MEDIA STATEMENT OF THE NATIONAL PLANNING COMMISSION

"Small Business being a Spine of Economic Recovery and Stimulation Post Covid-19 and into the Future"

COVID-19 is upon the world and its impacts are seen as detrimental to the developmental agenda across various countries. The pandemic impact is envisaged to affect almost all the sectors of the economy, reversing any progress that has been achieved with regard to reducing poverty, unemployment and inequality. There is no doubt that COVID-19 will have an aftermath impact, particularly on small and medium size businesses. In the light of Covid-19 and its aftermath, the National Planning Commission (NPC) hosted a virtual colloquium on the 23-24 June 2020 with various stakeholders that included, amongst others, government, private sector, spaza shops, small business, development financial institutions, labour, development partners etc.

> The colloquium discussed and gave various stakeholders an opportunity to provide inputs and advice on:
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> **"How South Africa can reengineer the small business sector and how to urgently make the small business sector the spine of the economic recovery in South Africa".**

In addition, the colloquium was about how best to restructure and stimulate the economy in South Africa Post Covid-19 with entrepreneurship being the underlying driver. Inputs and research presentations made at the colloquium show that: COVID-19 lockdown has negatively impacted South Africa's economy and Small business, start-ups and stakeholders have been severely affected. Entrepreneurship has been negatively affected with 92% of small business operations struggling to continue in business. The most prevalent impact is on travel restrictions, which limited physical interaction with clients. Due to the restrictions, a lot of activities have been affected, such as training, meetings, contracts being cancelled and projects put on hold.

The researchers estimate that over 55 000 SMMEs will not survive the pandemic. Predictions are that at least 42 350 and at most 423 500 people working for the SMMEs will lose their jobs due to the pandemic. 71% of businesses lack cash to keep business operational for a period of 3 months. As a result, a lot of the businesses will either utilise reserves or look for loans, however, due to uncertainty, the reserves might run low. 56% of business indicate that there is 10% likelihood that they will retrench due to lack of sales and income to cover operational expenses. 32% of businesses indicate a 30% of likelihood of retrenchment and retrenchment is inevitable for many small businesses.

Small business sector identified virtual working as future working opportunity, followed by diversifying offering. Shift to online in the retail grocery sector has not favoured SMEs due to lack of strategy and investment on digitisation of business.

The colloquium discussed how Government and Private Sector could help and identified the following areas: Offering of grants, cash bailout and relief; through supporting localisation of small scale manufacturing to reduce the need for transportation and travel by customers; debt relief and support; and bank credit expansion and relaxation of loan conditions. **On value Chain Risks by Small Businesses,** the colloquium identified funding capacity, market access, technical and business skills capacity and triggers (Scale of delivery, Access to infrastructure, networks and linkages, provision of savings) as areas that need attention.

The colloquium concludes that SMEs should be prioritised as a vehicle for recovery. COVID-19 disruption may provide new opportunities, such as new mall space, infrastructure focus, township economy focus. The country can restructure the retail property sector to enable SME entry, through measures such as low rental fees for small retailers. It is time to review of regulatory mechanism to enable SME friendly regulations. Digital transformation to support economy's recovery is a requirement and government and private sector must provide financial support for digitisation of SMEs.

On building of value chains: the sector must invest in building new brands, provide alternative local market platforms for infant products / brands and implement market reforms. For example, there is a need to relax rebate commissions (Incentive fee, swell allowances, settlement fee and advertisement fee) for small brands and products, clamping down on long-term exclusive agreements, and consideration for tax incentives for open market sourcing and supplier rotation (where feasible). There is a need to develop corporate supply chain for small business with a corporate to sign procurement collaboration initiatives with its strategic primary suppliers to open procurement (as part BEE procurement advancement). This can be achieved through joint identification of procurement opportunities for second tier black suppliers, within the supply chain of primary supplier; joint development of procurement plans, policies to govern integration and on-boarding processes; joint development of Enterprise Development and investment plans initiative, to jointly invest in small business integrated in the supply chain of primary suppliers; and building of monitoring and evaluation instrument to measure the impact of value chain development initiatives.

The colloquium concluded that the suggestions made have been raised before at different levels of society. What is lacking is a follow through on what has been suggested on what to do (implementation). COVID-19 has revealed that South Africa has invested inadequately as a society with regard to income, gender inequalities, amongst others. Had the country invested in dealing with theses inequalities and narrowed them, COVID-19 impact would have been minimal. Stakeholders were of the view that there is need of political will, accountability and leadership to achieve what the country needs.

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