COMMERCE - GENERAL

1996

Enabling bill brings 'level of certainty' to small business sector

(30) CT(BR) 8/1/96

By Françoise Botha

Cape Town — The gazetting of the National Small Business Enabling Bill has ended months of speculation surrounding the empowerment of small, medium and micro enterprises.

This has provided a level of certainty that is important to business, says Alistair Ruiters, special adviser on small and medium enterprises to Trevor Manuel, the minister of trade and industry.

The bill aims to establish a more equitable environment for small business, to facilitate a national framework for small business development and a proposed regulatory framework for laws affecting small business entrepreneurs.

The bill puts in place mechanisms for small business to play a bigger role in the economy with state assistance, in line with government's objective of achieving economic growth of 6 percent by 1999 and creating 250 000 jobs in non-agricultural sectors.

Published for comment, it provides for the establishment of a national small business council, which aims to promote the interests of the small business sector at national, provincial and local levels and make recommendations on national and provincial policy affecting small businesses.

The drafting of the bill is the final step in the process of establishing mechanisms to represent the interests of small business.

In addition, the bill has attempted to define small business in terms of both qualitative and quantitative criteria based on annual turnover, asset value excluding fixed property and the total number of full-time employees.

The definitions will be used to collate data and as a guideline for government assistance.

The bill provides for the establishment of the Ntsika Enterprise Promotion Agency as a statutory body.

Ntsika, meaning pillar of support, is to co-ordinate the implementation of a national small business support strategy, providing business advice, information and training.

Commenting on Ntsika's funding, Ruiters said that R28 million had been made available for projects, but that this would be paid predominantly to non-government organisations which would act as service providers.

"The role of government is to monitor whether or not policy objectives are being achieved. The Ntsika Enterprise Promotion Agency will need to see that the right people are getting the money. Africa is littered with failures in small business development, so we have had to take stock," he said.

Government was striving for a "pay for services culture" and the extent of the government's financial support would depend on the amount of funding generated by supporting organisations.

Ruiters said that while it was not within the ambit of the bill to deal with the recommendations of the Katz commission regarding tax exemptions and taxation on a turnover basis for small businesses, there was a strong likelihood that these would be adopted.

Further features of the bill include a regulatory framework as a guideline for government departments to assess the effect of laws and policy on small business and to define the relationships between small business promotion functions at provincial and government level.

Workshops would be held throughout the country until February 15, after which any amendments to the bill deemed necessary would be made.

Industrialists tell hearing they (30) have been robbed of representation

ARG 9/1/96

Municipal Reporters

INDUSTRIALISTS, who contribute at least a third to rates coffers, claim they have been robbed of representation on new local government structures.

This view was put forward at the first of the Demarcation Board's hearings on ward delimitation, which are set to take place during the next two weeks.

Businesses operating in Paarden Eiland, the Metro industrial area and Montague Gardens have barely 11 votes between them, but they contribute 35 percent to rates coffers.

Although individual property owners are entitled to a vote within a municipal area, the bulk of properties in these industrial "power houses" belong to companies which do not qualify for a vote.

The position in the Northern substructure is that Montague Gardens will have no industrial votes, but is likely to be linked up with the Marconi Beam squatter area in a ward.

Paarden Eiland and the Metro industrial area are likely to be joined with the nearby residential area of Brooklyn.

Rod Hulley, the mayor of Milnerton, said: "If one wants to talk about disadvantage, one could argue that this is a disadvantaged community."

At the demarcation hearing, the Montague Gardens Industrial and Ratepayers' Organisation expressed concern that it was effectively robbed of a vote within the new dispensation, despite owning property worth about R720 million in the area.

Amanda Younge, chairing the Demarcation Board hearing at the Milnerton library yesterday, pointed out that the question of suffrage was a national issue and industrialists throughout the country found themselves in the same boat.

She suggested that the issue should be taken up at a national level.

Peter Albert of the Paarden Eiland and Metro Association said industrialists found themselves in an "invidious position with regard to the vote".

He said they would have no vote and no standing on the new councils.

His organisation wished to have its objection recorded.

Annette Reinecke, a National Party member of the provincial legislature, said it was "indeed a matter of concern" that industrialists, who contributed a large percentage in rates, had no representation whatsoever on any of the municipal structures.

Cape Chamber of Commerce and Industry representative Geoffrey Ashmead said the chamber's view was that business constituted the "engine of the economy" because it provided the employment without which rates could not be paid by individuals.

He said his organisation believed business provided the "lifeblood" for the community. For this reason, business needed to have adequate representation in areas with industrial and commercial identities such as central business districts.

● The Demarcation Board has scheduled hearings throughout the Cape metro until January 19, but those wishing to make oral submissions were asked to notify the board by January 4.

The next hearing takes place tomorrow at the Wynberg Wittebome Hall, corner of Rosmead and Byrne Road, at 9 am, and the Fish Hoek town hall at 2 pm, when the ward demarcation for the new Southern substructure will be considered.

Consultancy set up to help black business

BD 17/1/96

(30)

Patrick Wadula

INVESTMENT holding company Themba Afrika has set up a financial management consultancy firm, Siza Afrika, which will bring in professionals — including semi-retired white businessmen with the necessary expertise — to advise emerging black business.

Siza Afrika director Siemon Mandell said yesterday that he and other businessmen felt that through their long practical working experience in various sectors, they had acquired enough expertise to share with aspiring black businessmen.

