Refocusing the EDSE Programme

19 February 2021
Background & Context
Where are we in the roll-out of the programme?

- Beyond half-way in the implementation phase - 20 months remaining
- Strong working relationships in place between the TA Team and Implementing Partners
- Built a multi-disciplinary team that works in synergy across components with a log-frame of 3 Strategic Outcomes; 15 Induced Outputs; 60 Direct Outputs and 20 budget support interventions
- Budget Support roll-out delayed. Funding, concepts and approvals complete and delivery will ramp-up rapidly in the next quarter
- EDSE Stakeholder Review and intense reflection on outcomes has informed the refocusing of the programme
### Key highlights from the EDSE Programme to-date

<table>
<thead>
<tr>
<th>Program</th>
<th>Highlights</th>
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<tbody>
<tr>
<td><strong>ESD FUND</strong></td>
<td>Intermediaries contracted for deal flow</td>
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<tr>
<td><strong>DIGITAL HUBS</strong></td>
<td>First 2 township hubs operational</td>
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<tr>
<td><strong>INNOV. FUND</strong></td>
<td>Fund finalised, intermediaries in negotiation</td>
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<tr>
<td><strong>MASTERPLAN</strong></td>
<td>Draft completed &amp; consultations underway</td>
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<tr>
<td><strong>OMBUD</strong></td>
<td>Business case &amp; legislative prepared</td>
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<td><strong>NSEA AMENDMENT</strong></td>
<td>Bill gazetted for public comment for Ombud</td>
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<td><strong>PPE CLUSTER</strong></td>
<td>PPE pilot begun with DSBD, Seda</td>
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<tr>
<td><strong>YOUTH FUND</strong></td>
<td>Challenge Fund to launch with DSBD, NYDA</td>
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<tr>
<td><strong>DISTRICT MODEL</strong></td>
<td>Seda DDM initiated across all Districts</td>
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<tr>
<td><strong>SUPPORT FOR AGRI-SMMEs</strong></td>
<td>SABS/CSIR partnerships in place to support improved certification; LITS database / LIMS ready to proceed</td>
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<td><strong>PROCUREMENT</strong></td>
<td>Public procurement manual to support improved PPP</td>
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## Ecosystem engagement snapshot

<table>
<thead>
<tr>
<th>Indicator</th>
<th>To date</th>
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<tbody>
<tr>
<td>Partnerships</td>
<td>75</td>
</tr>
<tr>
<td>Organisations engaged</td>
<td>426</td>
</tr>
<tr>
<td>Policies supported</td>
<td>12</td>
</tr>
<tr>
<td>Investment unlocked</td>
<td>R230m</td>
</tr>
<tr>
<td>Stakeholders engaged</td>
<td>6,532</td>
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PLUS

R230 million

in private sector
investment unlocked
Why is a refocusing necessary?

- Dramatic changes to the global and South African economy due to C-19
- Reprioritisation of the APP and 5 year Strategic Plan by DSBD
- New Masterplan draft completed
- Recent EDSE Stakeholder Review reflect positives but identified areas for strengthening
- New Budget Support and TA following additional Covid-19 support by EU
- Programme leaves a legacy of catalytic impact and learnings
Recommendations

• **Programme design** - needs to ensure a more cohesive, inclusive and integrated programme rather than individual parts

• **Needs to be more strategic** - less emphasis on implementing process level activities and more on the change elements and results

• **Increased Policy dialogue and improved quality** - needs to take bold steps to elevate the policy dialogue working with the Implementing Partners

• **Implementation of budget support projects** - be implemented without any delay and TA fully aligned to the budget support

• **Increase focus on results** – focus on the achievement of the expected results and how the outputs and deliverables are influencing change
Way forward: 3 priorities

01 Urgent TA support to assist Implementing Partners to drive the implementation of the Budget Support

02 Narrow the aperture of the programme. Focus on fewer activities and ensure that legacy interventions are prioritised

03 Raise the level of intervention from task driven to outcome driven with a focus on policy reform
**EDSE Theory of change/ Structure: Cross-cutters and Cornerstones**

