

DEPARTMENT OF SMALL BUSINESS BUDGET SPEECH 2025/26

MINISTER STELLA TEMBISA NDABENI

27 JUNE 2025

Honourable Chairperson

Ministers and Deputy Ministers Present

Members of the Portfolio Committee on Small Business Development

Deputy Minister, Director-General, and senior managers of the Department of Small Business Development

Board members and officials from the DSBD entity, SEDFA

Ladies and gentlemen, entrepreneurs

Introduction

Yesterday marked a sobering yet inspiring moment of national reflection for our country as we celebrated 70 years since the adoption of the Freedom Charter. On 26 June 1955, people from across racial, gender, class, and religious lines gathered in Kliptown, Soweto to articulate a vision for a just, democratic, and inclusive South Africa, in direct opposition to apartheid. Among its many bold declarations, the Charter asserted that "South Africa belongs to all who live in it" and that "no government can justly claim authority unless it is based on the will of the people."

The Freedom Charter remains our lodestar.

As government, we are inspired by the significant progress made in realising a more equitable and just society, but we are also mindful that the clarion call for people to "share in the country's wealth" has not yet been fully realised.

Chairperson,

As we begin this budget vote, I must put it up front that the government and our people are both determined and resolute to achieve this goal.

In his State of the Nation Address, President Ramaphosa reminded us of our central mission - to create jobs, reduce poverty, and improve the lives of all South Africans.

This Budget Vote further takes place as we conclude Youth Month, a time that commemorates the bravery of young South Africans who altered the course of our history in 1976. Today, another generation stands poised to shape our country's future through entrepreneurship, innovation, and economic participation.

Whilst this being the case, too many of our young people languish on the margins of the economy, excluded from meaningful participation in a system into which they were born. This exclusion is not just a social challenge; but an economic one. When young people are unable to access opportunities, the country's growth potential suffers. Therefore, as this government we are committed to change this, and mainstream young people into the economy.

Honourable Members,

Realising the ideals and commitments of the Freedom Charter for this and future generations is paramount. This Budget therefore reflects our unwavering commitment to that noble cause - and to the young people who hold the future of our country in their hands.

As such we are focusing our efforts on:

- Firstly, building a more inclusive, efficient, and high-impact micro, small, and medium enterprise (MSME) support system. One that empowers our youth, women, and communities in townships and rural areas.
- We are instituting a new service delivery model to better position the department to lead the ecosystem.
- Aligned to this new service delivery model, we are both scaling and integrating our offerings to achieve greater impact and value for money.

As Minister of Finance constantly reminds us, we must do more with less.

Policy and Legislative Framework: Strengthening the Foundation

Honourable Chairperson,

We move from the premise that the small enterprise support eco-system has legislative and policy gaps. To this end, we are steadily closing those gaps to ensure that constraints are removed, and a more enabling environment is created for MSMEs and co-operatives to thrive.

Accordingly, the amendment of the National Small Enterprise Act has led to the establishment of two key instruments:

- The Small Enterprise Development and Finance Agency (SEDFA), and
- The Office of the Small Enterprise Ombud, to provide recourse and fairness for small enterprises in the ecosystem. We await parliament to finalise this process as the Act in section 17A gives that responsibility to the members of this Portfolio Committee. From our side as the department, we have appointed two officials and are now preparing to appoint the Deputy Ombuds as empowered by the Act.

Additionally, the MSME and Co-operatives Funding Policy was approved by Cabinet last year. We are now working on partnerships to establish an alternative MSME credit rating system as well as a movable asset registry to address the lack of collateral amongst MSME borrowers. The current risk assessment models used by financiers (audited financial statements, credit history, collaterals) are not suitable for MSMEs, as they are mainly designed for big businesses – and with an alternative credit data model we can ensure that financiers are able to use alternative data like bill payments, e-commerce activity, mobile money transactions etc. to foster financial inclusion for the majority of MSMEs.

Our Funding Policy also called for the establishment of a Fund of Funds which we are now working with the DTIC on as the Transformation Fund. This will be a gamechanger for MSME funding.

We must improve the funding readiness of MSMEs to access funds, especially those from poorer provinces, townships and rural areas.

Through SEDFA, our partnership with the JSE on capital readiness and investment matchmaking is also being scaled to reach more entrepreneurs, particularly in under-resourced areas.

Additionally, Chairperson, we have recently approved the National Business Licensing Policy and are now amending the Business Licensing Bill to simplify business licencing and introduce preferential licensing for targeted empowerment and promotion of previously disadvantaged groups in economic activity for specific sectors.

Honourable Members,

As we solidify the MSME policy landscape, we are also finalising the National Entrepreneurship Strategy (NES), which seeks to embed an entrepreneurship culture and recognise entrepreneurs and innovators as key drivers and agents of socio-economic development.