Mandell said he and his fellow directors, who together owned 49% of Siza Afrika, had access to a pool of experts in various businesses whom they would source for the right people to join the firm. The remaining 51% is controlled by Themba Afrika, headed up by Khehla Mthembu.

Mandell said Siza Afrika had developed a mechanism whereby funding was converted into equity. It would purchase and develop specifically identified ventures to create job opportunities.

The consultancy would provide on the job training at all levels through professional "hand-holding" by accredited professionals.

The move would increase the pool of skilled managers and workers in SA, Mandell said.

"The main source of funding will be derived from development aid agencies, commercial banks and private investors," he said.

The funding allocation would be managed by the Siza Afrika Trust, which would fund and sanction development projects.

Siza Afrika would identify new or existing business opportunities on behalf of the trust and conduct professional assessments of the marketing, financial and managerial aspects of the ventures.

ILO sets up ambitious training project

(30) CT (DR) 19/1/96

By Fiona Leney

Johannesburg — The ILO, the labour arm of the United Nations, will start an ambitious training programme for small and emerging South African businesses at the end of this month.

It hopes to reach more than 20 000 fledgling and potential entrepreneurs a year.

The organisation returned to the country last May after a 28-year absence. It has chosen 15 small business organisations to work with on the first phase of the scheme, its biggest in Africa, says Arvind Nande, the technical adviser.

His team will provide materials, skills, resources and advice. It will train staff from technikons and organisations that sign on as partners in the scheme to use the course material.

The government and the organisations will then implement the courses.

Plans are being finalised with the trade department's business development service, which regulates small business centres; the Get Ahead foundation, a non-government organisation dealing with small-business training and finance; the black business groups Nafcoc and Fabcos; and others.

One problem remains: who will pay to put the candidates through the course?

The organisation has a policy of providing expertise but not funds, says Nande.

Robert Wesigye of Nafcoc's management and leadership development centre says the R4 000 cost for every trainer and ways of paying for the course should have been matched to local conditions.

Wesigye was also worried about the suitability of the course for South Africa. "People like the organisation because it is an international body, but is the course adapted to South African conditions?"

Nande says the programme consists of courses like how to start and how to improve a business. It has already proved its value in 15 other African countries.

He concedes that South Africa presents unique problems.

"There is a tremendous need for (the business improvement course) here. But the situation is difficult; the business world is in a state of flux. The enormity of the task has meant setting up a separate project for South Africa", he says.

"Uniquely, you have between 6,5 million and 7 million people operating in a first-world economy and the rest operating in a third-world one. Their needs differ."

The business improvement course is a management training system aimed at small entrepreneurs who are literate and numerate, but lack a formal education.

They need to have been in business for at least a year, to work from premises and to have demonstrated a commitment to their business.

Its sister course on starting a business is aimed at potential entrepreneurs with good business plans but little concept of how to implement them.

A study for the Swedish international development co-operation agency, which is funding the programme in an equal partnership with the British government's overseas development administration, shows that more than 80 percent of the entrepreneurs on the programme acquire the skills they are taught, says Nande.

Success measured in concrete terms is more disappointing. Only 10 to 15 percent report financial improvements in their business. Nande argues that this merely reflects the importance of macro-economic conditions in a business's success.

Under the project's pyramid structure, trained instructors become "master trainers", passing on their skills to others in their organisations.

By the third year of its operation, the scheme should have 105 master trainers, each able to train another 100 instructors annually.

Each instructor is supposed to be able to put 60 to 80 entrepreneurs through the programme each year.

NEW APPROACH *Linda Botha, the founder of Impact Consultants, shows off some of her training material to Johannesburg fire fighters*

PHOTO: JOHN WOODROOF

Small firms to benefit from cash-based tax

CT(BR) 19/1/96 (30)

BY CHARLOTTE MATHEWS

Johannesburg — The Katz commission report has proposed a cash basis of taxation, which will ease some of the cash-flow problems of small businesses.

Sejanamane Lethale, a tax consultant at Deloitte & Touche, said it was encouraging to see that the government acknowledged the role that small and micro-enterprises played in job creation and was aware of their problems in having access to capital.

Lethale said an announcement on the cash basis of taxation was expected in this year's Budget.

A cash basis of taxation would mean that tax was levied on the difference between cash receipts and cash payments of a non-capital nature. Cash payments of a capital nature include spending on assets such as vehicles, but exclude purchases of stock.

Lethale said the advantage of a cash-based tax would be that a business which derived some turnover from cash sales and some from credit sales would only have to pay tax on the cash it had received, rather than having to find the money to pay the receiver before its customers had paid.

This is the main benefit. The tax rate for qualifying businesses would be the same — 35 percent in the case of a company and the individual's tax rate in the case of profit received from a partnership.

To try and cover as many loopholes as possible, the Katz commission endorsed the definition of a small business, drawn up by the trade and industry department.

Such a business has to employ between five and 50 workers, have an annual turnover of less than R6 million or use capital assets, excluding fixed property, with a value of less than R2 million.

The commission recommended that if a business shrunk in size to meet the requirements, it would not qualify for the cash basis of taxation.

Lethale said this would be done to prevent larger businesses from dividing themselves into smaller units to take advantage of the cash basis of taxation.

Small business talks tough

ARG 20/1/96 (30)

Western Cape Council launched

Business Reporter

SMALL business in the Western Cape has promised to flex its muscles as a pressure group whose voice will be heard at all levels.