**OVERALL OBJECTIVE (IMPACT)**
To support inclusive and sustainable economic growth and employment creation in South Africa

### SPECIFIC OBJECTIVE (OUTCOME) 1
**To improve the competitiveness of SMMEs**

<table>
<thead>
<tr>
<th>Induced Output 1.1</th>
<th>Induced Output 1.2</th>
<th>Induced Output 1.3</th>
<th>Induced Output 1.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased reach by seda and key departments to delivery of services (innovation/ private sector/ strengthening ecosystem)</td>
<td>Strengthen Seda's capacity to manage and improve the sustainability of incubators and hubs</td>
<td>Increased participation of SMMEs (including agropreneurs) in targeted value-chains; (ESD – market systems- market access; Preferential opportunities)</td>
<td>Compliance to buyer requirements (food safety and quality) by agribusiness SMMEs</td>
</tr>
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</table>

### SPECIFIC OBJECTIVE (OUTCOME) 2
**To improve access to finance**

<table>
<thead>
<tr>
<th>Induced Output 2.1</th>
<th>Induced Output 2.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased utilisation of optimal funding instruments for wholesale lending to SMMEs that are black owned, women owned and youth owned via sefa, government and other key agencies</td>
<td>Capacity of key institutions (including agri-financiers) strengthened to effectively deliver A2F to SMMEs increased</td>
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</table>

**Consolidate IO’s and refocus where appropriate**

### SPECIFIC OBJECTIVE (OUTCOME) 3
**Improve the regulatory and administrative environment**

<table>
<thead>
<tr>
<th>Induced Output 3.1</th>
<th>Induced Output 3.2</th>
<th>Induced Output 3.3</th>
<th>Induced Output 3.4</th>
<th>Induced Output 3.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved evidence base for informed SMME policy making stemming from research, best practice and expert reports</td>
<td>Increased use of evidence from research and stakeholder consultations for improvement of SMME administrative and regulatory environment</td>
<td>Cooperatives policy modernised</td>
<td>Improved Public-Private Dialogue for SMME policy development</td>
<td>Strengthened Monitoring, Evaluation and Learning (MEL) capacity of the DALRRD, DSBD, sefa and Seda</td>
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**MASTER-PLANS**
- Market Access
- District Enablement/ Townships
- Youth Gender & Social Inclusion
- Green & Climate Resilience
- Digital Transformation

**INSTITUTIONAL ARRANGEMENTS**

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*Small Business Development Department
Small Business Development
Republic of South Africa*
Weaving the cross-cutters through the Programme…

- Digital Transformation
- Green Economy & sustainability
- Market Access
- Youth, Gender and Social Inclusion
- Township and Rural Economy
- Entrepreneurship
- District enablement

Integrated approach
KRA 1: To improve the competitiveness of SMMEs and their ability to meet procurement requirement of large multi-nationals/corporations and state-owned enterprises
KRA 1: Competitiveness and Market Access – Framing the Vision

By 2022, these three pillars will lead to:

- improved national & district ecosystem co-ordination of SMME support delivery
- exponential growth in district-focused SMME support delivery quality and reach
- significant improvement in SMME 3-year survival rates
- improved synergy in Government SMME support
- improved SMME supply chain access through private sector partnerships
- digital transformation to support e-delivery and information management

Building pro-SMME service delivery capabilities, prioritising rural and township economies.

Facilitate government & private sector partnerships for scaling innovations and best practices. Facilitate SMME competitiveness and active inclusion in supply and value chains.

Build and develop digital capability of government to support SMMEs, in partnership with the private sector, via innovative digital platforms, to increase access to information, digital literacy, trade opportunities, finance and markets.
**Localisation**
Digital platforms, incubation and ESD programmes aligned to support first 200 products localisation.

**Digital Platforms**
District and ESD platforms deployed, supported by digital transformation policy work; Digitalisation in the agri-food industry (LIMS and LITS).

