

**Overview of the MSME sector in the EC
Province:
Pre investment stakeholder engagement
session held in Regent Hotel East Lodon**

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DEDEAT**

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Province of the
EASTERN CAPE
ECONOMIC DEVELOPMENT,
ENVIRONMENTAL AFFAIRS & TOURISM



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1. INTRODUCTION

- The focus is to demonstrate the alignment with key legislations and policy initiatives that informs design of programmes supporting MSME's in EC Province.
- The challenge is with lack of information on MSME sector both at national and provincial level.
- According to ECSECC report 2020: "the number of MSME's in EC Province is 231 011 and formal MSME constitute 22% and informal 70%".
- Sectors: Trade 39%, Construction 19%, Community services 16% Agriculture and finance 7% and Manufacturing 6%.
- The role of innovation plays an important role in diversification of key sectors of the economy and hence it is critical to understand its function on the MSME ecosystem.
- Key interventions have been developed in the new MSME strategy in order to track progress and evaluate impact in the next 5 years.
- There is a need to align with the demands of the new normal and digitization is the way to go.

2. Legislative and policy context

Legislative mandates

- White paper 1995.
- NSBA as amended in 2004.
- NSEB “bill” 2020.
- Preferential procurement Bill 2017.
- BBBEE act and etc...

Policy initiatives

- NIBUS 2014.
- NGP 2010.
- NDP-vision 2030.
- MTSF 2019-2024.
- DDM Model 2019.
- SA Economic Recovery and Reconstruction Plan.

3. MASTERPLANS

Master plans



Master plan for
Commercial Forestry
Sector: 2020-2025



Poultry Sector Master
plan



R-CTFL Value Chain
Master plan to 2030



Automotive Industry
Master plan to 2035



Sugar Value Chain
Master plan 2030



Steel and Metal
Fabrication Master
plan 1.0



Furniture Industry
Master plan



National Cannabis
Master plan



Oceans Economy
Master plan



Tourism Sector
Master plan



Independent Power
Producers
Procurement Plan

3. MASTERPLANS

Master Plans	Programmes	Deliverables	MSME Relevance
Commercial forestry 2020- 2025	Expanded forestry resources	New Afforestation	The development of new plantations and extension of support to land claims recipients could aid in the fostering of new MSME players in the Commercial Forestry industry
Poultry sector masterplan		Increase the number of contract farmers from 70 to 120 – increase by 50 Provision of R35 million for development of contract farming entities	

3. MASTERPLANS

Master Plans	Programmes	Deliverables	MSME Relevance
R-CTFL value chain Master plan 2030.	Grow the market for local CTFL producers	<ol style="list-style-type: none"> 1. Develop and market local brands and labels 2. Upgrade local design and manufacturing competitiveness 3. Extend and scale “buy local” campaigns 	<ol style="list-style-type: none"> 1. Invest to upgrade local brands 2. Drive Proudly SA
The Automotive Industry Master plan 2035	Localisation	Development of the Automotive Supply Chain Competitiveness Initiative (ASCCI)	Increase in the supply by black-owned businesses to Original Equipment Manufacturers (OEM's)

3. MASTERPLANS

Master Plans	Programmes	Deliverables	MSME Relevance
Furniture Industry Master plan	Support demand for locally manufactured furniture and for greater supply chain consistency	Retailer commitments to reduce imports over time and to promote South Africa suppliers	State procurement of furniture
National Cannabis Master plan is still in the draft phases	Sustainable seed supply systems	Provision of accessible and reliable seed source directed at facilitating access to cannabis seed	Facilitate access to cannabis seed by MSMEs and small-scale farmers

4. COVID 19 POLICY RESPONSES

Domestically, the MSME environment was heavily impacted by the COVID-19 pandemic. Critical impacts on MSMEs included:

1. A decline of 11% in the number of MSMEs;
2. 90% of employment lost was lost by MSMEs;
3. Permanent damage to MSME operating environment; and
4. Increased probability of sustained COVID-19 measures (Small Enterprise Development Agency , 2020).

The measures put in place to facilitate MSMEs must both help with operating issues as well as gear MSMEs toward innovation and plugging into e-markets.

These innovations must take into consideration the changing consumer behaviour that is driven by public policy reactions to global level events.