"We are not happy — and that is mildly put — with some of the laws of the country," newly-elected chairperson Edgar Adams said at the inauguration of the Western Cape Small Business Council in Cape Town this week.

"We will be a pressure group," he told an audience that included provincial Minister of Economic Affairs Chris Nissen, Western Cape Premier Hernus Kriel, and Department of Trade and Industry's head of the centre for business promotion, Alistair Ruiters.

Mr Adams' promise that the new council would pressure government to either change or scrap industrial councils and to amend the Labour Relations Act followed closely on an outline by Rev Nissen of what the provincial council should and should not be.

Mr Nissen told the 30 councillors and other guests the council should not be a "struggle pressure group" of which there were thousands in South Africa, he said.

"They all try to push for their material interests, leaving the 'how' and 'by whom' in the lap of government. Business chambers and sector associations already perform that function. We don't need another pressure group."

Neither should the new council be "a moan club of disgruntled middle class business entrepreneurs", a political football for national, regional or local interests, a mere rubber stamp for the national small business council, or just another small business support agency, Mr Nissen said.

Instead, it should ensure that all legislation passing the provincial parliament took small business interests into account and that departmental budgets of provincial, metropolitan and local governments stimulated the development of small, medium and micro enterprises (SMME).

It should help steer a "pragmatic path" between deregulation and the maintenance of orderly competition, add its voice to issues high on the reform agenda, like greater access to finance, markets, training and exports, and try to close the gap between SMME prospects in urban and rural areas.

"Do not hestitate to focus on the particular needs of formerly disadvantaged entrepreneurs, though with a clear commitment that in the long term, racial and other preferences have to give way to open competition," Mr Nissen said.

Mr Adams said SMMEs were unhappy not only with components of the Labour Relations Act, but also with Nedlac, which did not address the needs of small business.

Another area of discontent was the credit bureau system which blacklisted people who defaulted on loans without taking account of what was often a good payment history. This sytem made it impossible for small entrepreneurs to get lifeblood financing.

Mr Adams told big business to "stop deciding for us — let's work together".

He urged traders to stop fighting among themselves.

He urged ministers and mayors to "get involved now".

☐ **PRESSURE:** Western Cape Premier Hernus Kriel, left, Small Business Council chairperson Edgar Adams, centre, and provincial Minister of Economic Affairs Chris Nissen at the inauguration of the council in Cape Town.

"We want to know what you have planned to uplift the SMME in the Western Cape and we want to be part of that plan. We are challenging you to show us what you have done."

He told bankers to "start taking chances with your money. We are taking chances our whole life through. Some of our people have lost everything".

He said the council was neither a black nor white business body.

"We are not the ANC or the National Party. We are people with the interests of the Western Cape at heart."

Mr Adams said the new body would represent all SMMEs. Small business organisations had to be involved at local, regional, provincial and national levels to offer mass constituency and legitimacy to the council.

"It must be a statutory body with teeth, established within the ambit of the National Small Business Act. This will ensure that it has the power to engage all the small business sectors so that their voice is always heard when laws and legislation and economic policy are developed."

The council had to be led and controlled by business owners themselves. "It must be independent."

It had succeeded where no other body had in bringing all representative organisations in the Cape on board, "and those out there who do not know about the council are requested to come on board immediately".

Asked later to clarify SMME dissatisfaction with the Labour Relations Act, Mr Adams said it allowed big business to dictate wage-levels for small business through industrial councils.

He said there was already a Basic Conditions of Employment Act, and questioned the need for "a separate set of laws and regulations".

Management battle at Nacssa

(30) Sowetan 24/1/96

Charges of mismangement don't please small investors and *stokvels*

By Isaac Moledi

THE National Association of Consumer Services of South Africa was supposed to be one of the shining stars in black business. Instead, it has turned into a battleground with charges and counter-charges of mismanagement.

This has caused some of its top management to resign. They did not want to be "mere employees" without holding any shares in the company.

At stake are the savings of thousands of small investors, including small township *stokvels* and individuals. The Free State Burial Society, for instance, has been pumping more than R20 000 of its quarterly premiums into Nacssa since last June.

The latest crisis in Nacssa was precipitated by the resignation this month of four top executives. They are: managing director Ms Miriam Gaffoor, national marketing and sales manager Ms Mariana Koekemoer, accountant Mr Dwight Alexander and personnel assistant Mr Roshan Bernard.

"We have worked so hard to get this business off the ground"

The four accuse chairman Mr Paul Gama of not honouring Nacssa agreements and being negligent in his work. As a result, some top management members demand his resignation.

The situation was further aggravated by the allegation that Gama had promised to raise the R500 000 needed to start Nacssa, but had failed to do so.

Instead, Gama had arranged an overdraft of about R65 000 on his personal bank account. This led to debts of more than R210 000, which caused the company's business to stagnate.

Another factor that contributed to the company's woes was that when Nacssa's predecessor, the National Association of Cooperative Societies of South Africa (also known as Nacssa), was liquidated last year, Nacssa promised to pay some of its members.

It paid R80 000 towards the old Nacssa scheme, which impacted on the new company's finances.

Gaffoor and Koekemoer say another reason why they resigned was that Gama had told them they were no longer company shareholders as their performance had been dismal.

"We felt this was unfair as we have worked so much to get this business off the ground," said Gaffoor.

