

MEC MAILE URGES PRIVATE SECTOR SUPPORT FOR SMMEs

Thursday, 30 June 2016

Gauteng MEC for Economic Development, Environment, Agriculture and Rural Development Lebogang Maile has urged investors and finance institutions to partner with government to fast-track measures aimed at supporting small businesses.

Speaking at the Gauteng provincial government's SMMEs Blunders and Bungles Summit held in Johannesburg today, MEC Maile said private sector support was critical to ensure the development of SMMEs sector.

The Gauteng provincial government is hosting the SMMEs summit to determine how government programmes and interventions can prevent high failure rate of small businesses. The summit, which is being organized by the Gauteng Enterprise Propeller (GEP), an agency of the Gauteng Provincial Government, is featuring experts from various economic sectors such as manufacturing, services, tourism, ICT, construction and entrepreneurship development.

The information gathered through the summit, will amongst others, be used to improve GEP's product offerings with a view of assisting funded SMMEs to repay loans, and improve SMME success rates.

Major private companies such as retail giant, Pick n Pay, are represented at the summit to establish directly from SMME's what blunders and bungles can be attributed to their failure despite government's financial and nonfinancial interventions.

The SMMEs summit is being held in the midst of an economic downturn and South Africa's narrow escape from a ratings downgrade. In the first quarter of 2016, the Gauteng Province suffered 195 000 job losses due to the economic downturn.

MEC Maile announced during his budget vote in May that the Gauteng City Region will create 100 000 new direct and indirect jobs, both permanent and temporary. In addition, more than 300 000 work opportunities will be created through the Gauteng Tshepo 500,000 and the Extended Public Works Programs. The Gauteng provincial government is well on track to achieve these targets.

The focus on the SMME sector is because of the important role small businesses play in job creation. Since its inception in 2006, the GEP has funded in excess of 47 000 SMMEs but the agency's loan repayment rate remains low due to irrecoverable loans. In the 2015/2016 financial

year, although the debt recovery rate improved, R32 million of due loans was written-off. In the last 10 years, the GEP has written off a total of R84 million, with a loan book of R109 million.

“This cannot be right since our mandate is to ensure that we help with the establishment of sustainable SMMEs and thus the question arises about whether our processes are capable of making the kind of judgement calls that ensure that we significantly reduce the percentage of the financial resources that we get to write-off whatever the reasons,” MEC Maile said.

The GEP has set aside R78 million in the current financial year to support small business with financial and non-financial support. MEC Maile said the Gauteng provincial government is working with the Banking Association South Africa, the top 40 companies on the JSE, the Public Investment Corporation and other key stakeholders to pool together the resources to give financial and non-financial support to small businesses. FNB has committed R250 million towards the township economy.

“The issue of financing needs us to be creative and to think outside the box. The question of funding is at the centre and government will not be able to solve this alone. In the discussions we have had with the private sector there seems to be greater appetite to make available financial resources,” MEC Maile said.

The Gauteng government is committed to mainstream the township economy by supporting the development of township enterprises, cooperatives and SMMEs as part of the Township Economy Revitalisation Strategy.

In pursuit of this objective, the provincial government is rolling out Township Enterprise Hubs across Gauteng’s townships. The province wants 30 percent of the Gauteng economy to be composed of township enterprises and for smalls business to become the backbone of the economy.

“The lack of access to markets and physical infrastructure is an impediment to business growth and adds significantly to the cost of doing business. This is why we have set aside 30% of the provincial government’s procurement spend for SMMEs. We are taking a deliberate decision to empower our people. But what we need is entrepreneurs who take their businesses serious,” MEC Maile said.

The provincial government will spend over a billion rand by 2019 to improve infrastructure for township businesses.

Note to Editors:

The National Development Plan (NDP) clearly stipulates the need for South Africa to create 11 million jobs by 2030. Chapter 3 of the National Development Plan (NDP) 2030, states that Small and Medium Sized Enterprises will play important role in employment creation.

Every two years since 2009, the Gauteng City-Region Observatory carries out a 'Quality of Life' survey which measures the quality of life, socio-economic circumstances, and attitudes to service delivery, psycho-social attitudes, value-base and other characteristics of the GCR.

The results of the fourth survey were completed in 2015. The study found that the proportion of entrepreneurs operating in the informal sector remained stable at 65%. Business owners in the survey identified access to start-up capital as a problem.

Only 0,9% of formal sector and 0,3 of informal sector entrepreneurs had accessed start-up funds through a loan from a government agency. 24% of informal sector and 46% of formal sector entrepreneurs had heard of a government agency that supports SMEs. Of these, only 28% of informal and 43% of formal entrepreneurs had approached a government agency for support.

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