**Improved Market Access & Competitiveness**

**Scale**
ECOSYSTEM
Scaling Seda's reach and BDS impact

**ESD Programmes & Platforms**
District and ESD platforms deployed, supported by digital transformation policy work.

**Localisation**
Digital platforms, incubation and ESD programmes aligned to support first 200 products localisation.

**New Tools**
Youth Challenge Fund and related BDS, PPE cluster pilot, ESD reference group, SMME.SA / trade platform

**Ecosystem**
Scaling Seda's reach and BDS impact

**PFF. Public Procurement**
Improved use of set-asides and sub-contracts to support access to supply chains.

**Compliance to Market Standards**
Improved market access for producers through market intelligence, reduced transaction costs & enhanced the state infra-structure and capacity

**Value Chain Analysis & Dev**
Identify access points and opportunities for market entrants
Snapshot - DALRRD Budget Support – R49.5 million

SPECIFIC OBJECTIVE (OUTCOME) 1
To improve the competitiveness of SMMEs

Pre-production

Production

Post harvest handling processing

Marketing

DO 1.3.3 - (R4.5m)
Strengthened DALRRD and its key stakeholders’ capacity to identify comparative and competitive strategic value chains for agribusiness SMMEs

DO 1.4.6 - (R10.5m)
Strengthened capacity of public, private and key value chain actors on herd health management systems to mitigate disease outbreak

DO 1.4.5 - (R10.5m)
Strengthened State capacity (human, infrastructure, information system) on regulatory food testing including the upskilling of lab technicians.

DO 1.4.4 - (R12.75m)
Certification readiness of agribusiness on regulatory and private standards

Strengthened capacity of government, SOEs, Corporate, IDZ, SEZ to procure from SMMEs, inclusive of women and youth owned.
KRA 2: Improved Access to Finance for SMMEs with limited or no access to finance
KRA 2: Improved Access to Finance – Framing the Vision

A significant improvement in financial inclusion using innovative financial mechanisms supported by a conducive regulatory framework and financial policy environment.

sefa becomes the key enabler of funding to SMMEs through innovative financial services and products and collaborative partnerships with private financing intermediaries.

The operational capacity of sefa wholesale lending is strengthened and improved to manage funds.

By 2022, these three pillars will lead to:

- sefa as the leading provider of affordable/low-cost funding to SMMEs
- Broadly consulted and recognised Access to Funding Framework concluded
- sefa recognised as a credible partner by the financial sector
- Innovative approaches to credit guarantees sees considerable funding being leveraged
- Innovative financial approaches and partnerships are adopted particularly towards the micro-finance sector

2022
Access to Funding Policy Completed
Funding ecosystem that provides flexible and customized solutions

Microfinance sector and Fintech enabled
- Legislative framework to support the sector
- Fintech solutions within the sector
- Apex Organisation strengthened

Innovative financial models introduced
- ESD
- Innovation Fund
- Sectoral Funds
- Viability Fund
- Artisanal Fund
- Spaza Fund
- Auto
- Green

Improved use of Credit Guarantee mechanisms
- Blended finance
- First and second loss solutions

Youth Finance (NYDA) Towards 15,000 youth start-ups in high growth and tech-enabled sectors

Strengthened Access to Finance Ecosystem
Budget Support implemented through sefa
Purpose of ESD Fund structure
- To improve levels of access to finance for SMMEs that supply goods & services to corporate customers through ESD Programmes
- Increased reach of fund through use of financial intermediaries (FIs) that collaborate with corporate ESD programmes

Key Objectives
- Through match-funding principle leverage private sector funding to increase overall size of fund i.e. from R300m to R600m.
- Establish an effective risk-sharing structure that reduces losses to sefa in the event of defaults
SO3: An improved Regulatory and Administrative environment for SMMEs
KRA 3: Improved Policy And Regulatory Environment – Framing the Vision

By 2022, these three pillars will lead to:

- more evidence-based, consultative and inclusive policy-making processes
- enhanced dialogue between the Government and SMMEs
- more capable government, lower administrative costs and regulatory hurdles
- improved and updated Small Enterprise Act and underpinned by a well-consulted and widely endorsed SMME Masterplan
- more predictability and effectiveness in SMME policy-making and SMME support delivery

