” and the principles of “Batho Pele” should be the guiding mantra for government when introducing new policies, laws and regulations. Furthermore, the focus of regulatory reform and red tape reduction in many countries across the world has shifted to improving quality management at the outset of the policymaking process – improving the efficiency, effectiveness and flexibility of individual regulations and the use of non-regulatory instruments to improve compliance.

Business confidence to productively invest in an economy and create jobs is supported by the fundamentals of trust and certainty. An enabling environment also embeds effective problem-solving partnerships – based on evidence – and more meaningful engagement between government and business, where the making of policy choices is based on pragmatism.

Government is not the proximate cause of growth, but where government invests in accelerating business and development, private sector tends to follow. Thus, government is a key enabler to greater growth, facilitating a clear role to crowd in the private sector to investment with entrepreneurial activities responding to market forces. Therefore, stable, honest and effective government is critical in the long run. Sustained growth enables, and is essential for, social service delivery that people care about: poverty reduction, transformation, productive employment, quality education, health and the opportunity to be enterprisingly creative.



### MSMEs and employment

The National Development Plan envisions that most of the jobs in the future will be in MSMEs. This is not a novel idea. A vast body of research agrees that in today's economy MSMEs are the primary producers of jobs; often jobs that provide a crucial entry into the formal market for job seekers. However, it is widely acknowledged that South Africa faces a severe shortage of skills, and especially "hard" artisanal skills and high-end professional skills. With a relatively large young population, it is important that South Africa gear up youth skills development to match the needs of a fast-changing world with new applications to business processes and skills demands for high-tech jobs.

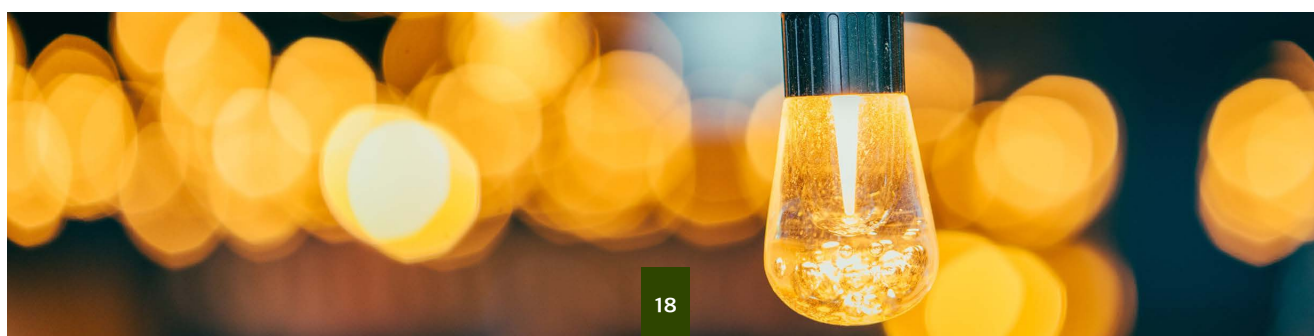
Small firms generally cannot afford to pay the wages that larger firms pay and thus struggle to recruit skilled people. Even training their own staff might be a fleeting investment, since they may find it difficult to retain them as the upskilling opens better paid options elsewhere. Studies also show that small businesses who employ less than 50 but more than 10 employees are highly skills intensive, requiring educational factors that are transferable to the multiplicity of tasks required in a small business. Therefore, South Africa's absorption rate of employment in smaller firms may be hampered by poor education and work-place readiness.

Contrary to international experience, broader trends in the South African economy indicate that formal smaller firms employing less than 50 people are becoming less important as job creators, not more. Data from Statistics South Africa Labour Force Surveys suggest that the proportion of people working in formal firms employing fewer than 50 people has been declining since 2000. Since the economic crisis in 2008, it seems that the share of employment among firms employing fewer than 10 employees, and those employing between 10-49 employees has been shrinking. Therefore, larger firms and government, including its agencies and parastatals are becoming a more important source of job creation. The role of smaller firms as job creators in the South African economy is being reduced. This contrasts with much of the international evidence, where MSMEs account for growing proportions of the employment created.

The decline in the employment share of MSMEs and, to a limited degree, in the overall numbers employed by MSMEs poses the subsidiary question as to the fate of small firms in South Africa. At present, no mechanism of which we are aware track the growth or decline in the number of firms operating in the economy, and therefore any comment on this must be speculative<sup>2</sup>. However, the decline in the workforce employed by formal MSMEs suggests that there has been a corresponding decline, of some magnitude, in the number of firms. This in turn implies a smaller potential MSME base on which employment can be expected to grow, and a declining entrepreneurial stock.

All these factors underline the importance of understanding the dynamics of established, scalable small businesses. A vast body of international research indicates that it is these firms - those that have already established a form of market traction, rather than start-ups - that drive economic growth and employment creation. Moreover, the lack of growth opportunities in the formal MSME segment has left a vast majority of the population with little other alternatives than to find income through alternative (informal) means.

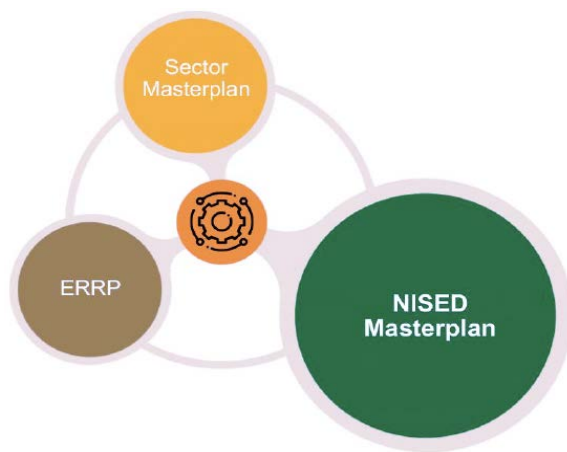
Skills shortages, coupled with strict labour laws, have limited the ability of small firms in South Africa to raise competitiveness and employment. South Africa's rigid labour laws have come under increasing scrutiny over the years by both the domestic and international community. Particularly, collective bargaining wage agreements made between big business and labour and then being extended to non-parties (i.e., small businesses). Even though exemptions do apply in some cases, exemptions are often reported to be difficult to apply for, and cumbersome to administer. Mandatory wage increases do not consider the unique characteristics of small firms and the viability of small businesses to survive and compete with their larger counterparts. As highlighted in the 1995 White Paper and again in the NDP the necessity for labour market policy reform, specifically its impact on MSMEs ability to absorb new labour entrants, especially women and youth, is a key action of this strategic framework.



## Section B: Accelerating small enterprise development and growth - an integrated approach

The following section provides the detailed areas of intervention to support small enterprise growth, with the outcomes, actions and impact areas for participation by all key stakeholders both within the public and private sector.

Following the crisis of 2008, South Africa's economic growth rate uncoupled negatively from global trends. Whilst the rest of Africa has seen high investment and economic growth rates, South Africa's real GDP has slowed to distressing levels. Compounded by the impact of the global Covid-19 health pandemic, this has resulted in protracted economic shutdowns, negatively affecting all sectors of the economy and resulting in a widespread loss of businesses, jobs and livelihoods. To accelerate small enterprise growth within this context, many of the programmes, actions and activities as outlined in section C present a mix of structural policy reform and interventions to support small enterprise growth and coordination of efforts to their development. Accelerating small enterprise development and growth, for the short and long term, requires meaningful and sincere partnerships with the private sector, academia, civil society and labour; this is fundamental thrust of the NISED.



*The NISED Masterplan central component of all the industrial masterplans as it drives Support, Information, Policy and Partnership specific to SMME across all sectors*

The NISED is supportive and intrinsic to several sectoral based masterplans developed in collaboration with business and labour. All these masterplans have the overall strategic objective to facilitate transformation, competitiveness, and employment creation through evidence led approach investigating each of the sector's value chains. An important outcome of the masterplans is to identify economic opportunities in local development areas, regions and provinces. In addition, national government has introduced a new method to development planning to accelerate, align and integrate service delivery under a single development plan per district or metro, developed by national, provincial and local government in conjunction with business, labour and community in each district. The District Development Model (DDM) ensures that national priorities such as economic growth, employment, improvements to living conditions, crime prevention and corruption, infrastructure and industry development are attended to in the locality concerned. With the aim to enhance the location specific competitiveness and service

delivery, planning and spending across the three spheres of government is integrated and aligned in the one-district, one-planning approach.





A key focus of the NISED is to align programme areas of work across different role-players in government and private sector to coordinate and drive MSME growth and performance. As a strategic framework the NISED helps to support sector plans for MSME growth and works in association with all other government planning and programming relevant to building an enabling environment for MSMEs and economic growth.

As highlighted in Section A, lessons from evaluations conducted on the earlier national strategies for small enterprise development emphasised that better coordination with and between government across all spheres is a prerequisite to success. The NISED, whilst independent from other sectoral masterplans, is a key step to the development of a competitive South African economy and is focused on specific action steps to develop MSMEs within all sectors of the economy, provinces and local districts. MSMEs are in every city, small town, township and rural area across South Africa. All spheres of government, across all ministries and departments, have a key role in stimulating these enterprises. Various key players (both public and private) in the economy also share the importance of investing in accelerating the growth and development of MSMEs, ranging from big business, business associations, not-for-profits, academia, civil society and labour associations.

Against this background the following provides an outline of the objectives and principles of the NISED.

### Objectives and Principles of the NISED

The overarching objective of all the programme of actions contained in the NISED is to contribute to the impact of significantly raising the contribution of economic output and labour absorption in real value of “micro”, “small” and “medium” enterprise (MSMEs). This is to be achieved by facilitating a supportive environment that enables the freedom of all in South Africa to pursue economic activity as enshrined in the Bill of Rights; to provide and seek work opportunities in a conducive environment that enables transformation and economic growth, which results in a thriving MSME community growing in contribution to inclusive economic output and labour absorption.

This objective is supported by a series of programmes and actions within 4 pillar/outcome areas, namely:

- well-informed South Africa on MSMEs with continuous monitoring evaluation and learning
- Policy, laws and regulations reformed to enable MSME growth and efficient governance
- Effective targeted support & services delivered for MSME growth both financial and non-financial
- Coordinated government with strengthened private sector partnerships for MSME growth

The key principles that guide the formulation of the NISED include:



- **Advancing an Integrated Approach** means acknowledging that government and various key players in the South African economy, in and outside of government, share the importance of investing in stimulating small enterprises (new innovations, informal and formal businesses and cooperatives). Integration also relates to the effective co-operation of all the different levels of the public sector involved in small enterprise support – local authorities, district municipalities, provincial governments and the different national government departments, agencies and parastatals are all key stakeholders in small enterprise development. An integrated approach thus requires this NISED's strategy to consider how actions, support initiatives and policy interventions have an impact on government in all its spheres, agencies and other spheres of activity i.e., private sector and society. An integrated approach is built on the assumption of an effective, responsive and capable government that is supportive of business in growing the economy and enables higher rates of investment (domestic and foreign) by building and servicing a supportive and enabling environment in cooperation with private sector to stimulate higher growth and labour absorption in the economy.
- **Advancing Synergy and Coordination** is a key principle in the development of this NISED. Thus, initiatives (support programmes, policy, legislation) both current and future, consider how these may complement, or reinforce, or add value to existing support and delivery mechanisms in a manner where they do not duplicate or cause disruption. Eradicating corrupt activities, hoax programmes, double dipping to services and products, and reducing administrative inefficiencies for MSMEs is fundamental to an aligned and coordinated effort.
- **Advancing inclusivity** is critical to ensure that those who are underserved are specifically targeted with tailored support and services (both financial and non-financial) and incentives to assist in their inclusion in the mainstream of the economy. This is particularly important for youth, women, people with disabilities and previously disadvantaged groups both in the formal and informal economy, especially in Townships and Rural areas.
- **Applying an Evidence-Based Approach** is about making decisions based on knowing using disaggregated data - with an estimated degree of certainty based on the best available evidence from research and evaluation reports as well as statistical data - what works, what problem needs to be addressed (cause not symptom), at achieving which outcomes, for which groups of people, under what conditions, over what time span, and at what cost.
- Applying the **Think Small First** principle is about helping to make the environment easier and simpler for MSMEs to establish, operate and grow. This means considering small enterprise interests at the earliest stage of policy making, legislative and regulatory intervention to help ensure that legislation and programmes are formulated or adapted to meet the specific situation of MSMEs, particularly those which this NISED targets.
- Acknowledging that MSMEs progress within a **Lifecycle**, encompassing phases of an enterprise's development, and on a growth spectrum ranging from informal to formal micro and small and medium enterprises. The NISED acknowledges that the individual best placed to choose whether an enterprise may expand, or contract, is the business owner. In a fast-changing world government's role is about easing the path for MSMEs to either upscale or downscale their operations, and to understand the needs of informal enterprises to assist their inclusion in the mainstream economy.
- Facilitating enduring, pragmatic and **Measurable Commitments** by government, private sector and stakeholder partners towards greater investment, support and service delivery excellence that matches the needs of MSMEs to enhance their growth and development across all sectors and districts. Inclusive growth is a key target to help measure the success of a transformed South African economy.
- **Adaptability** of the NISED is a fundamental principle. While the outputs and outcomes are considered universal and fixed - the investment and support commitments by the many stakeholders will need to adapt or adjust to changes in economic and business environment conditions. Economic shocks such as the global health pandemic COVID-19 require adjustment to programme responses by government to help lift economic recovery.
- **Reporting on Achievements** made, and impact measured. This NISED is premised on strengthening coordination and cooperation, which will only be achieved through transparent reporting from all ecosystem actors on the implementation of commitments and their achievements or mitigating actions.

## Section C: Overview and Programme of Action for the NISED

### Overview of the NISED

In partnership with business, labour and civil society, the NISED presents a coordination tool and repository of the action steps to be taken by numerous actors by and within government and the whole of society.

The DSBD's role, as the parent department for MSME development and the NISED (which forms the third iteration of the National Small Business Support Strategy), is to facilitate coordination amongst actors engaged in MSME development, facilitate partnerships for the development of MSMEs across government and with non-state actors, and report on progress to MSME growth as outlined in the National Small Enterprise Act, as amended.

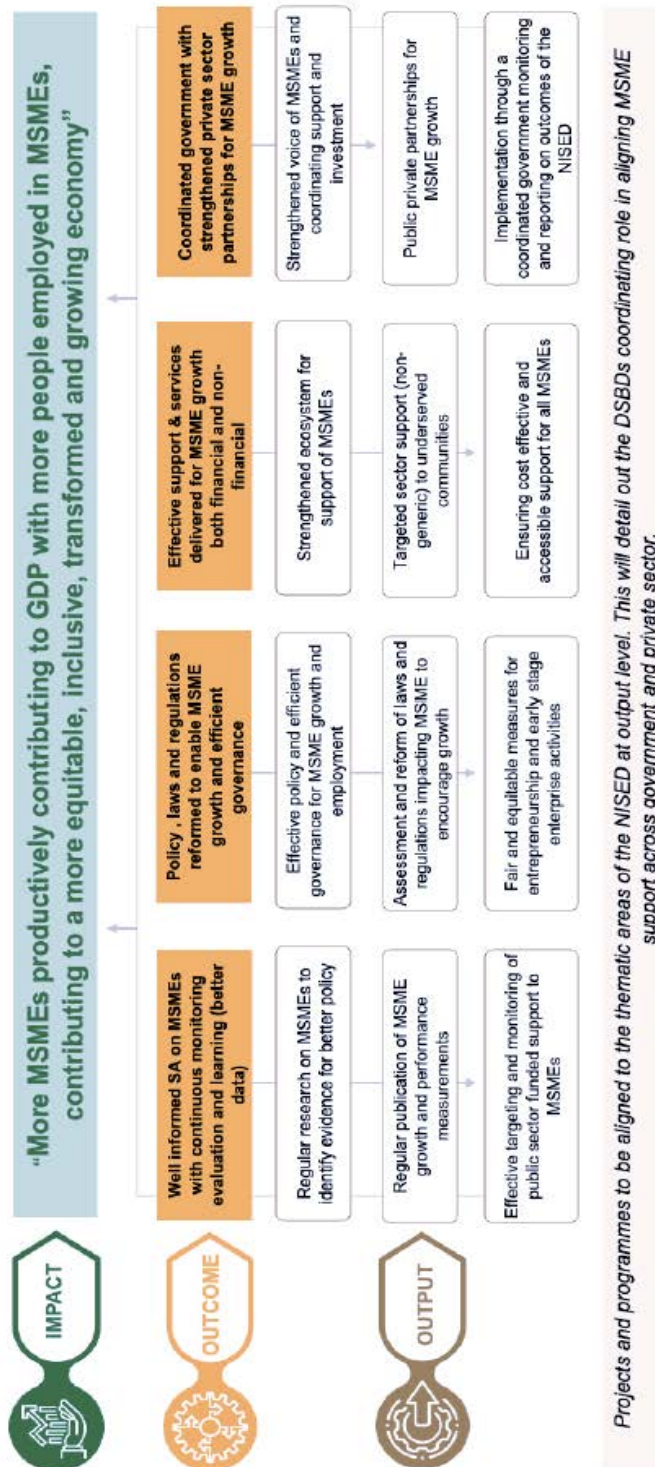
The NISED is not an economic plan in of itself; rather, it presents a support framework for the ecosystem of economic development support actors to operate in a targeted, collaborative and coordinated approach.

