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THE 2ND ANNUAL CONVENTION OF THE SOUTH AFRICAN SMALL AND MEDIUM ENTERPRISES FEDERATION

SUPPLIERS DEVELOPMENT PROGRAMME (SDP) OVERVIEW

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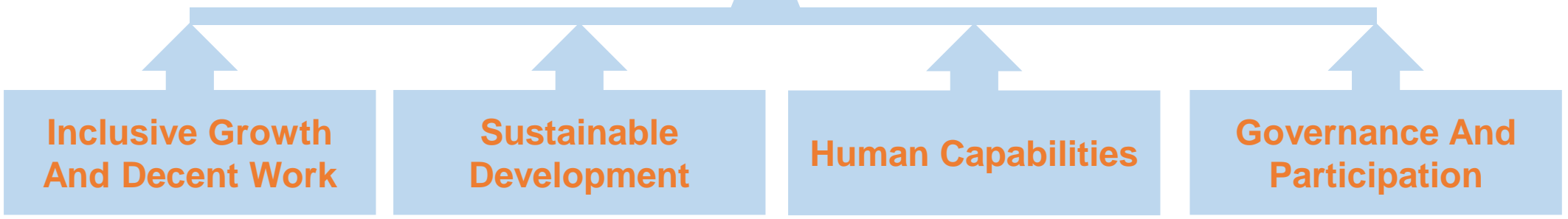
OUTLINE

- ❖ Background & Context
- ❖ SDP – Rationale, description & objectives,
- ❖ Methodology
- ❖ Governance/Management structure
- ❖ Partnerships – A Strategic Response/Approach
- ❖ Achievements VS milestones
- ❖ Way forward

Background & SA context.

The South Africa-United Nations Strategic Cooperation Framework (UNSCF 2013-2017) – overall framework of the work of the UN system in SA

