

DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

NO. 6865

21 November 2025

NATIONAL SMALL ENTERPRISE ACT, 1996 (NO. 102 OF 1996) AS AMENDED

DRAFT

NATIONAL ENTREPRENEURSHIP STRATEGY AND IMPLEMENTATION PLAN

1. I, Ms S Ndabeni, Minister of Small Business Development, hereby publish the draft National Entrepreneurship Strategy and Implementation Plan to solicit public comments following publication of NISED which was published under the National Small Enterprise Act, 1996 (Act No. 102 of 1996) as amended. NISED proposed the development of the National Entrepreneurship Strategy which will create a holistic approach to develop and nurture interactions between different components within the entrepreneurial ecosystem in support of entrepreneurship development.
2. Furthermore, members of the public are notified that comments should be submitted to Ms Ziyanda Ndamse at zndamse@dsbd.gov.za or Ms. Violet Tladi at vtladi@dsbd.gov.za or submitted by hand to the Entrepreneurship Directorate, Department of Small Business Development, 77 Meintjies Street, Sunnyside, Pretoria, within 20 (twenty) days of publication of this notice.
3. Enquiries can be directed to Ms Noxolo Thembela on nthembela@dsbd.gov.za

Stella Tembisa Ndabeni-AbrahamsSIGNIFLOW®**MS S NDABENI, MP****MINISTER OF SMALL BUSINESS DEVELOPMENT**28 09
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REPUBLIC OF SOUTH AFRICA

ANNEXURE A

IMPLEMENTATION PLAN FOR THE NES

June 2025

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List of Acronyms

4IR	Fourth Industrial Revolution
B-BBEE	Broad-Based Black Economic Empowerment
CBDA	Cooperative Banks Development Agency
CIPC	Companies and Intellectual Properties Commission
CSIR	Council of Scientific and Industrial Research
DBE	Department of Basic Education
DFI	Development Finance Institution
DHET	Department of Higher Education and Training
DSBD	Department of Small Business Development
DSTI	Department of Science, Technology and Innovation
DTIC	Department of Trade Industry and Competition
ESD	Enterprise Supplier Development
GEM	Global Entrepreneurship Monitor
GII	Global Innovation Index
HEI	Higher Education Institution
IBDS	Incubation and Business Development Services
IDC	Industrial Development Corporation
IGR	Inter-Governmental Relations
ISEP	Innovation Support and Enablement Programme
IP	Intellectual Property
LED	Local Economic Development
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprises
NACI	National Advisory Council on Innovation
NES	National Entrepreneurship Strategy
NISED	National Integrated Small Enterprise Development
OTT	Offices of Technology Transfer
R&D	Research and Development
SACDA	South African Career Development Association
SARS	South African Revenue Service
SEFA	Small Enterprise Finance Agency
SEDA	Small Enterprise Development Agency
SEDFA	Small Enterprise Development and Finance Agency
SEFA	Small Enterprise Finance Agency
SOE	State Owned Enterprise
STI	Science, Technology and Innovation
TEA	Total early-stage Entrepreneurial Activity
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
USAf	Universities South Africa
UWC	University of Western Cape

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1. INTRODUCTION

The **National Entrepreneurship Strategy (NES)** provides a well-structured and coordinated approach to harness the potential for entrepreneurship in South Africa. The aim of the NES is to cultivate an entrepreneurial ecosystem that drives economic growth, innovation, and job creation, ensuring entrepreneurs have the opportunity, resources, and support to build successful businesses. The NES was drafted by the Department of Small Business Development (DSBD) in 2022, in consultation with partners and stakeholders and with insights from a 2021 Diagnostic Assessment by the United Nations Conference on Trade and Development (UNCTAD).

This **NES Implementation Plan** marks the second phase of NES development. It considers the various challenges faced by entrepreneurs and proposes practical interventions to address these issues, to increase rates of entrepreneurship, and to encourage growth and stability among early-stage businesses. Challenges and opportunities were identified through a literature review and in consultation with stakeholders across the entrepreneurial ecosystem. This research was conducted from July to December 2024 and culminated in an NES Workshop hosted by the DSBD in Pretoria on the 7th of November.

The Implementation Plan represents an **operational roadmap** for turning the Strategy's vision into actionable outcomes. It outlines the actions, policy implications and partnerships required to create an ecosystem that supports entrepreneurship at every stage of business - with emphasis on cultivating entrepreneurs and early-stage businesses. The Implementation Plan is designed, not only to address the immediate needs of entrepreneurs, but to build long-term, sustainable mechanisms for fostering innovation, enabling access to finance, enhancing skills, and improving market access.

Given the multi-dimensional nature of entrepreneurship, successful implementation of the NES requires collaboration across a range of stakeholders, from government entities and policymakers to private enterprises, financial institutions, academic institutions, and civil society organisations. The DSBD plays a critical role in this process by coordinating efforts across various departments, institutions and organisations through the delivery of activities and priority projects. These activities align with and seek to advance a revised Theory of Change for entrepreneurship in South Africa.

The Implementation Plan is accompanied by a **Monitoring and Evaluation (M&E) Framework** to guide the DSBD in tracking progress, assessing the effectiveness of the Strategy, and ensuring that the NES is delivering its intended outcomes. The M&E Framework must be carefully considered and adopted by the DSBD M&E Unit to ensure it is well-aligned and effective.

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2. GUIDING PRINCIPLES

The NES Implementation Plan is underpinned by the following principles:

- The Implementation Plan is guided by the stakeholder engagement process, as well as insights from the NES Literature Review, both of which are detailed in Annexures to the NES. This approach ensures that all interventions are well-informed and contextually relevant.
- The Implementation Plan is designed to advance the Theory of Change (TOC), ensuring a clear linkage between activities and output.
- Implementation Plan delivery requires ongoing engagement with stakeholders across the entrepreneurial ecosystem to ensure that interventions are well-aligned, adequately resourced, and effectively implemented.
- The Implementation Plan is aligned to the 'One Government' approach, which requires active collaboration between relevant government departments and entities, at all levels.

The Implementation Plan also seeks to advance the priorities of the NES across five focus areas, namely:

1. Improving entrepreneurship education and skills building
2. Improving access to finance and markets
3. Facilitating technological exchange and innovation
4. Optimising the business and regulatory environment
5. Promoting awareness and networking

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3. THE IMPLEMENTATION PLAN

The NES Implementation Plan outlines an approach to effectively deliver on the objectives of the NES. The Plan emphasises collaboration between key stakeholders; leverages South Africa's existing entrepreneurial ecosystem; and addresses systemic challenges such as access to finance, regulatory barriers, and capacity gaps.

3.1. Stakeholder Mapping

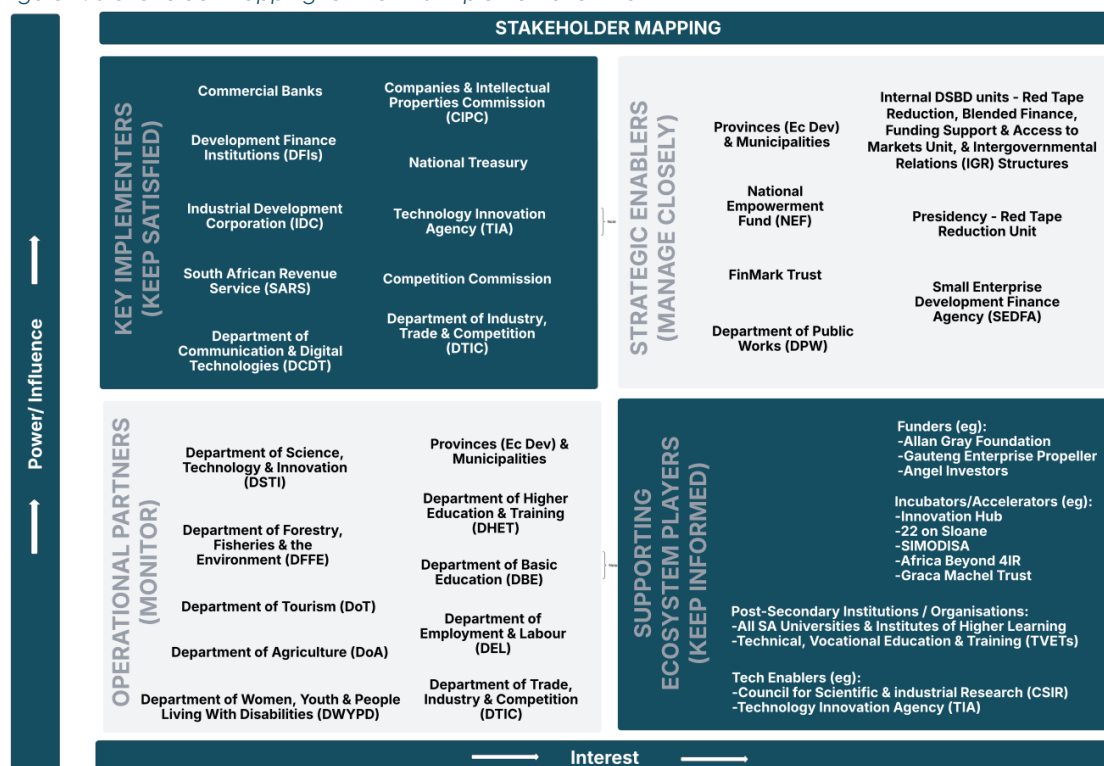
The following Stakeholder Map (Figure 1) identifies key actors involved in executing the NES Implementation Plan. It aligns to the Stakeholder Map presented in the NES Literature Review but is specific to the activities identified in the Implementation Plan.

Using Mendelow's Matrix, stakeholders involved in implementation are categorised based on their power (defined as their influence over entrepreneurship policy execution) and their interest (defined as their level of engagement in implementation efforts). These categories are defined in greater detail below:

1. High Power, High Interest (Key Implementers) – These stakeholders, including government departments, development finance institutions, and regulatory bodies, must be fully engaged as they drive policy execution. Their role includes funding support, regulatory facilitation, and enabling an entrepreneurship-friendly environment.
2. High Power, Low Interest (Strategic Enablers) – Includes entities such as large corporations and municipalities, which may not be directly involved in implementation, but should be satisfied by the process and outcomes.
3. Low Power, High Interest (Operational Partners & Advocates) – Includes business incubators, accelerators, universities, research institutions, and entrepreneurship networks, which contribute to the implementation of the NES by providing technical support, training, and mentorship to entrepreneurs.
4. Low Power, Low Interest (Supporting Ecosystem Players) – Includes entities such as private funders, who require minimal direct engagement but should be kept informed to ensure continued support for entrepreneurship initiatives and resource mobilisation.

