

Government fine-tuning R2.1bn SME, innovation fund

Small Business Development Minister Lindiwe Zulu says the department is finalising the modalities of how the recently announced R2.1 billion small business and innovation fund will be implemented.



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Zulu said this when she led a debate on the department's Budget Vote in the National Assembly on Thursday, 17 May 2018.

She said access to finance is one of the key constraints faced by entrepreneurs - be it a start-up, existing SMME or cooperative wishing to diversify or explore a new opportunities.

"Time and time again these starts-ups, young people, people living with disabilities and women in particular, tell us of their frustrations with banks and development finance institutions (DFIs), who refuse to support them because they are perceived as high-risk ventures, irrespective of the brilliance of their proposals or demonstrable potential to succeed.

"Firstly, the sharp increase in our budget in the outer years of the MTEF [medium term expenditure framework], is attributed to the R2.1 billion SMME and Innovation Fund, as announced by the President and the Minister of Finance in February 2018.

"This fund will build on best practices and will largely be directed at innovative start-ups with a reasonable prospect of success.

“We are finalising the implementation modalities with National Treasury and the Department of Science and Technology and we are working towards announcing the operationalisation of the fund during the third quarter, with the first disbursements in 2019/20,” Zulu said.

Euro fund to boost SMMEs

The Small Business Development Department will also be leading the roll-out of the European Union (EU) funded ‘Employment Promotion through SMMEs Support Programme for South Africa’. This is a five-year 52 million Euros scheme (about R800 million), which was launched last month.

“In September 2018, we will announce the modalities of this fund. This fund represents a significant injection of resources, which we will deploy effectively to craft an alternative future for entrepreneurs and SMMEs in our country,” she said.

Preferential treatment

President Ramaphosa reiterated in the State of the Nation Address that government will honour its undertaking to set aside at least 30% of public procurement to SMMEs, cooperatives and township and rural enterprises.

Small Business Development, together with National Treasury, is determined to sharpen the monitoring and implementation of the 30% set-aside policy for SMMEs.

The Public Sector Supply Chain Review confirmed that in 2016/17 alone, government spent over R750 billion on the procurement of goods and services, as well as construction works. However, many SMMEs continue to complain that they are overlooked.

Zulu said her department, together with National Treasury, is determined to sharpen the monitoring and implementation of the 30% set-aside policy for SMMEs.

“We hold the view that 30% is not the ceiling. Instead, it is the minimum value of contracts which should be awarded to SMMEs and cooperatives. It is encouraging that there are many departments and a few provinces which have far exceeded the 30%.”

Zulu said, meanwhile, that the payment of suppliers within 30 days remains a challenge.

As at September 2017, a total of 71,883 invoices to the value of R4.3 billion were older than 30 days and not paid.

“While I am happy to report that in the 2017/18 financial year, my department is amongst those departments which paid 100% of its invoices within 30 days, there are many departments that are non-compliant, and we know who the major culprits are.

“Between my department, the Department of Planning, Monitoring and Evaluation (DPME) and National Treasury, we are putting our heads together on stronger enforcement measures because we can no longer turn a blind eye to departments who are in flagrant violation of a policy decision and Treasury Regulations and who cause the collapse of SMMEs and cooperatives,” she said.