

Government's grand SMME masterplan: much ado about nothing

By [Luthando Nondaba](#)

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The Minister of Small Business Development published the draft National Integrated Small Enterprise Development (Nised) masterplan for comment on 10 May 2022.



Source: Supplied.

The overarching objective of the Nised [masterplan](#) is to significantly raise the contribution of economic output and labour absorption by SMMEs.

It purports to achieve this by a series of programmes and actions within outcome areas, namely:

- A well-informed South Africa on SMMEs with continuous monitoring, evaluation and learning;
- Policy, laws and regulations reformed to enable SMME growth and efficient governance;
- Effective targeted support and services delivered for SMME growth both financial and non-financial; and
- Co-ordinated government with strengthened private-sector partnerships for SMME growth.

The remaining quandary is the question of 'how'? The Nised masterplan alleges to harness an integrated and well-functioning ecosystem that mobilises all roleplayers into a seamless and streamlined solution for the development and support of small enterprises – whatever that means.

What the masterplan does confirm, albeit based on pre-Covid-19 data, is that less than 300,000 formal SMMEs provide formal employment (i.e. file an IRP5 PAYE tax form) and that it is estimated that there are between 600,000 to 800,000 formal enterprises in existence; these include sole proprietor-owned businesses registered for tax.

The masterplan also confirms that in the past three decades, SMME growth has been stagnant at best and that estimates for the informal economy show between 1,2 million and 1,5 million survivalist or informal-type enterprises. The above notwithstanding, Neasa has opted to simply not bother commenting on yet another of Government's lengthy hot-aired strategies and frameworks intended to "stimulate business".

The imperative to cut the red tape

It was on 10 February 2022 when the President, during his Sona speech, made a commitment through the creation of a red tape team in the presidency, headed by Siphon Nkosi, to reduce red tape which makes it costly and difficult for the private sector to do business in the country. Not much, if any, progress reports or initiatives of this team have surfaced.

Today, business is still voicing its concern on how increasingly difficult it is to do business in South Africa because of the red tape, and Government's interference with the free working of the private sector, which will inevitably impede any envisioned public-private partnerships as so eagerly proposed in this masterplan.

The State continues to impose burdensome taxes on business, impose minimum wages, affirmative action and BEE requisites and dubious lopsided procurement processes, licence requirements, and provides no environment for business to prosper.

These obstacles continue to be a legislative red-tape stranglehold on an already struggling private sector. What is even more curious, is that Government continues, by the week, to make laws which are in stark contradiction to their alleged support for economic growth and for business. For example, to name but a few, the Government's proposed amendments to the Employment Equity Act, which will allow the Minister to determine targets for a sector.

All employers within that sector will then have to align their targets with these prescribed targets, failure of which, they will be deemed non-compliant with the Act. The amendment will also remove the option for non-designated employers to voluntarily comply with the requirements of the Act as if they were designated employers.



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In so far as the minimum wages are concerned, when Government forces someone to pay a wage they cannot afford, it ultimately leads to unemployment and unproductivity.

The newly proposed Migration Policy aims to oust foreign nationals from the labour market, while it has been proven that foreign nationals have a net positive effect on the employment and wage level of South African workers.

With these proposed labour migration policies and accompanying Employment Services Act Amendment Bill, the State will now attempt to exert even more power over the hiring and employment practices of business owners and employers within their own businesses.

The goal of business is not to back political motives

When employers are left to do business, in the manner and method they prefer, including the recruitment and hiring of their staff, they thrive. The goal of business is not to jump through the administrative and regulatory hoops posed by Government for illogical political motivations; it is to generate revenue, employ people and contribute to the economy in the best way it can.

These proposed measures stand in stark contrast with the principles and values of a free-market dispensation. The rotten and lacklustre attitude of Government, the country's deteriorating infrastructure, power cuts and recurring empty promises for change, do little to help.

The municipalities of the country are in shambles. It is trite that municipalities need to provide the infrastructure and basic services that support a favourable investment climate, without which disinvestment, deepening unemployment and poverty follow.

The state of municipalities impacts the health of business

The state of South African municipalities, make it simply impossible for business to function optimally. What becomes more apparent from the above is that while Government alleges to want to help business, it is committed to the cause of creating more red tape for business – an act they commit without even the consultation from true business representatives but rather after consultations with 'organised labour' constituency representatives, as nominated by Nedlac, who do not have the slightest interest for the economy to prosper.

The frustration from business originates from the fact that, the objectives of this masterplan have all been heard before and nothing changes. The commitments to reform and 'integrated strategies for promoting entrepreneurship and small enterprise' go nowhere.



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There has been much criticism of Government from big business, as of late, which should be a cause for concern to Government, but it is unlikely to be. Government has proven to be out of touch with reality repeatedly, and deaf to reason.

There is no reason to believe this will unexpectedly change.

It is against this backdrop that Neasa has deemed it futile to comment on this 'masterplan', as there is nothing practicable or new to comment on. The private sector knows all too well of Government's tendency to promulgate fanciful laws, which are received with much fanfare, however, Government has remained principally unsupportive to the private sector, even with the current laws and strategies, which are destined to be replaced by this draft Nised.

All these initiatives appear to be mere lip service with no clear implementation mechanisms. It will be interesting to imagine which miracle Government will utilise to ensure that the proposals and objects of such a document will come to fruition, and furthermore, what steps Government is willing to take to ensure that cadre favouritism in a Government, fraught with corrupt leaders, does not hinder such 'noble' ventures.

Possibly even now, resources to enable many of the objectives enshrined in this draft masterplan, are well on their way into some politician's pockets to be siphoned off without a trace.

The Government remains steadfast in squandering any opportunities for co-operation with the private sector. Any well-intended initiative which comes from the Government of the day is naturally accompanied with distrust.

Nised should also be treated with this circumspection. Neasa rejects this masterplan, which at first glance proposes initiatives which could help the private sector and economy as a whole.

A closer analysis of this masterplan suggests that the masterplan is doomed for failure and is no different from the multitude of White Papers, strategies and frameworks on which it is based, and likely, as its predecessors, lacks any realistic implementation mechanism and will not achieve its goals.

Business has simply had enough of Government's drivel.

ABOUT THE AUTHOR

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