In one of their letters to Gama, a copy of which was sent to the Registrar of Companies in Pretoria, Gaffoor and Koekemoer write: "On our initial verbal agreement it was understood that we would both have shareholding interest. We have to date had various people inform us that you hold 100 percent of the shareholding.

"We also understood that expertise, company operations and our contacts in the marketplace would be our contribution and you would be responsible for the financial backing."

According to the two women, the company's turnover for the past seven months was about R320 000. But its overheads and expenses amounted to R450 000 of Gama's personal overdraft facility.

Nacssa, Gaffoor says, owed Gama R50 000 because it used money from his overdraft facility. "The balance of the overdraft facility is attributed to Gama's personal decision to make good the old Nacssa scheme," she said.

"The damage she (Gaffoor) did is incalculable and horrific, says Gama"

In the letter to Gama they state: "We will, however, offer to continue to operate Nacssa and take responsibility for the R50 000 overdraft facility and outstanding creditors providing you withdraw from the company.

"We also wish to place on record that we think you have not played positive role and in all fairness feel that we put this company on the map and the goodwill accumulated throughout South Africa now stands in jeopardy because of your non-participation."

Although Gama says he is not prepared to discuss the allegations as the auditors are still investigating financial irregularities, he feels having Gaffoor and Koekemoer as top managers were "an expensive blunder".

He accuses Gaffoor of mismanagement and nepotism. He says Gaffoor hired Alexander, a relative, as an accountant and alleged that money had not been paid into the company's bank account since October.

"Now I understand why she said a chairman must not meddle but await a financial report," he says.

In his letter to Gaffoor and Koekemoer, Gama blames them for bringing down the Nacssa membership from more than 8 000 to only 2 000.

He had told Gaffoor before he hired her that he wanted a "top" manager to look after the business as he had long-standing commitments that made it impossible for him to do so himself.

"The damage she did is incalculable and horrific," he says.

Fabcos suspends Western Cape office

CT 24/1/96 (30)

EUNICE RIDER

ALL activities of Fabcos Western Cape are to be suspended and promoting and financing black business from its city offices will be co-ordinated by the national office in Johannesburg.

This follows allegations of financial irregularities by the Foundation for African Business and Consumer Services (Fabcos) Western Cape's procurement officer, Mr Brian Ebden, who had also been Fabcos' representative on the Cape Town 2004 Olympic Bid Company's executive committee.

After a recent Cape Times report on Ebden's alleged activities, Fabcos replaced him on the bid company's executive.

Mr David Moshapalo, Fabcos secretary-general, said yesterday the organisation had carried out a preliminary investigation into Ebden's affairs which had "indicated that a further and comprehensive investigation needed to be undertaken on a wide range of activities in the Western Cape".

Moshapalo said the reports had damaged the organisation and its image "because we are very reliant on public funds and many of our members serve in government structures".

New body on business Bill

(30) Sowetan 25/11/96

By Shadrack Mashalaba

A NEW body aimed at ensuring that the small business community has a significant voice in the proposed National Small Business Enabling Bill has been formed.

The National Small Business Council was formed last December as an interim body to oversee the inputs supplied by small business persons. Inputs from the public to the Bill gazetted last year are expected to last till mid-February.

Interim national coordinator for NSBC Mr Monde Tabata, says a series of seminars will be held throughout the provinces to elicit inputs from small business people and the public.

Economic affairs departments in all provinces have already issued copies of the Bill to small business membership organisations and Department of Trade and Industry, says Tabata.

Tabata appeals to all small business formations and support groups to make their views known in all aspects the Bill is seeking to address. It is planned that on February 10 a national seminar will be held to coordinate the provincial inputs into a single national comment from small business community.

Fabcos eyes chan

(30) ARG 27/1/96

Change

MAUREEN MARUD
Business Reporter

FABCOS has turned eight and is "probably ready to go to school now," says its Johannesburg-based secretary general, David Moshapalo.

He was commenting on widespread changes to all regional offices of the Foundation for African Business and Consumer Services (Fabcos), including the Western Cape office.

Earlier, the organisation's Western Cape chairman, Brian Johnston, said the temporary closure of this region's office was not the result of allegations of financial irregularities involving office bearer Brian Ebden.

"This would have happened, regardless, as all regions of Fabcos are being dissolved in preparation for a new constitution that will be introduced."

Mr Johnston said the changes to Fabcos would decentralise power to the regions, enabling them to flourish. "The idea of dissolving us is ultimately to strengthen us."

Mr Johnston said it was necessary to clear the cloud hanging over Fabcos since Mr Ebden was alleged to have lost the organisation tens of thousands of rands in donations for the promotion of black business before the Rugby World Cup.

Mr Ebden is alleged to have deposited money intended for Fabcos in a personal bank account. "I think the changes to the office must be put in perspective," Mr Johnston said.

"Otherwise, the implication is we are being shut down because of wide and rife corruption, which isn't the case."

He said he was sure the national executive would endorse a call by him to expel Mr Ebden, from Fabcos. "I believe that given autonomy, we can rebuild Fabcos Western Cape to a powerful, very effective membership organisation."

Mr Johnston said four people from the Western Cape would be elected to represent this region at the national office, which will also hold elections to choose a new national executive.

Mr Moshapalo said Fabcos is restructuring because there are now more provinces where offices must be established.