All over the world good practice for MSME support and development is based on differentiated and targeted support. Such targeted support packages cannot be designed nor implemented by the DSBD nor other government departments in isolation. These support measures must be developed from preparatory research (evidence-led) alongside meaningful interaction between all the stakeholders engaged in the targeted areas and be practically implementable with appropriate financial and human resources allocated.

The NISED framework is based on 4 key pillars with measurable outcomes and outputs to achieve recognisable impact as shown below:



# NISED Framework





Accelerating enterprise formalisation and MSME performance in economic output and job creation requires a concerted effort and a strengthening of partnerships. This will require improved trust between government and business in a supportive environment that is conducive to investment (domestic and foreign). Key to the implementation of the NISED is consultative partnership agreements and measurement frameworks that track support delivery by government agencies, departments at all spheres, working collaboratively with private sector actors.

#### **Introducing The Game-Changer Programme**

A central concept here is that of “Game-Changers”, which are scaled solutions to the big, complex challenges facing the MSME sector. These interventions will be designed and executed with “coalitions of the willing” by key role-players both inside and outside of the state, who will be provided the space to partner. The skills and capacity to understand, design and implement game-changers generally lie beyond any single institution and require both partnerships across the state and between the state and the non-state actors. A number of these game-changers are being targeted and designed in segments including the New (digital) economy, townships and rural areas; Refuelled incubation; Recapitalized SMME Financing package and enterprise supplier development.

Strengthening partnerships also requires a shift in alignment of delivery models. Partnerships therefore require coordination to ensure that delivery is not duplicated through a silo mentality. A key effort by all involved, both public and private, in the development and support of MSMEs is reliant on better tracking and targeted data to provide for a well-informed ecosystem. Understanding the needs of MSMEs requires building MSME centric data. Better data facilitates better understanding to help inform on policy reforms for a more enabling environment for small enterprises to establish, run and grow. Building better data helps to inform the development and delivery of better-quality services and products to match the needs of the targeted groups of MSMEs. Better data can provide market insights to help develop and trigger appropriate solutions for small enterprises and support initiatives. Better-quality data assists to more accurately quantify the impact of MSMEs on the economy and labour absorption and enables both the private and public sector to understand and monitor MSME trends.

Overarching all support efforts is the requirement for an enabling environment that is supportive of investment and conducive to growing business in South Africa. An enabling environment is inclusive of policies, laws and regulations; improved regulatory administrative governance, and reliable and quality infrastructure. Good regulatory governance implies that policies, laws and regulations are scrutinised and assessed on principles that measure their appropriateness and proportionality to addressing problems and their subsequent efforts (intended and unintended), especially on MSMEs – the think small first principle.

This will lead to changes in policy, laws and regulations to improve a supportive investment climate for the growth and development of MSMEs, particularly MSMEs. This includes barriers to formalisation, improved and appropriate tax administration, licensing requirements and infrastructure development. Government acknowledges that for MSMEs to meaningfully contribute to employment, the employment environment as it relates to micro and smaller firms will be adapted to ensure greater flexibility and increased employment. E-governance principles and practices are essential in the years ahead to ensure that service delivery is standardised and efficient across delivery agencies and departments.

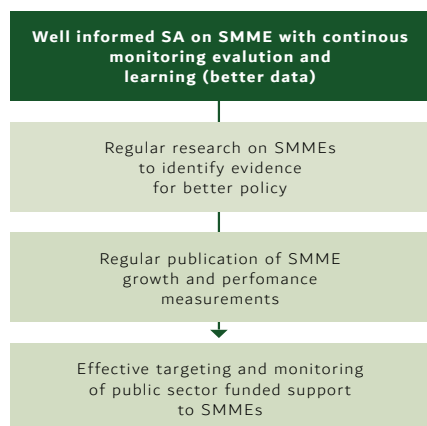
Building a targeted quality support network of actors together requires considerable effort to align different institutions and agency's support programmes. Therefore, much emphasis of this NISED is underscored by the publication of tracking information on targets achieved as well as web based geographical mapping of the support ecosystem of the products and services available. These issues underscore a key thrust of the NISED, which is to work collaboratively with the sectoral-based masterplans and in alignment with the government's district development model, aligning agencies and other government departments to coordinate through mechanisms that discourage duplication of efforts.

Given the pervasiveness of MSMEs in all sectors of the economy, and the diversity of needs and challenges to be addressed in their development, it follows naturally that many initiatives and interventions provided over the years have included a wide range of tools and programmes applied by government, national agencies, parastatals and provincial and local authorities alongside considerable support provided by the private sector in response to the transformation policy of South Africa. Targeting and matching the needs and challenges of MSMEs to grow upwardly in contribution and competitiveness, especially in localised areas and sector arrangements, requires constant coordinated effort. Working in partnership with local actors and the private sector development community, the NISED will report and coordinate localised and sectoral projects to update on achievements (financial and non-financial support initiatives) implemented by government and non-government actors.

As mentioned earlier, the NISED is outcome based and constitutes a live plan, which supports adaptation and adjustment to ensure relevancy in changing times. Special attention is needed to ensure the principle of inclusivity is targeted at initiatives in supporting MSMEs.

Programmes may need to be fine-tuned over time. This is particularly important given the impact of economic shocks, most recently the global health Covid-19 pandemic. However, the impact and outcome statements remain constant over the NISED's lifespan.

### Measurements of success - Outcome 1: Well informed SA on MSMEs with continuous monitoring evaluation and learning



**Rationale and impact:** With the understanding that current data on micro, small and medium enterprises is significantly lacking, efforts will be made to align data collection, this is to be done under a harmonised definition used across all information and statistical references. Efforts need to be made in tracking the quantum and geographic allocation of public spending on development of MSMEs (disaggregated) and support programme showing results attained and outcomes achieved by government funded and supported entities. Regular surveys of MSME owners will provide better data on policy actions required, regulatory reform, access to markets and finance needs, skills and labour considerations. Regular surveys reporting on MSME trends will provide better data to better understand MSMEs and gaps and opportunities in the ecosystem supporting them. Gathering better data requires partnerships with the broader research community and academia; this is intended to coordinate much of the research topics for evidence gathering on MSME related issues.

### Output 1 Regular research on MSMEs to identify evidence for better policy

**Supplementary notes to output 1.1:** A critical challenge in understanding the dynamics of MSMEs in South Africa is the paucity of reliable, relevant and consolidated data. Definitional constructs vary regarding the classification of “micro”, “small” and “medium” enterprises across departments, legislation (e.g. Income tax act, BBBEE and the NSEA), data collection and statistical agencies. Furthermore, data collection on the MSME landscape is also spread too widely across the many layers of government. This, coupled with definitional divergence leads to perpetuating the “mystery” of how many MSMEs are engaged in the economy and their contribution in terms of performance and growth. It also leads to monitoring and evaluation failures on aggregated programmes and impact measurements. For the NISED to facilitate the coordinated efforts of all actors (public and private), application of a uniform, **standardised definition is an imperative.**

The first action of the NISED's implementation is to thus ensure that a uniform and standard definition, inclusive of a simplified schedule, is applied to monitor measure and target enterprises for support and development. The definition of a “**small enterprise**” in the NSEA needs to provide for the inclusion of both juristic (inclusive of Cooperatives) and natural persons (such as sole proprietors) undertaking an enterprise endeavour. Furthermore, this definition is to align other legislative definitions for small enterprises, namely but not limited to, the Broad-Based Black Economic Empowerment Act, reference to micro, small and medium businesses in the income tax legislative sphere (including alignment for funding entities targeting MSME as outlined in section 12J).

It is envisioned that with the use of a uniform definition, applied collectively by all actors, better data will be collected by the whole of government (including statistical agencies) to better understand the dynamics, performance of MSMEs, and support given to them. It is important that this definitional construct be applied transversally across government data collection points (at all spheres).

The following programme areas support output 1.1

#### Application of a uniform definition for MSMEs

1.1 Application of a uniform definition for micro, small & medium enterprises by all Government (Departments and Agencies) in accordance Section 20 (2) of the NSEA as amended for statistical data collection and targeting of incentives and developmental programmes.

- a. The uniform definition should be congruent with statistical data collection, tax thresholds and other transformation and developmental policy.
- b. This should include informal economy definitions.

- c. Regularly issue regulatory notice in accordance with Section 20 (2) of the NSEA, for the application of a uniform definition across government departments and agencies. This regulatory notice should give guidelines to:
  1. Applying the definition for data collection and reporting thereof to the annual review.
  2. For statistical representation of Micro, Small & Medium enterprises for contributions to National GDP, Employment (by Sector, National and Province), loan & debt finance, contributions to tax revenue collection and public sector procurement.
  3. For targeting support and incentive programmes for MSMEs

**Supplementary notes to output 1.2** Once a uniform, standard definition of MSMEs in South Africa is applied a next important step is to build a better understanding of the different dynamics at play that impact MSMEs in terms of their performance and growth. There is broad acknowledgement of the need for research into different aspects of South Africa's MSMEs in order to better target support initiatives and develop evidence-led policy reform measures. Regular and consistent surveys are to be conducted amongst MSME owners (and entrepreneurs) that measures their perceptions on a range of perspectives to determine the outlook and provide a snapshot of their expectations for their business' performance and growth.

A number of factors impact the growth and performance of MSMEs, at distinctive points in their different lifecycles. Businesses operating in different sectors also encounter specific challenges to their operations and growth, especially more so for smaller businesses. Longitudinal tracking of a cohort of MSMEs provides for a deeper, richer understanding of the wide spectrum of factors relevant to operating a business, across geographical locations and sectors. It also provides for a better understanding of where gaps exist in the ecosystem to match the development needs of MSMEs in supporting their growth. Responsibility for research also rests as much with the business sector, business associations, academia and research institutions as it does with the public sector. Partnering with such private sector organisations and research institutions (local and international) by convening public colloquiums is important for the DSBD to provide the broader public and business community with knowledge on new trends in developing and supporting MSMEs, especially in helping informal enterprises to enter the mainstream of the economy.

The work conducted in output 1.2 is to be reported in the **"Annual Review of Small Business"** as detailed in Output 2.

The following programme areas support output 1.2 to 1.4:

#### **Regular research on MSMEs in partnership with the research community**

- 1.2 Nationally, conduct regular reviews on MSME enterprises through surveys that reflect Micro, Small and Medium sized enterprise business perceptions and trends. These should include questions related to (but not limited to):
  - a. Market Access
  - b. Finance Access
  - c. Macro-economic environment (impact of inflation, interest rates and policy certainty etc.)
  - d. Starting and expanding a business
  - e. Skills
  - f. Labour
  - g. Competitiveness
  - h. Cost to regulatory compliance
- 1.3 Conduct regular research and report on MSME trends for the purpose of identifying gaps in the market and opportunities to better the ecosystem which should include but not limited to:
  - a. MSME Longitudinal tracking of a purposeful cohort of representative business in specific sectors. To monitor and report on trends, challenges, and opportunities with the following themes but not limited to:
    1. Technology adoption
    2. Competitiveness and Innovation
    3. Localisation and export readiness
    4. Human capital and skills
    5. Transformation and business ownership (gender, race and age)
    6. Finance and funding trends
    7. Ease of doing business considerations
    8. Transition to formalization and small enterprise networks

- b. Outreach to academic institutions and journal publications on coordinating research themes for 3-year cycles.
  - c. Linking with local and international research institutions to track new trends in developing and supporting MSMEs with particular focus on improving access to the formal economy.
- 1.4 Research colloquiums convened each year with interested research actors for presentation of papers aligned with the policy themes outlined in this strategic framework. The stakeholders invited should be inclusive of:
- a. Government departments and their agencies
  - b. Statistical agencies
  - c. Research institutions
  - d. Chambers
  - e. Academics
  - f. International development organisations
  - g. Civil society (inclusive of representatives of youth and women enterprises)
  - h. Business associations (formal and Informal)
  - i. MSME role-players, enablers and service providers (such as commercial banks, financiers and multinational organisations)

## Output 2 Regular publication of MSME growth and performance measurements

**Supplementary notes to output 2.** The National Small Enterprise Act (NSEA) stipulates the publication of the Annual Review of Small Business. In the past, the annual reviews that have been published have been done so haphazardly and by different government entities over the years. This action point, as stipulated in the NSEA has thus failed to provide consistent and reliable information on the trends to MSME performance and growth. The Annual Review as stipulated in the Act specifies that government publicly reports on the outcomes achieved in the furtherance of the objectives of the National Small Business Support Strategy, which in this context represents the NISED strategic framework (the third iteration of government's national strategy for MSMEs).

Publishing the Annual Review, consistently, is thus an imperative action for tracking, monitoring and capturing lessons of the NISED as it evolves. This document outlines the landscape impacting MSMEs in relation to the delivery of MSME support; recommendations for policy, legislative and regulatory reform; new developments and trends and research (based on evidence) to guide MSME development and targeted support; statistical data across the geography of South Africa on MSMEs to guide support and policy measures.

The most important and fundamental aspect of Output 2 is that the Annual Review is published and that it is consistent in its reporting. It is a fundamental output to the success of the NISED. The NISED includes action points across many outputs in the strategic framework to assist in the collection of information from relevant agencies and departments. This output represents the monitoring of the NISED's impact for the whole of government and society and is therefore the central keystone for the strategy's impact evaluation. It is understood that the Annual Review will gradually improve over the years as the definitional constructs and data collection become more uniformly applied.

The following programme areas support output 2

### Consistent publication of the Annual Review of Small Business

Actions to support Output 2 are to be compiled for, and published, in the "**Annual Review of Small Business**" as specified in the NSEA (section 19), which stipulates:

NSEA Section 19 (3) ... "Entities designated by the Director-General, must in cooperation with the DirectorGeneral annually compile a review, called the Annual Review of Small Business, which must cover areas defined by the Minister or the Director General, and areas including-

- a. particulars of the work performed ... of progress achieved in furtherance of the objects of the National Small Business Support Strategy [NISED] ;
- b. summaries of any findings or recommendations of the Director General in respect of legislation, proposed legislation and administrative practices which restrict the small enterprise sector;
- c. an outline of new developments and trends regarding the small enterprise sector in South Africa;
- d. reports on the growth and decline of small enterprise according to sector, size and region;
- e. a statistical analysis of the contribution of the small enterprise sector to the economy, to export promotion, to rural development and to the level of incorporation of marginalised groups into the economy.

NSEA Section 19 (4) ... "The Director General must submit the Annual Review of Small Business to the Minister before the end of June of each year and the Minister must table it in Parliament."

### Output 3 Effective targeting and monitoring of public sector funded support to MSME

**Supplementary notes to output 3.1** Due to the size and nature of the problem in the development of MSMEs, many support measures have been applied and actors emerged over the years without regular and constant monitoring of the quantum of public spend and the impact they have had. This has limited the ability to track and monitor all the varied actors supported by government in delivering support to MSMEs and resulted in overlapping mandates and duplication of support with resource and monetary wastage. Therefore, two fundamental steps are required to ensure that fit for purpose measures are provided to MSMEs for greater efficiency and optimum effectiveness, particularly in a constrained fiscal environment. The first fundamental step is to determine the entities that are bound by the receipt of public funds to support MSMEs. These are referred to (as outlined below) as “designated entities”. The second is to specify mechanisms for the consistent reporting of the support and impact to the work they are undertaking. The programme areas below form an essential part to the reporting in the “**Annual Review of Small Business**” and are necessary for the coordination, monitoring and evaluation of public funded partners in supporting MSMEs.