4 Thematic Areas

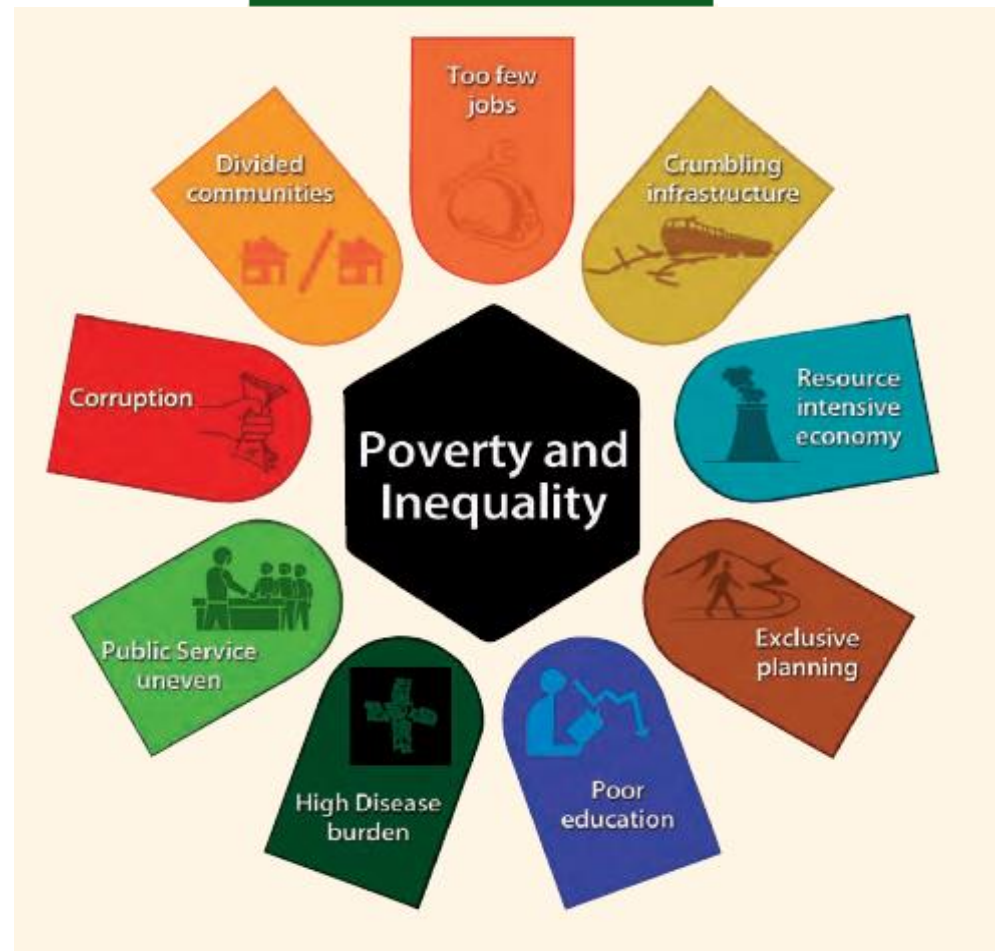


Cross cutting priority areas – HIV & TB; gender equality and rights; focus on youth

Background & SA context..

UNSCF supports SA government to implement its programmes within the Policy Framework guided by the NDP (vision 2030), NGP, MTSF, etc.

THE DIAGNOSTIC



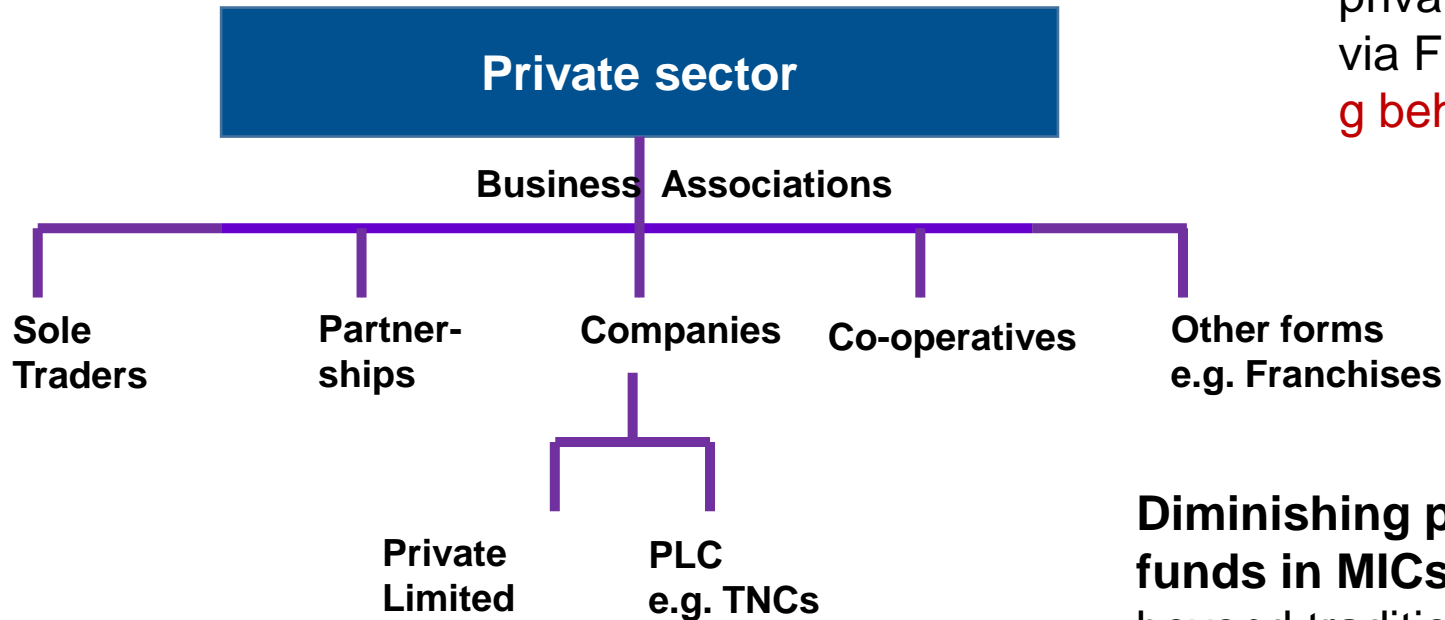
THE PLAN



SDP Rationale.