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Figure 1: Stakeholder Mapping for the NES Implementation Plan



3.2. Roles & Responsibilities

A strong and coordinated entrepreneurial ecosystem requires the active participation of stakeholders, including government departments, private institutions, and organisations that support entrepreneurship and small business development. The following is an overview of the roles and responsibilities of entities directly engaged in implementation of the NES.

Role of the Department of Small Business Development (DSBD)

The DSBD is the lead agency responsible for coordination and reporting on the NES, playing a pivotal role in driving the Strategy's success. The responsibilities of the DSBD with respect to implementation of the NES are to:

Coordinate Stakeholders and Foster Partnerships:

- Facilitate collaboration and encourage partnerships between government departments, private sector actors, Higher Education Institutions (HEIs), and development agencies.
- Lead interdepartmental engagements to harmonise policies and initiatives supporting entrepreneurship.
- Establish MOUs with ecosystem actors including government entities, HEIs, the private sector, business incubators, accelerators and other implementing agents.

Provide Strategic Oversight:

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- Guide the implementation process, aligning efforts with legislation and government strategies/priorities, and ensuring accountability across the ecosystem.
- Review and revise the Implementation Plan as required to address emerging challenges and take advantage of new opportunities.
- Lead the Monitoring & Evaluation process to measure the impact of the NES and identify areas that must be strengthened and/or realigned.

Role of other Government Departments & Organisations

The government plays a fundamental role in spurring entrepreneurship by fostering a conducive business environment, reducing barriers to entry, and ensuring access to information, finance and training. Through policy interventions and targeted funding initiatives, government departments and other entities will work collaboratively to create an enabling ecosystem for entrepreneurs. Table 1 outlines the key government departments and organisations involved in implementation of the NES.

Table 1: Government Entities and their Role in Implementing the NES

Department/ Entity	Role
Small Enterprise Development and Finance Agency (SEDFA)	SEDFA is a new entity within the DSBD, established through the merger of SEFA, SEDA and the CBDA. SEDFA as a one-stop shop for entrepreneurs, established to streamline access to business support services, reduce bureaucratic hurdles, and ensure entrepreneurs receive holistic support tailored to their business needs. SEDFA will play a crucial role in implementation of the NES by acting as the primary organisation responsible for providing funding support to entrepreneurs. SEDFA will also play a role in monitoring and evaluation (M&E) of interventions as noted in the NES M&E Framework.
DSBD Red Tape Reduction Unit	The DSBD Red Tape Reduction Unit is responsible for identifying and assessing regulatory hurdles which negatively impact on MSME registration and growth. This work is done in alignment with the Red Tape Reduction Unit in the Presidency. The Unit will support implementation of the NES where it relates to the Business Regulatory Environment focus area.
National Treasury	The National Treasury will support the implementation of the NES by ensuring the effective allocation of financial resources. Treasury will work with government departments, development finance institutions, and private sector stakeholders to create financial instruments that improve access to capital for entrepreneurs and ensure that public procurement policies are leveraged to provide market opportunities for MSMEs, particularly through supplier development programs.
The Department of Trade, Industry and Competition (dtic)	The DTIC will support implementation of the NES by fostering a competitive and inclusive economy through policies that promote industrialisation, job creation, and MSME growth. The Department will continue to provide financial and non-financial incentives to entrepreneurs, including grant funding, tax breaks, and market development programs.
Companies and Intellectual Property Commission (CIPC)	The CIPC is an entity within the dtic responsible for the registration of companies, co-operatives and intellectual property rights. The CIPC will play a vital role in supporting the NES by helping to reduce red tape in line with the work of the Red Tape Reduction Units in the Presidency and DSBD. The CIPC is expected to further streamline business registration processes, making it easier for entrepreneurs to formalise their businesses quickly and efficiently, while also supporting M&E within the Optimising the Business and Regulatory Environment Focus Area.
Industrial Development Corporation (IDC)	The Industrial Development Corporation (IDC) will play a crucial role in providing financial support for the activities of the NES and investment opportunities for entrepreneurs and small businesses.

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Department/ Entity	Role
Development Finance Institutions (DFI's)	DFIs will play a crucial role in providing financial support for the activities of the NES and investment opportunities for entrepreneurs and small businesses
Department of Science Technology and Innovation (DSTI)	The DSTI will play a crucial role in implementing the NES by driving technology and innovation-based entrepreneurship. It will foster collaboration between research institutions, technology hubs, and start-ups to accelerate innovation-driven enterprises. DSTI will also support key interventions and M&E under the technology and innovation pillar, including funding for research and development (R&D), commercialisation of market-relevant technologies, and support for high-tech start-ups.
Council of Scientific and Industrial Research (CSIR)	The CSIR programmes are crucial role in implementing the NES by driving technology and innovation-based entrepreneurship. It will foster collaboration between research institutions, technology hubs, and start-ups to accelerate innovation-driven enterprises, this is crucial under the Technological and Innovation focus area of the National Entrepreneurship Strategy to support high tech start-ups. DSTI will also support key interventions and M&E under the technology and innovation pillar, including funding for research and development (R&D), commercialisation of market-relevant technologies, and support for high-tech start-ups
Technology Innovation Agency (TIA)	<p>The Technology Innovation Agency (TIA) will play a crucial role in implementing the NES through the following interventions that the agency is responsible for:</p> <ul style="list-style-type: none"> ▪ Support the commercialisation of industry enhancing technologies. ▪ Promoting innovation skills development initiatives between academic institutions and industry. ▪ Providing access to infrastructure and enabling innovators to develop new technologies.
Department of Basic Education (DBE)	The DBE will support the implementation of the NES by spearheading priority projects and providing M&E support under the Entrepreneurship Education and Skills Building pillar. DBE will support the NES's goals by continuing efforts to integrate entrepreneurship into school curricula and creating co-curricular and extracurricular entrepreneurship programs. Additionally, DBE will work with policymakers to ensure that entrepreneurship education is embedded within the National Curriculum and Assessment Policy Statement (CAPS).
Department of Higher Education and Training (DHET)	<p>The DHET will further work with higher education institutions to provide practical entrepreneurship training, incubation programs, and experiential learning opportunities, ensuring a supportive environment for student entrepreneurs. DHET will assist in creating an enabling environment for student entrepreneurs to transition into business ownership, beyond university.</p> <p>DHET is also responsible for supporting project implementation and M&E under the Entrepreneurship Education & Skills Building focus area.</p>
Department of Women, Youth and People living with Disabilities. (DWYPD)	The DWYPD will support the NES Implementation by promoting good governance regarding the rights and transformation of the social and economic empowerment of women, youth and persons with disabilities who are entrepreneurs.

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Department/ Entity	Role
Department of Agriculture (DOA)	The Department of Agriculture will support the implementation of the NES by managing the development of identified infrastructure programmes related to agricultural enterprises. The department will also co-ordinate the establishment of business entities and co-operatives related within the agricultural regime. The department will provide support to existing and emerging agricultural entrepreneurs including mentorship.
Department of Tourism (DT)	<p>Tourism is a catalyst for sustainable and inclusive growth. It promotes social inclusivity, creates employment and contributes to poverty reduction- through various incentives and funding, the Department of Tourism (DoT) is supporting growing sustainable tourism SMMEs and tourism enterprises (Department of Tourism, 2024).</p> <p>Tourism remains a key driver of South Africa's national economy and contributes to job creation. In formulating the National Entrepreneurship Strategy, MSMEs in tourism industry should be given necessary support and their diverse interests or concerns addressed in the strategy.</p>
Department of Employment and Labour (DEL)	<p>Makes provision for a framework for labour related issues for employers, employees, employer organisations and trade unions. It also regulates the fundamental rights of workers and employers that employing entrepreneurs need to subscribe to.</p> <p>The Department is also responsible in creating a database of unemployed graduates, this will assist the department with</p>
Department of Forestry, Fisheries and Environment (DFEE)	<p>The Department of Fisheries and Environment will support the Implementation of the NES through the following:</p> <ul style="list-style-type: none"> ▪ well-managing fisheries and aquaculture sector that sustain and improve economic growth and development by supporting entrepreneurs in the fisheries sector and industry. ▪ Providing improved socio-economic conditions for fishing entrepreneurs. ▪ Providing an adequate capacitated local sphere of government which can execute its environmental management function effectively for the well-being of entrepreneurs. ▪ Improved contribution on socio-economic transformation and empowerment of previously disadvantaged communities who are entrepreneurs.
Department of Economic Development Provinces	Department of Economic Development play a crucial role to oversee the socio-economic transformation in the various provinces for entrepreneur It will therefore lead strategic focus area implementation directed at promoting entrepreneurial development and growth.
Municipalities	Municipalities play an important role in the enforcement of business regulations and permitting. In line with the NES, Municipalities will streamline regulatory processes to encourage business formalisation, new business formation, and compliance. This includes reducing bureaucratic red tape, expediting business licensing, and permitting procedures, and providing clear, accessible guidelines for entrepreneurs. Additionally, municipalities will be encouraged to integrate entrepreneurship programs into their Local Economic Development (LED) efforts and to support MSMEs through procurement.

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Other Organisations and Institutions

Table 2 outlines the role of stakeholders beyond government, including private sector entities, academic institutions, and support organisations. These stakeholders complement government efforts to implement the NES and achieve higher levels of entrepreneurship in South Africa.