It is understood that in delivering on this output, adjustments will need to be made in the system of reporting by public funded entities mandated to support MSMEs. This will require a centralised system to gather information across the whole of government and public funded support entities. Using the application of Section 20 of the NSEA the Minister can issue regulatory notices to ancillary and procedural matters affecting the implementation of the NSEA and the National Small Business Support Strategy (the NISED). To ensure data collection is simplified this system needs simple to use and based on a digital platform which is user-friendly and up to date with technology advances to ensure cost effectiveness and efficiency.

The following programme areas support output 3.1

#### Efficient monitoring of public funded support

3.1 In order to support the publication of the Annual Review and national monitoring of all MSME programmes and support, regular reporting of MSME trends by designated entities to the department for the publication in the annual review as stipulated in Section 19 (4) of the NSEA is necessary. This is to account and monitor for public sector aggregated funding and support delivered for the development and growth of MSMEs.

- a. For this purpose, the Minister is to issue Section 20 regulatory notices on who constitutes a designated entity(s) receiving public sector funding at National, Provincial and local level for MSME development and support. These designated entities are entities incorporated, or subsidiary to entities, as listed in the public institutions of the PFMA schedule 1, 2,3a,3b,3c,3d. The purpose is to collect better data from public sector funded entities providing support services to Micro, Small and Medium enterprises, inclusive of:
  1. Incubation and accelerator services,
  2. Mentorship and coaching services,
  3. Training services,
  4. Loan finance,
  5. Grant finance,
  6. General business development support,
  7. Market and trade facilitation services (local and international)
- b. In order to facilitate data collection from the designated entities, the Department is required to ensure a customer centric system that allows for easy transfer of requested data for the reporting on services rendered and outcomes achieved.
- c. Designated entity(s) are to report to the Director General regularly on following
  1. Public sector funding received for the purpose of providing business development support services to Micro, Small & Medium enterprise
  2. Number of enterprises supported by the entity
  3. Outcomes achieved in supported enterprises disaggregated by
    - Sector
    - Size of enterprise
    - Employment
    - Geographic location
    - Gender of ownership
    - Race of ownership
    - Age of ownership
    - Disability ownership



- d. The Director-General shall submit to Statistics South Africa (Stats SA) regular data and information needs for the dissemination of national statistics on MSME growth and trends to be published in the Annual Review. This should be inclusive of;
1. Statistics on employment trends disaggregated by micro, small and medium business including the informal sector
  2. Statistics on the trends of enterprises entering the formal economy and formal enterprises exiting the formal economy
  3. Statistics on turnover contribution trends disaggregated by micro, small and medium business including the informal sector
  4. And any other national statistical information that may be required for the purposes of informing the growth and development of MSMEs in the economy.
- e. The Director General shall regularly publish notices on the outcomes and targets for MSME support and development. These are to include but not limited to:
1. The target groups for support and development
  2. Socio-economic achievements
  3. Technology advancement
  4. Competitiveness (Local, Regional and International)
  5. Environmental, Social and Governance (ESG) factors pertinent to MSMEs

3.2 The Director General shall in accord with the Private sector collect information related to MSME development not limited to that data collected through B-BBEE codes of practice and publish in the annual review.

### Measurements of success - Outcome 2: Policy, laws and regulations reformed to enable MSME growth and efficient governance



Rationale and impact: To build, monitor and encourage an enabling environment for MSMEs to formalise develop and grow, policy propositions which direct programmes and administrative efficiencies are necessary. This entails preparing and publishing, in the Annual Review of Small Business, policy direction to encourage MSME growth (Access to Finance, Markets, Infrastructure, IBDs, Entrepreneurship, etc) and recommendations of laws and regulations which require adjustment to better the business environment (Red-Tape Reduction). Introducing incentives (instruments) to formalise, streamlining compliance and providing for better administrative efficiencies are important steps to supporting MSMEs operations and their growth. There are many complexities involved in building an enabling environment for business. Actions under this outcome therefore require consistent review, and political will, to adjust for the reforms and programmes necessary to enable change and uplift MSMEs growth and development. This will require many adjustments over time based on a live plan context which need to be signalled in the Annual Review for Small Business.

### Output 4 Effective policy and efficient governance for MSME growth and employment

**Supplementary notes to output 4.1** MSME growth has been stagnant in the economy for the last decade. New policy propositions are necessary to introduce a shift and change in the enabling environment for their growth and development. MSMEs are heterogeneous and operate across all sectors of the economy with constraints and opportunities dependant on their sector, historical dispensation and location. In order to build, monitor and encourage an enabling environment for MSMEs to develop and grow, policy propositions which direct programmes and administrative efficiencies are necessary. There are many factors that impact on the performance and growth of MSMEs as outlined in the output below. Likewise, there are many actors who are affected by policies currently. In order to achieve effective and consistent policy with minimal unintended affects, these propositions require detailed consultation with all the affected parties to ensure that they encourage growth and poverty reduction. These actors include amongst others, civil society representatives, business networks and MSME association, labour representatives, academia and international development organisations. Policy propositions are to lead to the furtherance of programmes that are targeted and specific to MSME development and growth. They should include budgetary considerations for implementation, analysis of administrative capacity to implement, and considerations to be used for the reform of laws and regulations which are required to continuously build a better enabling environment for MSMEs.

Policy propositions with the intended actions to be undertaken on the matters raised below need to be published, using evidence and mechanisms to track and monitor the implementation of these undertaken thereafter. **Policy propositions that have commenced are to be published in a section of the Annual Review of Small Business** together with report back tracking changes that may have been affected.

The following programme areas support output 4.1

#### **Policy development for an enabling environment for MSMEs**

4.1 To encourage an enabling environment for MSMEs to formalise, develop and grow. Relevant National and Provincial government actors are to prepare and publish regular policy positions on evidence collected to enable reform for MSMEs (inclusive of targeted groups, women, youth, township and rural economic actors) on matters inclusive of:

- a. Formalising enterprises into the mainstream economy
- b. Business regulatory environment and administrative governance
- c. Access to infrastructure for MSMEs
- d. Leveraging state procurement to boost MSME participation in the economy
- e. Human capital and entrepreneurial skills development in MSMEs
- f. Attracting skills and talent to boost competitiveness in the economy and address skills shortages in MSMEs
- g. Opportunities for new venture creation and enterprise development (inclusive of franchising) through venture capital, angel finance, crowd funding, private equity and state grants
- h. Access to MSME financing
- i. Access to market opportunities for MSMEs (Local and international)
- j. Industrial Development (Manufacturing) Development through Localization
- k. Competition and unfair practices that adversely affect MSMEs
- l. MSME representation (the voice of small business) in policy formulation.
- m. Innovation and ICT adoption for MSMEs
- n. Innovation and ICT adoption for e-Governance and service delivery
- o. Technology and skills transfer in supplier development programmes
- p. Industry and sector opportunities for MSME growth
- q. Transformation and inclusivity of MSMEs in the mainstream economy (particularly women, youth and people with disabilities)
- r. Export promotion and readiness for MSMEs to access new markets
- s. Opportunities to localising supply for MSMEs
- t. Business development and support services
- u. The Green economy
- v. Ethical business practices in relation to MSME contracting and market development.
- w. Entrepreneurship barriers and opportunities
- x. Enabling business incorporation models to reduce red tape in the mainstream economy by reviewing current models (sole proprietors, partnerships, for profit companies, not for profit companies, cooperatives and social enterprises etc.)

**Supplementary notes to output 4.2** E-governance and administrative efficiencies are vital in providing service delivery and support measures for a growing business community. There are fundamental steps to streamlining what is considered “red tape” and the costs of compliance in administrative actions and application. These require a review of existing mechanisms enforced to identify ways and approaches to making these administrative actions simpler, better, faster with minimum time and expense required for compliance. Due to the very nature of governance, it is understood that the modalities employed by different actors vary across the government landscape and shift with time. This therefore requires an incremental, targeted programme of action that will lead to change over time in streamlining government and will require consistent efforts to improve the administrative environment for the ease of doing business. The undertaking of this activity is to be reported on annually in the Annual Review of Small Business with recommendations to effect change.

The following programme areas support output 4.2

#### **Red tape reduction and better service delivery to MSMEs**

4.2 Increase efficiencies through streamlining administrative procedures, rules and regulations by applying e-Government practices to ease the burden of compliance costs and time for MSMEs to invest, grow and employ. To result in simplified, affordable and digitally led compliance which are easy to administer and comply with.

- a. Review administrative procedures for business/enterprise compliance
  - 1. By Sector
  - 2. By Municipal Authority
  - 3. By Provincial Government Authorities
  - 4. By National Government Authorities
- b. Reports with recommendations to improve the compliance efficiencies with e-Governance practices
- c. Implementation of e-Governance practices to improve the ease of doing business.

### **Output 5 Assessment and reform of laws and regulations impacting MSMEs to encourage growth**

**Supplementary notes to output 5.1** Building an enabling environment for MSMEs to develop and grow requires continual review of laws and regulation to ensure that these do not negatively impact on their growth and performance. The NSEA provides for the implementation of better governance principles premised on good regulatory governance practice. Section 18 (2) (a)-(e) specifies guidelines that outline procedures for the assessment of the affect and application of legislation on small enterprises, the procedures for consultation with affected parties, procedures to promote consistent application of the support strategy (NISED) and procedures for the review of the effect of existing legislation on MSMEs and the NISED, and procedures for the review of all proposed legislation impacting MSMEs and target groups.

The NSEA thus requires that these guidelines are to be published as contemplated. These stipulated guidelines are to be augmented with the following actions below.

The following programme areas support output 5.1 to 5.2

#### **Red Tape - Regulatory reform a better business environment for MSMEs**

- 5.1 Regular publication by notice in the National Gazette the guidelines as stipulated in Section 18 (2) (a)-(e) of the NSEA for the purpose of outlining the procedural steps to be followed in reviewing laws and regulations affecting MSMEs. This is to ensure they are:
  - a. Proportional to the problem identified
  - b. Targeted with minimal unintended consequences
  - c. Assessed for alternative mechanisms other than law and regulation
  - d. Are consistent with other laws and regulations
  - e. Enforcement does not increase red tape and overly burden the state
  - f. Enforcement does not cost the state or society more that the benefit accrued from the intervention
- 5.2 Effective use by all government of Section 18 (3) of the NSEA (consultation and impact assessment of laws and regulations to minimise administrative inefficiencies and unintended effects)
  - a. Publication periodically in the Annual Review for Small Business, laws and regulations to be reviewed that affect MSMEs to be consulted and assessed (prospective and retrospective) for reform to boost MSME participation, inclusion and growth. Special emphasis should be given to the current priority sectors captured in government economic masterplans and strategies.
    - i. Laws and regulation affecting licensing
    - ii. Laws and regulations that affect business registration and compliance
    - iii. Tax regulations and compliance (Inclusive of customs and excise)
    - iv. Laws and regulations affecting bankruptcy, insolvency, debt restructuring and business closure procedures.
    - v. Laws and regulations affecting employment in MSMEs
    - vi. Laws and regulations impacting skills development
    - vii. Laws and regulations affecting public sector procurement
    - viii. Laws and regulations affecting financier's product development and management for financial products targeting MSMEs
    - ix. Laws and regulations affecting property rights
    - x. Laws and regulations affecting competition
    - xi. Laws and regulations affecting environmental matters
    - xii. Laws and regulations (National, Provincial and Municipal) affecting spatial planning and development with particular focus on ordinances that restrict or give right to particular trade, manufacture and assembly activities.

- b. Assessment of the impact, effect and application of the laws and regulations published in sub (a) above.
- c. Reports written to the competent authorities and departments on consultation and impact of laws and regulations contained in sub (a) with recommendations for reform.

## **Output 6 Fair and equitable measures for entrepreneurship and early-stage enterprise activities**

**Supplementary notes to output 6.1** In a world of new realities and changing dynamics in the labour market and the business environment, emerging trends are pointing to more self-employed representation in the labour force as well as an increase in necessity driven entrepreneurship. In order to assist new enterprises to enter the mainstream of the economy, measures are needed to extend incentives to incorporate and provide assistance to them. These include access to social benefits and adjustments in the current modalities for unemployment and income protection. Likewise, consideration for new approaches to enable registration that acknowledges enterprising activities of self-employed people and sole proprietor enterprises, that may also employ people who do not receive social protection measures.

Disputes between parties in a commercial arrangement are also an unfortunate aspect of business life. MSME business owners can be involved in various types of disputes but late payment of invoices for services and goods rendered are particularly onerous for small businesses. Late payments have a knock-on effect that impact a small business' cash-flow, viability and survival. Access to the courts to resolve late payment disputes can be costly and time-consuming for MSME owners, especially when the dispute is with government or larger firms who have the resources to procure experienced and expensive legal assistance. Therefore, Alternative Dispute Resolution (ADR) mechanisms provide an alternative for the judicial litigation of individual disputes. It involves a neutral party who brings parties together, facilitates negotiations, gives advice on how to end the dispute, or takes a binding decision. Consideration should be given to a cost-effective mechanism to assist MSMEs in accessing dispute resolution for matters germane to their survival.

South Africa has suffered stagnation in the emergence of new formal enterprises over the past decade. There have been many calls for a simplified regulatory regime to incentivise and help ease the transition of enterprises to comply with government registration and administrative measures, commonly referred to as "red tape reduction". This requires mechanisms (incentives, programmes, action campaigns, projects, information campaigns etc) to assist and incentivise early-stage enterprises and informal firms to graduate into more formal transactions with government and the broader business community. As the stagnation shows, previous drives to formalise informal businesses have had little effect over the years. The programme of action below needs to consider learning from previous undertakings and introduce new methods that provide incentives to early-stage enterprises and informal firms to enter into formal arrangements with government and the broader business community. The focus of these actions should be targeted to enhancing income protection of informal workers and enterprise owners, provide greater access to skills development and assist in the access to technology and infrastructure, particularly at the local level.

The following programme areas support output 6.1 to 6.3

### **Fair and equitable opportunities for growth to MSMEs**

6.1 The Policy related and action steps for the enablement of mechanisms to:

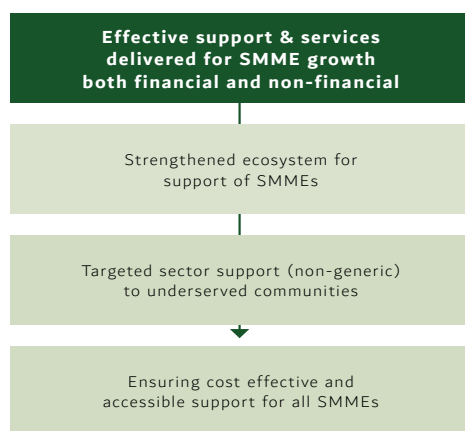
- a. Extend social benefits and incentives with respect to new and changing dynamics in enterprise activity in the formal and informal marketplace, inclusive of but not limited to:
  - 1. Sole trader/sole proprietor registration with the CIPC
  - 2. Early-stage entrepreneurial enterprise formation and registration as self-employment
  - 3. Early-stage entrepreneurial formation through partnerships of individuals and legal entities.
- b. Facilitate ease of registration of individuals operating enterprise activities and entrepreneurial endeavours
- c. Offer incentives and extension of benefits to the self-employed and sole trader communities
- d. Facilitate employment by sole traders and self-employed people for the extension of social benefits to self-employed, informal economy workers, contractors and sole traders

6.2 Alternative Dispute Resolution mechanism (ADR) to resolve late payment and contract disputes for MSMEs embedded in South Africa's legal framework.

