



**economic
development**

Economic Development Department
REPUBLIC OF SOUTH AFRICA

Speech

By

Deputy Minister of Economic Development,

Prof Hlengiwe Mkhize, MP

**During the Noweto Chamber of Business and
Industry Mandela Day Business Seminar**

**Theme: SMME Development Through
Unleashing Potential Entrepreneurs**

Venue: Diepsloot Old Apostolic Church

Date: 18 July 2012

Time: 12:00

Programme Director, Mzolisi Mbikwana

Councillor Abram Mabuke

Representatives from City of Johannesburg

Representatives from Shoprite, the event sponsor

Executive members of Noweto Chamber of Business and Industry

Mrs Majombozi, Noweto Women in Business

Members of the Noweto business community

Ladies and Gentlemen

1. Introduction

It is an honour to be invited to address you today on Mandela Day and to speak to you about SMME Development.

2. Mandela Day

Internationally Madiba has been recognised as an icon who contributed to the greater good of our society. That recognition has seen today, 18 July, becoming Mandela Day where people across the world are asked to spend 67 minutes of community service in honour of our former President Nelson Mandela, who gave 67 years of service to humanity.

His contribution to South Africa and the world gives us a lasting legacy of commitment to freedom, peace, equality, respect for human dignity and Ubuntu. Honoring Madiba's life is about conscientizing all of us to remain in defence of such a rich legacy by being committed to actions that brings about equality.

The central challenges we face as a country are clear and urgent – extreme levels of poverty, mass unemployment and high rates of income inequality – challenges that require bold and decisive actions by government and the mass democratic movement in general.

3. The Freedom Charter

The Freedom Charter is as relevant today, as was in 1955, when it was said:

3.1 The People Shall Share in the Country's Wealth!

- The national wealth of our country, the heritage of all South Africans, shall be restored to the people;
- The mineral wealth beneath the soil, the banks and the monopoly industry shall be transferred to the ownership of the people as a whole;

- All other industry and trade shall be controlled to assist the well-being of the people;
- All people shall have equal rights to trade where they choose, to manufacture and to enter all trades, crafts and professions.

3.2 The Land Shall Be Shared Among Those Who Work It!

- Restrictions of land ownership on a racial basis shall be ended, and all the land re-divided amongst those who work it, to banish famine and land hunger;
- The state shall help the peasants with implements, seed, tractors and dams to save the soil and assist the tillers;
- Freedom of movement shall be guaranteed to all who work on the land;
- All shall have the right to occupy land wherever they choose;
- People shall not be robbed of their cattle, and forced labour.

The Freedom Charter responded to the problems of inequality and dispossession faced by our people; and it provided us with a framework for the policies that we have adopted as the democratic government. The Freedom Charter very clearly

recognised the importance of small business and being able to engage in business activities.

4. New Growth Path

Programme director, as a government we have recognised that despite the significant growth that our country has experienced since the dawn of our democracy and the massive provision of basic services to millions of our people, the deep inequalities and divisions that apartheid set up, remain entrenched. It is therefore no wonder our people are still marginalised, live in abject shame compared to the conditions of those living in wealthy suburbs.

We see employment creation as the central means to address this challenge by bringing about more equitable and inclusive growth. That is the core of the New Growth Path: That sustainable employment creation must become, not a means to an end, but an end in itself.

Poverty, joblessness and a lack of skills for economic participation limited investment in education, healthcare and infrastructure in black communities, reproducing inequalities over time and laying the basis for weak economic outcomes are stubborn stains of inequality.

We inherited this reality and not even a decade of high growth through most of the 2000s was able to transform our economy; in addition the loss of a million jobs during the recession in 2009 further compounded the challenges in our country.

These challenges – of poverty, inequality and unemployment; of a global economy whose performance is uncertain and unlikely to provide the demand for our products that will create the decent jobs we need; and of the reality of climate change – means that we cannot continue in the old ways and simply hope we can achieve better and different outcomes. It is this analysis that led government to adopt a New Growth Path.

The New Growth Path sets an ambitious and important target - five million new jobs by 2020. We see job creation as the central means for ensuring a more equitable and inclusive economy.

The New Growth Path identifies ten jobs drivers that can create new jobs on the scale we require. These include: **Infrastructure development; agriculture, rural development and agro-processing; Mining and beneficiation; the manufacturing sector; the green economy; tourism, the creative sectors and high level business services;**

knowledge based sectors; the **social economy** which includes **cooperatives**; the public sector and African regional development.

There is a strong focus in the New Growth Path on development itself as a source of growth – investing in infrastructure, education, healthcare, rural upliftment, in the fight against poverty and exclusion are also ways to create jobs and expand the productive economy.

Together with special policy measures in each of these sectors, we have also developed a broad-ranging set of interventions in the New Growth Path, from skills development for workers, to technology policies to bring new products to market, to competition measures to tackle monopolies, to trade policy to ensure we have more balanced economic relations with the rest of the world, to industrial policy that will drive the reindustrialization of the economy, to labour market interventions that addresses the position of vulnerable workers and promote partnerships at the workplace, to small business development and support for cooperatives in order to create new enterprises that will bring more people into productive jobs.