"The plan for the Western Cape is that we will be back there within 30 days to set up an interim structure and prepare for elections later this year."

The old structure was four provincial offices and a strong central office in Gauteng, he said.

TAKEOVER: Privately owned Saltcor has taken over Royal Salt P tor in the Western Cape. The agreement was signed late last year financial manager of Saltcor, Simon Schiff, managing director of Rc ald Brown, managing director of Saltcor. The company has achievec years, says Mr Brown, who founded Saltcor in 1975 near Brandvle

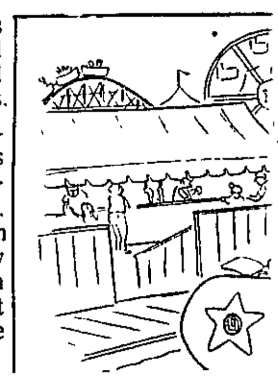
Directory of Western Cape businesses ideal for r

Business Reporter

A NEW directory of businesses throughout the Cape has appeared which could become an indispensable almanac for every sales representative covering the "platteland".

Entitled *Country Calls*, the directory has more than 5 000 entries covering Aggeneys to Plettenberg Bay and from Colesberg to Kamieskroon. The entries include descriptions and names of the owners and buyers at the businesses.

Country Calls was devised by Trevor Jones who has been a travelling salesman all his life. "The directory has been designed for salesmen by salesmen and covers a spectrum of 80 different potential customers," he said.



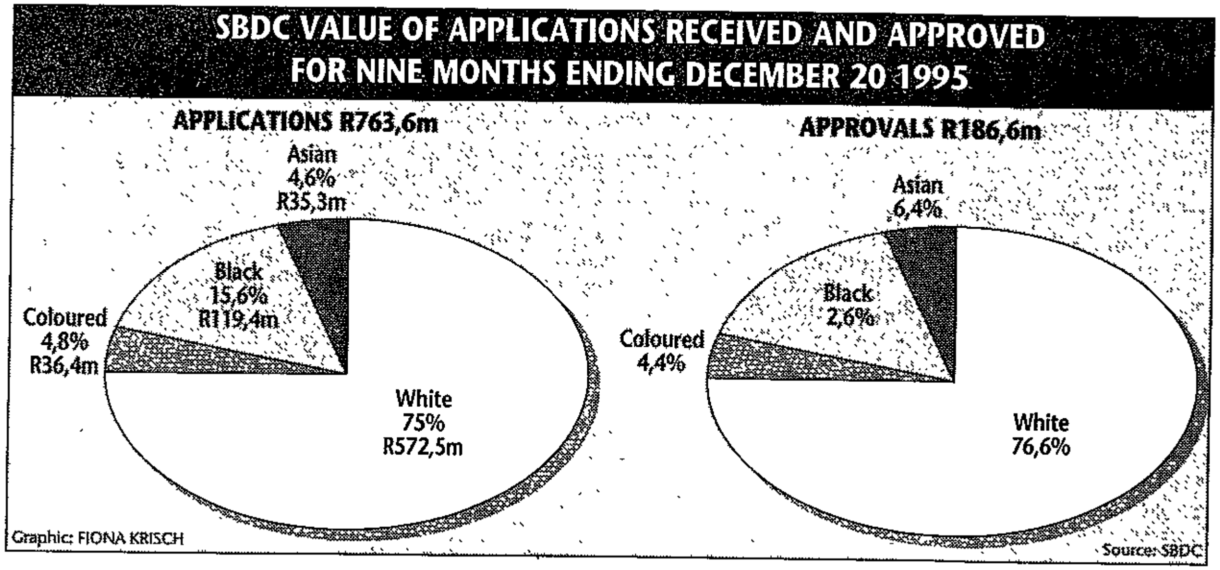
JOBS

SBDC has big plans for small businesses

(30)

ST (BT) 28/1/96

By THABO KOBOKOANE



THE Small Business Development Corporation is in line for exciting changes which will serve the interests of small and medium enterprises in the coming year, says Jo Schwenke, the SBDC's managing director.

However, he would not disclose the plans until negotiations between the government and the SBDC's private-sector shareholders have been completed.

The government's 50% stake in the private-sector lending institution that will be reduced to 20%. The capital will be transferred to the Small Business Unit headed by the Department of Trade and Industry.

Mr Schwenke is adamant, though, that the SBDC "will be a significant player in the delivery mechanisms within the SMME sector, but will also make room to co-operate with other agencies".

Sources have indicated that there is likely to be a revamp of the institution's lending policy to make finance easily accessible to applicants — a move which will see the SBDC take equity instead of asking for collateral.

In the past, the SBDC was criticised for not making finance accessible enough to entrepreneurs, particularly blacks.

Last year the institution made available 7 811 loans worth R347,7-million. At least 68,5% or 5 347 loans went to black entrepreneurs and 32,5% or 2 563 went to whites.

While the number of loans approved for blacks has increased, the opposite is true in rand terms.

Out of 2 653 applications for loans exceeding R50 000 for the nine months ending December 1995, only 851 were approved. Of the 2 653 applications, 68,8% or 1 825 were from whites, 19,5% or 518 were from blacks, 6,5% or 172 from coloureds and 5,2% or 138 from Asians. Of those approved 73,2% were white, 16,3% black, 5,2% coloureds and 5,3% Asians.

