

## dti moots small business census

The Department of Trade and Industry wants to run a regular small business census to help improve its support and funding to the sector as part of a revised policy to boost support to small businesses.



Briefing the National Council of Provinces' select committee on trade and international relations on the department's Small Business Review, the chief director of Enterprise Development, Mojalefa Mohoto, said the department would approach the South African Revenue Service (Sars) to run the census.

Unlike countries such as India and Malaysia, South Africa does not have a government-run census on small businesses, leaving the government to rely on ad hoc reports on small business by the private sector when it wants to access statistics on the challenges facing local small enterprises.

Mohoto said a small business census would be important to create a baseline study and defuse confusion about the number of small businesses operating in South Africa.

The department is seeking to revamp its 2005 Integrated Small Business Policy and amend the 2005 Small Business Amendment Act by strengthening partnerships, capacity at small business support institutions and by broadening small firms' access to markets.

Among its other suggestions, the department also wants to:

- Review the ceiling limit for claims individuals can lodge at the Small Claims Court, so that more small businesses can seek redress there rather than having to take cases of non-payment to court where it can be quite onerous.
- Cut down on red tape that small businesses face when seeking support and accessing incentives from government by rolling out its red tape reduction initiative nationally.
- Set up trading houses for particular sectors where small firms could base themselves and access support and raw materials and attract customers.
- Give official recognition to the activities of the SA Supplier Diversity Council to create a greater synergy between the private sector supplier diversity initiatives and the department's mechanisms such as the Black Business Supplier Development Plan (BBSDP).

- Have small business support agencies provide tailored support for particular sectors, especially those under the Industrial Policy Action Plan (IPAP).
- Set up a SMME promotion challenge fund to finance innovative and high-impact project proposals presented by businesses, academia and business associations.
- Boost the number of angel investors, through introducing incentives and matching funds from development finance institutions (DFIs) and building an angel network.

The department also plans to work more closely with business chambers so that chambers help the government to deliver some of its support programmes.

Mohoto said a unit in the department is already looking at improving chambers' capacity - particularly those in rural areas.

## **Delegation of basic function is the plan, over time**

Over time, the idea is to delegate certain basic functions to sector associations, he said.

To improve the quality of business mentors, a problem which has long frustrated small enterprises, the department will meet with Business Unity SA (Busa) and the Institute of Business Advisors (IBA) to formulate a national programme to develop and accredit quality business advisors.

The department is already working with the Department of Higher Education to standardise training for business mentors.

The department also wants to review the role of provincial and local governments in the Small Business Amendment Act, strengthening the role of the Minister of Trade and Industry Rob Davies' National Small Business Advisory Council.

The department has also mooted the idea of providing SMME support agencies with core funding and getting them to bid for the remainder of their funding by submitting proposals for project funding.

Also on the cards is to develop a policy on entrepreneurship. The department is also looking at expanding the number of business incubators, from the current 30 to 250 in the next few years.

## **Partnerships**

The department's deputy director general of Enterprise Development, Sipho Zikode, said the department had recently received 20 new proposals for incubators and was partnering with big companies.

A matching fund had been proposed by the department to help big companies and organisations to set up incubators.

The department's Small Business Review, which looks at the current non-financial and financial support offered to small businesses by the government, revealed that government policy at national, provincial and local government on small business remains fragmented, resources remain limited and institutions.

The review also found that the government does not have long-term planning in supporting small businesses, weak evaluation and monitoring of support, and weak capacity at small business institutions.

Mohoto said in regard to weak capacity, Seda was sending supporting staff to India and other countries to boost support.

The review also found that the country lacked efficient incubation programmes, which could be most effective in supporting start-ups.

There was also a shortage of quality mentoring, as well as manufacturing and technical advisors.

## **A need to track funding impact**

The review also revealed that there was a need to track and evaluate the impact of the government's funding of small businesses.

There was also a need for credit information to help lending institutions ascertain who it could lend to and would repay loans.

Microfinance was also ineffective - especially in rural areas' small businesses.

The turnaround time at small business support and funding institutions also needed to be improved.

Added to this there was a need to boost entrepreneurial capacity and support more young people to start businesses.

There was also a need to improve access for small businesses to the local market, including by breaking contracts into smaller subcontracts and boosting private-sector value chains.

Mohoto said private-sector value chains could be grown using Black Economic Empowerment (BEE) initiatives.

The department's review of support programmes forms part of one of the department's outcomes to President Jacob Zuma.

Five members were assisted by the advisors of the National Small Business Advisory Council in drafting the Small Business Review.

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