

DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

Market Access Opportunities in response to Covid-19 Pandemic

PORTFOLIO COMMITTEE ON SMALL BUSINESS DEVELOPMENT

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Department:
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1. Background Information

- ❑ Subsequent to the declaration of the National State of Disaster by President Cyril Ramaphosa in March 2020 and the subsequent imposed nation-wide lockdown to slow down the transmission of the corona virus, the Department of Small Business (DSBD) and its agencies have responded by formulating an Economic Recovery Plan for the SMME sector in order to urgently stem the negative tide that came about as a result of COVID 19.
- ❑ Cabinet resolved that all clusters needed to convene to review the situation and provide an effective “war-time response” to the pandemic. The response had to consider macro-economic measures that would be put in place to stimulate aggregate demand and sustain some level of consumption for household.
- ❑ Chief amongst the reasons for the Plan was to identify and ensure opportunities for Market Access by small businesses within the context of the covid-19 economic crisis. The Plan is also aimed at stabilising the SMME sector and ensure that they are able to play a critical role in the economic recovery phase

2. Overview of Market Access Mechanisms for Economic Recovery

- ❑ The Department of Small Business Development and its agencies have prioritised an environment in which market opportunities are made accessible to SMMEs and Co-operatives through the following mechanisms:
 - Listing of products manufactured by SMMEs and Co-operatives with retailers and wholesalers;
 - Directives to set aside specific categories of products and services for government procurement only from SMMEs and Co-operatives as well as through the localisation policy which is one of the MTSF targets assigned to the Department; and
 - Setting up of product markets through the Shared Economic Infrastructure Facility (SEIF), aimed at facilitating transactions between SMMEs and the buyers of their products.

3. Wholesale and Retail Linkages

- ❑ In the area of listing products with wholesalers, DSBD has facilitated the listing of 48 products so far.
- ❑ Products of SMMEs have been listed with various wholesalers, including: Devland, Premjee and Son's, Big Save, Jack Morrison, and BIBI Cash and Carry. Further negotiations are currently underway with other wholesalers across the country.
- ❑ In September 2020, DSBD commenced discussions with retailers to also consider listing SMMEs as suppliers.
- ❑ Given that SMMEs need to increase their production capacity, they require funding and technical support to acquire machinery, tools and equipment.
 - The DSBD's entities, Seda and **sefa**, have been mandated to provide these services so that the SMMEs linked to the wholesalers and retailers are able to produce goods that are of good quality and in right quantities.
- ❑ As part of the localisation framework, more products will be listed with retailers such as Pick 'n Pay, Spar, Clicks and other big suppliers such as Unilever, Tiger Brands and so on.

3.1 SMME-produced Brands for Spaza Shop Linkages

A basket of goods products most often purchased by spaza shops that are used to support SMME manufacturing (48 products). To date 78 SMME brands on this basket are being listed with wholesalers.

| | | | | | |
|------------------------|------------------------|----------------------------|-----------------------|-----------------------------------|------------------------|
| 1. Canned food stuff | 2. Tea | 3. Atchaar | 4. Vinegar | 5. Sliced beetroot | 6. Long life milk |
| 7. Hand sanitiser | 8. Body lotion | 9. Washing powder | 10. Household cleaner | 11. Bath soap | 12. Dishwashing liquid |
| 13. Toilet paper | 14. Sanitary towels | 15. Toothpaste | 16. Sweets | 17. Chips | 18. Cloth mask |
| 19. White Flour 12.5kg | 20. Brown Flour 12.5kg | 21. All Purpose/Cake Flour | 22. Bread Yeast | 23. Custard Powder 2.5kg | 24. Eggs 60's + |
| 25. Sugar 12,5kg | 26. Baking Powder 1kg | 27. Butter 1kg | 28. Cooking Oil 5l | 29. Jam (Strawberry/Apricot 900g) | 30. Fresh Cream 2l |
| 31. Castor Sugar 750g | 32. Icing Sugar 750g | 33. Coconut 1kg | 34. Coco Powder 1kg | 35. Corn Starch 500g | 36. Mealie Meal |
| 37. Morogo | 38. Baby food | 39. Amabele | 40. Bottled water | 41. Fruit and veg juices | 42. Spices |
| 43. Condiments | 44. Soup | 45. Soya Mince | 46. Soya Biryani | 47. Dried citrus fruit/ nuts | 48. Peanut butter |

3.2 Examples of SMME Brands Listed in Wholesalers

| Product | Brands | Contact person | Wholesaler |
|------------------------------------|--------------|-------------------------|-----------------------|
| Cosmetics | La Rosa | Mbali Buthelezi | Phoenix |
| Household cleaner | Elegant Line | Nelly Shezi | Jack Morrison |
| Body lotion | Milk Pure | Them bani Nghalaluma | Devland |
| Sanitary towels | Lindiwe | Lindiwe Nkuna | Devland |
| Liquid soap | Glochem | Mmoni Sehlapelo | Devland |
| Body lotion | Marula | Portia Mngomezulu | Devland |
| Household cleaner | Enpro | Andy Matakanye | Devland |
| Atchaar | Monate Spice | Pitso Mototo | BIBI |
| Dry beans | Perfect | Katleho Motsoasele | BIBI |
| Hand sanitiser | Phepisa | Phephsile Maseko | Goldfields |
| Biscuits | Silvastar | Sylvester Kgotso Serage | Numain & Sammys (NC) |
| Spices, Sauces, Garlic and Atchaar | HQ Foods | Ebrahim Adams | One-up Cash and Carry |

4. Township & Rural Enterprises and Informal Business as Critical Route to Market (SMME Products)

- ❑ Given the size of the market that is serviced by township / rural and informal / micro businesses, if well coordinated, these enterprises can serve as critical route to market for other SMMEs products (manufacturers and services).
- ❑ DSBD commenced a programme to avail critical market access to emerging producers as they prepare to replace imports in South Africa and grow trade with the rest of the African continent.
- ❑ DSBD lists SMME products with participating wholesalers for sale through Spazas, general dealers and auto spares.
- ❑ In addition, DSBD is working to link butcheries and fruit & vegetable vendors to buy their stock from small-holder farmers, including subsistence farmers.