Table 2: Non-Government Entities and their Role in Implementing the NES

Stakeholder	Role
Incubators & Accelerators	Incubators and accelerators will play a key role in supporting the activities and priority projects of the NES by offering structured programs that provide start-ups with mentorship, workspace, business development support, and investment readiness training. Incubators and accelerators will work closely with government and private sector stakeholders to align their programs with national entrepreneurship priorities.
The Aspen Network of Development Entrepreneurs (ANDE)	ANDE is a network of organisations committed to propelling entrepreneurship and has expressed an interest in collaborating with the DSBD. ANDE will provide advisory and evaluation services and support the implementation of the NES by strengthening entrepreneurship networks through capacity-building programs, knowledge-sharing initiatives, and policy advocacy.
United Nations Trade and Development (UNCTAD)	UNCTAD will provide policy guidance, research, and data analytics to enhance entrepreneurship development. UNCTAD has an established relationship with the DSBD and works with government more broadly to create favourable regulatory environments and promote inclusive economic growth.
Higher Education Institutes (HEIs)	South Africa's HEIs, including universities and TVET colleges, will support NES activities by delivering more modern and practical entrepreneurial education and by creating pathways for student-led businesses to access funding, industry partnerships, and commercialisation support, ensuring long-term sustainability and scalability.
Private and Commercial Funders	Private and commercial funders provide capital to entrepreneurs through grants, loans, venture capital, and impact investment, supporting business sustainability and expansion. It is expected that these funders will continue to deliver this function, while also collaborating with development finance institutions and government programs to expand funding reach and enhance financial inclusion for entrepreneurs.
South African Career Development Association (SACDA)	SACDA will upskill career development practitioners to provide entrepreneurship related guidance and support to the youth. SACDA will also collaborate with the DSBD in implementing the entrepreneurship component of the National Careers Week in schools through linking entrepreneurs with learners in schools during term 3, week 8 each year, supporting entrepreneurship competitions and enhancing the NCW platform.

3.3. Activities prior to Implementation of the NES

The following is an overview of the activities required prior to implementation of the NES. These activities are essential for aligning stakeholders, mobilising resources, and creating an enabling environment for effective policy execution.

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Table 3: Activities required prior to Implementation of the NES

Activity	Definition
Understanding the NES	Before implementation of the NES, it is essential for all relevant stakeholders—including government agencies, private sector partners, development institutions, and entrepreneurial support organisations—to develop an understanding of the NES and Implementation Plan. This is achieved by continuing the engagement process , sharing documents, and inviting stakeholders to take part in information sessions.
Communication and Awareness of the NES and Implementation Plan	Effective communication by the DSBD is essential to ensure that stakeholders understand their roles , comply with requirements , and actively contribute to the NES's success. Ensuring that all involved stakeholders are well-informed enhances the overall effectiveness of the Implementation Plan and is aligned to the fifth focus area of the NES, 'Promoting Awareness and Networking'. It may be achieved through the hosting of engagement sessions and disseminating key information through digital platforms, print media, and public events.
Determine state of readiness for implementation	The DSBD, in collaboration with implementation partners, must assess the institutional and operational readiness of implementing agents to identify barriers and gaps before full-scale rollout. This should include an evaluation of financial and non-financial resources and stakeholder preparedness . It also includes the careful alignment of NES and other Departmental policies and strategies, where such alignment is not complete (i.e. IBDS Policy).
Strengthening Institutional Collaboration	Effective implementation of the NES requires coordinated efforts among multiple government agencies, private sector players, development finance institutions, and business support organisations. Establishing clear communication channels, forming inter-agency working groups, drafting MOUs, and developing public-private partnerships (PPPs) will enhance collaboration. A structured coordination framework will help avoid duplication of efforts and ensure streamlined execution.
Preparing Annual Departmental/Performance Plan(s)	Each department and entity involved in NES implementation must include the NES interventions in their annual plans, to provide the resources and accountability for implementation. The entities annual plans must outline their response to the NES, including key activities and priority projects.
Taking a phased approach to Implementation	The NES should be implemented through a phased approach, ensuring that initiatives are introduced in a structured manner, allowing for gradual scaling . This may require preparatory planning, involving institutional capacity building, securing funding, or strengthening stakeholder collaboration.
Prioritising Projects for Implementation	The process of prioritising projects is a crucial step in the successful implementation of the NES. Given the complexity and resource-intensive nature of the strategy, it is not feasible to immediately implement all proposed initiatives at the same time. This step requires departments, agencies, and implementing stakeholders to undertake a structured approach to assessing, selecting, and sequencing interventions.
Adoption of the NES Implementation Plan	The formal approval and adoption of the NES Implementation Plan is a critical step that ensures commitment from policymakers and key stakeholders . This process involves reviewing and finalising implementation guidelines and securing endorsements from departments who are key stakeholders in the Strategy, including those who will be leading the proposed projects.
Launching of Implementation Activities	Following the adoption of the Implementation Plan, the rollout of NES interventions begins. This includes implementing the activities and priority projects towards fulfilment of the Theory of Change . The launch phase should be well-coordinated to ensure smooth execution, alignment and impact.

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3.4. The Implementation Framework

The following Implementation Framework is aligned to the five focus areas set out in the NES. The Framework presents the key gaps and challenges for entrepreneurship in South Africa, identified through the literature review and stakeholder consultation; recommends activities and outputs, aligned to the Theory of Change; and identifies priority project(s), the relevant stakeholders, priority level, timeline and resource requirements. These priority projects are described in more detail in Section 3.5.

Table 4: NES Implementation Framework

Focus Area	Gaps identified through Stakeholder Consultation and Literature Review	NES PRIORITY PROJECTS FOR PILOTING	Stakeholder/Lead Institution	Priority Level	Implementation Timeline	Resource Requirements
1) Improving Entrepreneurship Education and Skills Building	<ul style="list-style-type: none"> ■ Lack of business management and technical skills. ■ Entrepreneurship not included in most school curricular, co-curricular and extra-curricular. ■ Curricula is outdated for modern entrepreneurial needs. 	<ol style="list-style-type: none"> 1. Training of Career Development Practitioners to provide entrepreneurship related guidance and support to learners and students. 2. Business Shadowing (exposing school learners to a business environment). 3. Monitoring and tracking of enterprises established and supported from universities and schools. 4. Pitching competition to high-schools and TVET students on best entrepreneurial projects. 5. Inclusion of Entrepreneurship in Basic and Higher learning curriculum in relevant learning areas. 6. Establish a national database for entrepreneurs that tracks completed trainings and certifications, with eco-system players to minimize duplication. 	<ul style="list-style-type: none"> • DSBD • SEDFA • DBE • DHET • Commercial Banks • DFI's • Private Sector players (i.e. Allan Gray, 22 On Sloane) • DEL • SACDA • Services SETA • W&R SETA • Provincial 	High	Scale the programme over 3 years (2025-2027)	<ul style="list-style-type: none"> ■ Prize funding (SEDFA) ■ DSBD Awards funding (DSBD) ■ Project management capacity (SEDFA) ■ Project coordination capacity (DSBD) ■ Funding for upskilling Career Development Practitioners ■ Funding for an enhanced National Careers Week platform that incorporates entrepreneurship

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Focus Area	Gaps identified through Stakeholder Consultation and Literature Review	NES PRIORITY PROJECTS FOR PILOTING	Stakeholder/ Lead Institution	Priority Level	Implementation Timeline	Resource Requirements
			Departments of Economic Development • DOA • DTIC			

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Focus Area	Gaps identified through Stakeholder Consultation and Literature Review	NES PRIORITY PROJECTS FOR PILOTING	Stakeholder/ Lead Institution	Priority Level	Implementation Timeline	Resource Requirements
2) Improving Access to Finance and Markets	<p>Access to Finance</p> <ul style="list-style-type: none"> Early-stage funding gap. Low levels of financial literacy. Low levels of finance readiness. Limited awareness of funding options. Complicated and costly tax structures for MSMEs. 	<ol style="list-style-type: none"> Enhancing the criteria of funding instruments to accommodate early-stage entrepreneurs. Establishment of a special fund to support early-stage entrepreneurs. 	<ul style="list-style-type: none"> DSBD SE DFA DFI's Commercial banks DSBD (Innovation & Digital Business Unit) DHET DBE DSI TIA CSIR 	Medium	Scale up over 3 years (2025 – 2027)	Project management (DSBD)
	<p>Access to Markets:</p> <ol style="list-style-type: none"> Limited knowledge and weak market linkages. Low levels of market readiness. Lack of collaboration among MSMEs. Low number of MSMEs taking up export opportunities. <p>Access to Finance & Markets:</p> <ul style="list-style-type: none"> Lack of coordination and fragmentation with regards to 	<ol style="list-style-type: none"> Development of an e-commerce platform to host exhibitions of products and services offered by entrepreneurs. Provide for linkages to expose product offerings by innovative entrepreneurs. Review the micro-franchise programme to create value-chain opportunities for entrepreneurs. 			Scale up over 3 years (2025 – 2027)	Project management, workshop delivery (DSBD) -Partner facilitation (DSBD)

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	finance, market access and other support.						
Focus Area	Gaps identified through Stakeholder Consultation and Literature Review	NES PRIORITY PROJECTS FOR PILOTING	Stakeholder/ Lead Institution	Priority Level	Implementation Timeline	Resource Requirements	
3) Facilitating Technological Exchange and Innovation	<ul style="list-style-type: none">▪ Low adoption of innovation and technology.▪ Weak collaboration between research institutions and businesses.▪ Lack of support for high-tech start-ups.▪ Limited innovation and product development.	<ul style="list-style-type: none">1. Facilitate for linkages to technological transfer and innovation support.	<ul style="list-style-type: none">• DSBD• DSTI• TIA• CSIR• SOEs• Provincial Department of Economic Development.• Private Enterprises• Incubators/Innovation Hubs	High	Leverage over 3 years (2025 – 2027)	<ul style="list-style-type: none">▪ Project management, workshop delivery (DSBD)▪ Partner facilitation (DSBD)	
4) Optimising the Business and Regulatory Environment	<ul style="list-style-type: none">▪ Some regulations unnecessarily burden or restrict MSMEs.▪ High cost of compliance with certification, licencing and permits.▪ Lack of transparency on the regulatory framework and the licencing/permitting process.▪ Compliance can be costly and inefficient.▪ Complex labour laws and employment regulations	<ul style="list-style-type: none">1. Repealing the National Businesses Act 71 of 1991.2. Advocate for inclusion of the financial support in the existing financial instruments to cater for industry compliance.	<ul style="list-style-type: none">• DSBD• DTIC• CIPC• Department of Employment and Labour (DEL)• Municipalities• COGTA• SALGA• National Treasury	High	2025-2027(3 years)	<ul style="list-style-type: none">▪ Project management, workshop delivery (DSBD)▪ Partner facilitation (DSBD)	

