

Address by Minister of Economic Development, Ebrahim Patel, to NAFCOOC Conference, 23 November 2012.

Leadership of NAFCOOC, small business owners, invited guests and fellow South Africans.

It is a great pleasure to address this Conference of NAFCOOC held in the Eastern Cape, one of the industrial heartlands of South Africa.

I wish to give a special welcome to my colleague, His Excellency Syrif Hassan, Minister of Cooperatives and Small and Medium Enterprises from Indonesia and his Deputy Minister Dr Djamhari.

Small businesses are vital to job creation.

Many of you are running your own taxi companies, spaza shops, hair salons or small-scale businesses.

You bring your energy, your ideas and your passion to provide services or goods to consumers.

Your Conference is an opportunity to network, to learn from best practice, to celebrate your successes.

For this reason, we want to deepen the relationship between Nafcoc and government.

We have a delegation of government representatives at your Conference, including E Cape Economic Development MEC Jonas.

Two years ago, government adopted an economic strategy in the form of the New Growth Path.

We set one central goal – to create five million new jobs by 2020.

Over the past two years, we have made a good start – the economy has created 670 000 new jobs.

But more need to be done to ensure we meet the needs of our people.

Our goal is to industrialise the economy, through the growth of manufacturing, mining and agricultural activities.

Countries that grow sustainably and provide economic opportunities to citizens, have strong and dynamic manufacturing sectors.

Many of you will know from your experience, that to build competitive sectors in a globalised world, requires hard work.

As part of our efforts to achieve our jobs targets, we are promoting the entrepreneurial energy of our people, through small business development.

We listened carefully to the concerns small businesses expressed and the frustrations many micro enterprises faced.

The leadership of NAFCOC and FABCOS shared with us the experience of their members.

We met small enterprises who were successful as well as those which struggled to survive.

You told us that there are too many small business agencies and that too much money was spent on the bureaucracy.

You complained that government only made money available through middle-men, who added large mark-ups, which meant that the facilities were very costly.

We reflected on these concerns.

Seven months ago, we launched the Small Enterprise Finance Agency, or SEFA, to begin to address these concerns.

The Chairperson, Sizeka Rensburg is with you today.

SEFA was set up to provide better funding support to small businesses.

It combined the work of three agencies into a one-stop shop.

Khula Finance, SAMAF and the IDC small business book were merged into SEFA.

We added about R1 billion to the available capital through a loan from the IDC to SEFA.

We negotiated a loan from the China Development Bank at lower interest rates so that we have flexible and cheaper funding to promote small businesses.

I appointed a new Board to ensure proper governance of the institution and nominated your President, Mr Mavundla, to serve on the Board.

SEFA has hit the ground running. In the past six months, SEFA has financed 99 SMEs through direct lending already, to the value of R25 million.

SEFA is now developing a number of innovative products and partnerships.

It will lend directly to small businesses and micro-enterprises.

It will also continue to offer a guarantee scheme for large commercial banks who lend to small businesses.

One of the new products is a joint Fund between SEFA, NAFCOC and FABCOS, which will be launched today. The Fund will have an initial capital of R120m, with SEFA contributing half. FABCOS and NAFCOC will each put 25% of the capital into the Fund.

It will lend or invest in smaller companies which are not in the economic mainstream. It is intended that this Fund will grow over time, with new partners drawn from the private sector.

This Fund is about empowerment.

It is about giving small enterprises a kickstart.

It is one of many efforts to promote rapid growth.

The Economic Development Department has also launched a partnership with the South African Institute of Chartered Accountants, SAICA, to train 100 young people in financial skills and place them in small companies or in a business hub that will assist small, black-owned companies.

When Walmart applied to take over the Massmart Group, we pursued a request that they localise some of their procurement. Two judicial processes later, the company has been mandated to make up to R240 million available to support local, particularly small suppliers.

Government has launched support for the green economy.

This embraces all the activities that reduce the impact of carbon emissions on the environment. It includes activities as different as installing a solar water heater, to expanding the public transport system, to repairing environmental damage or creating sustainable agriculture operations.

Small business must find its role and niche there.

Government has announced a major infrastructure plan.

It includes the building of dams, rail-lines and road transport, power-stations, ports, hospitals, schools, universities and the laying of new powerlines and broadband. It will need small companies to be part of the construction pipeline.

Above all, we want to expand manufacturing activities. We want small, black businesses to move away from only selling goods that others make. Enter the productive sectors of the economy!

The production of clothing, electronic goods, parts for cars, food and beverages, furniture and school stationery, are all examples of what smaller companies can do.

NAFCOC must become an advocate for South African manufacturing.

Small black businesses can and must be essential parts of the supply-chains. Small businesses must aim to be more than simply spaza shops, or bed and breakfast establishments. You need to be in all the jobs drivers of the New Growth Path, creating wealth, expanding the economy.

This is Africa's moment and Africa's challenge.

To industrialise.

To create decent jobs.

To expand skills and know-how throughout our economies.

In this context, I welcome the partnership with Indonesian institutions.

We value the relationship with the government and people of Indonesia.

In fact our relationship goes back 350 years ago, when slaves were forcibly brought from Indonesia to provide cheap labour to the early colonial economy run by the Dutch settlers in the Cape. Later, political prisoners were banished to our part of the world.

Today we have two democratic societies, cooperating closely.

Our two governments started a bilateral relationship that led to the formation of a Joint Binational Commission.

Trade is already at about R12 billion between the two countries.

The partnership on small business development is a good next step in the relationship.

What I have shared with you today is a small sample of the actions we are taking as government. But a successful nation requires actions and commitments also from the private sector and organised labour.

I have no doubt many of the small businesses here today are partners in that national development, in job creation and in promoting economic growth.

I wish the NAFCOC Conference every success as it deepens that partnership.

Thank you.