Supports SA government's job/employment creation efforts; sector focus and prioritisation guided by the Industrial Policy Action Plan (IPAP) – with a focus on **private sector**

Private sector accounts for approx. **90% of employment** in SSA, esp. in MICs including SA – AfDB 2013



SSA expected to grow by av. 5.5% over 2013-2017, private sector as key drivers via FDI & local investors, **SA g behind (1.9%)** – IMF 2015

Private sector as **catalysts for inclusive, green & sustainable growth** in MICs: *SA private sector developed & sophisticated*

Diminishing pool of development funds in MICs entails looking beyond traditional donors to the private sector, esp. in MICs

SDP Rationale..


- ❖ High unemployment levels – about 25% overall; approx. 52% for youth (15-24yrs)
- ❖ High inequality (Gini Coefficient of 0.59 in 2015 as per WBG report)
- ❖ Govt.'s commitment to support small businesses and cooperatives – policy framework, National/provincial institutions (DSBD, SEDA, SEFA, GEP), SONA, etc.
- ❖ Engines of growth; employ approx. 22% of adults in dev. countries including SA
- ❖ Approx. 91% of formal business in South Africa, contribute 52-57% of GDP and about 61% to employment (UNIDO).



Why SA and SMMEs?

SDP Rationale...

- ❖ SA a highly resourced country, relatively favourable policy environment **but** *63% of SMMEs fail in the first 18 months (ABSA)*
- ❖ **AND** most SMMEs fail to capitalise on procurement opportunities presented by big companies because they lack the requisite competitiveness.
- ❖ Opportunity to support corporates to meet their ED targets in a mutually beneficial and sustainable manner

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SDP aims to build the capacity and competitiveness of existing and potential suppliers (including cooperatives) to meet industry/big business requirements hence integrate them in the supply chains of corporations and OEMs

Programme Description



- ❖ Not Another SME Development Programme, **goes beyond matchmaking**
- ❖ The SDP is a 9-10 month technical assistance in-depth intervention that provides mentorship to selected existing and potential SMEs suppliers or of larger companies.
- ❖ The model aims to create a win-win situation for both cooperatives/SMME suppliers and the large company by improving/increasing the volume, quality and punctuality of products/services to the large company.
- ❖ Also results in the SME diversifying its sales to other companies

Overall Objective of the SDP



.....To support the Government of the Republic of South Africa attain its corresponding objectives as described in its National Development Plan, notably **to reduce the official unemployment rate** from around 25% (2013) to 14% (2020).....?

Specific Objectives.

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- ❖ to improve the competitiveness of suppliers to meet procurement requirements of large MNCs/local corporations/SoEs via tailored training and mentoring support in technical, business, production, management, and marketing skills, and thereby increasing their capacity to access business opportunities in the selected sectors.
- ❖ to increase the availability, capacity and affordability of business development services for SMMEs in the targeted sectors.
- ❖ to contribute towards raising the level of local content in manufacturing processes and services and support MNCs to adopt sustainable & inclusive business models including cross-cutting issues (Gender, HIV/AIDS, youth, disabled).

Specific Objectives..

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- ❖ to promote the establishment of a win - win sustainable & long-term relationship between suppliers and large buyers.
- ❖ to improve access to finance (A2F) for especially SMMEs with limited/no access to finance as a component of the SDP methodology. (via linkages to FIs, DFIs, etc.)
- ❖ to build the capacity of relevant government departments/Agencies (e.g. DSBD, SEFA/SEDA) using UN system's global resources, presence, and expertise
- ❖ Support other employment creation initiatives where UNDP can make the most impact – e.g. DSBD/SEDA's National Gazelles project