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Focus Area	Gaps identified through Stakeholder Consultation and Literature Review	NES PRIORITY PROJECTS FOR PILOTING	Stakeholder/ Lead Institution	Priority Level	Implementation Timeline	Resource Requirements
5) Promoting Awareness & Networking	<ul style="list-style-type: none"> Lack of coordination between government institutions. Limited opportunities for networking and marketing. Limited awareness of MSME opportunities and support. 	<p>1. Host bi-annual themed seminars/entrepreneurship outreach and awareness campaigns at national, regional and local levels in collaboration with entrepreneurial stakeholders.</p> <p>2. Stimulate partnerships with entrepreneurial ecosystem players.</p> <p>3. Create referral platforms for small enterprises and big businesses.</p> <p>4. Ongoing SBD post disbursement monitoring for previously funded entrepreneurs.</p>	<ul style="list-style-type: none"> DSBD SEDFA 	High	Development: 2025 Launch: 2026	<ul style="list-style-type: none"> Project management; workshop delivery (DSBD) Partner facilitation (DSBD)
6. Planning, Coordination and Reporting on NES Implementation.	<ul style="list-style-type: none"> Lack of integration amongst government departments (Silo Approach). Fragmented eco-system initiatives. Government Departments competing amongst each other. 	<p>1. NES joint planning meetings with Entrepreneurship Eco-system players.</p> <p>2. Establishment of an NES Forum to track NES implementation.</p> <p>3. Development of an NES Roadmap on the Implementation plan with delivery partners.</p> <p>4. Development of a Data Collection tool tracking NES Implementation.</p> <p>5. Development of a reporting template for NES delivery partners.</p>	<ul style="list-style-type: none"> DSBD DBE DHET CSIR SEDFA DSTI COGTA SALGA DTIC SOE's 	High	2025	<ul style="list-style-type: none"> Project management (DSBD) Event planning and hosting (DSBD – funding and capacity) Forum management (DSBD NES Unit)

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Focus Area	Gaps identified through Stakeholder Consultation and Literature Review	NES PRIORITY PROJECTS FOR PILOTING	Stakeholder/Lead Institution	Priority Level	Implementation Timeline	Resource Requirements
			<ul style="list-style-type: none">• Innovation & Incubation Hubs• DEL• Municipalities• DFI's• Allan Gray Orbis.• National Treasury			<ul style="list-style-type: none">▪ Forum participation (DSBD – all participating units)▪ Forum participation (all participating stakeholders)

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National Entrepreneurship Strategy (NES)

Draft Strategy & Implementation Plan

June 2025

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List of Acronyms & Abbreviations

4IR	Fourth Industrial Revolution
AI	Artificial Intelligence
ANDE SA	Aspen Network of Development Entrepreneurs in South Africa
APP	Annual Performance Plan
B-BBEE	Broad-Based Black Economic Empowerment
CBDA	Cooperative Banks Development Agency
CIPC	Companies and Intellectual Properties Commission
CSIR	Council of Scientific and Industrial Research
DBE	Department of Basic Education
DDM	District Development Model
DFI	Development Finance Institution
DHET	Department of Higher Education and Training
DSBD	Department of Small Business Development
DSTI	Department of Science, Technology and Innovation
DTIC	Department of Trade Industry and Competition
ESD	Enterprise Supplier Development
ESO	Enterprise Support Organisations
GDP	Gross Domestic Product
GEYODI	Gender, Youth and Disabled Individuals
GEM	Global Entrepreneurship Monitor
GII	Global Innovation Index
HEI	Higher Education Institution
IBDS	Incubation and Business Development Services
IDC	Industrial Development Corporation
IGR	Inter-Governmental Relations
ISEP	Innovation Support and Enablement Programme
IP	Intellectual Property
KPI	Key Performance Indicator
LED	Local Economic Development
M&E	Monitoring and Evaluation
MEDP	Micro-Enterprise Development Package
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprises
MTEF	Medium-Term Expenditure Framework
NACI	National Advisory Council on Innovation
NES	National Entrepreneurship Strategy
NIBUS	National Informal Business Upliftment Strategy
NISED	National Integrated Small Enterprise Development
OECD	Organisation for Economic Cooperation and Development
OTT	Offices of Technology Transfer
QLFS	Quarterly Labour Force Survey

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R&D	Research and Development
SACDA	South African Career Development Association
SARS	South African Revenue Service
SEDA	Small Enterprise Development Agency
SEDFA	Small Enterprise Development and Finance Agency
SEFA	Small Enterprise Finance Agency
SEIF	Shared Economic Infrastructure Facility
SETA	Sector Education and Training Authority
SOE	State Owned Enterprise
Stats SA	Statistics South Africa
STI	Science, Technology and Innovation
TEA	Total early-stage Entrepreneurial Activity
TREP	Township and Rural Entrepreneurship Programme
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Conference on Trade and Development
USAF	Universities South Africa
UWC	University of Western Cape

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1. Introduction

The Draft National Entrepreneurship Strategy (NES) was developed in 2023 by the Department of Small Business Development (DSBD) to address the challenges of low levels of entrepreneurship and high failure rates among South Africa's Micro, Small and Medium Enterprises (MSMEs). In 2024/25 further research and engagement was undertaken to strengthen the NES, including:

- Detailed Literature Review to assess the challenges, opportunities and interventions for MSME development in South Africa, and the state of the entrepreneurial ecosystem.
- Engagement with key stakeholders across the entrepreneurial ecosystem, culminating in an NES Workshop held in November 2024.
- Updating the Theory of Change in line with the research findings.
- Development of an Implementation Plan and Monitoring and Evaluation (M&E) Framework to support realisation of NES objectives and activities.

The enclosed document represents an updated and revised NES in alignment with the research and feedback received.

2. Problem Statement

The MSME sector is a potentially significant contributor to Gross Domestic Product (GDP), the fiscus and the creation and retention of both formal and casual employment opportunities. However, all indications are that *SMMEs are not contributing to GDP growth to the extent found in other economies of similar size and development; the number of SMMEs is less than can be reasonable expected; and their rate of failure is outpacing the creation of new enterprises.*¹

Consequently, *MSMEs are not creating jobs at a meaningful rate, the number of MSME's employing people is declining, and the number of people they employ is also declining.* This lack of meaningful employment growth is especially true in the micro- and small sectors, which typically create one to five jobs per enterprise.

This situation is exacerbated and/or to some extent related to *low levels of awareness of, and satisfaction with, the various financial and non-financial SMME support programmes offered by Government and the private sector* – the latter primarily through Enterprise and Supplier Development (ESD) programmes implemented under the Broad-Based Black Economic Empowerment (B-BBEE) framework.

Furthermore, more than half of all new MSMEs operate in the wholesale and retail sectors, meaning that they are trading in already-produced goods with little or no proprietary innovation or value creation. This further limit their capacity for growth and job creation.

¹ National Integrated Small Enterprise Development Strategic Framework (2022)

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Although not true of all programmes and *SMME support initiatives*, many do not differentiate between *entrepreneurs driven by necessity and those driven by opportunity*, the different types and experience levels of entrepreneurs, those in different sectors, or those at different stages of the business development process.²

In South Africa, compared to other similar economies globally and other African countries there are...				
Far fewer potential entrepreneurs intending to start a business in next 3 years	Fewer nascent entrepreneurs taking steps to start a new business	Fewer new entrepreneurs in the early stages of business startup , and lower rates of progression	Fewer entrepreneurs running established (stable, scaleable, job-creating) businesses	Far more entrepreneurs exiting their businesses

Even though prevalent societal perceptions of entrepreneurship are generally positive,³ *South Africa has fewer potential entrepreneurs compared to other African countries and Level C economies*. This means that, in future, there will continue to be fewer MSME's launching than are exiting – in other words, the entrepreneurial population will continue to decrease in the absence of appropriate interventions.

Factors contributing to this trend include:

- Decreased perception of economic opportunities.
- Increased fear of failure.
- Low levels of intention to start a business in the next 3 years.⁴
- Access to finance, which has consistently ranked as one of the most challenging obstacles to entrepreneurial activity, and one of the main reasons for entrepreneurs failing to start or exiting a business.
 - Inadequate skills level to meet market demand.
 - Barriers in the regulatory framework, with entrepreneurs finding it difficult to navigate issues of business compliance.
 - The drivers of entrepreneurship, with most entrepreneurs driven by necessity (unemployment) and, as a result, operate in the informal sector.

A Summary of the **Key Challenges faced by entrepreneurs in South Africa** are:

<i>Difficult Regulatory Environment</i>	<i>Entrepreneurship Education and Skills</i>	<i>Technology Exchange and Innovation</i>	<i>Access to Finance and Markets</i>	<i>Awareness and Networking</i>
There are many administrative burdens in the business regulatory environment. For example, business licencing procedures are	Weak integration of entrepreneurship into the basic and vocational education system and a focus on theoretical (rather	Existing ICT infrastructure constraints remain a hindrance to MSME development in South Africa.	Inadequate access to finance and markets remains a major obstacle for aspiring entrepreneurs and early-stage MSMEs.	Fragmented entrepreneurship ecosystem and initiatives.

² UNCTAD Diagnostic Report (2022)

³ Global Entrepreneurship Monitor (2022)

⁴ Global Entrepreneurship Monitor (2022)

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expensive and timely, with numerous processes and stakeholders involved.	than practical) education, while entrepreneurship is more visible in higher education.			
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Successful entrepreneurship embodies specific characteristics and behaviours which may be seen differently in different contexts and communities. The Global Entrepreneurship Monitor (GEM) Report rated social and cultural norms supporting entrepreneurship in South Africa at an average rating of 4 in 2021, compared to the global average of 5. More concerning is that the propensity for entrepreneurial risk-taking scored the lowest of all countries surveyed at 3,58. This has a range of implications, including credit rating approaches, how funding providers mitigate risk, and how to support early-stage entrepreneurs who are “blacklisted”, or have adverse credit scores.

According to GEM, facilitating and nourishing a culture of entrepreneurship in South Africa will encourage more people to view business creation as a positive alternative to employment, and as a career path of choice. The integration of creativity, innovation, personal initiative, and the introduction to the foundations of entrepreneurship, are all important parts of basic education and can lead to a more positive sentiment towards entrepreneurship.

GEM states that *the media have an important role to play in framing an entrepreneurship culture.* Entrepreneurial success stories abound in South Africa, and the media provide good, and improving, coverage across various platforms.

Education is a major contributor to entrepreneurial activity. Apart from imparting technical and vocational skills, education provides a strong foundation in a range of life skills that are key to becoming a capable and confident entrepreneur. There is extensive research confirming that the “layering” of business and technical skills on an inadequate or insubstantial set of life skills is seldom effective. These life skills include punctuality, personal initiative, confidence, forward planning and time management, interpersonal and supervisory skills, trust-building, writing skills and leadership.