4. COVID 19 POLICY RESPONSES

MSME policy responses for COVID-19 relate to four specific categories:

1. **Labour:** which refers to labour directed policy specifically directed at reducing redundancies, providing wage subsidies, and protecting the self-employed;
2. **Deferral:** policies specifically directed at deferring the payment of:
 - a. Income/Corporate tax;
 - b. Value-added tax;
 - c. Social security and pension charges;
 - d. Rent and utilities related taxes; and
 - e. Debt moratoriums.
3. **Financial instruments:** which excludes those deferrals mentioned above but includes loan guarantees, direct lending to MSMEs, as well as grants;
4. **Structural policies:** these provisions include the development of new markets, teleworking, a focus on innovation, and training and redeployment of MSME staff.

5. CHALLENGES FACING MSME'S

Access to finance;

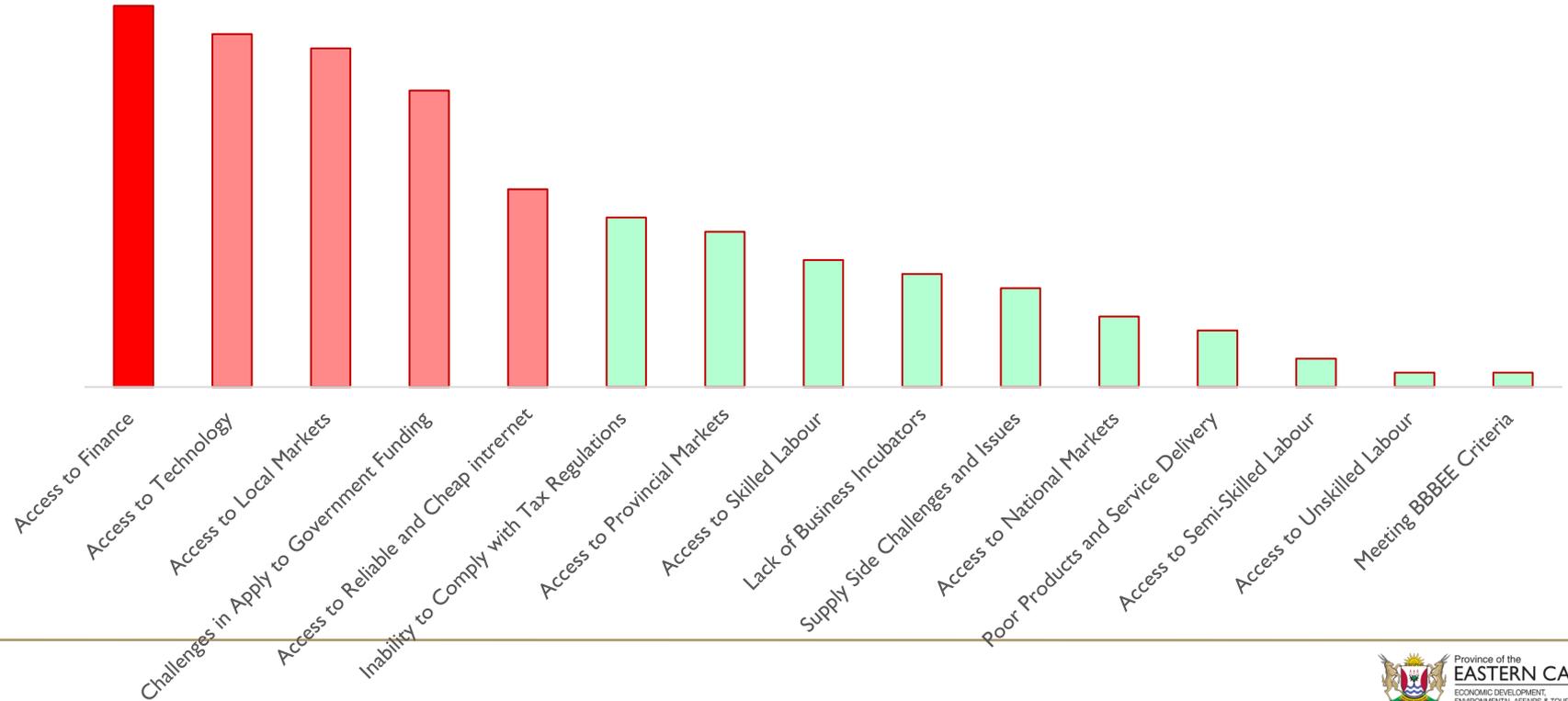
Access to
technology;

Access to markets
(local);

Challenges in
applying to
government
initiatives; and

Access to reliable
and cheap internet

5. CHALLENGES FACING MSME'S



6. ACCELERATION, INCUBATION AND INNOVATION

The Eastern Cape local innovation system is largely driven by public, private sector players and academic institutions:

- RINP-The Regional Innovation Networking Platform (RINP) is an initiative of the Department of Science & Innovation (DSI) in support of the Eastern Cape innovation community (ELIDZ, 2022).
- The aims and objectives of the RINP are to stimulate, support and promote innovation in the Province. This is achieved through initiatives such as:
 - Organising relevant networking events and training events;
 - Providing a united voice and approach to innovation in the region;
 - Bridging gap between research and industry;
 - Creating linkages between role players;
 - Assisting with access to finance; and
 - Lobbying for innovation seed funding

6. ACCELERATION, INCUBATION AND INNOVATION.....

RINP

Some of the key issues highlighted in include:

1. There is no data/information on the fourth industrial revolution in the Eastern Cape, which is challenging for universities etc;
2. The need for innovation needs to be promoted in the province;
3. To improve research linkage between industry and higher education institutions;
4. Develop a policy coherence on innovation and entrepreneurship; and
5. Documentation of grassroots innovation activity by start-ups



6. ACCELERATION, INCUBATION AND INNOVATION.....

The Seda Technology Programme (STP):

The programme provides a range of services that promote entrepreneurship in industry, particularly in enabling small enterprises to access appropriate technology to become more competitive and grow their businesses.

1. Township Incubation Hubs;
2. Technology Business Incubators;
3. Digital Hubs;
4. University based business incubators

Township Incubation hubs are designed to offer business support infrastructure based on a proposed 3 teared open incubation hub model (Co-Work, Co-Make and Co-Market). One established in Qgeberha-**Propeller**.

Technology business incubators are the biggest component of the Seda network: 4 are in EC Province viz: **SCI, Chemin, SANAMI, Furntech**.

The establishment of digital hubs focusing on start-up technology aligns with South Africa's 4IR Strategy towards creating a digital economy: **The Cortex Hub and Iciti**.

While University based incubators include, and are focused on technology and manufacturing sectors; 1. The new **Rhodes University** (Makhanda Campus); and 2. The established Propella (**Nelson Mandela University**).

As of 2021/22 financial year CfERI TVET colleges found in the Eastern Cape were 3 focusing on providing generic sectors, with less than 3 in operation: 1. Ikhala TVET College CfERI located in Ezibeleni, Queenstown; 2. Lovedale TVET College CfERI located in King William's Town and 3. WSU CfERI in Mthatha

6. ACCELERATION, INCUBATION AND INNOVATION.....

TIA:

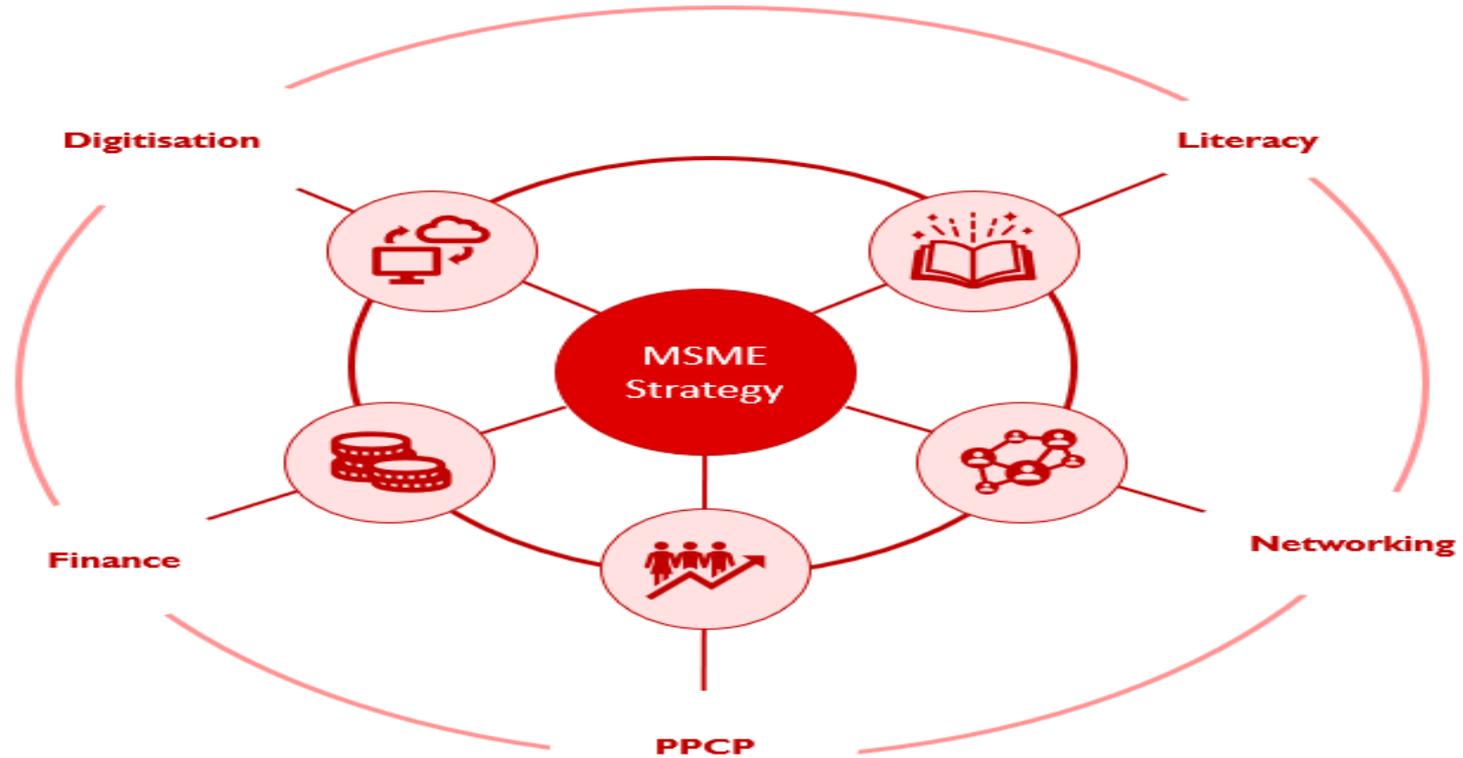
- ❖ The Technology Innovation Agency (TIA) is a national public entity established from the Technology Innovation Act (Act 26 of 2008).
- ❖ The agency serves as the key institutional intervention to bridge the innovation chasm between research and development from higher education institutions, science councils, public entities, and private sector, and commercialisation.
- ❖ TIA's focus is on technology development; from proof of concept to pre commercialisation.
- ❖ To achieve this, TIA established the following funds: **the Seed Fund, the Technology Development Fund, and the Commercialisation Support Fund.**

EC STRATEGIC FRAMEWORK

5 strategic principles:

- 1) **Digitisation:** There is a considerable need to digitise the Eastern Cape MSME ecosystem. “Digitise” refers to increasing the digital presence of MSMEs, the use of digital software and hardware by MSMEs in daily operations, increased access to digital media.
- 2) **Finance:** Lack of finance and financial resources is a persistent problem in the Eastern Cape MSME ecosystem.
- 3) **Literacy:** A foundational element of scaling or formalising Eastern Cape MSMEs or promoting and developing skills for MSME development among communities is the level of English literacy in those communities.
- 4) **Networking:** It is essential that the MSME network be created, expanded, and regularly engaged at a Provincial and District level, and
- 5) **Public-Private-Community Partnerships:** In the case of this Strategy, the intention is to foster not a PPP but a PPCP approach. This PPCP takes into consideration the broader community and, by so doing, strengthens and renews the social contract.

EC STRATEGIC FRAMEWORK



EC STRATEGIC FRAMEWORK

Interventions:

Strategic Pillar	Research focus			
Objective	To increase the level of research being conducted on the MSME ecosystem in the Eastern Cape			
Programme	M and E metrics	Envisaged impact		
Academic Research Initiative	<ol style="list-style-type: none">1. Amount of published articles2. 2. Data sets generated3. Number of high-learning institutions engaged	To have a well-researched, actively monitored MSME ecosystem with a good integration between the academic community and the MSME ecosystem.		

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INTERVENTIONS

- Academic Research Initiative;
- Accountability Initiative;
- Business Incubation Initiative;
- By-Law Review Initiative;
- Compliance Review Initiative;
- Digitisation Drive;
- District MSME Summit Initiative;
- Emerging Researcher Drive;
- Grass Roots Initiative;
- Indigenous Language Drive;
- Literacy and Information Access in Underserved areas Initiative;
- “Local Government is Intle!” Initiative;
- MSME Nodal Network Awards Drive;
- One-Stop-Shop Initiative;
- Provincial MSME Summit Initiative;
- Set-aside Initiative;
- Strategy Steering Committee; and
- Youth Career Pathways Initiative.
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