In value terms the applications represent R763-million and those approved R186-million. At least 77% of the money went to whites, 12,6% to blacks, 6,4% to Asians and 4,4% to coloureds.

Mr Schwenke says the biggest problem is the lack of black applicants.

"We don't see enough blacks applying for loans exceeding R50 000, and one of the challenges is to get people to start applying for these loans. We are looking for viable business to finance," he says.

He says the emphasis will be placed on a solid business plan. "If someone comes with a solid plan we will do business.

"However, in the event that the loan is not approved, the SBDC will give a sound reason why the loan has been rejected.

"We are not in the business of how many loans we can reject, but how many we can approve. We remain committed to the development of viable and independent small and medium enterprises on a sustainable and commercial basis."

Since its inception, the SBDC has approved 56 235 loans worth R2,3-billion and facilitated 417 000 jobs — 36 400 were for the year ending in March 1995.

THINKING SMALL: Jo Schwenke, managing

FORUM

Unified small-business database is on the way

(30) ET(MR) 30/1/96

BY ROSS HERBERT

Johannesburg — South Africa suffers from a shortage of information about its black businesses, data that could represent a potential growth business.

Partnerships and subcontracts with black businesses are growing in popularity among major corporations anxious to show commitment to the new political order. However, companies complain that finding small businesses with the needed skills in the right locations is a challenge.

"Our biggest problem is finding entrepreneurs. You can't find them," said Tom Hopkins, the procurement manager at Gencor. "Everyone has their own little database and no one is sharing."

The desire to match small businesses with established corporate buyers has led to a variety of non-governmental organisations (NGOs), each with their own lists of small businesses. But one large database that unifies these islands of information is lacking.

Armed with such complaints, SA Online, an upstart venture, has won a R340 000 US grant to develop a system bringing together the small business information scattered among NGOs, development agencies and corporations.

The company has developed an Internet service that it hopes to launch this quarter, bringing together, in one location, information on legislation, finance, training and development. But its most valuable asset is a searchable database of small business profiles that is now being developed.

The idea is to charge corporations a monthly fee to gain access to the data. NGOs and business groups that have data and offer small business advice will be offered the service at a nominal charge and encouraged to contribute their data.

The grant money will go towards 50 computers that will be donated to small business development centres, where businesses themselves and NGOs will contribute business profiles.

The theory is commendable, but faces a host of obstacles. "The biggest issue for small business, after finance, is information. The problem is everyone guards their information jealously," said David Savy, SA Online's managing director.

NETWORKERS *Mark Stayt, David Savy, Mashudu Tshivhase and Greg Howell, who have founded SA Online, a company that hopes to bring together all the scattered data on small businesses in South Africa* PHOTO JOHN WOODROOF

Some NGOs, such as the National Economic Initiative, exist to act as brokers, collecting fees for matching corporations with small business partners.

The initiative has a database of 400 small businesses, but has reservations about giving its information to SA Online.

SA Online has received expressions of support from the Foundation for African Business and Consumer Services, the National African Federated Chamber of Commerce, the department of trade and industry and others. So far, however, no data-exchange deals have been confirmed. To convince organisations to contribute their data, SA Online has created a system that allows users to search NGO data. However, key details would be shielded, requiring users to contact the contributing NGO.

Meanwhile, competition in the field increases. Trade Information Services offers a database of company and procurement information.

Lacking good data on small business, many major corporations have begun sharing databases of suppliers. The American Agency for International Development has agreed to provide R8,5 million to a venture in conjunction with the National Industrial Chamber that would promote links between established and emerging businesses, training and create a free database of small businesses.

One centralised system that combines these separate databases is clearly needed. The question is: How much will the market pay for comprehensive data?

Top official to lead delegation

Patrick Wadula (30) BD 30/1/96

TRADE and industry department director-general Zavareh Rustomjee would lead government's delegation on the Small Business Development Corporation board, SBDC spokesman Eugene Saldanha said yesterday.

Other members nominated by the state included the trade and industry department's centre for small business director Alistair Ruiters, finance department deputy director-general Maria Ramos and the National African Federated Chamber of Commerce's Gauteng president Mashudu Ramano. The seven private sector appointments included SA Chamber of Business director-general Raymond Parsons and Foundation for African Business and Consumer Services secretary-general David Moshapalo.

IFC plans to spend $200m on SA business development

CT (BR) 31/1/96 (30) (297)

By Thabo Leshilo

Johannesburg — Jannik Lindbaek, the executive vice-president of the International Finance Corporation (IFC), arrived in South Africa yesterday accompanied by a top delegation from the corporation, part of the World Bank, with a commitment to spend about $200 million on business development projects.

Lindbaek said the money would be spent mostly on broadening black participation in the economy. He said the IFC was keen to provide black-owned companies with either equity or loan finance in order help them acquire unbundled companies or privatised state assets.

The delegation is scheduled to meet government and business leaders to discuss the IFC's role in South Africa.

He said the IFC, which has a decade's experience in privatisation, was encouraged by the government's "balanced" approach to the subject.

"Privatisation is necessarily a political decision and always sensitive. South Africa is not unique," Lindbaek said, referring to the tug-of-war between the government and the unions over restructuring.

He said the IFC was ready to lend assistance to the process if approached.

The IFC opened its South African office last year and has since made investments of $36 million.