The inclusion of structured and contemporary entrepreneurship education in South Africa is lacking. This deficit plays a significant role in the weak level of entrepreneurial activity as young learners and young adults are not exposed to exciting opportunities in this space. Teachers currently do not have the tools, knowledge and skills to carry out entrepreneurship education. Tertiary education programmes – other than those directly focused on business and entrepreneurship -- also do not involve enough practical training to get students ready for the entrepreneurial space.

Many education interventions are being introduced on the ground to support entrepreneurship development. These initiatives are grouped into five focus areas:

1. Roadshows held regionally and nationally in the form of national competitions. These have mostly targeted exit level students.

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2. Mentorship support delivered in partnership with funding agencies such as the National Youth Development Agency and through Sector Education Training Authorities (SETAs) were noted across various sectors.
3. Partnerships were also noted as key to creating an entrepreneurial mindset, including the skills and knowledge related to entrepreneurship development, including through non-accredited entrepreneurship education (i.e. Lewen Africa).
4. Training and support for lecturers, who serve as an important conduit through which knowledge is transferred.
5. Modules and curriculum that have assisting in bridging the gap between theory and practice, noting those modules that are interactive and allow for integration into practice.

The success of these varied interventions has been mixed. First, no hard metrics appeared to be present and in use. The challenge appears to be the measuring of impact around the many interventions and the lack of monitoring and evaluation systems, which impedes the measuring of success.

Second, in other institutions, success is measured as the number of student enterprise' registered, with little consideration for growth and sustainability. . These institutions demonstrate a lack of incubator support, needed to assist the post-student transition and also the growth of student entrepreneurial efforts.

Institutional voids were noted as crucial in measuring success. For instance, some institutions have policies in place that support student businesses on campus. However, in such cases students are given metrics of success which are objective and subjective, further complicating measurements of success.

Third, there is a demand for entrepreneurship curriculum and syllabus that is updated and related to the "new economy". For instance, in TVET's or higher education institutions, linkages were needed across all subjects with the theme of entrepreneurship development. Furthermore, entrepreneurship and/or business management needs to be infused within other curricular.

In South Africa's education system entrepreneurship viewed as an add-on and never designated a position solely on its own. Entrepreneurship tends to be taught using a theoretical approach and not in a practical way, necessitating a synergy between theory and practice. Importantly, a balance is needed between experienced educators without entrepreneurship experience and those with practical experience, but perhaps little background in pedagogy.

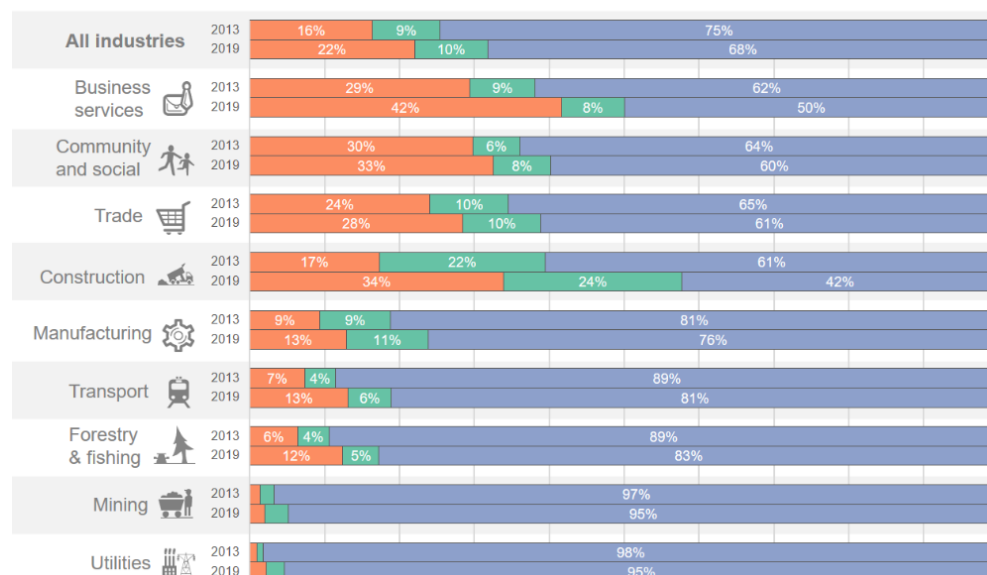
Industries in the South African formal business sector, according to Stats SA, generated R10,5 trillion in total turnover from goods and services in the 2019 financial year. A breakdown of turnover by business size shows that small businesses were responsible for generating R2,3 trillion (or 22%) of this turnover. Medium sized businesses contributed the smallest portion (10%) while large businesses accounted for the biggest contribution, just over two-thirds (68%) of total turnover.

Small businesses have, without much fanfare, slowly grown their turnover, relative to the size of the business economy. In 2013, small business generated 16% of total turnover in the formal business

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sector, expanding to 22% in 2019, while the contribution of large business waned over the same period, from 75% to 68%.

Figure 1: MSME turnover by industry, 2013 - 2019



Source – National Treasury, AFS, 2019

The figure above shows that the following seven sectors are predominant for SMMEs and the potential exists for accelerated growth:

1. Business services
2. Construction
3. Community and social services
4. Trade
5. Transport
6. Manufacturing
7. Forestry and fishing

These sectors therefore need to be considered in specific terms when developing programmes to nurture, develop and support entrepreneurs, as each sector has its own specific challenges (barriers to entry, regulatory environment) as well as opportunities (untapped market sectors, potential to innovate).

Enterprise and Supplier Development (ESD) is a key component for transforming the economy as outlined in the B-BBEE legislation and Codes of Good Practice. Government's MSME-focused Localisation Policy Framework (2020) also refers to the development of small manufacturers and agri-processors as a way of re-industrialising the economy and promoting MSME market access.

While ESD is measured in terms of an enterprise focus, its potential for entrepreneurial development is noted. The ESD strategies and programmes of corporates and SOEs can have an enormous impact on

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reducing the currently high failure rate of small businesses, inter alia through development of entrepreneurial capabilities, networks and training.

The private sector on average is only achieving 64.5 % of the 100% target for ESD, yet SOEs are achieving close to 100% of their ESD target due to their development mandate, Board-level support for ESD, which flows through to the operational (practitioner) level, and linkage to KPIs.

Two factors are crucial to leveraging ESD as an entrepreneurship strengthening dynamic: (i) the role of the ESD practitioner, and (ii) the nature of implemented programmes and their focus on the entrepreneur and the enterprise. The implementation of ESD is a large-scale effort by corporates, and practitioners have developed numerous ESD programmes that support B-BBEE. The B-BBEE framework is currently being reviewed by the B-BBEE Commission, which presents an opportunity to leverage the ESD regime to include a more explicit focus on entrepreneurship.

Becoming an entrepreneur can be both psychologically and economically challenging. Some of the main challenges include the regulatory environment (enabling or constraining), social standing and stressors, the concept of failure (risks, attitudes, and implications) and specific challenges faced by women, youth, rural and township entrepreneurs.

In addition, entrepreneurs often work long hours and face numerous challenges, which can lead to burnout, stress and mental health issues if not managed properly. Deciding what type of business to start, developing a sales strategy, finding initial funds, and establishing a financial plan are all additional and unpredictable stress factors, particularly for aspiring entrepreneurs who lack formal management, marketing and financial skills.

Informal entrepreneurs face the additional challenges of a marginal existence, safety and security concerns, exposure to climate and gender-abuse risks, and other challenges.

Regulatory constraints and compliance challenges are felt directly and acutely by informal entrepreneurs, particularly those operating in townships. These cannot be dis-associated from physical and digital infrastructure challenges, including but not limited to utility services (water, electricity, sewerage), public space and infrastructure degradation or lack of facilities, and safety and security issues.

Digital platforms have the potential to significantly improve access to support for start-ups and entrepreneurs. By providing online communities, tools and resources, these platforms can help entrepreneurs access the financial and non-financial support they need to succeed. The NES therefore needs to explore how to transform from the traditional one-size fits all, one-way delivery model, and unlock the potential of a network and peer-to-peer approach to entrepreneur development.

Several innovative Enterprise Support Organisations (ESOs) and enterprises in the private sector have developed powerful entrepreneurship support platforms and networks that provide peer-to-peer entrepreneurial growth opportunities. Future Females, SW7 and Impact Amplifier's OS are examples of

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this growing trend, which, if it grows exponentially, may overtake Government's role in the upper segment of the innovative entrepreneurial sector.

As with most countries, one of the biggest challenges (and opportunities) facing entrepreneurs and government in South Africa involves transiting from a traditional economy to a knowledge-based and innovation-driven economy. To achieve this, entrepreneurs need to be equipped for a post-pandemic world that is more digitalised, diverse, and dynamic.

The challenges facing an entrepreneur in this process are many – in addition to the lack of central access to information on setting up a business, scaling of administrative hurdles, limited access to funds and an inability to scale up the enterprise – there are also the following systemic hurdles:

- High cost of connectivity and mobile devices suitable for business.
- Lack of specialised digital skills.
- Distance from high demand markets.
- Language, currency, and distance barriers to entering African markets.

Furthermore, digital enablement and capacitation is not only for technology entrepreneurs, content creators and those in the gig economy. Every informal trader can benefit from the plethora of digital tools, marketing aids, compliance support and self-development tools and content that is available and continually expanding.

The Department on its own has limited capacity to drive change in terms of developing entrepreneurial appetite, awareness, behaviours, knowledge, and activity, and therefore must mobilise as many partnerships as possible, clarify roles among partners and its own positioning within the broader system, particularly with respect to the private sector, ESOs and academic institutions. Partnership mobilisation should involve:

- Learning from ecosystem best-practice in entrepreneurship development.
- Supporting certain entrepreneur development programmes and activities.
- Developing tools and resources that can be used by less sophisticated actors in the ecosystem to advance entrepreneurship through awareness raising and capability-building resources.

A strategy focused on the prioritisation, identification, development and support for entrepreneurs and entrepreneurship requires a more nuanced and person-centred rather than entity centred lens.

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2. National Entrepreneurship Strategy (NES)

The South African entrepreneurial ecosystem has declined over the years in terms of co-ordination and integration, levels of entrepreneurial activity, and adoption of and adaptation to 4IR technologies.

Although South Africa's economy is the second largest in Africa, entrepreneurship levels in the country remain relatively low. Key ecosystem role-players such as ESOs, investors, business chambers, educational facilities and government entities are not aligned to a shared strategy.