6.3 Concurrent with the review of legislation affecting business licencing, registration, tax and employment, design and develop a programme of action to help facilitate practical steps to encourage greater participation in the formal economic structures e.g., local authority administrative compliance, employment administrative compliance, tax administration and business registry. This is to identify mechanisms that can be recommended to incentivise informal enterprises to participate in the mainstream of the economy. This should include recommendations to the competent authorities to ease and simplify compliance and improve business conditions for informal enterprises and informal employees and introduce incentives to formalise. The focus is to:

- a. Provide greater access to social benefits for informal workers and enterprise owners
- b. Provide greater access to skills development initiatives for both informal workers and enterprise owners to upskill them.
- c. Provide greater access to infrastructure and technology

### **Measurements of success - Outcome 3: Effective support & services delivered for MSME growth both financial and non-financial.**



**Rationale and impact:** This NISED is not an economic plan in of itself but constitutes a strategic framework to support the contemporary economic plans and visions for the country. Many of the actions underscored in this output constitute the delivery of product and services to MSMEs in assisting their growth and development. South Africa has currently a delivery ecosystem comprising a mixed supply of developmental services and products (financial and non-financial), but these are not easily accessible due to information and quality assurance constraints. Furthermore, one of the key challenges to guide government intervention in helping underserved MSMEs gain greater access to financial instruments, is its inability to understand and know where gaps exist for government to play a facilitative role. They are also known to not match the needs of MSMEs effectively. The following activities undertaken in this outcome area are targeted to map the supply of support services for easy access by MSMEs, to publish support programmes accessible to MSMEs, to address geographical and sectoral gaps in supply to

ensure targeted support to MSMEs is achieved, and to standardise the payment modality of development support products and services to ensure transparency and greater outreach to MSMEs. In terms of interventions to support greater access to finance especially in underserved communities a new approach is proposed to leverage innovation amongst financial intermediaries using South Africa's world class financial systems. These require a pragmatic approach especially with a constrained public purse. This section presents game changer interventions through innovative and pragmatic solutions under the MSME support plan and market development partnerships with the private sector and financial intermediaries.

### **Output 7 Strengthened ecosystem for support of MSMEs**

**Supplementary notes to output 7.1** There are many programmes that assist the development of MSMEs, including in early-stage entrepreneurial development, skills development, training, mentorship, infrastructure support, access to affordable finance, and many other areas of development support. However, many mandates have been identified to overlap between support agencies with insufficient coordination to achieve optimum impact and cost efficiency resulting in what is termed "double dipping" by MSMEs seeking support. In addition, many MSMEs seeking support find it difficult to access information of what is available and targeted to matching their needs, particularly at local level of their operations. With technology advancements this can be addressed.

Designated entities prescribed by the Minister under output 3 of this strategic framework are required to assist the establishment of an up-to-date representation of local service provision and support to MSMEs geographically listed. This will require considerable and consistent monitoring to ensure that it is updated and captures the changing dynamics in the supply of services and products in the MSME ecosystem of support and to ensure its accessibility. Likewise, better service provision to MSMEs is to be targeted, including the availability of quality public and private business development support services. This is to be affected through the development of quality assurance measures such as codes of conduct, standards and other mechanisms to enhance the ecosystem of practitioners supporting MSMEs as articulated on the IBDS Policy.



The following programme areas support output 7.1 to 7.2

#### **Build and promote expanded supply of support to MSMEs**

- 7.1 In alignment with the District Development Model (DDM “one plan”) develop, publish and regularly update a national spatial map of service providers offering support (financial and non-financial) to MSMEs including public and private actors, capturing the ecosystem of support providers. This should include:
- a. A publication of a digitally centralised national directory capturing the location, contact information and services offered for providers of financial and non-financial services to MSMEs both public and private actors. Inclusive of:
    1. Training services
    2. Business development services
    3. Incubation and accelerator services
    4. Mentorship and coaching services
    5. Financial products
    6. Networking and chamber business association services
  - b. An easily accessible and user-friendly interface where MSMEs can find contact details that are up to date for the purpose of accessing support (financial and non-financial)
- 7.2 In alignment with the District Development Model (DDM “one plan”) and concurrently with the development and publication of a spatial map and registry of service providers the department is required to give effect to the Incubation and business development services policy (IBDS) to provide for subsidised support to MSMEs in accordance with:
- a. Better quality assurance of service providers through regular monitoring of support delivered
  - b. The standards of practitioners are enhanced
  - c. Educational institutions (Higher education and TVET) have appropriate pedagogy and certification programmes
  - d. Business development practitioners are upskilled on new approaches to enhance the delivery of support to MSMEs
- 7.3 In alignment with the targets (7.1 and 7.2) encourage greater participation and expansion of services supplied to MSMEs and update the MSME support plan (identified in 9.2) with these support programmes.

#### **Output 8 Targeted sector support (non-generic) to underserved communities**

**Supplementary notes to output 8.1** This strategic framework is not an economic plan in of itself but constitutes a strategic framework to support the contemporary economic plans and visions for the country. Many of the actions underscored in this output constitute the delivery of product and services to MSMEs in assisting their growth and development. South Africa has currently a delivery ecosystem comprising a mixed supply of developmental services and products (financial and non-financial), but these are not easily accessible due to information and quality assurance constraints. They are also known to not match the needs of MSMEs effectively. In conjunction with the development of the mapping of the availability of support to MSMEs, needs assessments need to be regularly conducted to determine both gaps in service provision (of products and services) and where these need to be targeted in underserved areas and communities, and to ensure they match the needs of MSMEs. A sector-based approach in this regard is recommended in alignment with the contemporary plans of government, as noted below, these can be adjusted in time as required. Following the programme of actions noted below, better coordination of support and participation of MSMEs in value chains across all sectors should result. The following programme areas support output 8.1 to 8.6

#### **Delivery of better and targeted support to MSME demand needs and encourage entrepreneurship**

- 8.1 Reorganise the national support agencies providing both financial and non-financial support to provide better service and coordination of public and non-public support to MSMEs.
- 8.2 In alignment with the District Development Model (DDM “one plan”) using the ecosystem map (spatial and registry) the department is to identify gaps and duplication in the supply of effective and sustainable support offered by service providers. Special attention should be given to the advancement of entrepreneurial skills and the enhancement of non-generic products and services tailored to sectors including the needs of informal enterprises (women and youth). Specific focus should be on geographic spaces that have been underserved e.g., townships, small towns and rural areas. This analysis and programme of work should:
  - 1) Review the services offered in their alignment with sectoral strategies to ensure the services/products are fit for purpose and cost effective and not duplicated in order to adjust and present new gamechanger programmes and instruments where required.

- 2) Regularly conduct a needs assessment with a cohort of MSMEs receiving services from public sector funded service providers to identify new trends in the needs of MSMEs and to review blockages and gaps in the product and services offerings. This should cover gamechanger partnerships with private sector to build market actors and the sustainability of the support ecosystem which should include the following actions but is not limited to:
    1. Whether the services offered in the locations match the needs of MSMEs
    2. What recommendations do MSMEs have to make the services and products more accessible
    3. What recommendations do MSMEs have to make the services and products more innovative and future orientated.
  - 3) Identify gaps and possible public private partnerships to crowd in more actors/more services, products where needed. To supplement and enhance the MSME support plan as outlined with gamechanger programmes.
  - 4) Invest in targeted programmes (sectoral, gender and youth) and services for underserved communities and locations to ensure greater reach of support.
- 8.3 Interventions that are included in the MSME Support plan are responsive to prioritized Game Changer policies developed, including amongst others:
- 1) Innovative Financial Products – to determine innovative financial products and instruments to support the innovation, growth and development of MSMEs by crowding in new investments working by closely with the private sector. The focus for developmental finance should be the preservation of capital to grow outreach to support MSMEs rather than profit generation by the state. This should include the following actions
    - a. Minimise direct lending by government actors
    - b. Leverage wholesale finance through government support to build market entrants and financial intermediaries.
    - c. Develop an MSME innovation financial intermediary challenge fund on a matching funds basis to mobilise innovation amongst financial intermediaries to address access to finance for underserved MSMEs. This challenge fund should test market participants (financial intermediaries) on new models to (for example)
      1. provide greater access to revolving credit
      2. testing payment modalities which cut the cost of managing loan finance
      3. identify alternative collateral mechanisms for loan finance (thinking differently about collateral)
      4. How to target different segments of the market (lifecycle)
    - d. Each year increase the credit guarantee to financial intermediaries and banking communities to improve risk appetite and the availability of finance to MSMEs
  - 2) Procurement policy – devise clear targets in line with the policy positions outlined in Outcome 2 to support MSMEs with state procurement to increase economic activity of MSMEs
  - 3) Instruments that identify opportunities for greater access to infrastructure for MSMEs especially in underserved communities in townships and rural areas,
  - 4) Instruments that identify opportunities for greater entrepreneurship activity.
- 8.4 Determine and regularly update a list of all programmes, incentives and support instruments aimed at MSMEs. This list should capture the target groups, objectives, measurement indicators and impact sought of the programmes. This is to be inclusive of all relevant national government programmes and all relevant implementing agencies programmes (National and Provincial) and private sector players
- a. Regularly review the list of programmes, incentives and support initiatives to identify gaps and duplication in delivery programmes targeting MSMEs
  - b. Annually publish the list of programmes targeting MSMEs with contact details to the relevant programme officers for easy access to interested enterprises and partners engaged in MSME development and support.

8.5 In alignment with the current national priority sector masterplans, particular attention should be given to ensuring that investment from the public sector is leveraged to stimulate MSME participation. This public investment should stimulate new investment by crowding in other actors as well as the private sector and open market opportunities for MSMEs.

- a. Initial steps should be made to enable coordinating and capturing sector Masterplan focal areas targeting MSMEs. These initial steps should include continuous reporting on
  1. The investment quantum made by public, private and other actors in the sector area in the context of MSMEs
  2. The market opportunities developed and accessed by MSMEs through the work of the departments and ecosystem players
  3. Finance opportunities available and increase uptake by MSMEs
  4. The skills, innovation, competitiveness and productivity enhancement in the sector areas with outlines of limitations and gaps as well as improvements attained.
  5. Recommendations to better the trade environment with particular focus on local trade conditions and constraints as well as export opportunities with details of trade requirements and reporting on upskilling programmes directed at MSMEs for export enhancement
  6. Opportunities to leverage investment from multilateral and donor programmes to facilitate bilateral trade for new markets and market development.
- b. Particular attention is to be focused on spatial areas that are underserved that require new investment by the state to catalyse opportunities for growth in small towns, townships and rural areas by coordination through the District Development Model (DDM one plan).
- c. These sector masterplans are to include practical programmes to support MSMEs including incentives, development support initiatives to enhance competitiveness and productivity, tailored to help grow employment and profitability of MSMEs. These sectors are inclusive of but not limited to the:
  1. Creative industries
  2. Cannabis
  3. Retail- clothing textile and leather
  4. Poultry
  5. Automotive
  6. Furniture
  7. Steel and metal fabrication
  8. Agriculture and agro processing
  9. Aerospace and defence
  10. Ocean's economy
  11. Health economy
  12. Green Economy (Renewable energy)
  13. Tourism
  14. Digital economy
  15. Forestry
  16. Transport
- d. Special focus is to be given to the representation of specific targets for MSMEs (tailored and disaggregated) in the various sector masterplans implementation
- e. Special attention is to be given to ensuring that all masterplans target supplier development of embedded services/products from MSMEs.
- f. Special attention is to be focused on retooling and skilling MSMEs for better competitiveness, productivity growth, innovation and 4IR.

8.6 In collaboration with the relevant departments that support education, skills development and innovation, ongoing reviews of the entrepreneurship and skills development pedagogy and delivery mechanisms is required to ensure vocational training and education meets the requirements of industry and technological advancements to build and support MSMEs and economic growth

- a. This should include ensuring that the Sectoral Education Training Authorities cater appropriately to skills enhancement of MSMEs
- b. Curricula is developed to enhance artisanal and vocational skilling to match for industry needs particularly MSMEs
- c. Curricula in basic (schools) and tertiary education (TVETs, University) include entrepreneurship education and new technology advancements to tool learners with skills that support work readiness in the context of 4IR

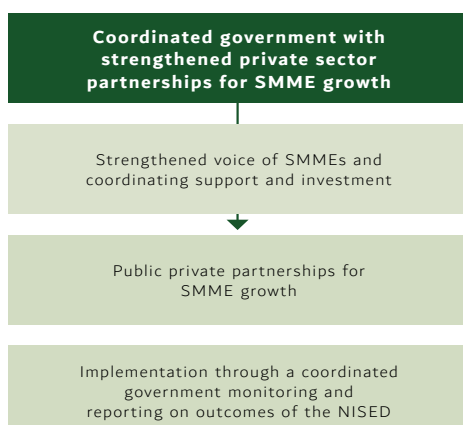
## Output 9 Ensuring cost effective and accessible support for all MSMEs

**Supplementary notes to output 9.1 and 9.2** It is common practice where governments pay for services that standardised rates apply. This has not been applied consistently in South Africa. Standardised rates allow for development and support organisations to better budget and target their client offerings. It also provides for better government transparency and targeting financial obligation to national, provincial and municipal for support obligated in the contemporary budgetary cycles. Likewise, the design, development and implementation of targeted support for MSMEs is a collaborative effort of many actors across all of government and private actors. Developing evidenced based programmes is central to the implementation of the NISED.

The following programme areas support output 9.1

- 9.1 Determine and regularly update a published guideline schedule that standardises the fees/rates for business development support services funded/subsidised by all National, Provincial Departments and Local authorities to MSMEs. This should include:
- a. A determination of services and products for state funding/subsidisation for MSME support and development, inclusive of but not limited to:
    1. Training services
    2. Mentorship services
    3. Coaching services
    4. Business and technical consulting services
    5. Incubation and accelerator services
    6. Digital services
  - b. A regular published assessment that assists the periodic update of the rates and determination of services and products contained in the guideline schedule which reviews
    1. Cost efficiency and effectiveness of public sector funded/subsidised support services rendered
    2. Mechanisms applied for funding and subsidies which can include and not limited to incentives and user-based subsidies, vouchers, grants, matching finance, impact funding, blended finance etc.
    3. Monitoring frameworks which review implementation and adherence to the guideline schedule.
    4. Recommendations to update the guideline schedule and improve outreach.
- 9.2 Based on findings from the investigation in output 8.2 and the relevant policy research and outcomes of the summit work contained in output 11, develop measurable evidence based and targeted programmes to support MSME formation, productivity and competitiveness, published as the MSME Support Plan and in the Annual Review. This should be updated every 3 years.

## Measurements of success - Outcome 4: Coordinated government with strengthened private sector partnerships for MSME growth



**Rationale and impact:** MSME support and delivery is a key function of many government departments across all spheres: private sector, civil society and multi-lateral and bilateral agencies. A considered effort is to be made between government and development partners to better coordinate on inclusive MSME development, policy formulation and delivery modalities. This has been a fundamental failure in the past with previous plans resulting overlapping mandates and the inefficiency of services, products and duplicative reporting. The impact of a coordinated government alongside other actors in partnership will see improved synergy in services and better use of resources for greater outreach. Meaningful participation in the national summits and provincial conferences should culminate in better coordination of MSME support efforts, they will also outline the MSME support initiatives, investments, policy directions to be undertaken to effect change and showcase achievements made nationally and provincially.

## Output 10 Strengthened voice of MSMEs and coordinating support and investment

**Supplementary notes to output 10.1** Evaluations conducted for each of the government's national MSME strategies have highlighted failures in the coordination of efforts by the many actors engaged in developmental support for MSMEs. A programme of action to coordinate the wide range of actors, government, non-government and private, in collaborative efforts is thus required. MSMEs constitute much of the business community active in the economy but despite this they lack representivity in policy consultations, formulation and debate commensurate to their magnitude.

In acknowledgment of this and to achieve robust consultation, investment planning, coordination and reporting on partnerships and achievements on the economic matters impacting MSMEs, the "New Agency" is best placed to act as secretariat for the high-level MSME summit every two years as contemplated below.