LOOKING FORWARD *The IFC's Jannik Lindbaek says the organisation is encouraged by the government's view on privatisation*

PHOTO: JOHN WOODROOF

Small businesses given financial help

Sowetan 1/2/96 (30)

By Shadrack Mashalaba

A GROUP of 24 young entrepreneurs have been presented with a cash injections by an SAB-run "Kick-Start" youth empowerment and business education programme.

The young entrepreneurs from around the country received cash grants totalling R144 000 at the Sunnyside Hotel in Johannesburg last week to reinvest in their enterprises .

The programme was designed by SAB in conjunction with non-governmental organisations and the Centre for Opportunity Development. Its aims are to create a general business awareness in the South African population, enhance the country's economic capacity by imparting business skills, provide seed capital for unemployed youth and provide young entrepreneurs with assistance and support.

SAB managing director of the beer division Mr Norman Adami said SAB will pump R2,5 million into Kick-Start in 1996 to tap young entrepreneurial talent.

"Sadly, too few of our people have the knowledge to identify business opportunities. Those who do, often lack the finances needed to capitalise on those opportunities," says Adami.

Trade and Industry chief director Dr Alastair Ruiters says his department is doing everything possible to help small businesses and has passed a Bill dealing with small business matters. Last year it established Khula enterprise to help finance small businesses.

New SBDC will boost small business in 1996

Sowetan 1/2/96 (30)

By Joshua Raboroko

THE government and the private sector are poised to play a key role in small business development projects this year.

This follows the appointment of several new members, including Ministry of Trade and Industry director-general Dr Zavareh Rustomjee, to the board of the Small Business Development Corporation.

Other members nominated by the state are: Dr Allistair Ruiters (business director); finance department deputy-director Ms Maria Ramos and Nafcoc's Gauteng president Mr Mashudu Ramano.

The seven private sector appointments include: SA Chamber of Business director-general Mr Raymond Parson, Foundation of African Business and Consumer Services' Mr David Moshapalo, Federation of South African Labour Unions' Mr H Breedt and chairman of the regional committee of Kwazulu-Natal Mr Don Mkhwanazi.

The new managing director of the SBDC is Mr Joe Schwenke, who was senior manager at the central city hive of the SBDC. He was appointed to his present position from January 1.

The new SBDC board has been welcomed by many as an important milestone in the development of the corporation, which faced hurdles in the past, SBDC assistant communication general manager Mr Eugene Saldanha says.

He says 91 percent of the 800 000 businesses in South Africa could be classified as small or medium sized enterprises.

Small or medium sized businesses contribute 45 percent to the gross domestic product and employ 17 percent of the country's economically active population.

Don Mkhwanazi is among the new board members at the SBDC.

(30)

SBDC opens a Parktown office

CT (BR) 2/2/96

STAFF WRITER

Johannesburg — The Small Business Development Corporation has opened a financial office in Parktown.

It will use the new office to provide viable small and medium enterprises with financial assistance, either through long-term loans or equity participation.

The office will be managed by business advisor Iain Guthrie, assisted by mentor Charles Lewis.

It will give entrepreneurs from the north and northeastern suburbs of Johannesburg easy access to the corporation's financial team.

Guthrie invited entrepreneurs with viable business ventures to contact the office about the corporation's financial packages. The telephone number is (011) 643-7351.

Ten representatives suspended but 'no mismanagement'

(30) ARG 3/2/96

GLYNNIS UNDERHILL
Staff Reporter

PRELIMINARY internal investigations at the Western Cape Foundation for African Business and Consumer Services (Fabcos) have revealed "no gross mismanagement of funds."

Allegations have been made that donations to Fabcos from companies such as Shell SA and Grinaker Sports Management were missing.

Johannesburg-based Fabcos spokesman Mike Ntlatleng believes the image of the organisation has not been damaged because the situation "has been nipped in the bud".

"On the face of it, we find no gross mismanagement of funds as far as those companies were concerned," said Mr Ntlatleng.

The Western Cape office of Fabcos, which is a voluntary non-profit organisation promoting a grassroots-driven black economic empowerment, closed amid accusations of financial mismanagement of donated funds.

Ten regional representatives had been suspended pending an internal investigation, said Mr Ntlatleng.

However, he claimed the problem had been a "vacuum of leadership" which had arisen after president Sam Tuntubele had moved from the Western Cape to Port Elizabeth for business reasons.

"We found ourselves with a situation of accusations and counter-accusations," he said.

Mr Ntlatleng said he and a delegation of seven members visited the Western Cape last weekend to assess the situation.

"The police have not been called in. This is an internal matter in terms of our constitution," he said.

A committee has been appointed to probe allegations that a Fabcos member nominated to the Cape Town Olympic Bid Company's board of directors was allegedly involved in fraud.

Brian Ebden, Fabcos regional procurement officer, was replaced by Cape Town businessman Sam Montsi as the representative on the Cape Town Olympic Bid Company.

Within 30 days Fabcos hoped to put in place an interim structure that would take it into the upcoming elections, said Mr Ntlatleng.

"What we gathered when we were there was that there seems to be no communication of the vision which we want to achieve."

Tender policy to aid black business

BD 14/2/96 (30)

Drew Forrest

CAPE TOWN — New state tender procedures designed to empower small-scale black entrepreneurs were announced by government yesterday.

They include price preferences and the easing of security requirements on government contracts.

The interim strategy is to be followed by legislation comprehensively reviewing the state tender system, which last year awarded construction contracts of R1,6bn.