Alignment of understanding, intent and activities remains elusive. Business support entities, investors, government, and entrepreneurs themselves are not always working in concert, and their goals and strategies are not well aligned to ensure maximum entrepreneurial activity. Compared to many emerging economies, South Africa has the highest business failure rate. This indicates that the entrepreneurial ecosystem, which should be effective and working in synergy to encourage entrepreneurship, build the culture of entrepreneurship, and support recognition of the role of entrepreneurs as vital drivers and agents of socio-economic development, innovation, and value, is not working as it should.

This reflects the lack of a generally accepted entrepreneurship development agenda for South Africa, which is ranked alongside MSME development as a national priority.

2.1 Definitions

While the terms and concepts of 'entrepreneur' and 'small enterprise' are closely related, and are indeed in a symbiotic relationship with each other, this strategy is firmly focused on the entrepreneur: the individual, or group of individuals, who make a conscious decision, whether through necessity or ambition, to embark on a business venture where success is dependent on his, her, or their decisions and actions.

To ensure clarity of purpose and meaning in this document, the following terms are defined:

Entrepreneur:	the person who conceptualises and initiates the process of starting and then operating a business enterprise.
Entrepreneurship:	the process the entrepreneur engages in to plan, start, run and wind up a business enterprise.
Enterprise:	the business entity or operation, whether formal or informal, created because of the entrepreneurial process.

2.2 Segmenting – The Stages of Entrepreneurship

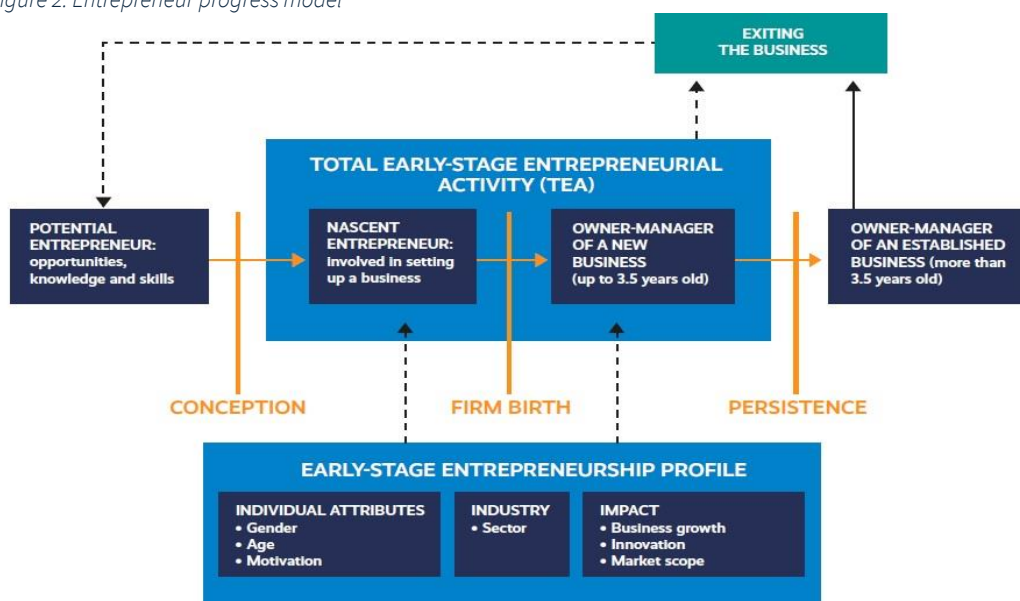
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Entrepreneurs go through different stages as they develop, and each stage requires different skills, resources and therefore, different modalities of support. It is therefore important that the NES distinguish between the **different types** of entrepreneurs. While various typologies have been developed globally, the most reliable body of available evidence on South African MSMEs is the Global Entrepreneurship Monitor (GEM).

This GEM model of entrepreneurship development has been scientifically validated; its supporting data has been collected for a period exceeding 20 years, and it therefore has proven relevance over time for public and private sector policymakers, practitioners, and entrepreneur support organisations.

Figure 2 summarises the stages of the entrepreneur progress model:

Figure 2: Entrepreneur progress model



The entrepreneur progress model provides a basis on which to target interventions and support for entrepreneurs, allocate resources, and align interventions and programmes appropriately for different types and stages of the entrepreneur.

The GEM model provides five high-level categories of entrepreneurship⁵ summarised as follows:



Bowmaker-Faloner and Meyer (2022); <https://www.gemconsortium.org/>

The GEM model also provides for the progressive movement of entrepreneurs from one stage to the next (although in some cases the sequence may vary in practice). This implies that the people

⁵ Bowmaker-Faloner and Meyer (2022); <https://www.gemconsortium.org/>

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participating in one stage form the base for potential progress to the next. People may also choose, for various reasons, to remain in a particular stage, or to exit the pipeline and not progress. A detailed description of the entrepreneurial mindset, challenges and activities per stage are summarised in the Annexures to this document and will be used to inform the implementation plans for NES.

2.3 Strategic Response

The NES aims to respond to the problem statement and challenges set out above through the following aims, objectives and outcomes.

2.3.1 Aims of NES

The NES aims to create a **holistic approach** to develop and nurture interactions between different components within the entrepreneurial ecosystem in support of entrepreneurship development. It forms part of the Department's contribution towards building a **sustainable, resilient, and inclusive economy** assisting in developing and preparing entrepreneurs to be catalysts for change.

2.3.2 Objectives of NES

The objectives of the NES are as follows:

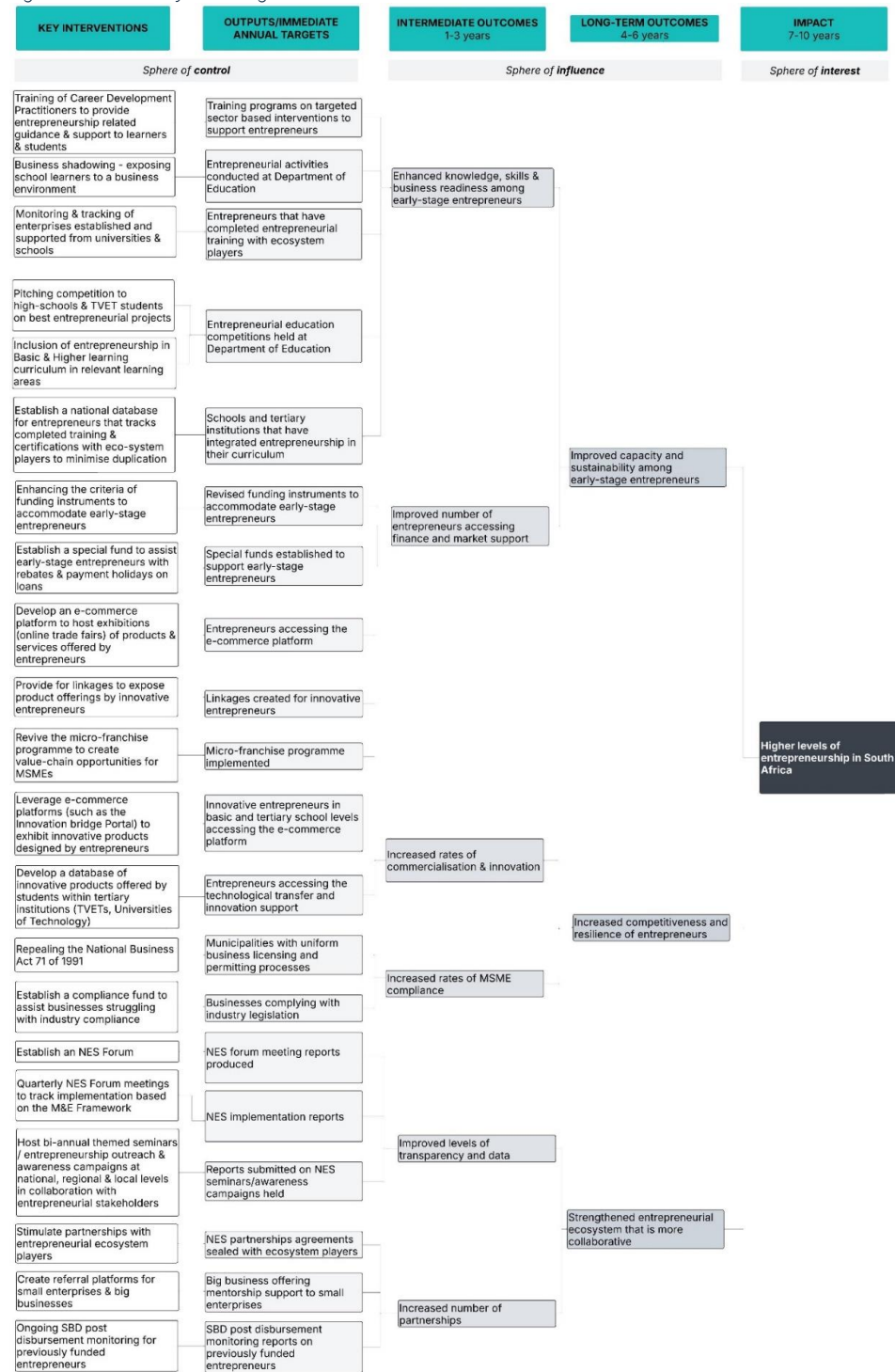
- **Support the development of entrepreneurs as a specific economic actor** category by better understanding the nature, needs, challenges, operating requirements, and economic value potential of different categories of entrepreneur.
- **Better align, enable and possibly equip and co-ordinate various ecosystem role players** to better support the culture and activity of entrepreneurship.
- **Define the need for development of progressively better segmentation** and other models of the entrepreneur sector to drive improved resource allocation, programme development and service delivery.
- **Build a national culture of entrepreneurship** to encourage, support and recognise the social, economic, and competitive value of entrepreneurs to the country.
- **Deliver a set of guiding principles supported by dedicated operational tools** for entrepreneurs at each stage in the progress model.
- To create an **enabling environment for the development of entrepreneurship and start-ups**.
- The development of a **structured national approach to building entrepreneurial skills and capabilities**.