The following programme areas support output 10.1

### Better coordination for MSME investment and growth

10.1 For the purpose of coordination and strengthening the voice of small business in South Africa and to showcase MSMEs as a prominent segment of economic activity, every two years a national MSME summit is to be convened. This summit to be supported by:

- a. Provincial conferences held every two years by the individual Premier offices on MSMEs in preparation for the national summit following the agenda as noted in the national summit
- b. An agreement with the "New Agency" to perform professional secretariat functions for the convening of the national summit. These functions are to include but not limited to
  1. Logistical arrangements for the summit
  2. Funding and financial arrangements for the summit
  3. Reporting on the summit discussions, resolutions and outcomes
- c. The purpose of the national MSME summit is:
  1. To present a consolidated review of small business in South Africa as well as progress on matters prioritised from previous summit(s)
  2. To present individual Provincial reviews in alignment with the DDM one plan model. Objectives for MSME provincial and district growth, investment targets and public private partnerships targeting MSME development and support (products and services) in their respective provinces
  3. To present outcomes of the sector-based Masterplan agreements for MSME development, support (products and services) and investment
  4. For the national departments, implementing agencies and research partners to present findings and recommendations on MSME policy, programmes and developmental objectives including the targeting of women and youth enterprise growth
  5. For small business chambers, associations, sector representivity bodies (large, small and informal) and networks to engage, respond and advocate their members positions
  6. For the business communities (Inclusive of large and international businesses) and government departments, agencies and other partners to:
    - Report on investments made to MSME development objectives
    - Report on challenges and opportunities to MSME market development
    - Identify new investment and market development opportunities for MSME growth and Accords
    - To make commitments and accords for implementable programmes and projects that support and promote MSME growth and sustainability
  7. To set the agenda, policy and programme of action for MSME development and support to be reported back on at the next national summit

## Output 11 Public private partnerships for MSME growth

### Partnerships outreach for MSME growth

**Supplementary notes to output 11.1** Consistent and continuous outreach to crowd in new investment opportunities to support MSME growth and involvement in the mainstream of the economy is vital. This will require continuous efforts in tracking, monitoring and reporting on commitments made with partners (government, non-government and private actors) towards seeking new opportunities for new investments and partnerships, to be reported both in the annual review for small business and at the national summits. The following programme areas support output 11.1



11.1 The department in conjunction with the implementing agencies is to continuously identify new project and investment opportunities for MSME development and support and to monitor, track and report on the investment and developmental commitments made in the national summit. This is to be publicly reported on in the annual review as prescribed by the NSEA under the guidance of the Director General of the department. This is to:

- a. Concluding new formal commitments to MSME investment and development
- b. Facilitate knowledge sharing of investments and project areas that support MSME growth as committed to in the national summit
- c. Track the quantum of investments/support and development programmes directed to MSMEs by sector, size, geographic location, gender, age and race.
- d. Assist in the reporting back to the following national summit
- e. Assist in tracking the outcomes of the Sector based masterplans for MSMEs and identify sector based new investment and development objectives to improve the conditions for MSMEs in the different industrial sectors. This is to be done in conjunction with the sector business representatives and the departments concerned
- f. Assist the provincial conferences in alignment to the national summit's resolutions/accords and investment areas
- g. Assist in the development and pipeline of new support and investment programmes, particularly where gaps are identified.

Report back at the national summit and the annual review on formalised commitments achieved with public sector partners, government partners multilateral partners, chambers, sector associations and other stakeholders to showcase MSME investment and development project.

## **Output 12 Implementation through a coordinated government monitoring and reporting on outcomes**

### **Coordinating implementation**

Supplementary notes to output 12.1 In order to ensure effective coordination of the multiple actors involved in supporting and uplifting MSMEs (both within government and in the private sector), an appropriate implementation and monitoring framework is required. Many of the actions to be undertaken within the NISED framework require consistent coordination amongst different role players at various levels of government intersecting with private sector partners. This will require structures to ensure participation of the identified role-players and partners as well as monitoring mechanisms to ensure delivery of the intended actions. Importantly, the NISED is considered a live plan therefore the monitoring mechanisms will inform adjustments to work programmes captured in the NISED document.

The following programme areas support output 12.

12.1 The department in conjunction with the various implementing partners are to establish social compact (accords) for the intergovernmental structures as well as partnership agreements necessary for the implementation of the NISED's programmes contained above. This is to:

- a. Establish the structures necessary within the current government management and coordination frameworks for monitoring, tracking, and reporting on the actions identified in the NISED.
- b. To coordinate government departments and agencies on the implementation of the NISED's outcomes.

12.2 The department is to work closely and agree with Department of Planning Monitoring and Evaluation the establishment of a monitoring framework to measure the outcomes of the NISED. This will further require:

- a. Recommendations for improvements on the implementation of the planned actions.
- b. Recommendations for adjustments based on tracking of outputs.
- c. Reporting to the established governmental structures on outcomes and recommendations for improvement to the successful achievement of the NISED's programmes of action, to include but not limited to;
  1. IGR – Horizontal linkages – National Departments reporting on the implantation of their Small Business Investments,
  2. Inter-spherical – Political and Technical MinMEC, intergovernmental committee of senior officials on Small Business Development,
  3. Institutional arrangements for stakeholder participation – As per the Act, the Small Business Advisory Council/Body
  4. Presidential Economic Advisory Council – Small Business, Investment, Red Tape and Employment Opportunities.

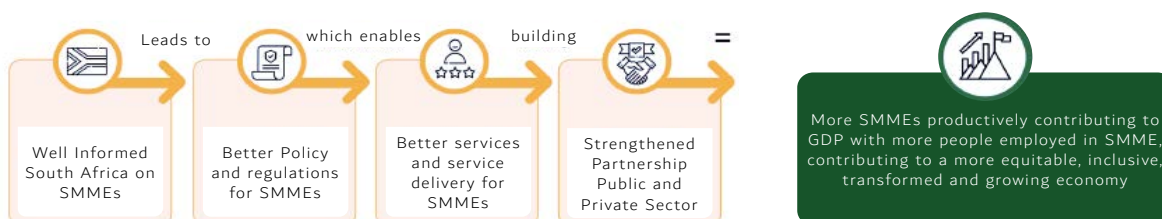
## Section D: Implementation

Despite considerable resources & policy intervention to support micro, small, & medium enterprises (MSMEs), support for MSMEs remains uncoordinated & fragmented with duplication of initiatives based on symptoms. Research & data to monitor MSME performance remains elusive at national level resulting in ill-informed design of programmes & support to match MSME needs & opportunities (financial & non-financial). This continues to result in low survival rates of MSMEs & stagnant growth. The Game-Changer Programme will be a specific tool to open the space to tackle some of the major impediments holding back the MSME sector.

The NISED thus seeks to address the above key problems of integration along with the coordination challenges, by coordinating the development and design for better interventions targeting MSMEs. The NISED is a strategic framework to help assist South Africa in delivering effective support to MSMEs!

Evaluations of previous national MSME strategies show that the most challenging aspect is **the execution and implementation of the intended plans in a coordinated way**. The NISED requires extensive coordination within – and among – the various ministries, departments (at all spheres of government), their agencies and private sector actors. To undertake this task, it is important that a single department is the custodian of the strategic framework – the DSBD, which acts as a champion of MSMEs within government, coordinates the various projects and programmes undertaken by the other actors and advocates for regulatory and policy reform where appropriate. The DSBD will be accountable for ensuring implementation of the NISED as well as monitoring the progress to ensure the outcomes and outputs are achieved.

The NISED is built on four fundamental pillars under which a series of programmes and actions work together to result in the growth and sustainability of the MSME community in South Africa. The four key pillars are designed to facilitate more effective support and better delivery by ensuring that information about the MSME community is published and shared (Evidence) to ensure a well-informed South Africa on MSMEs. This then leads to the ability to target policy and regulatory intervention based on evidence which should enable a better service environment for the delivery of support to MSMEs which in turn is facilitated by strengthened partnerships between the public and private sector.



As outlined in the plan, the publication of the Annual Review for Small Business will publicly represent implementation of the programme of actions outlined in the NISED and the tracking and monitoring of its impact over time.

The NISED and its programme of actions are to address several key challenges that have afflicted the growth of MSMEs for many years. Briefly these include:

### Key Challenges

- Lack of comprehensive, dependable, available and accessible data within the three spheres of government on MSMEs that is utilized to consistently track and monitor MSME performance in the economy.
- Lack of coordination of government interventions and programmes.
- Policy uncertainty coupled with administrative complexity increases the cost of compliance and expanding "red tape" for MSMEs.
- MSMEs must comply with onerous labour regulations which hamper their ability to employ more staff.
- MSMEs require better staff skills particularly in digital and technology related fields to assist with growth.
- South Africa's economy has structural biases that favour larger firms which limits competition and MSME entry into markets.
- Lack of affordable finance to service early stage and micro enterprises.
- Low uptake on formalisation of enterprises.
- The MSME support ecosystem is often viewed as fragmented, duplicative with limited reach to service rural and township areas.
- Late payment reduces the ability of MSMEs manage cash flow and effects the sustainability of enterprises.

Through the coordination of actions as outlined in Section C together with the projects implemented by many actors under the different outputs, the strategic framework envisions increasing the participation of MSMEs in the national economy. This is to expand the contribution of MSMEs to GDP, employment and the competitiveness of South Africa's economy. It is imperative that the DSBD consults widely – internally within government – and externally, among all the key private sector and none state actors including civil society and academic institutions, and labour throughout the NISED lifespan.

Critical to the success of the strategic framework is meaningful buy-in from the executive in government to ensure coordination of the various departments and agencies. The implementation and delivery of the NISED will require a whole of government championing the goals and impact.

The strengthened co-ordination of the NISED presents a unique and timely opportunity to mobilize additional resources – both financial and technical – for small business development. To this end, several high-impact Game-Changer Programmes will be prepared and facilitated by the DSBD, working with strategically significant public sector, private sector and non-profit partners. These Game-Changer Programmes will be integrated into the MSME support plan/Annual NISED implementation action plan. This will enable improved targeting of the small enterprise development capabilities – both financial and non-financial – that currently exist in the broader small enterprise development ecosystem. This will also enable fiscal resources to leverage significantly higher levels of additional private and institutional investment for small enterprise development.

It is recognised that on their own, the measures within the strategic framework to create an enabling environment are insufficient without a major boost in the form of targeted and partnership-driven game-changer initiatives. These interventions are required at scale to revitalise the MSME community. These will need to be co-created, designed and implemented with key role-players from both inside and outside the state with strengthened and open partnerships.

The Partnership-driven Game-Changer Programme to revitalise the MSME sector considers;

1. A recapitalised Khula Credit-Guarantee (KCG) Mechanism with pre and post investment support (market access and business development support).
2. An enhanced TREP – Township and Rural Partnership Programme.
3. A major Supplier Development Partnership Programme (linked to private sector and public sector markets) and supported through incubators.
4. An Upscaled Youth Challenge Fund that incentivizes youth innovation.
5. A Digital One-Stop Shop Platform with AI capabilities.
6. A reconfigured and effective agency for the delivery of financial and non-financial support.

Central to the successful execution of the strategic framework is a strong monitoring and evaluation approach – to the NISED itself – and to all projects and programmes that stem from it. Where resources are lacking within the department itself to conduct monitoring and evaluation investigations, these will have to be bolstered with skilled analysts capable of utilising innovative statistical tools to map progress across the projects and programmes and track impact against the outcome and outputs of the NISED.

Successful implementation of the NISED must be founded on the fundamental understanding that there are, and will continue to be, constrained budgets across government. The outcomes and outputs of this strategic framework do not support duplication of effort. A critical step for the early stage of implementation will be the successful merger of SEFA and SEDA into a new organisation which takes a central role in coordinating the various governmental departments' project activities that are MSME focused as contemplated in section 10(b) of the National Small Enterprise Act (as amended). Simply put, the central agency, with its national footprint will be the predominant implementing agency for all of government (at all levels) for MSME support programmes. In addition, to minimise compliance costs, improve formalisation and extend benefits to enterprises that fall out of the formalised economy, a central technology platform is to be developed as the primary hub for MSME user-based subsidies by government and its funding instruments. This will support synergy and integration for the purpose of minimising corruption and "double-dipping". This provides the new agency, working closely with DSBD, with a more active role in budgetary considerations and allocations across government on projects and programmes that have MSME development/support objectives. It further supports government's goal to deliver more e-governance practices and centralises budgetary allocations to MSME support through "one system".

Early in the execution of the NISED, the DSBD – working together with all ministries, state-owned enterprises (SOEs) and agencies – will need to review existing programmes to rationalise those that overlap and realign programmes to fit with the strategic framework outcomes and outputs. Programmes that do not have significant impact to the goals of the NISED should be removed.

The development of an effective monitoring system is fundamental to tracking, monitoring and reporting on progress in the Annual Review. This has been a critical weakness in the implementation of past national MSME development strategies. The NISED avoids setting specific “x” number of MSMEs to be supported, as targets should be adjusted each year based on available budget and resources including monitoring success and impact achieved. These targets are set in the MSME support plan as published by the Department. Continued support by government to unsustainable enterprises can lead to over trading in vulnerable economies and market distortions. Importantly government is not in the game of manufacturing businesses, but its main role is to facilitate a conducive environment for enterprises to start and grow.

The Annual Review of Small Business as stipulated in the Act (NSEA, as amended) will publish a yearly report-back on progress of the NISED's outcomes and outputs. The Annual Review will rely heavily on the cooperation and coordination of the statistical offices of South Africa including Stats SA, SARS, Reserve Bank, National Treasury and Department of Performance, Monitoring and Evaluation (DPME) to publish disaggregated information in alignment with the standardised definition of MSMEs. Information reported on should include MSME disaggregated data on contribution to GDP, labour, tax, bank lending metrics, procurement uptake amongst other important metrics - for their inclusion in the Annual Review. Likewise, policy focus, implementation and new propositions should be reported on yearly.

### **Proposed Institutional Arrangements**

The NISED relies heavily on public/private participation in the development and growth of a sustainable MSME sector. Building strong and regular engagement and partnership is important, as many of the programmes and projects underway in South Africa are private sector led, through the legislative enterprise and supplier development framework in transformation legislation. The DSBD together with its agency has a considerable role to play in this regard. A central and key component to this partnership alignment is effective use of the biennial summits nationally and the provincial conferences for coordination, building partnerships and creating synergy for the development and growth of the MSME sector. Bringing government together with business to focus on both national imperatives as well as localised opportunities.

The following considerations are furthermore central to an effective implementation over the 10-year period of the NISED.

The NSEA contains provisions for the establishment of an Advisory Body to “specifically require the Advisory Body to advise the Minister on i) strategies to address identified market failures affecting the sector; (ii) the impact of current and new legislation on small business; (iii) national standards pertaining to small business development and regulation; (iv) measures to ensure the creation of physical business infrastructure through viable business sites; (v) the development of skills in all aspects of running a business; (vi) steps to be taken to create access for small business into value chains; (vii) constraints affecting the viability of the small business community; (viii) methods to liaise with the small business community to identify their needs; (ix) methods to monitor and influence the provision of support services to the small business sector; and (x) any other matter that the Minister may deem appropriate.”

An Advisory Body was established by the Department of Trade and Industry as parent department of the NSEA at the time prior to the establishment of the DSBD in 2014. Taking the previous experiences of the Advisory Body in mind and within the modern context of a National Planning Commission established by the Presidency, it is recommended that the Advisory Body functions as stipulated in the NSEA are constituted within the National Planning Commission (NPC) as a distinct subcommittee, alternatively should a stand-alone Advisory Body be reconstituted it is recommended that institutional arrangements are explored to ensure it has strong linkages with the NPC. The members of the NPC comprise experts drawn from academia, business, labour as well as technical experts from civil society, they are critical advisors to Government providing recommendations in the interest of long-term development of the country. This can ensure that the promotion and development of small enterprises are centre mind in all of governments socio and economic planning as well as optimising the fiscal constraints. The NPC advises on the work concentrated to the implementation of the National Development Plan, which is constituted till 2030, this marks the central period for the NISED implementation. The Commission furthermore prioritises areas of multifaceted planning and advice on aspects germane to Small Enterprises.

Coupled with the consultative functions of the Small Enterprise Advisory Body noted above, a central element to cement intergovernmental coordination is the Economic Sectors Investment Employment and Infrastructure Development (ESIED) Cluster of National Government. It is recommended that arrangements are instituted to regularise consultations between ESIED and the Advisory Body (as noted above) with linkages to the residential advisory committee to hold briefing sessions on practical matters that will assist with the effective implementation of the NISED. This is supported by the coordination among Director Generals of Government through the Forum of South African Directors General (FOSAD). These central national Government coordinating arrangements are to provide direction for the National Summit to be held every two years.

