

South Africa needs to create an enabling environment for small businesses to thrive

By Theo Boshoff¹

It is no secret that the South Africa, like many emerging economies around the world, is struggling to tackle the triple challenges of poverty, inequality and unemployment. These challenges are not insurmountable, but we are currently on the wrong side of the curve with signs that the economy is more concentrated than ever before. Unemployment, and youth unemployment, in particular is a ticking time bomb as the majority of South Africans are excluded from the mainstream economy.

To address this serious issue, government and business alike are increasingly looking to small businesses as a panacea of sorts. Anyone who has travelled extensively through African and Asian countries will know the value that small businesses can bring to a local economy. Large enterprises may bring in the bulk of the foreign revenue and formal employment opportunities, but it is small businesses that largely provide an income for most people in these countries.

South Africa has realised the value-add which small enterprises bring to the economy but we seem confused about how to go about creating them. Sure, there are a number of government-led programmes underway which are aimed at creating small businesses; special economic zones (SEZ) have been created as trade hubs, supplier development is a core element of B-BBEE, land reform and agri-parks seek to create smallholder farmers with value chain linkages, we are planning a jobs summit with a focus on small businesses and we even have a minister of small business development in Cabinet. Why are we still struggling then?

The answer to this is actually quite simple; the regulatory environment is quite hostile to small businesses. The complexity and costs needed to comply with the various reporting requirements, expert evaluations, permits, standards and associated admin businesses must comply with is enough to discourage any aspirant entrepreneur out of starting their own business. It is much safer looking for a desk job at a large business where someone else takes on that responsibility...but this is definitely not the way it should always be.

As a developmental state, it is good to see the government take proactive steps to encourage small businesses and government should be lauded for these efforts. But the primary function of a government in the economy is to create an enabling environment and this is sadly where we have taken our eye off the ball. SEZs, a jobs summit and all of the other initiatives will only bear fruit if we get serious about reducing the regulatory hurdles that small businesses find so difficult to jump over.

Many regulations are put in place to protect legitimate public interests like public safety, working conditions and the protection of the environment and one can hardly argue against the need for some control. But those control measures should not be structured in a manner that requires small businesses to fork out hundreds of thousands of rands to consultants merely so that they can tick the legal boxes required to obtain a permit of certification.

The focus placed on small businesses in the lead up to the jobs summit announced by the president is encouraging. I for one sincerely hope that we can go beyond merely endorsing a handful of good projects, but rather emerge with a renewed drive to cut down on unnecessary regulation in the economy.

The old adage holds true; "if you don't need to regulate it, then you need to not regulate it".

¹ **Boshoff** is head of legal intelligence and research at the Agricultural Business Chamber (Agbiz)