2.3.3 NES Theory of Change

The NES can be summarised in the following Theory of Change/Logical Framework:

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Figure 3: NES Theory of Change



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The Theory of Change is further underpinned by the following assumptions:

ASSUMPTIONS UNDERPINNING THE THEORY OF CHANGE	
1.	Stakeholders will participate in all aspects of the strategy development, administrative reform and the implementation process
2.	Adequate resources will be available to carry out all planned activities
3.	Government will continue to develop policies, regulations and reforms to create an enabling environment for entrepreneurs
4.	Crime, corruption and infrastructure challenges facing entrepreneurs are likely to persist
5.	Economic uncertainty is likely to persist with slow economic growth over the short-medium term
6.	Market access is limited: many industries are dominated by big business & many entrepreneurs are excluded from established markets
7.	Severe inequality in access to education, markets, funding, and business opportunities is likely to persist

3. Integration and Alignment of the NES

The NES has been aligned with the National Integrated Small Enterprise Development (NISED) strategy, the United Nations Conference on Trade and Development (UNCTAD) research and guidelines and Organisation for Economic Cooperation and Development (OECD) principles. The NES is based on the GEM Entrepreneurship Development Model and makes recommendations for entrepreneurs **at each stage of development**, including strategies for:

- MSME funding,
- MSME non-financial support, incubation
- UNCTAD focus areas,
- Targeted sectors (i.e. gender, youth and disability, and informal)
- Informal and township development
- Priority sectors such as Green, Technology, Social Development, Exports

This section summarises the integration and alignment of the NES strategy.

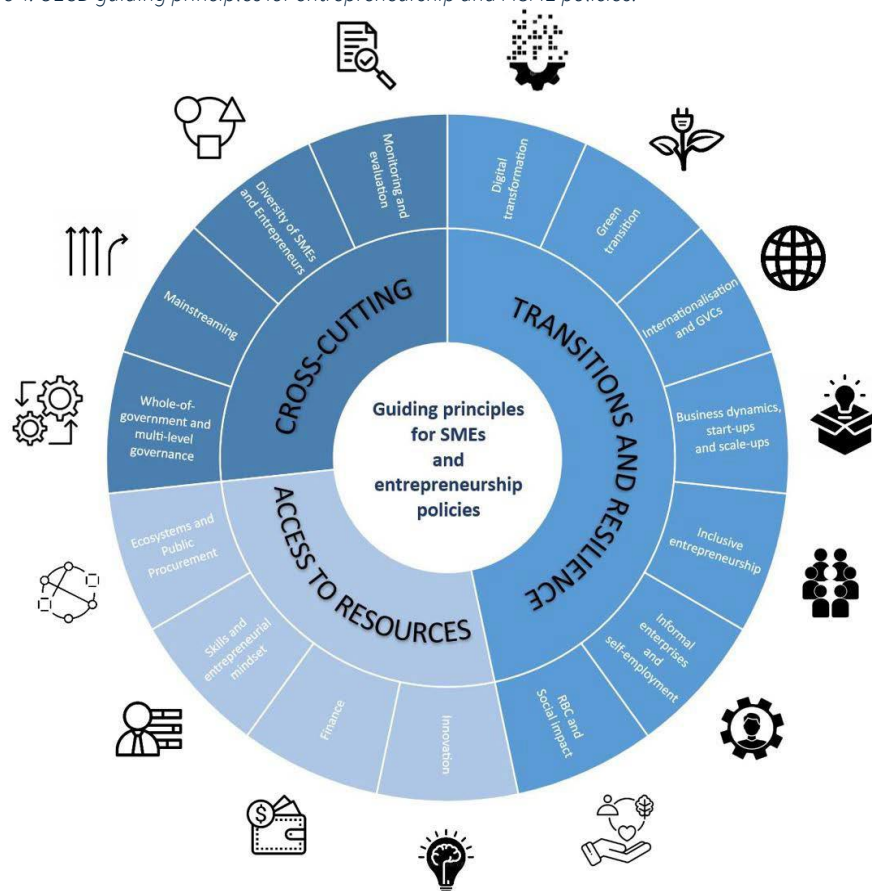
3.1 International Frameworks Alignment

3.1.1 OECD Principles

The NES will align to and include the guiding principles from the OECD as summarised in the Figure below.:

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Figure 4: OECD guiding principles for entrepreneurship and MSME policies.

Source: <https://www.oecd.org/cfe/smes/strategy.htm>

3.1.2 UNCTAD Entrepreneurship Policy Framework

UNCTAD is a key partner of the DSBD, assisting in the initial problem analysis and development of the NES. The components of the UNCTAD entrepreneurship policy framework as summarised in the Figure below are also captured in the NES.

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Figure 5: UNCTAD entrepreneurship policy framework



3.2 South African Policy & Legislation Impacting on Entrepreneurship

A summary of different policies and legislation impacting on the South African entrepreneur is captured in the Appendix. The range of policy and legislation, mostly at a national level, has created a challenging regulatory environment for the entrepreneur, which needs to be addressed to enable and create the conditions to promote entrepreneurship in South Africa.

The NES will therefore not be developing additional policy and legislation but rather focus on alignment and synergy between existing policy and legislation and how this can support and enable entrepreneurship and the entrepreneur. Alignment and further research is therefore required between the NES and the Red Tape Reduction work of the Department and Presidency to address regulatory challenges facing entrepreneurs. The work done by the Startup Act, for example, where legislative review proposals have been developed, will be brought into the NES so that these can be reviewed and addressed as part of the Strategy.

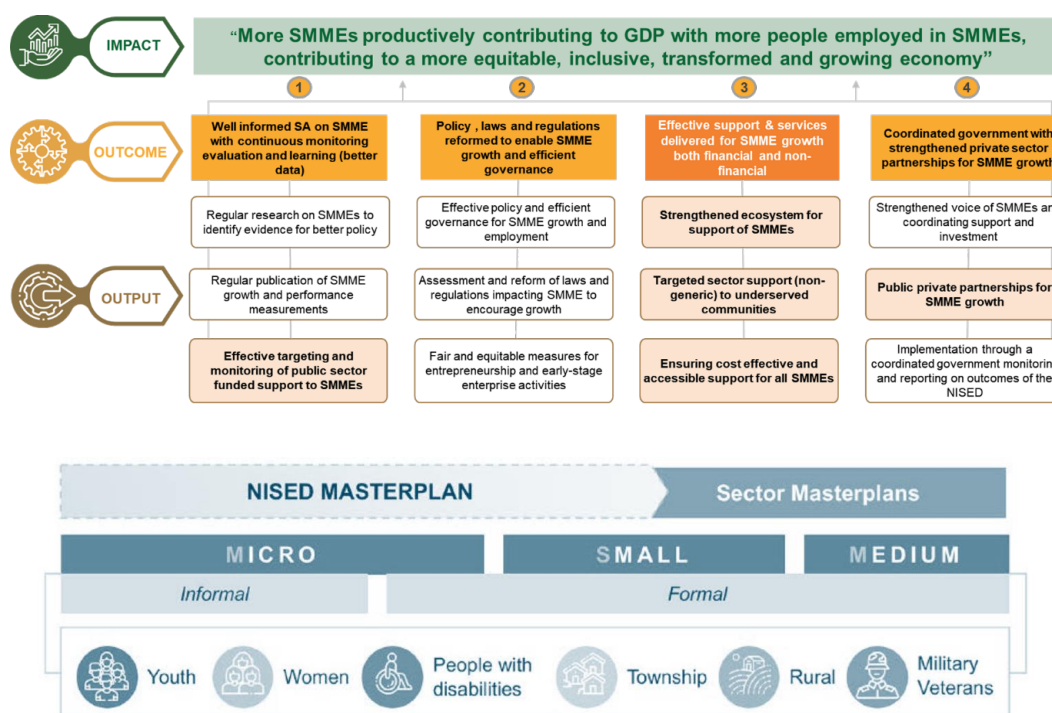
3.3 NISED & NES Alignment

The NISED strategic framework envisages several outputs and outcomes to achieve improved MSME support. These can be extrapolated to include measures that are an extension to the NISED logical framework, and which are focused specifically on entrepreneurship, versus MSME, cultivation and support.

The NISED framework and segmentation shown in the figure below uses a broad-brush approach that is appropriate for an ecosystem-focussed strategy. Alternatively, the NES will focus specifically on the Entrepreneur and the needs and requirements at each stage of the entrepreneurs' development.

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Figure 6: NISED Framework



National Integrated Strategy for Enterprise Development (NISED)	National Entrepreneurship Strategy (NES)
Ecosystem focus	Individual entrepreneur focus
Institution/system based	Entrepreneurship development based
Focuses on MSME's as a whole	Distinguishes between the needs of different entrepreneurs at different stages of development
Emphasis on all outcomes and interaction between them	Emphasis on Outcome 3: Effective services and support delivered for MSME growth, both financial and non-financial

Implications of NISED for entrepreneurship strategy & support

NISED Outcomes	NES Implications
Better informed South Africa on MSME development with continuous M&E and learning	Better informed (sector-based opportunities) and skilled (personal, social, entrepreneurial, management and technical skills) , entrepreneurs that learn from their own experiences and from each other (networks).
Policy, laws and regulations reformed to enable MSME growth and efficient governance	Better MSME knowledge about policy, laws and regulations relevant to particular sectors and stages of growth, and an understanding of costs and benefits of compliance.

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NISED Outcomes	NES Implications
Effective support and services delivered for MSME growth, both financial and non-financial.	Appropriate, effective support and services (both financial and non-financial) are visible, accessible, trusted, cost effective and tailored to the needs of different types of entrepreneurs in different sectors and stages of growth.
Co-ordinated government with strengthened private sector partnerships.	Greater awareness of and support for the importance and diversity of entrepreneurial activity. Coherent and effective sector based, value chain aligned programmes for developing the entrepreneurial pipeline for different types of entrepreneurs in different sectors and stages of growth.

3.4 SMME and Co-operative Funding Policy alignment

This SMME and Co-operative Funding Policy is currently being finalised within the Department. The key objectives and outcomes are summarised in the figure below.

Policy Objective	To provide a holistic, coordinated and pragmatic framework for strengthening the provision of development finance towards the SMME and Co-operative sector with a view to improve access to finance for SMMEs and Co-operatives.		
Impact	Transformed and sustainable SMME and Co-operative sector contributing meaningfully to economic growth, job creation, poverty alleviation and reduction of inequality.		
Outcome	Effective support and services delivered for SMME growth both financial and non-financial.		
Outputs	Improve coordination in the SMMEs and Co-operatives access to finance ecosystem	Database of small businesses	Improve the provision of start-up capital
	Targeted funding instruments for SMMEs and Co-operatives	Improve Business Development Support	De-risking SMMEs and Co-operatives finance through credit guarantee
	Implementation of a movable asset collateral registry	Establish a simplified legal processes for business registration and winding up of SMMEs and Co-operatives	Credit information systems for small businesses
	Easing small businesses cash flow constraints through timely payments and invoice factoring	Affordable and appropriate insurance for small businesses including Co-operatives	Improve and monitor the SMMEs and Co-operatives access to finance market
	Improve informal SMMEs access to the finance ecosystem	Create accessible funding environment for targeted groups	Incorporate digital financial services in SMMEs and Co-operatives access to finance
	Improve Microfinance Institutions capacity to deliver sustainable financial solutions	Improve Co-operatives Access to Finance	

The NES will focus on the development of the entrepreneur/individual rather than the enterprise and thus is aligned to this policy framework. The NES will not duplicate outputs and interventions but align and draw on the interventions proposed in this Policy in support of the development of the entrepreneur through the different stages of development.