The NES is focused on the individual entrepreneur and their needs at different stages of development - from the informal street trader to the high growth scale up.

The last policy initiative I would like to draw attention to is the Township and Rural Economic Development and Revitalization Policy, which will go to Cabinet this year. This policy will enable a more consolidated approach by government when it comes to supporting township and rural MSMEs and co-operatives. The policy calls for the creation of vibrant township and rural small business hubs, which will require a more co-ordinated approach by the three spheres of government around zoning, business licensing, infrastructure provisioning and investment.

Chairperson, we are confident that these legislative and policy interventions will make the eco-system more coherent, and ensure that more MSMEs are better served, especially those owned by women, youth, people with disabilities, as well as enterprises from townships and rural areas.

Institutional Realignment: A new Service Delivery Model

Honourable Members,

Policy reform alone is not enough. These reforms must be underpinned by a capable, responsive, and integrated service delivery model. This brings me to the second theme of this Budget Speech – the new service delivery model we are instituting as the department.

Two and a half years ago we developed the National Integrated Small Enterprise Development Framework (NISED) which gives us the mandate to lead and coordinate the eco-system and ensure accountability from all stakeholders and role players.

To ensure this accountability, we are developing a robust monitoring and reporting framework for all eco-system players, which we will present to Cabinet this year. We are also establishing internal research capacity, and undertaking sector-specific value chain studies to inform targeted interventions in productive sectors of the economy.

Moreover, we are intentional about thought leadership. As a result, we have created a research think-tank to support evidence-based policy, as well as a formal partnership with Deans of Commerce from Higher Education Institutions. We are also finalising the appointment of a new Small Business Advisory Body.

Performance Matters

On performance, we have improved significantly over the past few years on delivering outputs. Last year, the department achieved 88% of its targets; an improvement from 85% achieved in 2023/24, and a significant improvement from 2021/22 when we only achieved 60% of our targets. We are now moving beyond targets towards impact-driven performance.

Honourable Members,

Performance is directly linked to governance. As the department, we have received clean audits for the past three years and again have a clean audit target for this year.

Our new service delivery model also compels us to be more strategic, outcomes and impact focused. This means targeting sectors and industries, where there is market demand and room for MSME growth and expansion. It means spatially integrating our limited resources across our various offerings - with regards to financial services, business development and incubation, as well as market access support. This is the logic of the small business hubs which we are focusing on in 2025/26 and for the remainder of this term.

Programmatic Interventions: Unlocking impact where it matters

Honourable Chairperson and Members,

Now that I have dealt with our policy and legislative work to strengthen the MSME support ecosystem as well as our new service delivery model, I will focus on our product and service offerings. The meat of the budget so to say.

We have ambitious targets as our contribution to Government's MTDP targets of achieving above 3% growth and reducing unemployment to below 28%.

To support this achievement, we will support one million MSMEs with financial and non-financial support over the MTDP, sustaining existing jobs and creating new ones.

This we will do through direct delivery and strategic partnerships.

Despite operating within a relatively modest budget, the Department delivered commendable results in the 2024/25 financial year, providing financial support to over 165 000 small enterprises and disbursing R3.2 billion to MSMEs and co-operatives, significantly surpassing the initial target of R2.1 billion.

Of this R3.2 billion, just under R1.5 billion went to wholesale and retail trade and services including motor vehicle repairs; R300 million went to MSMEs and co-ops in the agriculture, forestry and fisheries sector; R229 million to construction MSMEs; R261 million to manufacturing MSMEs; R159 million to MSMEs in the transport, logistics and storage sectors; R56 million to MSMEs in food services and accommodation; and R25 million to mining MSMEs. These are some of the key industries that have been contributing to job creation.

Priority areas for 2025/2026

Looking towards the year ahead, Honourable Chairperson, I will speak to three priority areas of intervention for 2025/26 and the MTEF.

1. EXPANDED ENTREPRENEURSHIP FINANCE PACKAGE

We will separate SEDFA's financial offerings into a **Development Fund**, for new entrants and higher risk borrowers, and a **Commercial Fund** for growth-ready MSMEs.

We will target just under one billion (R990 million) of approvals for the Development Fund, and R330 million of approvals for the Commercial Fund.

Here we will launch a new **Youth Entrepreneurship Fund**, initially capitalised at R300million. This Fund is aimed at harnessing the creativity and innovation of our younger generation to contribute to the country's growth through entrepreneurial ventures.

We will launch the new **Women Entrepreneurship Fund**, also initially capitalised at R300 million, to enable more women to be self-employed as entrepreneurs and small business owners.

We will target just **under a billion (R979 million) of value of credit guarantees** taken up by small enterprise borrowers during 2025/26.