Increased use of evidence for improved regulatory environment and policy development

Improved PPD for policy development

Strengthened MEL capacity of implementing partners
**Improved Evidence Base for Policy-making**
- SMME Index
- OECD SME Policy Index
- Policy briefs for SMME resilience (for green, smart and inclusive growth)

**Improved Policies, legislation and regulations**
- Business licensing policy
- Funding Policy
- Ombudsman mechanism
- Youth Entrepreneurship framework

**Strengthened MEL Capacity**
- Develop, design and operationalization MEL System; Capacity Building and Institutional Strengthening

**Masterplan Completed**
- Draft Masterplan completed
- Consultations completed, Masterplan adjusted and finalised
- Implementation action plan completed with a MEL system
- Implementation commenced

**Red-tape reduction and Administrative Simplification**
- Provincial Administrative Simplification Programme (PASP) at LG level implemented
Cross-cutters:

- Digital Transformation
- GESI and Youth
- Green Economy and sustainability
Digital Transformation

Digitalisation unlocks new opportunities, synergies and connections.

If implemented via design thinking and holistically, coupled with the right institutional skills, it enables, connects, empowers.
GESI and Youth

**Gender Sensitive M & E**
GESI indicators are included in all policy and programs and measured using a gender sensitive approach

**Increased Gender and Youth awareness**
DSBD and partners are aware of how to include women and youth owned businesses

**Gender Mainstreaming across all programmes**
A gender lens is applied to all policy and programmes

**15,000 Youth Entrepreneurs supported through NYDA**
Youth Challenge Fund supported by EDSE to also ensure young women are provided opportunities

**She-trades**
Enablement of the She-Trades Platform in partnership with ITC

**40% public procurement by Women**
Policy and regulatory barriers are removed to make this target achievable

**Youth Policy Framework Finalised**
Mapping underway by the WB supported by DSBD

Provide platforms for successful gender and youth pilots to be showcased and taken to scale
The Green Economy Imperative & the Sustainability of SMME’s

1. Green Opportunities in REIPPP / Power
   Ensuring opportunities for SMMEs in Green VC development and localisation

2. Micro-opportunities in waste; green
   Ensuring SMMEs are strengthened in key micro-economic sectors

3. Eco-innovation
   Encouraging the uptake of new technologies amongst SMMEs and supporting their business development with inputs from academia

4. Building resilience
   Enhancing competitiveness and networking amongst SMMEs to foster resilience in a tough economic environment

5. Access to finance
   Opening doors to blended finance opportunities and de-risking of investments to stimulate green growth

Improved Awareness of Green Economy and Sustainability
Refocusing: From then to now – what are we going to do differently?

- Intense focus on launching all Budget Support interventions
- Ensure efforts are intensified around the Implementing Partner’s critical priorities and legacy projects
- Strengthen partnerships & trust: across government; Between government and organised business; inc. key social partners, International Co-operating Partners
- Establish cross-cutting work streams (A2F issues; digital transformation, Green Economy etc.)
- Elevate the status of the Policy Dialogues focusing on the critical questions confronting the sector
To conclude:
6 critical success factors for the EDSE Programme & Implementing Partners

1. ECOSYSTEM APPROACH
   Requires a systemic approach that builds innovation and resilience

2. PUBLIC-PR. RELATIONS
   With Fiscal cliff looming, gov will have to work closer with the private sector, social partners

3. CO-ORDINATION GOV
   Joined up gov particularly through the tiers and with District Model

4. SCALING OF PROGRAMMES
   Consolidate/ remove smaller programmes to achieve scale & impact

5. DUAL APPROACH
   Ensure strategy to support High Growth businesses as well as micro

6. DIGITAL ENABLEMENT
   With the C-19 transition, Digitalisation vital for the delivery of gov. services

PARTNERSHIPS

ECONOMIC RECOVERY
THANK YOU
Supporting and strengthening the Small Business Eco-system