5. Procurement as a Tool for Market Access

- ❑ Under the set aside initiative for SMMEs, government should procure from SMMEs, amongst others, the following goods and services: uniform for State employees, patient clothing, bricks, steelworks, toilet paper, stationery, bread, confectionaries, security services, gardening services and many more.
- ❑ In the structured relationship between **sefa** and Seda, Seda provides pre-finance / start-up support in the form of business plan development, business registration, access to markets and other areas of business support.
- ❑ The DSBD portfolio has developed common application template that incorporates all the funding and regulatory requirements of all DFIs in the country.
- ❑ To support businesses post funding, **sefa** has a dedicated mentorship programme to support investee companies with business services support to enhance the sustainability of the funded clients.

5.1 Public Sector Procurement as a Route to Market

- ❑ Public sector remains the largest consumer of goods and services, therefore the promotion of procuring SMME products through public procurement is paramount.
- ❑ National Treasury reports that government spent over R800 billion on goods and services alone in 2018/ 2019 financial year, and this excludes expenditure from State Owned Entities, and municipalities.
- ❑ Public Sector expenditure must be used to drive SMMEs', including cooperatives, through set asides as following:
 - Designation of specific goods and services for procurement solely from SMMEs.
 - Priority must be given to goods made in South Africa especially those produced by SMMEs.
 - The designation of products and services for public sector procurement must also include a provincial designation to enhance local economic development.
 - The provincial designation must be drawn from the national pool to allow development on South Africa niche on certain products as this will also form part of building for export capacity.

5.2 Framework for Private Sector Support on Supplier Development

- ❑ Private sector has funding capability through their Enterprise and Supplier Development Programme (ESDP).
- ❑ A coordinated and consolidated implementation of ESDP between government and the private sector can result in optimal and impactful utilisation of the ESDP funds and manufacturing support funds to achieve the inclusive economy and participation of SMMEs in private sector value chains.
- ❑ The DSBD is finalising collaborated implementation plan with major retailers, including wholesalers and larger suppliers in the FMCG sector through their ESDP and other SMME support initiatives.
- ❑ The planned Implementation Plan will cover agreement on:
 - Products for import replacement – the products already agreed to;
 - Products quality standards and applicable certification processes;
 - Designated budgets for localisation initiatives;

5.2 Framework for Private Sector Support on Supplier Development continue...

- Route to market plan including access to export market;
 - Implementation milestones and progress evaluation mechanism; and
 - Institutional arrangements between the DSBD, its agencies and the large suppliers.
- ❑ There will be no point in planning to build industrial capacity without some level of self-reliance on concomitant services.

6. Shared Economic Infrastructure Facility (SEIF)– (Product Markets)

- ❑ A **product market** can be defined as a place where final goods and services are bought and sold. The market does not include trading in raw or other intermediate materials, but instead focuses on **finished goods** purchased by consumers, businesses, the public sector and foreign buyers.
 - This programme is aimed at SMME support by leveraging Public/Private sector investment to lower infrastructure costs for the benefit of SMMEs.
 - The facility (SEIF) will put resources in a single structure and spread them among independent businesses within the same space.
 - Improvement and modernisation of infrastructure to enable SMME growth and profitability – prioritizing Rural and Township areas.

6. Shared Economic Infrastructure Facility (SEIF)– (Product Markets) continue...

- The first five product markets locations have been agreed upon with the relevant Districts and preparatory work is underway for implementation.
- All projects are aligned to the District Development Model.

6.1 Product Markets under Consideration for Support

- ❑ The DSBD is in consultations with various Provincial Governments, Districts and Local Municipalities for the provision of physical infrastructure to revitalise existing markets or develop new ones.
- ❑ It is envisaged that SMMEs and co-operatives that access market opportunities would experience profitability, growth and sustainability.
- ❑ The first five product markets are planned for implementation as follows:

| PROVINCE | DISTRICT MUNICIPALITY |
|---------------|---------------------------------|
| EASTERN CAPE | OR TAMBO, King Sabata Dalinyebo |
| KWAZULU-NATAL | ZULULAND, Nongoma |
| LIMPOPO | VHEMBE, Musina |
| MPUMALANGA | NKANGALA, Emalahleni |
| NORTH WEST | NGAKA MODIRI MOLEMA, Mahikeng |

7. Business Development Support

To enable the products manufactured by SMMEs and Co-operatives to get to the markets, the following support will be provided to the enterprises:

- Provide pricing training;
- Provide production efficiency training ;
- Technical skills, product certification, testing and quality assurance;
- Facilitate route to market in both the domestic public and private sectors and export markets;
- Provide business infrastructure support to small enterprises; and
- Facilitate financial assistance for these enterprises to increase their production capacity through blended funding.

8. Recommendation

- It is recommended that the Portfolio Committee on Small Business Development adopts the presentation made by the Department of Small Business Development on *Market Access Opportunities in response to Covid-19 Pandemic*.

THANK YOU