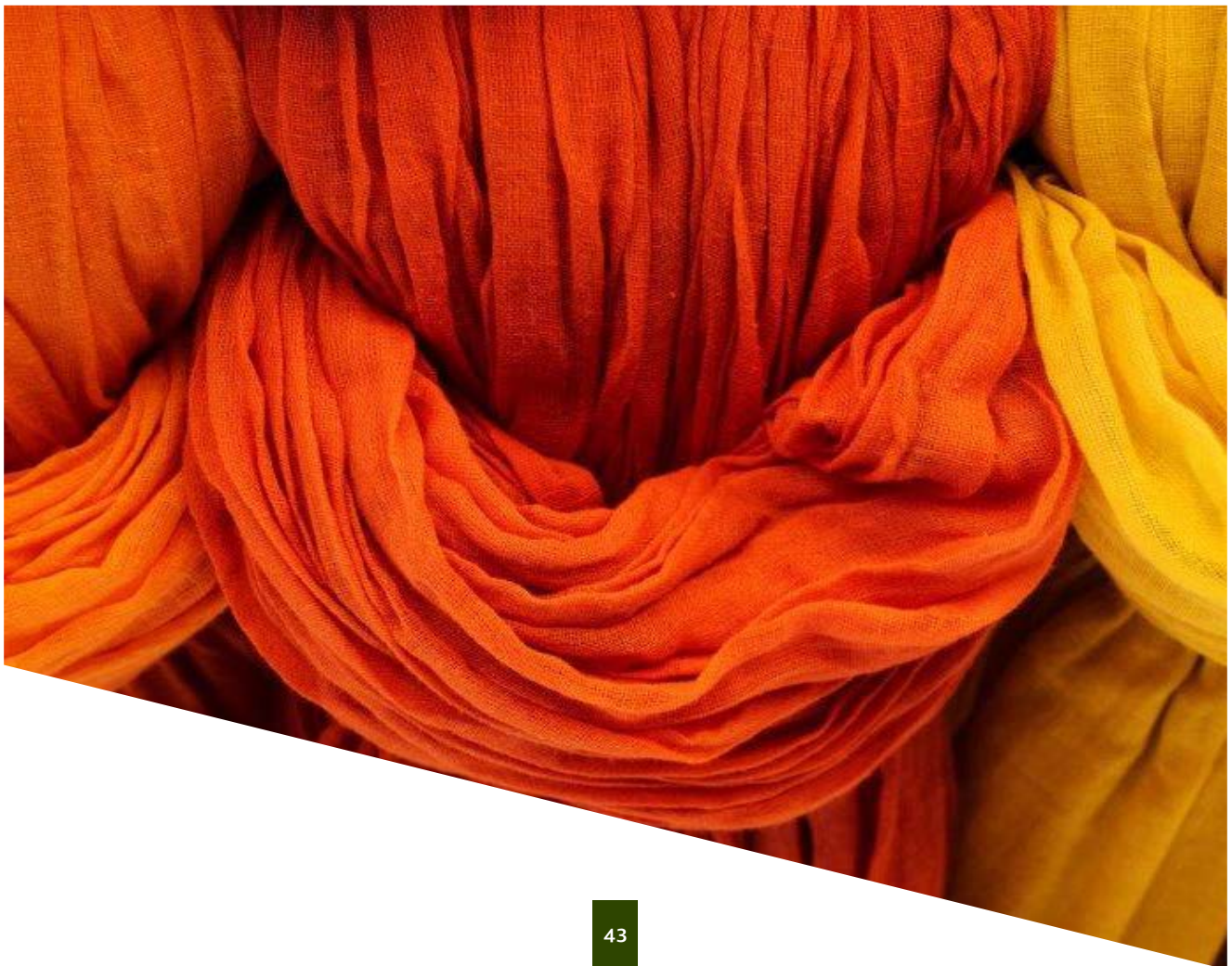


In alignment with the directives provided by national Government for Provincial and Interprovincial coordination it is recommended that coordinating structures are constituted, or reinstituted, to harmonise programme actions and outcomes at provincial level. This will need to include structures that facilitate cross provincial development agencies (including metros/cities) to connect, reflect and coordinate actions that support NISED implementation and growing of smaller enterprises. In order to assist with localised support and outreach the National Proposed New Agency (merger of SEDA and SEFA) will need to be the central facilitator to ensure regular coordination is ongoing.

#### **Monitoring arrangements**

The first critical step for the implementation of the NISED is the preparation of a monitoring framework to be agreed in partnership with the DPME. This monitoring framework should feature the tracking of indicators that measure the outcomes and impact as detailed in the NISED.

M&E framework set up with DPME as one of the initial important steps for the implementation of the NISED indicators should consider the following. These actions are described in output 12 of the NISED contained above. These initial actions will require updating and adjustment over the lifespan of the NISED especially as it is constituted as a live plan. The following table presents a detailed outline of the core programmes and activities in accordance with each of the four pillars to deliver the objectives of the NISED. The NISED is presented as a live plan, and it is understood that many of the activities presented below may require adjustment as programmes are delivered monitored and tracked.



## The NISED summary table

Goal / Impact (Outcome 1 NISED)

Well informed SA on MSMEs with continuous monitoring evaluation and learning

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H /M 2 to 5 years /L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Application of a uniform definition for MSMEs	1.1. Uniform definition for MSMEs and Coops consistently applied (Legal and Statistical)	1.1.1. MSME data reviewed periodically for updating definition	STATS SA, SARS, BEE Commission, Departments and Regulators	<b>Lead:</b> DSBD <b>Support:</b> National Treasury, Stats SA, SARS, New Agency	H	Ongoing (2021/22)	Business Information and Knowledge Unit		<b>Current Situation:</b> First report 2019 – current review in progress for publication 2022 <b>Risk:</b> Shortage in competent capacity to review complex datasets	DSBD APP, MTSF 2019/2024, NDP, Small Business White Paper
		1.1.2. Guidelines to apply definitions gazetted for reporting and monitoring MSMEs	Department Programme officers (Nat, Prov, Local), New Agency and Designated Entities	<b>Lead:</b> DSBD <b>Support:</b> State Law advisors, New Agency	H	2022/23	Legislation Unit		<b>Current Situation:</b> Schedule 1 (NSEA) updated but not practiced by all users. Data collection and analysis hampered to calculate MSME information. <b>Risk:</b> Low uptake on the MSME definition application which affects data collection and analysis	ERRP, MTSF 2019/2024

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Regular research on MSMEs in partnership with the research & business community		1.1.3. Align the definition of Small Enterprise with DTIC (BBB-EE codes) Stats SA and National Treasury.	DTIC, BBB-EE commission, Stats SA and NT, Cooperative	<b>Lead:</b> DSBD <b>Support:</b> DTIC, BBB-EE commission, Stats SA and NT, Cooperatives	H	Ongoing 2021/22	Legislation Unit		<b>Current Situation:</b> Review underway with stakeholder consultation in progress <b>Risk:</b> Stakeholders reluctant to align hamper's data collection, monitoring and targeting going forward.	DSBD APP
	1.2. Periodic research on growth and competitiveness of MSMEs and Coops published	1.2.1. Launch and deliver the MSME Development Index (SDI)	Business Communities, Research Institutions, Government, New Agency, MSMEs and Coops	<b>Lead:</b> DSBD <b>Support:</b> Chambers and Business Association, Stats SA, SARS, NT, DTIC, BBB-EE Commission	H	Launched in 2021 to be published in 2022	Business Information and Knowledge Management Unit		<b>Current Situation:</b> Pilot approved and first wave underway Oct 2021 <b>Risk:</b> Low response of MSMEs to survey, Chamber relationships strained	ERRP, MTSF 2019/2024, NDP
		1.2.1.1. Tracking tool to monitor Govt expenditure to MSMEs (Inclusive of all set-aside and procurement targets)	MSMEs, Govt departments (Nat, Prov, Local, SARS, NT, Women, Youth, People with Disabilities etc.	<b>Lead:</b> National treasury <b>Support:</b> DSBD	H	2022/23	NT: OCPO		<b>Current Situation:</b> Little to no data on MSME procurement by government published <b>Risk:</b> The Procurement Bill alignment with this target.	ERRP, MTSF 2019/2024, NDP
		1.2.1.2. Macro indicators developed and published in the SDI	MSMEs, Govt, and Private Sector Investors	<b>Lead:</b> DSBD <b>Support:</b> Stats SA, SARS, NT, SARB	M	2024	Business Information and Knowledge Management Unit		<b>Current Situation:</b> MSME Data harmonisation lacking due to multiple definitions <b>Risk:</b> Shortage in competent capacity to review complex datasets	ERRP, MTSF 2019/2024, NDP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
	1.4. Annual research colloquiums	1.4.1. Incentives to encourage research publications on MSMEs	Independent Researchers, young researchers, Academic fraternity, New Agency, Research Institutions	<b>Lead:</b> DSBD <b>Support:</b> New Agency, Academic Fraternity, Relevant Govt Deps	M	2025	Business Information and Knowledge Management Unit		<b>Current Situation:</b> Lack of a preeminent platform to showcase MSME research <b>Risk:</b> Restraint budget allocation to host research colloquiums and incentivise research, link to the research agenda required	ERRP NDP
Consistent publication of the Annual Review of Small Business	2. Annual Review consistently published each year to inform all stakeholders in MSME development	2.1.1. Template developed for the Annual Review to be updated yearly (including all tracking and monitoring progress to)	MSMEs, Govt, and Private Sector Investors and Business Associations	<b>Lead:</b> DSBD <b>Support:</b> New Agency, Designated Entities, Govt, NT, Stats SA, SARS, DPME, DTIC	H	2022/3	Office of the Director General		<b>Current Situation:</b> The annual review has never been published in alignment with NSEA <b>Risk:</b> Template deviates from NSEA and NISED targets and capacity to develop appropriate template	ERRP, MTSF 2019/2024, NDP
		2.1.2. Progress tracking, Monitoring, Research on MSMEs consolidated annually and published into Annual Review each year	MSMEs, Govt, and Private Sector Investors and Business Associations	<b>Lead:</b> DSBD <b>Support:</b> New Agency, Designated Entities, Govt, NT, Stats SA, SARS, DPME, DTIC	H	2023/4	Office of the Director General, Supported by Business Information and Knowledge Management Unit		<b>Current Situation:</b> The annual review has never been published in alignment with NSEA <b>Risk:</b> Capacity restraints and Budget to administer and effective coordination between role players	ERRP MTSF 2019/2024, NDP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Efficient monitoring of public funded support by identifying the aggregate support delivered to MSMEs	3. Regular reporting on MSME support delivered by designated entities to monitor aggregated funding and support delivered to MSMEs and target groups.	3.1.1. Legislative framework exists for the Minister to issue [(NSEA Section 20 (b))] regulatory notices to identify "designated entity(s)"	Govt agencies receiving budget to support MSMEs	<b>Lead:</b> DSBD <b>Support:</b> State Law Advisors, ESIED Cluster, provincial departments responsible for economic development and MSME support agencies	H	2022/3	Office of the Director General		<b>Current Situation:</b> Currently there is no guidance gazetted for Govt spend on MSME support and development <b>Risk:</b> Agreement with other Govt departments where transversal arrangements clash, legislative changes.	ERRP, MTSF 2019/2024, NDP
		3.1.2. Digital data repository developed and operational to collect information from "designated entities" to track measure and monitor budget spend on MSMEs	Designated entities, (Govt Agencies receiving budget to support MSMEs)	<b>Lead:</b> DSBD <b>Support:</b> NT, DPME, New Agency	H	2022/3	DSBD: Enterprise Development		<b>Current Situation:</b> No centralised monitoring of budget spend on MSMEs <b>Risk:</b> Political will to centralise reporting on MSME budget spend.	MSMEs ERRP, MTSF 2019/2024, NDP
		3.1.3. Issue notices to relevant Govt and Agencies for information required for reporting in the Annual Review	Designated entities, StatsSa, SARS, DPME, CIPC, DTIC	<b>Lead:</b> DSBD <b>Support:</b> Designated entities, StatsSa, SARS, DPME, CIPC, DTIC	H	2022/23	Office of the Director General, Supported by Business Information and Knowledge Management Unit		<b>Current Situation:</b> Little coordination of data on MSMEs <b>Risk:</b> Low cooperation	ERRP, MTSF 2019/2024, NDP
		3.1.4. Publish Yearly the Annual Review	MSMEs, Govt, and Private Sector Investors and Business Associations	<b>Lead:</b> DSBD <b>Support:</b>	H	2022/23	Office of the Director General, Supported by Business Information and Knowledge Management Unit		<b>Current Situation:</b> Little coordination of data on MSMEs <b>Risk:</b> Low cooperation	ERRP, MTSF 2019/2024, NDP, improvement



## Goal / Impact (Outcome 2 NISED)

Policy, Laws and regulations reformed to enable MSME growth and efficient governance.

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Policy development for an enabling environment for MSMEs	4.1. National and Provincial Government Policy developed for growth of MSMEs (Targeted groups) - updated in the NISED	4.1.1. Yearly identify and publish policy papers (National and Provincial) (see guiding themes in MP)  (In development 2021/22) <ul style="list-style-type: none"> <li>• Entrepreneurship Policy Strategy</li> <li>• Red Tape Reduction Policy</li> <li>• Localisation and Manufacturing policy</li> <li>• ADR policy</li> <li>• Funding Policy</li> <li>• IBDS Policy</li> </ul>	MSMEs and target groups inclusive of (Women-owned, youth-led, people living with disabilities and township and rural-based)	<b>Lead:</b> DSBD  <b>Support:</b> ESIED Cluster departments and their agencies, UNDP, UASF, COGTA, OCLSA, IBASA	H/M	2022/23 (Ongoing)	DSBD: Policy Research Unit, Enterprise Development Unit, Red Tape Reduction Unit, Office of the Director General, Sector and Market Development Unit & Legislation Unit		<b>Current Situation:</b> Policy developed siloed and intermittently developed  <b>Risk:</b> Coordination and consultation central to policy with time management essential for completion and publication	NDP, ERRP, MTSF 2019/2024, Improvement Plan, NISED
		4.1.1.1. Coordinating committee established between transversal Govt departments (National and Provincial)	MSMEs and target groups inclusive of (Women-owned, youth-led, people living with disabilities and township and rural-based)	<b>Lead:</b> DSBD  <b>Support:</b> New Agency and ESIED Cluster departments and Provincial Premiers offices	H	2022/23	DSBD: ODG		<b>Current Situation:</b> DSBD attempted this coordination in the past and the Coordinating Committees (Inter-departmental & Inter-Provincial) were discontinued  <b>Risk:</b> An acceptable coordinating framework has not been adopted yet. Lack of Political will/buy-in	ERRP, NDP, Improvement Plan