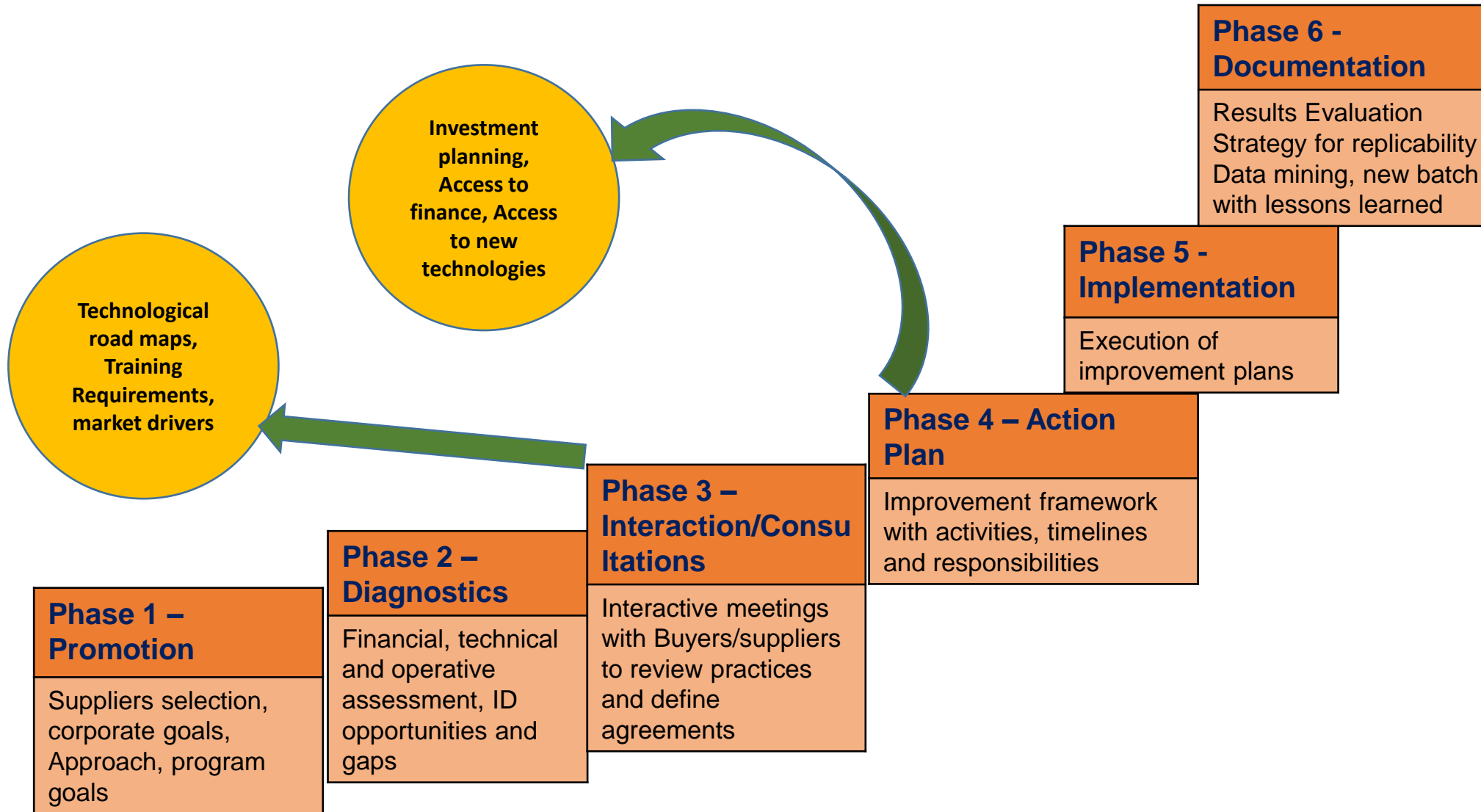
SDP METHODOLOGY & FRAMEWORK



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AVERAGE SUPPLIERS DEVELOPMENT PROCESS/PATHWAY IN MONTHS

M1	M2	M3	M4	M5	M6	M7	M8	M9	M10
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GOAL

