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Entrepreneur Expo
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Policy to action address by Carl J Lotter of South African Small and Medium Enterprises Federation to the 5th Annual Entrepreneur Expo held in Cape Town.

I assume you know what are problem statements, policies, and actions? The Government policy on SME is what we have in the SME act of 1995 and the amendments statements of strategy in terms of this policy that has come out of the DTI. These policies the new Ministry of SME has adopted together with the act on SME.

The national problems which those policies are intended to address are the following:

1. Low Economic Growth
2. Spiraling Joblessness
3. High SME failure rate

Was it solved? No.

And that is why we the tax payers paid to have the National Planning commission to tell us where we went wrong. They did this in the diagnostic report and then produced the NDP on a plan over 30 years on how to fix the situation. It has been THREE years and still no action.

But now we do have a Minister & Department of SME.

Sadly after 9 months in office, the Minister and the department, due to parliamentary rules and procedures, has not been formerly vested with the SME act, nor does the new department have an independent budget and hence “real” action is some time off.

But we know already from the very active Minister Lindiwe Zulu, that she has the full support of the President, Cabinet – and SASMEF can attest to this – as we have spoken to all the role players – even though the parliamentary procedure according the constitution has not run its full course.

There are indications of policy from what the Minister has said in public.

- a) Rural & Informal communities are first in the line
- b) Women, Youth and disabled feature high
- c) Education and entrepreneurship growth are primary
- d) We are all workers for a prosperous South Africa and to do this she needs partners from the private sector.

But the best policy indication that Minister Lindiwe Zulu has given is this:

SME development over the next 15 years must contribute 60 – 80% of the growth in GDP.

The Minister says this will be done in partnership with SME's, Big Business, Academia and government.

There are two broad areas of work. These have been identified by SASMEF three years ago already.

a) Collaboration with big business, academia, and government. This collaboration must impact in the shape of the final policy for economic development or Radical economic Transformation,

But important to note the Minister adds a caveat: "Nothing for me if not with me" indicating that partnership and inclusivity is embedded in both policy making and policy execution.

b) The other bit of work is Capacitation. As SASMEF and the NDP has noted a lot of good work has already been done but fragmented and lacking in impact on the national needs. The NDP has also noted that the policy framework is generally good but the civil servants needed to implement this are weak and hence the increased red tape. So capacitation at SME level and at government level is needed.

Again, the Minister adds a caveat: "Nothing for me if not with me" indicating that partnership and inclusivity is embedded in both policy making and policy execution.

c) Given the above we must ask what actions are needed by government, big business, academia and SME and will it be managed.

I. Government must ensure that the DSBD is properly resourced and compliant in terms of the constitution, compliant with the SME act as it now exists in law (even though changes are to be made via amendments) and to appoint the National Small Business Advisory Council as required in the act. There has been no NSBAC for 36 months. Certain amendments to the functions of this council are necessary but we need not wait for parliament. A new council under the current act should be appointed to participate in the formulation of these changes to the act. Among the changes necessary is to firm up the "teeth" of such a council as was done DST where Minister Pandor made it mandatory that reports from the advisory council goes to cabinet to avoid the silencing by bureaucratic procedures usually invoked by the civil servants. Via the advisory councils and boards like the NSBAC the voice of the private sector can be heard in the executive and the legislative branch. When government sets policy in partnership, then big business academia and SME development can align their policies and action plans and build traction for GDP growth.

But along the way, they must be regularly evaluated monitored and measured: How much of what they do will add to GDP?

II. Big Business has been passive. As noted by Alistair Sparks in a series of opinion pieces, unlike pre 1994 and the leadership of men like Oppenheimer and Rupert et al, now Big Business has been quiet on the economic transformation needed as signaled in the constitution. Big Business needs to join the round table for economic development. If anybody is to benefit from Radical Economic Transformation it is big business – bigger markets and more customers, and security that comes with a decline in poverty.

Alistair Sparks has proposed with others like SASMEF for three years now that we need an Economic Convention. Big Business with partners can do this for the country. It will be a good example of action by business to the policy debate.

But Big business must hear the voice “Nothing for me if not with me” and they must be prepared to be evaluated monitored and measured: How much of what they do will add to GDP?

III. Academia – they know what is required – Basic education standard to be upped and curriculum to include entrepreneurial thinking; Universities for good research to guide development plans and executive training– FET for good skill training.

Academia too must bear in mind “Nothing for me if not with me” and they must be evaluated monitored and measured: How much of what they do will add to GDP?

IV. SME, Cooperatives and Entrepreneurial Development agencies – how will they contribute to growth in GDP?

This development is much dependent upon government support in terms of policy and availability of resources. Worldwide research shows this. Such support should be in the form of resource allocation. Not to be seen as a cost but as an investment and this investment has to be undertaken and led by a public private sector partnership which includes, all of the above, Government, Big Business , Academia and SME themselves.

This SME group is so fragmented. It needs healing and realignment. It has the highest failure rates recorded and proprietors need support from personal development, to management training, to operational training, to keeping pace with markets and technology.

Will government policies be courageous enough to invest tax payers’ money in this sector via a partnership with established private sector partner and private sector managers?

Will Big Business be daring enough to assist with technology transfer, sharing market space, investment and so on?

Will academia at all levels seek out those opportunities at community levels where the academic institutions are situated?

Will SME proprietors be encouraged to persevere, to be open to training, especially prefunding training, to aim for growth within their own business and build trading assets for themselves, their families, and communities?

V. In all the above, as we sketch Policy to Action. There has been patchy successes, but not sufficient to change the economic growth and employment patterns. We need more business and in particular we need more small sustainable businesses. These successful ones need need to be amplified and replicated as good models. We need critical mass. We must be able to measure impact nationally by

reducing failure rate in SME failure, create jobs and reduce joblessness and poverty, improve GDP and create wealth for all to enjoy.

So policy is important. If done well, it will provide the framework for Action. Within a policy enriched frame work, action will reach critical mass to have a desired impact on the national agenda.

South African Small and Medium Enterprises has called for building the voice of SME as outlined through collaboration and capacitation. SASMEF has also noted that SME are not able to afford the time and energy or cash to use in the vital area of policy development so that it meets the criterion ““Nothing for me if not with me”. And hence, SASMEF activity is focused on being the voice of SME at the policy table and at the implementing level where SME’s become capacitated to be a success and contributors to job and wealth creation.

So SASMEF thanks Caban Investments (sponsor) for this opportunity and for their partnership going ahead.

If this is heard and such partnership as in SASMEF/Caban Investments are replicated and amplified, the conference will have made a big contribution to economic development both at policy and action levels.

Thank you