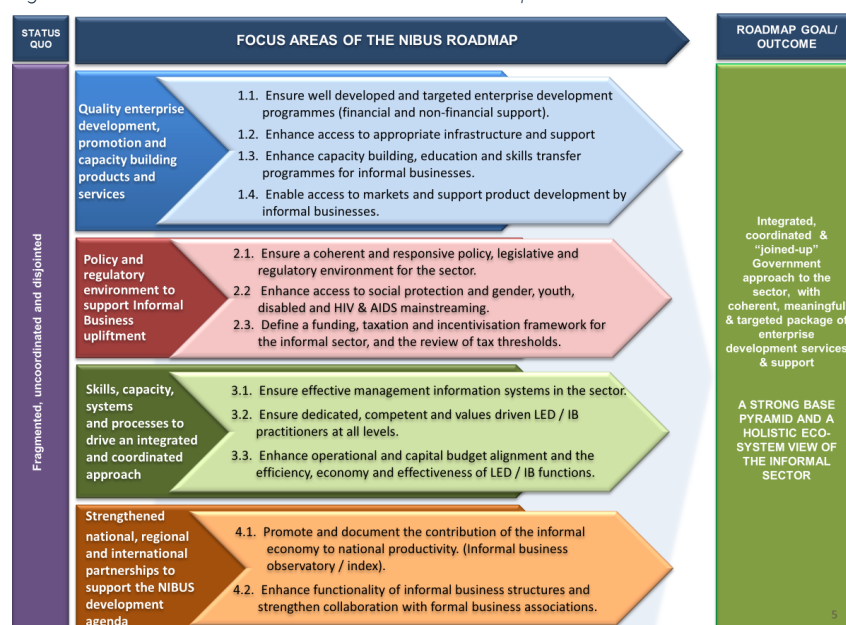
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The SMME and Co-operatives Funding Policy will assist to address the key challenge of access to finance, which consistently ranks as one of the most challenging obstacles to entrepreneurial activity, and one of the main reasons why entrepreneurs fail to start or exit a business.

3.5 NIBUS Alignment

The National Informal Business Upliftment Strategy (NIBUS) was developed in 2017 with the aim of facilitating the creation of an enabling environment that will enhance enterprise development support and coordinate intergovernmental and stakeholder relations to broaden participation of South Africa's informal business economy. The details of the NIBUS are summarised in the figure below:

Figure 7: NIBUS framework for informal business development.



The National Informal Business Upliftment Programmes are being delivered through two instruments:

- The Micro Enterprise Development Package (IMEDP), and the
- Shared Economic Infrastructure Facility (SEIF).

More recently, the Township and Rural Entrepreneurship (TREP) Programme has also prioritised support for this sector.

The NES will focus on the entrepreneur, while NIBUS focusses on informal businesses. The NES can leverage the instruments available in the NIBUS as required to support the development of the entrepreneur and promotion of entrepreneurship within the informal economy.

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3.6 Other Areas of Alignment

The NES is inclusive of closely related MSME issues including, but not limited to, access to finance, non-financial support, gender, youth and disabled individuals (GEYODI). It also includes specific focus on priority sectors such as “green” business, technology, social entrepreneurship, and export businesses. The Strategy approaches its subject first through a strategic national lens, and then evolves into specific strategic and programmatic recommendations and partnerships to achieve sustainable impact.

4. Operationalising and Implementing NES

The problem statement has indicated that the entrepreneurship ecosystem is fragmented and not co-ordinated. Various role players in the ecosystem provide different opportunities and service offerings for the entrepreneur, however, these are not tailored to the different stages of entrepreneurial development.

Entrepreneurship is not located in one single government department but is a cross-cutting/transversal function, that will require an inter-governmental basis and arrangement to ensure that the support and programmes across government are focussed and aligned to NES. The Department also has limited capacity to drive the NES alone and needs to mobilise as many key partnerships as possible to ensure buy-in, alignment and support for implementation of the NES.

The operationalising of the NES requires that these aspects be addressed, and that NES elevates and provides a priority national focus on the importance of entrepreneurship development. Lessons from the case study countries profiled in the Appendix, together with advice and guidance from OECD, UNCTAD and stakeholders consulted in the development of the NES, have assisted to inform the proposed implementation approach.

4.1 Entrepreneurship Ecosystem Role Players and Stakeholders

The South African entrepreneurship ecosystem is complex, given the large number of different role players. The Aspen Network of Development Entrepreneurs in South Africa (ANDE-SA) has provided direction on the ecosystem mapping. The diagram below provides a summary of the different ecosystem role players that will need to be mobilised and brought together as part of the NES, drawing on the work done by ANDE-SA.

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Figure 8: Mapping the entrepreneurial ecosystem, ANDE SA



The finance providers cover both local and international role players. The finance support provided to entrepreneurs include debt, equity, and grants. Typically, the finance providers include:

- Fund managers.
- Private equity
- Venture capital and angel investors
- Crowdfunders
- Specialised finance
- Direct finance providers linked to government and Development Finance Institutions (DFIs)

Government has not been captured as a category on its own but features as part of the group of finance providers, capacity development providers and the education and training sector.

Capacity development providers include both local and international role players and cover:

- Initiatives and programmes within different government departments
- Corporates
- Non-profits
- For profit providers

Other support providers typically include:

- Network associations and their targeted events.
- Academics
- Consultants
- Foundations
- Media

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The ecosystem map has also captured entrepreneurs who may be located in the formal or informal/township sectors as well as geographically across South Africa in rural and/or urban contexts. The priority groups, namely, women, youth and persons with disabilities, would also form part of the entrepreneur category.

4.2 Alignment, Co-ordination and Collaboration

Within the NES the different ecosystem role players must be brought together to buy-in, focus and align their work and activities. Role clarification will need to be provided for each ecosystem role player category as a means to enable buy-in and alignment to the NES.

The operational arrangements for the NES must be set-up in a manner that promotes collaboration and supports innovation and initiatives. Duplication of efforts and resources should be avoided to ensure maximum utilisation of available resources in the ecosystem. Enabling the entrepreneur should be the overall objective of the collaboration.

With regards to government and the different initiatives and programme across government at a national level, as well as within the different spheres of government, an Inter-Governmental Relations (IGR) collaboration approach is required. There are many existing IGR structures that are working on sector and thematic areas that relate to NES. Duplication of these should be avoided, in favour of “drawing-in” and alignment and co-ordination with these existing initiatives. Prioritising will also be required within NES to identify which of these to target and will involve enabling the operationalising of NES and implementation going forward. All relevant IGR structures should however be made aware of and receive updates on the NES.

4.3 Implementation Approach

The NES cuts across various government departments and sectors. It also involves various stages of development and growth that need support and assistance. The NES is therefore complex and requires specialised knowledge and inputs from each of the various sectors.

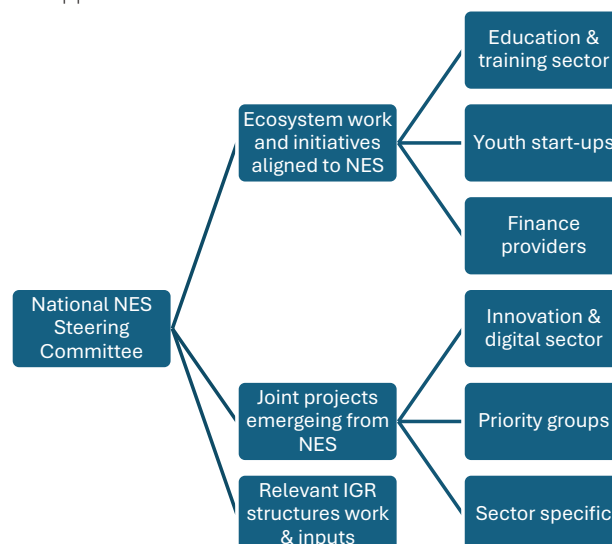
DSBD has put in place an approach that will ensure wide reach of all key sector stakeholders and ensure that there is ownership and buy-in to the NES.

The following implementation approach is therefore proposed:

- **Establishment of National Steering Committee for NES** set-up and driven by DSBD and involving the key ecosystem role players as identified in Section 4.1 and linking in with other relevant government departments and key IGR structures.
- The National NES steering committee will be underpinned by the **work and initiatives taking place in the ecosystem aligned to and in support of the NES strategy**. This will be captured and communicated in a Digital Platform (one-stop shop) for NES.
- There may be **joint projects emerging from the National NES Steering Committee** that will also form part of the implementation approach.

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The implementation approach is illustrated as follows:



The National NES steering committee will be responsible for:

- Oversight of the NES and the implementation plan.
- Proposing updates and amendments to the NES implementation plan as required
- Proposing priority sector interventions and projects as well as sector specific projects and interventions.
- Mobilising of NES partnerships and arrangements.
- Ongoing co-ordination, alignment, and collaboration in support of NES objectives.
- Communication of NES through the Integrated Digital Platform (one-stop shop).
- Ensuring appropriate support and opportunities are available for the entrepreneurs at each stage of development.
- Proposals to create and enabling environment and addressing NES regulatory challenges.

The high-level implementation plan for NES is detailed in the next section and will form part of the work of the National NES Steering Committee. This work will be further detailed in terms of the Medium-Term Expenditure Framework (MTEF) period by the National NES Steering Committee.

Technical assistance support will be mobilised from UNCTAD and other partners to support the National NES Steering Committee and specific pieces of work required to be done by the Committee. The National Steering Committee may form thematic working groups to explore specific issues as required.

Provincial Departments and municipalities may replicate the National NES Steering Committee for their provincial ecosystem if this promotes the overall objectives of NES and encourages efficient and effective support for entrepreneurs. Initiatives emerging from the District Development Model (DDM) work can be brought to the National NES Steering Committee as part of the IGR alignment processes.