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Red tape reduction and better service delivery to MSMEs		4.1.1.2. All sector masterplans encouraged to target MSME interventions in accordance with Profiling (baseline) in 8.3.1.1								
		<ul style="list-style-type: none"> <li>Youth</li> <li>Women</li> <li>PWD</li> <li>Township</li> <li>Rural Areas</li> </ul>								
	4.2. e- Government practices to streamline efficiencies for Red Tape Reduction	4.2.1. Review administrative procedures (by sector and competent authority) to result in affordable and digitally led compliance	National, provincial and local government and their agencies	<b>Lead:</b> DSBD <b>Support:</b> NT, dtic, Cogta, SALGA	H	2022/23	DSBD: Red Tape Reduction		<b>Current Situation:</b> Pilot Programmes on RTR being implemented <b>Risk:</b> Lack of resources/ capacity to implement digitally led compliance requirements in municipalities	NDP, ERRP
		4.2.1.1. EODB Administrative Simplification Programme	Local government and their agencies	<b>Lead:</b> DSBD <b>Support:</b> NT, Cogta, SALGA	H	2022/23	DSBD Red Tape Reduction		<b>Current Situation:</b> EODB Pilot Administrative Simplification Programme for MSMEs and Co-operatives implemented <b>Risk:</b> Weakness in capacity (budget and skills) in municipalities	NDP, ERRP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
		4.2.1.2. Develop and Manage a Red Tape Reduction Dashboard	District and Local Municipalities	<b>Lead:</b> DSBD <b>Support:</b> NT, Cogta, SALGA	H	2022/23	DSBD: Red Tape Reduction		<b>Current Situation:</b> Dashboard underdevelopment from EODB Pilot <b>Risk:</b> Weak resource (budget and capacity) at municipal level	NDP, ERRP
		4.2.1.3. Establish and regularly convene Red Tape Reduction Business and Govt working groups (Local, District, Province & National)	Business, national, provincial and local government	<b>Lead:</b> DSBD <b>Support:</b> Cogta, dtic, SALGA	M	2023/24	DSBD Red Tape Reduction		<b>Current Situation:</b> No working groups established <b>Risk:</b> Action plans for red tape reduction needs business and government agreement	NDP, ERRP
		4.2.1.4. Develop Red Tape Reduction Methodology and run capacity building for public servants and Govt stakeholders	National, provincial and local government and their agencies	<b>Lead:</b> NSG <b>Support:</b> National, provincial and local government and their agencies	H	2022	National School of Government (NSG)		<b>Current Situation:</b> Ad hoc capacity building on red tape reduction prevention mechanisms <b>Risk:</b> Budget and capacity	NDP, ERRP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Red Tape - Regulatory reform for better business environment for MSMEs	5.1. Regular publication by notice in the National Gazette the guidelines as stipulated in Section 18 (2) (a)-(e) of the NSEA for the purpose of outlining the procedural steps to be followed in reviewing laws and regulations affecting MSMEs	5.1.1. Develop and publish Guidelines for the measurement of Red Tape Reduction in line with SEIAs which target regulatory reform for MSMEs	MSMEs and target groups inclusive of (Women-owned, youth-led, people living with disabilities and township and rural-based)	<b>Lead:</b> DSD <b>Support:</b> DPME	H	2022/23	DSBD: Legislation		<b>Current Situation:</b> Guidelines are not currently published <b>Risk:</b> Legislative owner may be hesitant to reform regulatory measure in the absence of provision and guideline to amend	NDP, ERRP
		5.1.1.1. Task Team established between Govt and Business for guidelines to support policy harmonisation	Business, national, provincial and local government	<b>Lead:</b> DSD <b>Support:</b> dtic, Cogta, business associations at national and local level	M/H	2024/25	DSBD: ODG		<b>Current Situation:</b> No existing task team comprising representatives from departments and business representatives <b>Risk:</b> Lack of trust between Govt and Business	NDP, ERRP
		5.1.1.2. Publish regular practice notes on good practice impact assessment methods for regulatory reform targeting MSME business.	Business, national, provincial and local government	<b>Lead:</b> DSD <b>Support:</b> NT, DPME	M	2024/25	DSBD: Legislation		<b>Current Situation:</b> Practice notes are currently not published, nor guidelines as provisioned by the NSEA <b>Risk:</b> Guidelines and practice notes not applied	NDP, ERRP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
	5.2. Effective use by all government of Section 18 (3) of the NSEA (consultation and impact assessment of laws and regulations to minimise administrative inefficiencies and unintended effects)	5.2.1. Publication in Annual Review, laws and regulations to be reviewed that affect MSMEs	National, provincial and local government	<b>Lead:</b> DSD <b>Support:</b> Cogta, DPME, SALGA	M	2023/24	DSBD: Legislation		<b>Current Situation:</b> Annual review reports have referred to legislative impact on MSMEs without implementation to effect reform <b>Risk:</b> Legislative owner may be hesitant to reform regulatory measure in the absence of provision and guideline to amend	NDP, ERRP
		5.2.1.1. Review and reform/amend the National Small Enterprise Act to provide for institutional reform that minimises compliance for MSMEs and improves service delivery	DSBD	<b>Lead:</b> DSD <b>Support:</b> New Agency	H	2022/23	DSBD: Legislation		<b>Current Situation:</b> NSEA regulations will be promulgated to support technical support provision for MSMEs <b>Risk:</b> Amendment addresses problems with institutional framework	NDP, ERRP
		5.2.1.2. Review and reform/amend the Business Act of 1991 to establish common practices for licencing and better governance at local and district authorities,	District and Local municipalities	<b>Lead:</b> DSD <b>Support:</b> Cogta, SALGA	H/M	2022/23	DSBD: Legislation		<b>Current Situation:</b> DTIC transferred Business Act to DSBD in 2021 which requires review <b>Risk:</b> Reforms to Business are constitutional and support cooperative governance and business simplification	NDP



Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
		5.2.1.3. Review labour laws and regulations to explore exemptions to MSMEs for increased employment.	MSMEs	<b>Lead:</b> DEL <b>Support:</b> DSBD	H	2022/23	DSBD: Legislation		<b>Current Situation:</b> No guidelines published on legislation that impact small enterprises as per Section 18(b) (d) of the NSEA <b>Risk:</b> Lack of political will to review and reform labour laws and regulations impacting MSMEs	MTSF 2019/2024
		5.2.1.4. Introduce legislation that imbeds ADR mechanisms for MSMEs.	MSMEs and co-operatives	<b>Lead:</b> DSBD <b>Support:</b> OSCLA, DPME	H	2022/23	DSBD: Legislation		<b>Current Situation:</b> Draft bill published for public comments and being revised <b>Risk:</b> ADR legislation is appropriate and fundable	NDP, MTSF 2019/2024, ERRP
		5.2.1.5. Review Tax Laws and their effect on MSMEs, explore exemptions to MSMEs for increased employment.	MSMEs	<b>Lead:</b> SARS <b>Support:</b> DSBD, NT, DTIC, Business Membership Bodies	H/M	2023/25	DSBD: ODG		<b>Current Situation:</b> Tax incentives for business capped at R20 million <b>Risk:</b> Amendments to the tax revenue will affect the fiscal	MTSF 2018/2024
		5.2.2. Conduct regulatory assessment reviews to identify the impediments for priority reform	MSMEs and co-operatives	<b>Lead:</b> DSBD <b>Support:</b> National, provincial and local government	H	2022/23	DSBD: Research		<b>Current Situation:</b> No current assessment on identifying impediments for reform <b>Risk:</b> Poor budgetary resource and capacity to conduct regulatory assessment	NDP, ERRP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
		5.2.2.1. In conjunction with the Red Tape (business and government) task team (see 4.2.1.3) determine priority regulatory and legislative reforms for MSMEs.	MSMEs and co-operatives	<b>Lead:</b> DSBD <b>Support:</b> Business associations, National, provincial and local government	M	2023/24	DSBD: Legislation		<b>Current Situation:</b> Red Tape task team is yet to be established in conjunction with Red Tape Action Plan <b>Risk:</b> Resistance to regulatory and legislative reform by policy owners	NDP, ERRP
		5.2.3. Indicate in the Annual Review, regulations and legislation reforms to be conducted each year for a better business environment for MSME.	National, provincial and local government	<b>Lead:</b> DSBD <b>Support:</b> New Agency	M	End of March 2023	DSBD: Legislation		<b>Current Situation:</b> Red tape and policy uncertainty affecting MSME growth <b>Risk:</b> Legislative owner may be hesitant to reform regulatory measure in the absence of provision and guideline to amend legislative reforms	NDP
Fair and equitable opportunities for growth to MSMEs	6.1. Extend social benefits and incentives to enterprise (entrepreneurship) activity in the formal and informal marketplace	6.1.1. Setup a mechanism where sole traders and self-employed entrepreneurs can register their activities/enterprise with the CIPC (Note: this is not a company but a registration of trading in the chosen industry)	National, provincial and local government	<b>Lead:</b> DTIC <b>Support:</b> Cogta, DSBD, CIPC, SARS	M/L	2024/25	DTIC (CIPC)		<b>Current Situation:</b> COVID 19 highlighted the challenge on delivering support to Sole Traders and informal market actors <b>Risk:</b> Companies Act may require an amendment to assist with this target.	ERRP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
		6.1.1.1. Incentivise and link the registration of business activities, sole traders and entrepreneurs (including Self Employed) with SARS, UIF and Social Security and the business licencing regime for Local and District Authorities as well as Central supplier database.	Sole traders and self employed	<b>Lead:</b> DTIC <b>Support:</b> SARS, DSBD, district & local municipalities	M	2024/25	DSBD: Legislation		<b>Current Situation:</b> Registration at CIPC, SARS, district and local municipalities remains delinked <b>Risk:</b> Registration authorities may be apprehensive in linking registrars due to security risks	ERRP
	6.2. Set up an Alternative Dispute mechanism (ADR) to resolve late payment and contract disputes for MSMEs (This should be imbedded in the legal framework of South Africa see 5.2.1.4)	6.2.1. Review legislation (NSEA) to design, develop & implement appropriate and cost-effective ADR mechanism for MSME disputes	MSMEs and co-operatives	<b>Lead:</b> DSBD <b>Support:</b> DoJ, SEDA	H	2022/23	DSBD: Legislation		<b>Current Situation:</b> Current Amendment Bill being assessed <b>Risk:</b> ADR mechanisms developed are appropriate, fundable and address late payment challenges by Govt to MSMEs.	NDP, ERRP: Improvement Plan

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
	6.3. sign and develop a programme of action to help facilitate practical steps to encourage greater participation in the formal economic structures e.g. local authority administrative compliance, employment administrative compliance, tax administration and business registry.	6.3.1. Identify and develop institutional and policy reforms to incentivise informal enterprises to participate in the formal economy	Informal enterprises	<b>Lead:</b> DSBD <b>Support:</b> National, provincial and local spheres of government	L	2027/28	DSBD: Policy		<b>Current Situation:</b> Incentives are not effectively coordinated <b>Risk:</b> informal economy actors may perceive the system to coerce them to pay taxes, low uptake	R204, NIBUS
		6.3.2. Develop recommendations to competent authorities on reforms necessary to simplify compliance for informal economy actors to participate in the formal economy (see 4.2.1, 5.2.2 & 6.1.1)	National, provincial and local spheres of government	<b>Lead:</b> DSBD <b>Support:</b> Cogta, National, provincial and local spheres of government	M	2024/25	DSBD: Policy		<b>Current Situation:</b> Current EODB plot programme being implemented <b>Risk:</b> Coordination and fiscal constraints to the programme	NDP, ERRP
		6.3.3. Develop policy guideline and recommendations to access skills development initiatives through a social security mechanism for informal economy actors to encourage lifelong learning and vocational development (see 6.1)	Informal economy actors	<b>Lead:</b> DSBD <b>Support:</b> SEDA	L	2027/28	DSBD: Policy		<b>Current Situation:</b> No existing policy guideline to access skills development if unregistered <b>Risk:</b> Inadequate budget resourcing	NDP

## Goal / Impact (Outcome 3 NISED)

Effective support &amp; services delivered for MSME growth both financial and non-financial

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Build and promote expanded supply of support to MSMEs	7.1. In alignment with DDM and IBDS policy publish online directory to showcase supply of support to MSMEs	7.1.1. Develop a technology platform which can be easily accessed digitally by Public and Private role-players (including MSMEs) to register and map support programmes for MSMEs (Private Sector and Govt) one stop shop	MSMEs, Cooperatives & IBDS suppliers	<b>Lead:</b> New Agency <b>Support:</b> DSD, Provincial and District Enterprise Development Agencies, DTIC	H	2022/23	New Agency Enterprise Development Programme		<b>Current Situation:</b> BDS services are not well publicised and fragmented/duplicative <b>Risk:</b> Budgetary, skills and capacity constraints to develop and build user friendly digital platform and uptake of BDS communities	MTSF MSME Support Plan
		7.1.1.1. Consistently updated spatial map with support services provided by region including all contact information for the actors of IBDS support (financial and non-financial)	MSMEs and Cooperatives, private sector organisations.	<b>Lead:</b> New Agency <b>Support:</b> DSD, Provincial and District Enterprise Development Agencies, DTIC.	H	2023/24	New Agency Enterprise Development Programme		<b>Current Situation:</b> SEDA has developed a piloted spatial map of support service providers, this can be updated to include further outreach on an interactive Spatial Map <b>Risk:</b> Technical capacity to implement and publish the Map online for broad public	MTSF MSME Support Plan



Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years /M 2 to 5 years /L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
	7.2. Align the support technology platform (see 7.1) with a professionalised Incubation and Business Development Support Policy (IBDS)	7.2.1. Introduce quality standards of good practice for service providers registered on the support services spatial map platform	MSEs, Cooperatives and IBDS suppliers	<b>Lead:</b> DSBD and New Agency <b>Support:</b> SETA's, QCTO, SABs, Industry Standard Professional Bodies	H	2022/23	Enterprise Development and Finance. New Agency Technology Programme		<b>Current Situation:</b> IBDS Policy framework currently developed to provide strategic guidance <b>Risk:</b> Red Tape linked with Standards compliance which need to be agreed with industry bodies	MSME Support Plan
		7.2.2. Ensure that all service providers registered and in agreement with quality assurance code of conduct and professionalisation standards	MSEs, Cooperatives and IBDS suppliers	<b>Lead:</b> DSBD and New Agency <b>Support:</b> SETA's, QCTO, SABs, Industry Standard Professional Bodies	H	2023/24	Enterprise Development and Finance		<b>Current Situation:</b> IBDS Policy framework currently developed to provide strategic guidance <b>Risk:</b> Red Tape linked with Standards compliance which need to be agreed with industry bodies	MSME Support Plan
		7.2.3. Established pedagogy programme with relevant educational/ Professional Institutions for capacity building of IBDS Service Providers	IBDS suppliers	<b>Lead:</b> New Agency <b>Support:</b> DSBD, Professional Bodies, DHET, SETAs, Public & Private academic institutions	H/M	2024/25	Enterprise Development		<b>Current Situation:</b> Fragmented quality and supply of services <b>Risk:</b> Alignment between Training method content and practice	MSME Support Plan

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Delivery of better and targeted support to MSME demand needs and encourage entrepreneurship	8.1. Reorganise and reconstitute the national support agency institutional framework providing both financial and non-financial support.	8.1.1. Implement appropriate steps to re-establish a national support institutional framework (Merger of SEDA, SEFA and Cooperatives Bank using the business case developed by the DSBD). (See NSEA section 10 (b))	SEDA, Sefa, national, Cooperative Bank provincial and local Enterprise Development Agencies that deliver publicly funded support services	<b>Lead:</b> DSBD <b>Support:</b> SEDA, Sefa, national, Cooperative Bank provincial and local Enterprise Development Agencies that deliver publicly funded support services	H	2022/2023	Ministry, Office of the DG, Strategy Unit; MinMEC		<b>Current Situation:</b> Cabinet made decision to merge agencies into Schedule 2 Company (Business case developed for merger) <b>Risk:</b> Change management and funding model needs to ensure seamless merge of existing structures with clear operational plan aligned to NISED	MTSF, ERRP, ISPESE, MSME Support Plan
	8.2. Working with business and service providers using the technology platform (see 7.1.) identify gaps of services and support offered to MSMEs.	8.2.1. Review and catalogue the services offered in each geographic location to ensure cost effect support that is fit for purpose and not duplicative.	MSMEs and Cooperatives, IBDS support providers	<b>Lead:</b> DSBD New Agency <b>Support:</b> IBDS providers, Provincial and District enterprise development departments, Private Sector BDS community.	H/M	2024/25	Enterprise Development Finance New Agency Technology Programme		<b>Current Situation:</b> Fragmented support offered to MSMEs. <b>Risk:</b> Technical capacity to implement and publish the Map online for broad public	MTSF MSME Support Plan
		8.2.2. Setup a national task team to coordinate and publicise programmes that are aimed at MSMEs and entrepreneurs. (National and Provincial across different departments)	MSMEs and cooperatives	<b>Lead:</b> DSBD <b>Support:</b> SEDA and Sefa Economic Development Provinces and related agencies; ESIEID Cluster Departments	H	2021-2023	Enterprise Development Finance		<b>Current Situation:</b> Team Sheets are updated for all the TREP. <b>Risk:</b> Lack of Capacity and Systems	MTSF

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		82.3. In line with the MSME Support Plan encourage, identify and develop new support services which target designated groups (see 9.2)	MSME and Cooperatives	<b>Lead:</b> New Agency <b>Support:</b> DSB	H	2023/2024	Enterprise Development and Finance		<b>Current Situation:</b> Current MSME Support plan being implemented <b>Risk:</b> Duplication of effort and supporting unsustainable businesses.	MTSF MSME Support Programme.
		82.4. Conduct regular needs assessments with MSMEs and cooperatives to ensure that the support services offered meet their needs.	MSMEs and Cooperatives	<b>Lead:</b> New Agency <b>Support:</b> DSB, Local and Provincial Government Departments	H	2021/2023	Sector and Market Development Branch – Research; Seda and Sefa		<b>Current Situation:</b> Fragmented support which duplicative often does not meet needs of MSMEs <b>Risk:</b> Continued fragmentation of services that do not meet the needs of MSMEs.	MTSF
	83. Determine financial products and instruments to support the innovation, growth and development of MSMEs by crowding in new investments working closely with the private sector	83.1. Identify approaches to crowd in new finance for MSMEs and minimise the moral hazard of public sector funding	MSMEs and Cooperatives	<b>Lead:</b> New Agency <b>Support:</b> DSB, Local and Provincial Government Departments/ Development Agencies	H	2022/2023	Sector and Market Development Branch – Research; Seda and Sefa		<b>Current Situation:</b> MSMEs finance needs are increasing and there is a need to assist the crowding in new actors <b>Risk:</b> Government cannot finance all the needs of MSMEs and if we do not crowd in new actors the finance challenge will exacerbate	NDP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
		8.3.2. Leverage wholesale finance through government support to build market entrants and financial intermediaries.	MSMEs and Cooperatives	<b>Lead:</b> New Agency <b>Support:</b> DSBD, Local and Provincial Government Departments Development Agencies	H	2022/2023	Sector and Market Development Branch – Research; Seda and Sefa		<b>Current Situation:</b> MSMEs finance needs are increasing and there is a need to assist the crowding in new actors <b>Risk:</b> Government cannot finance all the needs of MSMEs and if we do not crowd in new actors the finance challenge will exacerbate	NDP
		8.3.3. Develop an MSME innovation financial intermediary challenge fund on a matching funds basis to mobilise innovation amongst financial intermediaries to address access to finance for underserved MSMEs. This challenge fund should test market participants (financial intermediaries) on new models to provide greater access to revolving credit, test payment modalities which cuts the cost of managing loan finance, identify alternative collateral mechanisms for loan finance (thinking differently about collateral) and how to target different segments of the market (lifecycle)	MSMEs and Cooperatives	<b>Lead:</b> New Agency <b>Support:</b> DSBD, Local and Provincial Government Departments Development Agencies	H	2022/2023	Sector and Market Development Branch – Research; Seda and Sefa		<b>Current Situation:</b> MSMEs finance needs are increasing and there is a need to assist the crowding in new actors and approaches to finance <b>Risk:</b> Government cannot finance all the needs of MSMEs and if we do not crowd in new actors the finance challenge will exacerbate	NDP

