

SME sector pins hopes on budget speech for energy security, opportunities - Property Point founder

The extent of the load shedding mitigation measures for small and medium businesses (SMEs) will be the number one issue the sector wants to be addressed in finance minister Enoch Godongwana's budget policy Statement on 22 February. Shawn Theunissen, the founder of the SME accelerator programme Property Point and president of the Johannesburg Chamber of Commerce and Industry, notes that a stable energy supply is of paramount importance for SMEs.



Source: [Unsplash](https://www.unsplash.com)

Driving SME development is crucial to meet the government's aims of supporting economic growth and job creation," said Theunissen. "To grow and be sustainable SMEs need access to a reliable and cost-efficient electricity supply."

He said industry welcomed the announcement in President Cyril Ramaphosa's State of the Nation Address (Sona) in February stating that the Department of Small Business Development would work with the National Treasury on how the "Bounce Back Scheme" could be strengthened to assist SMEs in the informal sector to invest in solar equipment.

In addition, the move to allow banks and development finance institutions to borrow directly from the scheme to facilitate the leasing of solar panels to their customers is also supported.

“Following on from the Sona address, we expect to hear extensive detail on the revision of the bounce back scheme in relation to the cost of solar and how the scheme would operate practically,” said Theunissen.

“The Minister must also provide a timeline for implementation. Time is of the essence as load shedding continues to lead to lost productivity, stock spoilage, and shortened trading hours, among others, which has forced many small businesses to close over the past 18 months.”

Funding

In his Sona address, Ramaphosa announced the allocation of R1.4bn in funding through the Small Enterprise Finance Agency to over 90,000 entrepreneurs and funding options through Post Bank. In addition, government is working with the SA SME Fund to establish a R10bn facility to support SMEs with around R2.5bn funded by government and the balance of R7.5bn coming from the private sector.

“Such funding mechanisms can be an ideal boost to SMEs provided it is managed efficiently to ensure that the most promising entrepreneurs and effective incubators and support mechanisms receive the finance they need.

Funding remains the single biggest challenge to SME sustainability, and it is of utmost importance that this finance reaches those who are capable of driving growth and long-term profitability that can create decent jobs and stimulate more robust economic growth,” said Theunissen.

Red tape reduction

In 2022, Ramaphosa announced the appointment of respected businessman and corporate leader Sipho Nkosi to the presidential task team to cut red tape. However, since then there has been a lack of detail around what is being done to reduce red tape for SMEs.

“To deliver on strong and sustainable SMEs, we should be making the business environment as friendly as possible. SMEs should not have to endure the same regulatory requirements as large corporations as many simply do not have the resources to do so,” he said.

The one tangible aspect the presidency has mentioned is the amendments to the Business Act which is to be concluded this year, and the Budget Speech must provide detail on the proposed changes.

Infrastructure projects

The President noted several major infrastructure projects that provide a substantial opportunity for SMEs – R14bn has been invested in the telecommunications sector; the SA Investment Conference is set to mobilise more than R2tn in new investments by 2028 to increase local production for SMMEs; and 24 bridges are currently under construction in KZN.

It is imperative that Minister Godongwana provide a clear indication of the plans and how SMEs will benefit from these projects.



Government to provide R1.4bn to finance over 90,000 entrepreneurs

13 Feb 2023



Green energy opportunities

Through the Just Energy Transition Investment Plan, R1.5tn could be invested in South Africa over the next five years in new frontiers of renewable energy; green hydrogen and electric vehicles; and the rollout of rooftop solar panels.

Several companies that have participated in the renewable energy programme will soon commence construction and deliver a total of 2800MW of new capacity. Northern Cape has already attracted R100bn in investments for renewable energy projects, while the electricity state of disaster declared by Ramaphosa will support businesses in the food production, storage, and retail supply chain and includes rollout of generators, solar panels and uninterrupted power supply.

Theunissen said: “These moves are imperative to getting energy security back on track, however, there is little detail on how SMEs will play a part in all these opportunities. The move to green energy is in line with global shifts away from fossil fuels and South Africa is right to move in this direction.

“What we need, though, is a coherent plan to ensure that not only large corporations benefit, but that SMEs also play a significant role and profit from this fast-growing industry.”

Woman empowerment

The President said that since announcing its determination to direct at least 40% of public procurement to women-owned businesses, government had sought to establish an enabling environment for women in business. To this end, government had recorded that more than 34,000 women-owned enterprises had been trained in preparation for procurement opportunities.

However, a research report released in 2022 by the Commission for Gender Equality to assess the state’s compliance with its 40% procurement allocation found that procurement practices by the government are not designed or geared towards promoting sustainable economic empowerment for women.

The budget speech therefore must recommit to women’s empowerment in business and provide a comprehensive update on the success of these public procurement initiatives.

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