These credit guarantees remain an important part of our offerings, leveraging banks and non-bank financial institutions to take on MSME borrowers that are above their

ordinary risk tolerance. This has seen significantly more investment by banks and other financial institutions for new entrant MSMEs in agriculture, in agro-processing, and automotive repairs and services, among others.

Many township and rural entrepreneurs who now get bank financing for their businesses do not know that we may well have credit guaranteed their loan.

2. TOWNSHIP AND RURAL ECONOMY DEVELOPMENT

Here we will build **50 small business hubs** for entrepreneurs and MSMEs in each district. Aligned to local industrialisation opportunities, these will be spread across the townships and rural areas, and will integrate the financial and non-financial services we offer as a portfolio. We will also refurbish small industrial parks in four provinces - North West, Mpumalanga, Eastern Cape and Northern Cape. Both the hubs and industrial parks will provide employment and income earning opportunities in townships and rural areas, including in areas where apartheid industrial decentralisation zones have collapsed.

One of the key enablers of business is digital infrastructure. Township and rural enterprises often struggle to get access to reliable and affordable broadband services. We cannot talk about successful rural and township enterprises without talking about digital transformation of small businesses. Through SEDFA and as part of our mandate to finance small businesses we will support **50 internet service providers (ISPs) across 50 districts** who will provide the necessary affordable quality broadband to small enterprises and communities in rural areas. This intervention will not only deliver affordable broadband to small enterprises and communities, but will bring ownership of telecommunications infrastructure to people who have never owned such infrastructure before and create jobs for the youth. As part of reclaiming specific sectors in the townships, we will support two cell phone repair centres in 50 districts. We have budgeted R958.7 million over the MTEF, and R310.8 million for 2025/26. SEDFA will also contribute R253 million over the MTEF.

To further advance our township and rural economic development initiatives, we will roll out the **Informal Micro Enterprise Development Programme (IMEDP)**, which

provides vital tools and equipment for informal sector businesses. Here we will support informal businesses in **50 townships and rural areas across 50 districts**, also targeting traditional authorities. The budget allocation For IMEDP for 2025/26 is R36.7million and R112.4 million over the MTEF.

Through our **Township and Rural Entrepreneurship Programme (TREP)** which aims to empower local businesses to drive economic growth and job creation in historically disadvantaged areas, we have allocated R543 million through SEDFA for the 2025/26 financial year.

We will also roll out **Asset Assist** which provides township and rural MSMEs with assistance for productive assets and working capital, allocating R219 million for 2025/26 and R664 million over the MTEF.

Our **Co-operatives Development Support Programme** will receive R61.3 million for 2025/26 and R192 million over the MTEF. This programme now integrates both financial and non-financial support for co-operatives.

Lastly, SEDFA will allocate an additional R125 million to increase support for the **Spaza Shop Support Fund**.

3. BUSINESS DEVELOPMENT AND MARKET ACCESS SUPPORT

In this year we will target 45 000 entrepreneurs with entrepreneurship awareness training; 22 000 township and rural enterprises with business development support; and have allocated R136 million for 2025/26 and over MTEF R427 million for our incubation support programme.

On G20

The DSBD has made significant progress in institutionalising the Startup20 Engagement Group as a critical platform to advance issues of MSMEs in the G20. For South Africa's G20 Presidency, the priority areas of the Startup20 are: foundation and alliance, finance and investment, inclusion and sustainability, market access and township and rural entrepreneurship. In July, we will host the Startup20 Engagement

Group in person meeting, Global Ministerial MSME Summit and the UK-SA MSME Forum.

These platforms will offer more opportunities for MSMEs to expose their products to international markets. We will also continue with market and trade intelligence research to keep up to speed with the rapidly changing global market dynamics, and over the MTEF will establish a trade intelligence platform for MSMEs.

Finally, we will leverage the Public Procurement Act across all government departments and agencies in support of MSMEs and co-operatives. To this effect, we are partnering with several departments, including DBE, DFFE, DALRRD, SAPS, among others.

Conclusion

Honourable Chairperson,

I hereby present our 2025/26 financial year budget of R2.918 billion.

This budget is primarily directed towards transfers and subsidies, which account for 84% or R2.450 billion, with the remaining 16% or R468 million, spread between compensation of employees at R265 million, with goods and services accounting for R197 million and capital at R6 million.

Of the R2.450 billion for transfers and subsidies the SEDFA receives R1.908 billion (77.9% of the transfers and subsidies).

The department, manages the remaining R542.6 million accounting for 22.1% of the total transfers.

Honourable Members,

This budget reflects our unwavering commitment to the spirit of the Freedom Charter. We are building a more inclusive economy that enables youth, women, and communities in townships and rural areas to participate meaningfully in shaping South Africa's future through MSME development.

As the African Proverb says, “if you want to go fast, walk alone but if you want to go far walk with people” As we walk together, we will undoubtedly reach our destination sooner rather than later.

I thank you.