- Increased procurement from local suppliers,
- Increased sustainability and competitiveness of local SMMEs,
- Improved profitability and income distribution in the economy through new/better jobs
- benefits for Anchor companies over time

MONITORING AND EVALUATION

Benefits for corporations

- ❖ Increased capacity for value added vertical supply chain on locally procurable goods and services to meet demand
- ❖ Reduced operating costs by sourcing locally,
 - ✓ Contributing to economic and social development, healthy environment and stable society
- ❖ Results reflects developmental commitments as specified in respective agreements signed by corporates with the government
 - ✓ SDP helps corporates meet BBBEE targets and commitments e.g. 3% spend on ED

Benefits for Suppliers

- ❖ Taking advantage of Local Empowerment opportunities
- ❖ Forging stronger commercial ties with big businesses and taking full advantage of the opportunities offered by servicing the procurement requirements of the mines
- ❖ Gaining new capacity to deliver timely, appropriately priced, high-quality goods and services
- ❖ Gain new strengths that become a springboard to a broader, more diversified client base in future

Strategic response and approach

Guided by clearly defined focal areas, objectives and principles for private sector engagement

Principle	Objective, results
One UN; Delivering as one (DaO);	Coordination, leverage experience/strengths of the UN system, efficient, image building, maximise development impact
Ownership & roles of stakeholders	Respect ownership role of government and stakeholder groups e.g. private sector associations, align programmes to government priorities
Selectivity – to ‘leverage UN system comparative advantage’ Also define ‘ No Go ’ areas	Acknowledge roles of many commercial entities and development partners operating in PSD; build strategic partnerships; coordination; leverage resources; mutual accountability for results; reduce time-burden for government; fill development gaps Sector focus guided by e.g. job creation potential, availability & willingness of clients (SMMEs, big business), location, potential of gender inclusivity, etc.
Additionality	Clearly define the UN’s value-add, global experience/convening power; Play catalytic role; ensure sustainability of programmes?
Define appropriate Funding model	Ideally private sector funding (fully or partially), cost-sharing, sustainability
Internal Capacity/Resources (Human, financial, etc.) at country level	Recruit right skills mix (subject matter experts); form Focal Area teams from various UN country agencies

Engagement Strategy

The private sector engagement strategy in MICs (SA) may not be any different from that of Developing countries but it's important to consider capacity and willingness aspects first...

➤ Engagement strategy for private sector in Middle Income Countries/MICs (a case for SA)

➤ **Where to start?** Readiness and willingness to engage

		Entity's willingness/ "Determination" to improve/engage	
		Strong	Weak
Capacity (not always financial)	Strong	May not need UN support	Decide on effective strategy if needed...
	Weak	Ideal for TA support our priority	Can hardly achieve results

Lessons from other global and country SDPs

- ❖ High-level commitment of MNCs to SDP – CSR Vs. Business Strategy
- ❖ Managing expectations of local SMMEs/suppliers and consultants
- ❖ Access to Finance for local SMMEs/suppliers a necessary component of SDPs
- ❖ Involvement of Corporates' End User Depts. in Training and mentorship program (business Vs. Technical skills)
- ❖ Program handover and Sustainability to be agreed at design stage

ACHIEVEMENTS Vs. MILESTONES

ACHIEVEMENTS

- ✓ Unique UNDP SDP model – functional (to be adapted)
- ✓ About 20 SDP consultants accredited and available
- ✓ SDP model tested and proven to be successful in Mexico and replicated to other countries
- ✓ SDP website developed and functional

MILESTONES – must do's

- ❖ Finalise institutional Arrangements/Governance structure
- ↓
- ❖ Identify, select and sign Agreements with corporate partners/buyers
- ↓
- ❖ Identify/Select SMME suppliers
- ↓
- ❖ Train SDP consultants and implement programme

NEXT STEPS /PRIORITY ISSUES

❖ Identify and select corporate clients – explore options 



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Thank you for listening!

UNDP Team