REMARKS BY THE MINISTER OF SMALL BUSINESS DEVELOPMENT MS LINDIWE ZULU, ON THE OCCASION OF THE LAUNCH OF FUTUREMAKERS BY TELKOM

SANDTON (7 MAY 2015)

Programme Director

Group CEO of Telkom, Mr Sipho Maseko,
Entrepreneurs in the ICT sector,
Government officials
Distinguished guests

I am honoured and delighted to be part of this momentous occasion. The launch of FutureMakers programme must go down in history as a watershed moment for SMMEs in the ICT sector. Together, we must empower entrepreneurs to leverage on the use of ICT as enabler for the development of their business. It is my fervent wish that, collectively, we will do whatever it takes to ensure that small businesses and co-operatives take advantage of opportunities that this noble programme offered.
This event comes just two weeks before the delivery of our department’s Budget Vote. This programme we are launching this morning is consistent with my Ministry’s process of engaging government departments and state-owned enterprises to collaborate in the area of procurement opportunities for small businesses and co-operatives through Transversal Agreements.

First and foremost, we draw our inspiration from the National Development Plan which outlines a clear vision that our economy needs to be inclusive, equitable and fast growing. It is envisaged that such an economy would lead to Radical Socio-Economic Transformation, where employment opportunities will be created, inequality arrested and poverty reduced. There is, therefore, no doubt in my mind that we have to work very closely as government departments, state-owned enterprises and the private sector to realise the NDP’s vision.

Programme Director, in the Ministry of Small Business Development, our mission is very clear: we want to create a conducive environment for the development and growth of small businesses and cooperatives through the provision of enhanced financial and non-financial support services, competitiveness, market access, promotion of entrepreneurship, advancing localisation and leveraging on public and private sector procurement. That is why your competence and expertise in the area of ICT will assist us to appreciate the magnitude of opportunities that need to be exploited by small businesses and co-operatives. We are aware that the ICT sector contributes approximately 6% to the country’s GDP and it would be more interesting to see of this percentage, how much SMMEs are contributing.
The role of SMMEs in developing the economy cannot be over-emphasised; there is wide-spread consensus that SMMEs play a crucial role in economic growth, employment creation, advancing innovation and fostering equity. Recognising the importance of the SMME sector in dealing with our nation’s economic challenges, which include poverty, high unemployment rates and inequality; it was a wise decision on the part of our government to create the Ministry of Small Business Development.

We recognise that, working alone, we will never realise the full potential of SMMEs. It is for this reason that we remain passionate and committed to collaboration and partnerships with other government departments and the private sector. One of the few things we did, alongside the process of developing a five year strategic plan, was to identify specific challenges that frustrate the development, growth and sustainability of small businesses and co-operatives in the country. Out of the five elements we identified was public sector procurement. The other elements were private sector procurement, regulatory constraints, access to finance and support targeted at township and rural enterprises.

Programme Director, I am not going to deal with all these five elements due to time constraints. But allow me to only tease out the first element which focuses on public procurement. Participants of this Workshop will recall that in the delivery of the State of the Nation Address, the President of the Republic announced that government will procure 30% of appropriate categories of goods and services from small businesses, co-operatives, township and rural enterprises. We envisage that existing
SMMEs will grow and become sustainable because of this opportunity given to them.

Similarly, start-ups and new enterprises will also get an opportunity to deliver goods and services to the public sector that they would not have had a chance to deliver without this decision to procure certain categories of goods from SMMEs and co-operatives. It is exciting to get positive feedback from various research reports that indicate that SMMEs and co-operatives are presented with lots of opportunities in the ICT sector. Whenever we hear of shortages of skills in certain areas, it should be our responsibility as government to support individuals and enterprises to take advantage of such gaps.

One of the research reports we came across was an ICT skills survey published by the Joburg Centre for Software Engineering (JCSE) in 2014 which noted that systems engineer, social media analyst, systems analyst, cyber-crime analyst, network specialist and aviation software, amongst others, as critical skills shortages. Overall, it became clear from the findings of this survey that there are many opportunities for SMMEs in the ICT space. Hence, I look forward to a solid collaboration between my department and Telkom.

ICT is an imperative part of economic growth and the sector itself has the potential to contribute significantly to employment creation. In 2012, a study was commissioned by our agency, the Small Enterprise Development Agency (Seda) to analyse the needs, state and performance of SMMEs within the services sectors with a specific focus on ICT. The study included other sectors like manufacturing, tourism and agriculture. This study was conducted as part of an effort by
government to enhance the support and services offered to small businesses within the mentioned sectors. In the ICT sector, the research study highlighted the following as the main barriers to entry or constraints faced by SMEs in the country:

- Shortage of skills and capacity, particularly with respect to technical skills.
- Lack of access to finance.
- Network connectivity problems.
- Lack of access to internet and ICT support services in rural areas.
- Inadequacy and inconsistency of supply of supporting infrastructure.
- Limited demand for certain ICT services, particularly in rural areas.
- Shortage of skilled workers in rural areas.

In order to mitigate these challenges the study suggested that small enterprises in the ICT space needed mentorship and incubation. This highlights the importance of business linkages between big businesses that possess the expertise, skill and experience within the ICT sector and the SMMEs that wish to enter or grow further within this sector.

The positive areas highlighted by the Seda study within which SMMEs could play a role in the ICT sector were in the market and value chain opportunities and these needed to be exploited in areas such as:

- Systems development.
• Products and services linked to the broadcasting digital migration.
• Development of software applications and embedded software.
• E-commerce services.
• Supply of converged ICT solutions.
• Provision of training in information technology.
• Design and production of meter parking devices.
• Design of hardware and software components

The general shortages of skills in the ICT sector should be turned into positive initiatives as small businesses could be developed to fill in the gaps. Some companies tend to prefer outsourcing ICT functions and this is an opportunity for SMMEs to find their space and flourish.

Perceptions of the ICT sector should also be improved. Rather than being viewed as a sector reserved for the exclusive few, it must be seen as a viable option for aspiring entrepreneurs. We need to demystify the ICT sector. Exposure and access to ICT need to be accessible to all South Africans even for our rural communities.

Programme Director, to address the triple challenges confronting our nation requires a collective effort. The need to support SMMEs and co-operatives is a responsibility of both government and the private sector. Collectively, we carry a responsibility to stimulate and support the growth and sustainability of the co-operative and small business sector. Together, we can unlock economic opportunities and thus achieve inclusive economic growth and sustainable employment, particularly for women, youth and people with disabilities.
In conclusion, let me applaud Telkom for this noble initiative. I hope that other corporates will emulate Telkom’s example of giving practical expression to the national agenda of building strong and sustainable small businesses and co-operatives that will become the engines of economic growth and job creation.

I thank you.