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
	8.4. Stimulate MSME growth and competitiveness in alignment with Sector Masterplan and NISED	8.4.1. Sector Transformation – Task Team established focusing on small enterprise development comprising of the DTIC, and Sector Departments leading masterplans to create a conducive environment to coordinate MSME targets and programmes on Sector Masterplans and supplier development	DSBD, New Agency, DTIC and Sector Departments, Private Sector	<b>Lead:</b> DTIC, DSBD & Sector Departments <b>Support:</b> Sector Departments and Private Sector	H	2022/23	Sector and Market Development Branch – Sector Coordination		<b>Current Situation:</b> DTIC and DSBD in process of establishing coordination body <b>Risk:</b> Coordination of task team essential to target MSME challenges and supplier development	MTSF, Sector Masterplans and ERPP
		8.4.2. Profiling of MSMEs - In conjunction with each Sector Masterplan Task teams: Establish the quantum of investment targeted to MSMEs, identify regulatory burdens, financial instruments available for MSMEs in sectoral value chain & monitor progress	DSBD, New Agency, DTIC and Sector Departments	<b>Lead:</b> DTIC, DSBD & Sector Departments <b>Support:</b> Sector Departments	H	2022/23	Enterprise Development and Development Finance		<b>Current Situation:</b> Sector Masterplan developed but clear MSME targets not defined <b>Risk:</b> Coordination among multiple stakeholders will require considerable effort	MSME Support Plan MTSF
		8.4.3. <b>Skills Development</b> Investigate skills deficits in each sector to update any policy actions for mitigation (see 6.3.3) and develop targeted programmes to improve skills development	MSMEs	<b>Lead:</b> New Agency & SETAs <b>Support:</b> DSBD, DHET, Skills development institutions.	H/M	2024/25	Enterprise Development branch at New Agency		<b>Current Situation:</b> Reported Skills deficit high for new industry players <b>Risk:</b> Labour market requires better basic education for high skills	MSME Support Plan

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
		8.4.4. Access to Markets National Procurement Accord to commit targets for better MSME market opportunities in sector value chains	MSMEs and Cooperatives	<b>Lead:</b> DTIC, DSBD & Sector Departments, NT <b>Support:</b> New Agency, Govt Departments and Private Sector (eg. BUSA, BLSA)	H	2022/23	Supply Chain Management		<b>Current Situation:</b> Procurement accord is being aligned with target groupings <b>Risk:</b> Private and public stakeholders limited engagement and agreement on procurement targets. Difficulty to monitor	MTSF, ERRP and MSME Support Plan
		8.4.4.1. International opportunities programme for regional (SADC African Free Trade Agreement) and international market development	International & regional Treaty/Trade bodies	<b>Lead:</b> DSBD, DTIC & DIRCO <b>Support:</b> New Agency and Private Sector	M	2025/26	Enterprise Development and Development Finance		<b>Current Situation:</b> Weak integration of MSMEs into opportunities contained in treaty agreements <b>Risk:</b> Political trade-offs and contestation in treaty negotiations	MTSF, ERRP and MSME Support Plan
		8.4.4.2. Coordinate export enhancement programmes for each targeted sector with a specific focus on MSMEs	Exporting MSMEs and Cooperatives	<b>Lead:</b> DTIC, DSBD & Sector Departments & New Agency <b>Support:</b> DIRCO, DTIC and Sector Departments	M	2024/25	Enterprise Development and Development Finance		<b>Current Situation:</b> Multiple export programmes with little MSME coordination <b>Risk:</b> Sufficient number of sustainable MSMEs to participate export markets, acceptance of South Africa products into new markets	MTSF, ERRP and MSME Support Plan



Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
		8.4.4.3. <b>Small Enterprise (Manufacturing) Industrial Development</b> – Localization Programmes to promote local sustainable MSME product placement through retail and other channels	MSMEs, Cooperatives and Wholesalers	<b>Lead:</b> DTIC, DSD & Sector Departments <b>Support:</b> New Agency and Private Sector organisations	H	Currently in progress 2022/23	Sector and Market Development		<b>Current Situation:</b> MSME Product Programme is currently being implemented. <b>Risk:</b> Localisation programmes recognise MSMEs abilities to produce quality products at volume	MTSF
		8.4.4.4. <b>Business Infrastructure</b> new develop for MSMEs by revitalization of underutilized State-Owned premises in townships and rural areas (Inclusive of SEZ application for MSMEs) – role of private sector/ open architecture approach – township partnership programme	MSMEs and Cooperatives	<b>Lead:</b> DPWI & DTIC & National Treasury <b>Support:</b> DSD, DTIC, NT & New Agency	H	2021/22	Sector and Market Development		<b>Current Situation:</b> There are many premises under state control that can be utilised for MSME infrastructure <b>Risk:</b> Lack of participation by small enterprises and corruptive practices in the contracting of management or building.	

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (implementing Agency - Lead and Support)	Priority (H 1 to 2 years /M 2 to 5 years /L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
	8.5. Entrepreneurship and business skills enhanced encourages lifelong learning, vocational training and education.	8.5.1. Setup task team to enable ecosystem actors to develop appropriate skills development courses and pedagogy for better entrepreneurship development, targeting skills deficits (identified in 8.3.2) for better entrepreneurship development. –	MSMEs and Cooperatives.	<b>Lead:</b> New Agency, DBE & DHET (EDHE) <b>Support:</b> DSBD, SETAs, QCTO, DHET, HRDC	H/M	2024/25	Enterprise Development		<b>Current Situation:</b> Reported Skills deficit high for new industry players <b>Risk:</b> Labour market requires better basic education for high skills	MTSF, MSME Support Plan, ERRP, NDP
		8.5.2. Develop and deliver curricula in partnership with business to support new technology advancements (4IR) for artisanal and vocational upskilling (see 4.1. and 8.3.2)	MSMEs and Cooperatives, Private Sector and Employees	<b>Lead:</b> New Agency, DBE, DHET <b>Support:</b> DSBD, BUSA, DHET, SETAs, DST.	M	2023/24	New Agency Technology Programme, supported by Enterprise Development Seda Branch.		<b>Current Situation:</b> Mismatch on skills enhancement for business community <b>Risk:</b> Low participation of business MSME employees and self-employed due to mismatch of curricula,	MTSF, MSME Support Plan, ERRP, NDP
		8.5.3. MSME development through incubation centres and digital hubs	MSMEs and Cooperatives, Private Sector and Employees	<b>Lead:</b> New Agency, DSBD, <b>Support:</b> Provincial and District Enterprise Development.	H	2022	Enterprise Development and Development Finance		<b>Current Situation:</b> 270 digital hubs established in 2020/21 (currently 270 incubators, hubs and accelerators – 10-20% digital – 100 government supported <b>Risk:</b> Low participation of MSMEs in the Hubs due to misalignment of needs.	MTSF

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Delivery of cost-effective support to MSMEs	91. Determine and regularly update a published guideline schedule to standardises the fees/rates for business development support services funded/ subsidised by all National, Provincial Departments and Local authorities to MSMEs	9.1.1. The New agency to develop a user-based subsidy (e.g. voucher system) for MSMEs to access services from IBDS practitioners subsidised by Govt. (see 6.1, 6.3 & 7.1)	MSMEs and Cooperatives and Entrepreneurs	<b>Lead:</b> New Agency <b>Support:</b> DSBD, Agencies, DTIC.	H	2023/24	Enterprise Development and Development Finance		<b>Current Situation:</b> Still to be developed and introduced <b>Risk:</b> The success of the programme will be determined by the budget allocation to the Subsidy, Fiscal Risk, corruption in the subsidy programme and subsidy allocation.	MSME Support Plan, ERPP and NDP
		9.1.1.1 Introduce consistent monitoring of the voucher system to minimise wastage and corruptive practices	New Agency and IBDS practitioners	<b>Lead:</b> New Agency <b>Support:</b> DPME & DSBD	H	2024/25	M & E Unit Supported by Enterprise Development and Development Finance		<b>Current Situation:</b> Subsidy system does not exist <b>Risk:</b> M&E framework does not pick up corruptive practices which leads to system failure	
		9.1.2. Encourage Private Sector (Business) Enterprise and Supplier Development projects to participate in New Agency model for Agency sustainability (see 7.1)	MSMEs, Cooperatives, Govt, Private Sector Investors, Business Associations	<b>Lead:</b> New Agency <b>Support:</b> DSBD and Private Sector	H	2025/26	Enterprise Development and Development Finance.		<b>Current Situation:</b> In development with new Bill to propose funding model <b>Risk:</b> New Agency will need appropriate Bill to ensure ability to encourage private sector funding for sustainability	

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Delivery of cost-effective support to MSMEs	92. Update and deliver MSME Support Plan and Game-Changer Programmes in accordance with NISED and publicise yearly in the Annual Review for Small Business.	92.1. New Agency Updates of programmes based on performance and impact tracking of the MSME support Plan/Game-changer programmes  Among the current programmes are the: <ul style="list-style-type: none"> <li>• She Trades programme</li> <li>• Youth Challenge Fund</li> <li>• Township and Rural Enterprise Programme</li> <li>• Incubation and Digital Hubs Programme</li> </ul>	MSMEs, Cooperatives, Govt, Research Institutions, Private sector Investors, Business Associations	<b>Lead:</b> DSBD <b>Support:</b> New Agency	M	First review 2024/25	MSME and Policy Unit		<b>Current Situation:</b> MSME Support Plan developed, and implementation start 2020/21  <b>Risk:</b> Programmes not matching with MSME Needs and delivery model arrangement with New Agency	NDP, MTSF, ERRP
		92.2. Publicise and report Gamechangers in the MSME support plan and the Annual Review which set targets for the future periods of delivery	MSMEs, Govt, and Private Sector Investors, Business Associations, Parliament	<b>Lead:</b> DSBD <b>Support:</b> New Agency	H	2023/23	Office of the Director General		<b>Current Situation:</b> Annual review not published in accordance with NSEA  <b>Risk:</b> Failure to publicise MSME support plan in Annual review leads to fragmentation of support actions	NDP, MTSF, ERRP

## Goal / Impact (Outcome 4 NISED)

Coordinated government with strengthened private sector partnerships for MSME growth.

Outcome to Programme Areas	Outputs Programme Areas	Project activities to achieve Outputs	Target Groups	Institution Responsible (Implementing Agency - Lead and Support)	Priority (H 1 to 2 years / M 2 to 5 years / L 5 to 10 years)	Deadline for start	Embedded Where (Lead Department)	Budget Available	Current Situation and Risks (Assumptions)	Link to National Plans
Better coordination for MSME investment and growth	10.1. MSME Summit to be convened every two years, strengthening coordination in Govt and Private Sector and elevating the voice of small business.	10.1.1. MSME Summit and Premier conferences convened every two years (Note these summits/conferences will run biennially respectively, i.e. every two years - a national MSME summit followed by provincial conferences the following year)	Small enterprises, BDS Providers, FDIs, Investors, Entrepreneurs, Private Sector, Academia, Govt	<b>Lead:</b> DSBD <b>Support:</b> Presidency, New Agency, National Department, Provinces (DED), Organised Businesses	H	2023/24	Presidency – ODG		<b>Current Situation:</b> MSME support, Policy, Implementation is fragmented and there is a need to coordinate through the highest office. <b>Risk:</b> Budget and capacity to implement (Conference/ summit fatigue if to many and little substance)	Improvement Plan, NDP
		10.1.1.1. The Presidential Coordinating Committee (PCC) to coordinate provincial Premiers for MSME biennially conferences in their provinces. (Provincial conferences outcomes to feed into MSME National Summit.)	Whole of society	<b>Lead:</b> Presidency <b>Support:</b> DSBD, Provincial governments (OTPs), Organised Business	H	2024/25	Presidency – ODG		<b>Current Situation:</b> No preminent/ presidential summit targeted to MSME issues has been held since the launch of the white paper <b>Risk:</b> Budget and capacity to implement (Conference/ summit fatigue if to many and little substance)	Improvement Plan, NDP
		10.1.1.2. Conferences/ Summit reports and M&E function on challenges and opportunities, investments, policy & regulatory reform, remedial actions for MSME growth and competitiveness including commitments by attendees to investments in MSMEs	Whole of society	<b>Lead:</b> DSBD, New Agency <b>Support:</b> Government (All spheres) and private sector	M	2024/25	Enterprise and Entrepreneurship Branch – Policy Unit		<b>Current Situation:</b> No preminent/ summit targeted to MSME issues has been held since the launch of the white paper <b>Risk:</b> Budget and capacity to implement (Conference/ summit fatigue if to man	Improvement Plan, NDP, ERPP

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Partnerships outreach for MSME growth	11.1. Strengthen partnerships to identify new projects and investment for MSME growth and competitiveness	11.1.1. Establish a business and government working group at National and Provincial levels	Small enterprises, BDS Providers, FDI's, Investors, Entrepreneurs, Private Sector	<b>Lead:</b> Presidency & Premier offices <b>Support:</b> New Agency, DSD, National departments, Relevant Agencies, Organised business organisations.	M/H	2024/25	Presidency – ODG		<b>Current Situation:</b> ISPESE Eval highlighted weak coordination <b>Risk:</b> Trust deficit between Business and Govt. Need to ensure links to all formalised structures (trust deficits between bus structures)	
		11.1.1.1 IGR Coordination improves to support implementation of NISED and Summit resolutions	MSMEs and Cooperatives	<b>Lead:</b> DCOG <b>Support:</b> DSD, Government, Private sector, Organised business, SALGA	H	2022/23	DCOG – LED Branch		<b>Current Situation:</b> DDM launched <b>Risk:</b> Failure of parties to engage with DDM. DDM alignment to NISED and Summit targeting	Improvement Plan; NDP; MTSF - Coordination
		11.1.1.2 Intergovernmental and Business dialogue (inclusive of the Advisory body as prescribed in the NSEA) to assist the delivery of the NISED and the National Summits objectives (see task teams 5.1.1, 5.2.2.1, 8.2.1.1, 8.3.1, 8.4.1).	MSMEs and Cooperatives, and Private Sector	<b>Lead:</b> DSD <b>Support:</b> DSD, New Agency, Govt, Private sector, Organised business	M	2022/23	DSBD - ODG		<b>Current Situation:</b> ISPESE Eval highlighted weak coordination <b>Risk:</b> Trust deficit between Business and Govt. Need to ensure links to all formalised structures (trust deficits between bus structures)	Improvement Plan; NDP; MTSF - Coordination



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Implementation through a coordinated government monitoring and reporting on the outcomes of the NISED	12. Set up an implementation and monitoring framework for the delivery of the NISED	12.1. Set up an implementation and monitoring framework for the delivery of the NISED	Government Departments	<b>Lead:</b> DSBD <b>Support:</b> Government; Private sector; Organised business	H	2022/23	DSBD - ODG		<b>Current Situation:</b> Limited/Lack of coordinated programme implementation <b>Risk:</b> Limited resources; lack of commitment.	Improvement Plan; NDP; MTSF - Coordination
		12.1.1. Work with the DPME to devise an appropriate monitoring framework for the NISED	Small enterprises and entrepreneurs	<b>Lead:</b> DPME <b>Support:</b> DSBD, New Agency Government; Private sector; Organised business	M	2022/23	DPME ODG	Not available	<b>Current Situation:</b> N/A <b>Risk:</b> limited availability of information.	Improvement Plan, ERRP, NDP



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development

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