The New Growth Path identifies a stronger role for public agencies in both creating jobs and in creating the conditions for

large-scale job-growth across the economy. It also recognizes that the private sector must play a bigger role to create jobs than what it is doing currently. Expansion of investment and employment in the nation's factories, mines, farms and private sector services is vital if we are to achieve the target of five million new jobs.

The New Growth Path includes a range of targeted measures to bolster small and micro enterprise; recognising the contribution that small businesses make to job creation and at a lower cost per job than large industrial ventures.

5. Small Enterprise Finance Agency

Programme Director, ladies and gentlemen, the New Growth Path looks at the necessity of improving access to finance for small business and micro enterprises. In the 2011 State of the Nation Address the President announced that we would be consolidating some of the government agencies that were established to provide access to finance for small business, these are Khula Enterprise Finance, the South African Micro Finance Apex Fund (samaf), and the small business activities of the Industrial Development Corporation.

This consolidation comes about because we are aware that the provision of credit to small business by both the public and private sector has been inadequate and we needed to restructure the major providers of credit to small enterprises to fill a gap that is hampering the growth and development of the small business sector.

Earlier this year that consolidation was finalised and the new entity called Small Enterprise Finance Agency or SEFA was established. This new institution, SEFA, will be a marked difference from our approach in the past; it will take forward the approach of direct lending and ensure that its presence is felt throughout the country. We will see it offering direct loans from R50 000 up to R3million initially (and R5 million over time).

Critical to our approach is that we will ensure that by working with other organisations we significantly strengthen micro enterprise lending – with loans up to R50 000; and we have set a target to double the support to that sector. We will also ensure we ramp up our capacity building to these micro enterprise finance organisations so that they are placed on a sustainable footing and able to offer finance to the micro enterprises that ultimately require finance.

Over the next few months we will be working in partnership with all stakeholders to find funding models which will simplify access procedures, build in business development support mechanisms, including ensuring quality products development, marketing and trading.

We recognise that more resources need to be injected into SEFA and we are working with the IDC, as the new shareholder of SEFA to make finance available so that we can significantly address the gap of access to finance for small businesses.

6. Areas of Support to Small Businesses

Ladies and Gentlemen, there are a number of other areas that the government is working on to support small businesses. Currently, we are strengthening measures to ensure prompt payment of smaller enterprise by government entities. We know that long delays in meeting invoices can burden, even close down, small enterprises. We also wish to come up with aggressive Policy measures, which will monitor implementation of preserved procurement projects for targets groups in the category of the poorest of the poor.

We are also requiring government departments to buy specified goods, including textiles, clothing and canned foods, from local producers. In addition, we have signed an accord with organised business and labour to ensure that larger private entities also buy more locally and from small and new producers.

As the Economic Development Department we are working with the other government departments in particular the Department of Trade and Industry to see how we can further boost entrepreneurship in South Africa by making it easier for small businesses to access government support.

7. Infrastructure and Small Business

As you would have heard in the press, the Government through the Presidential Infrastructure Co-ordinating Commission (PICC) recently adopted an infrastructure plan that is intended to transform the economic landscape of South Africa, create a significant number of new jobs, strengthen the delivery of basic services to the people of South Africa and support the integration of African economies.

Arising from this infrastructure plan will be opportunities for small businesses. The opportunities will come from, **firstly**, the

improved infrastructure in the country – new dams, railway lines, road, ports, and smelters as well as improved energy through new power plants, bio-fuels plants and electricity transmission lines. **Secondly**, the infrastructure programme will lead to growth in the economy, and will create new jobs. This will result in a greater capacity being spent by workers employed in these projects, thus benefitting small businesses. **A third area** of opportunity for small and medium sized enterprises will come from the ongoing maintenance that the infrastructure requires and from the supplier industries. It is a critical part of the infrastructure programme that we are working to ensure that there is greater amount of localisation of the inputs and materials required for this build programme.

There is still a great deal of ongoing work to bring these infrastructure plans to fruition; and with small business development a key priority of this government we will ensure that there are opportunities created for small businesses.

8. Conclusion

To conclude, Programme Director, ladies and gentlemen, we need a vibrant, strong small business sector, the one that creates decent employment for both the owner and workers, the one that takes advantage of the new opportunities that arise

as our economy grows, the one that becomes increasingly productive and focuses on the productive sectors of our economy so that we grow the manufacturing and value adding industries.

Madiba was also a great champion of small businesses and as early as March 1995 hosted the first Presidential Conference on Small Business in Durban. At that conference he noted the potential of the small business sector as well as the resilience of those black business people who had overcome many many obstacles to achieve success in their businesses. He also believed that “the development of the small, medium and micro-enterprises sector is critical to the social and economic development of this country. Small enterprises are an integral part of any healthy economy.”

Today, as we reflect on our own contribution to freedom, peace, equality, respect for human dignity and Ubuntu, we can reflect on the inspirational words of Madiba when he said in the long walk to freedom:

“I am fundamentally an optimist. Whether that comes from nature or nurture, I cannot say. Part of being optimistic is keeping one's head pointed toward the sun, one's feet moving forward. There were many dark moments when my

faith in humanity was sorely tested, but I would not and could not give myself up to despair.”

And when he said,

“For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others.”

I thank you