

TUESDAY, 13 FEBRUARY 2007

## Revised codes 'a fillip for small business'

**Abdul Milazi**

*Trade and Industry Editor*

SMALL and micro enterprises have come out the big winners in government's black economic empowerment codes of good practice, gazetted last week.

The decision to substantially increase the thresholds for exempted microenterprises from R300 000 to R5m, and for qualifying small enterprises to between R5m and R35m, means more small businesses are now free from the burden of empowerment compliance.

Keith Webb, MD of corporate finance specialists Bravura Equity Services, said the move would encourage growth where it mattered most.

"It takes the whole regulatory burden off small businesses and also encourages large corporations to invest in small businesses," Webb said.

He said the major challenge facing small businesses was access to finance and to markets. "Banks like to lend to viable entities with limited risks. These companies can now go to the bank with contracts already secured from big companies," said Webb.

Lumkile Mondli, chief economist at the Industrial Development Corporation, said increasing the exemption and qualifying thresholds would not only

help black entrepreneurs, but small white businesses as well.

"White businesses making less than R5m in annual turnover will no longer worry about compliance. By the time they make R35m and qualify for compliance, they will be thriving," said Mondli.

According to the trade and industry department, the medium to large entities required to implement all the seven elements of the scorecard make up less than 2% of the total number of economically active business, but contributed the most to SA's gross domestic product.

The seven elements deal with ownership (25% plus one vote), management and employment equity (40% top management and 50% board representation), skill development (3% of payroll to be spent on skills), preferential procurement (50% target over five years and 70% over 10 years), enterprise development (3% of net profit after tax to be used in assisting start-up businesses) and socio-economic development (1% of net profit to be spent on socioeconomic development projects).

Mondli said the codes would help address unemployment and, to some extent, crime. "Government has realised that if we are to make a dent in unemployment, we have to promote small business development," he said.