

GENERAL NOTICE

NOTICE 596 OF 2014

DEPARTMENT OF TELECOMMUNICATIONS AND POSTAL SERVICES

REQUEST FOR INFORMATION: ICT SMMEs

1. The request for information on ICT SMMEs is hereby published by the Minister of Telecommunications and Postal Services for general information and comment from interested persons. The request for information on ICT SMMEs seeks to develop and promote SMMEs concomitant with section 2(p) of the Electronic Communications Act, 2005 (Act No. 36 of 2005). Written responses must reach the Department by 29th of August 2014, addressed to:

The Director-General, Department of Telecommunications and Postal Services; For attention: Dr Mashilo Boloka, Director: Broadcasting Industrial Development, SOEs Oversight & Enterprise Development
Block A3, iParioli Office Park, 1166 Park Street, Hatfield, Pretoria
Private Bag X860, Pretoria, 0001
Tel: 012 427 8055/8293; Fax: 086 550 7525; ictsmmes@doc.gov.za

2. Comments received after the closing date may be disregarded.



Dr. Cwele Siyabonga, MP

Minister of Telecommunications and Postal Services

SPECIFIC INFORMATION REQUIRED

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| 1. Company Name | 8. Area of operation |
| 2. BEE Ownership Percentage | 9. Major clients to date |
| 3. Number of years in operation | 10. Partnerships (local and/or global) |
| 4. Sector: (e.g. Broadcasting, Postal, electronic manufacturing) | 11. Number of employees |
| 5. Nature of business | 12. Annual Turnover |
| 6. Describe the business activity in brief: | 13. Challenges |
| 7. 3 major cost drivers in your business activities | 14. Nature of support required |
| | 15. Additional information |

1. CONTEXTUALISING ICT SMMEs IN SOUTH AFRICA

The development of the SMME sector has been prioritised by the South African government, fundamentally for economic and social growth. The importance and need for growing the sector stems from the potential it has in bridging the gap between the first and the second economy through poverty reduction, employment creation, economic empowerment and innovation.

Post-1994, the Government adopted the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (1995). The strategy sought to foster an enabling environment for the accelerated growth of small business subsequent to a history of dominance of large, capital intensive firms that suppressed the small enterprises (Dti, 2003)¹.

The larger economy of the country has been characterised by increased spending and by SMMEs owing largely to preferential procurement by government. Other than providing an enabling policy framework, the public sector has put in place initiatives that support SMMEs in general including:

- Easing the regulatory and compliance burden on small enterprises through reduction of tax compliance burden for small enterprises.
- Access to finance through the establishment of financial products and services comprising loans, and incentive grants that play an important role in enabling access to finance for small enterprises.
- Business development services.
- Youth enterprise development through National Youth Development Agency (NYDA) Fund.
- Support for women-owned enterprises.
- Incubation and technology acquisition and transfer services. Skills development measures. As part of their sectoral skills-development mandates, various sector education and training authorities (SETAs) have developed and are implementing small business skills-development programmes.

In addition to the above, various other private sector, Non-Governmental Organisations (NGOs) and academia initiatives do exist to support SMMEs.

It is estimated that SMMEs account for up to 99.3% of the privately owned enterprises in South Africa. According to Statistics South Africa, there are 428,540 formal and economically active SMMEs in the country. Out of the total formal sector SMMEs, only 6737 are operating in the ICT sector (Socikwa & Sunker, 2005). This implies that ICT

¹ Dti, *Integrated Small Business Development Strategy (ISBDS)*, 2003

SMMEs accounted for approximately 1.6% of the total formal small enterprises in South Africa in 2008. SMMEs currently contribute 35% to Gross Domestic Product (GDP). They also contribute 54% to formal private sector employment. Given the statistics, this gives an indication that the SMMEs play a pivotal role in resolving the country's development challenges such as employment and economic growth.

Given its vastness and limitless opportunities, the ICT sector provides a fertile ground for SMMEs incubation, development and promotion. In analysing the state of SMMEs in South Africa, the ICT SMME Enterprise Development Strategy (2008) provides as follows:

"The South African SMMEs operating in the ICT sector are not as productive and as competitive as they should be. For the most part, this is due to the fact that SMMEs still use old-fashioned technologies of which most of them has no access to testing facilities and promotion of innovative ideas. Access to markets, inadequate business and technical and capital also pose a huge challenge for SMMEs. As a result, there are very low entry rates of SMMEs into the productive "value added" section of the ICT sector and this leads to the high failure rate among start-up SMMEs. According to the *Global Entrepreneurship Report*, nine out of ten SMMEs businesses fail in the first year of operation".

2. Objectives

Notwithstanding the various initiatives and support highlighted above, the information regarding the economic activities, the sizes of SMMEs in the ICT sector and their peculiar challenges, including business models is still very sketchy. Other than in Internet service related business activities, not much has been done in terms of showcasing and profiling other SMMEs opportunities available in the ICT sector including electronic manufacturing, assembly, content development, repairs, refurbishment, etc.

Therefore, policy interventions are often broad and influenced by general SMMEs environment in South Africa. This has created a difficulty in terms of making targeted intervention.

This, therefore, is a scoping exercise to really understand ICT SMMEs, their size, their business activities and exact challenges they face with the intention to achieve the objectives of the *Electronic communications Act* (no.36 of 2005) set out in section 2(p) relating to developing and promoting SMMEs and cooperatives so as to accelerate black economic empowerment, transformation of and unlock the potential of the sector to create employment.

The information gathered through this exercise will help in:

- re-engineering ICT SMMEs development so as to enable them to participate across the entire ICT value chain,
- creating specific support mechanisms to help SMMEs to achieve certain levels of competitiveness in the industry.

FORM A: SPECIFIC INFORMATION REQUIRED

1. Company Name
 2. BEE Ownership Percentage
 3. Number of years in operation:
 4. Sector: (e.g. Broadcasting, Postal, electronic manufacturing):
 5. Nature of business:
 6. Describe the business activity in brief:
 7. 3 major cost drivers in your business activities
 8. Area of operation:
 9. Major clients to date:
 10. Partnerships (local and/or global)
 11. Number of employees:
 12. Annual Turnover:
 13. Challenges:
 14. Nature of support required:
 15. Additional information:
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