Inflexible state tender procedures are seen as a major obstacle in implementing the RDP.

Public Works Minister Jeff Radebe said yesterday the strategy had been endorsed by the Cabinet. Devised in

Continued on Page 2

Tenders

(30) BD 14/2/96

Continued from Page 1

collaboration with the finance department, it aimed "to help empower previously disadvantaged communities and ensure easy access for small, medium and micro enterprises into mainstream procurement activities".

Radebe said the plan envisaged the waiving of security on all contracts of R100 000 or less to facilitate "the immediate entry of emerging small-scale entrepreneurs into the small works sector of the construction industry".

In addition, "persons disadvantaged by unfair discrimination" in small business would benefit from a price preference system applying to all contracts less than R2m. The policy would be based on a percentage preference which Radebe did not specify.

Radebe said a 30-day period would be enforced as the maximum for payment by government contractors. Government would immediately review the existing database of suppliers to incorporate emerging entrepreneurs.

Other features of the plan include:

- ☐ Government tender advice centres will be established throughout the country and government will assist in compiling and disseminating tender information in a simplified form;
- ☐ Goods and services required by government will be procured in the smallest possible quantities without incurring undue costs or a negative effect on the quality or time of procurement; and
- ☐ Tender documents will be rationalised and simplified.

Radebe said a procurement ombudsman would be appointed during th[illegible] procurement reform to al[illegible]ft response to complaints from businesses.

Bill tabled to exempt small business from labour laws

(30) BD 15/12/96

Drew Forrest

CAPE TOWN — The DP is to table a private members' Bill in Parliament aimed at exempting small business and export processing zones from provisions of the Labour Relations Act.

The purpose, DP leader Tony Leon said, was to promote growth — to which "every other policy and ideological consideration should be subordinated".

Leon said the idea was to provide for the blanket exemption of small, medium and micro-enterprises from the "ravages" of collective agreements and statutory wage determinations. Minimum standards would continue to apply in such undertakings.

The Labour Relations Act covered the whole of SA, and the Bill would also facilitate the creation of enterprise zones either by geographical area or sector.

Leon said that only seven out of 100 jobseekers could expect to find work in the formal sector. The Green Paper on minimum employment standards was also likely to have adverse effect on job creation.

The senate labour committee, which kept the labour Act under constant review, would provide a window of opportunity to re-open debate on the Act.

Leon also said that the DP would be launching a membership drive aimed at recruiting 10 000 mainly black members over the next year to 18 months.

Black business may now tender in English

BD 16/2/96 (30)

Theo Rawana

IN A break with the past to address the thorny issue of empowering small black business, the public works department has moved to have Afrikaans replaced by English as the language for drawing up state tender forms.

The issue has been a bone of contention with black business leaders, who complain that having to tender in Afrikaans made black entrepreneurs fail even before they started competing.

The director-general's office said yesterday that in terms of a draft document released for discussion, all tender documents would be in English — "the international business language".

A spokesman said provision would be made for people who wanted documents in other languages, including Afrikaans, to get them. "In addition there will be tender advice centres to help people with technical language and simplifying the tender forms."

National Economic Initiative executive director Monde Tabata welcomed Public Works Minister Jeff Radebe's announcement of new state tender procedures designed to empower small black business.

Tabata said the initiative saw this as one of the most practical contributions by the new government to creating opportunities for black small, medium and micro enterprises. The initiative had always held the view that the public sector could play a major role in providing opportunities for this sector.

Tabata called on financial institutions to provide working capital for small enterprises that tendered successfully, with the tenders serving as guarantees against the money applied for. "In particular we call for the funds from friendly international governments held by SA banks to be used for this," he said.

GAF gets big cash injection

(~~27~~)(30) Sowetan 22/2/96

By Shadrack Mashalaba

THE Canadian International Development Agency (CIDA) has injected R1,8 million into the Get Ahead Foundation (GAF) to boost the organisation's lending capacity.

The GAF, which is seeking to convert itself into a community bank, says it will use the money to further its activities of granting loans to emerging entrepreneurs who cannot qualify for loans from conventional banks.

Get Ahead Foundation fundraiser Ms Jenny Williams says the money will be used for support services of the company and these are:

- Financial cost for the legal separation of the development and commercial divisions of GAF;
- Computerisation of decentralised branches and;
- Management training.

Williams says the commercial division of the bank will grant micro loans from R700 to R5 000 to emerging entrepreneurs. This division will become a community type bank similar to Grameen Bank in the East Asian state of Bangladesh, which grants small loans and also offers some training.

"The development division of the bank will provide technical training to the emerging businesses and a marketing arm will help find markets for the manufacturers," she says.

In the Gauteng region, technical training will be provided in the fields of welding and electrical repairs.

Williams adds that, the organisation has established a primary health care programme.

Fabcos suspends provincial committee

Patrick Wadula

BD 22/2/96 (30)

THE Foundation for African Business and Consumer Services has suspended its entire Western Cape committee amid internal "squabbling".

Fabcos CEO Ashley Mabogoane said yesterday an interim committee, which would report directly to the foundation's Johannesburg head office, would be set up in the province at the end of the month.

Meanwhile Western Cape members would themselves deal directly with head office.

The suspension follows the organisation's investigation of fraud allegations against executive committee member Brian Ebden, which Mabogoane said had cleared Ebden. The allegations also sparked a police probe, and led to Ebden being replaced as Fabcos's representative on the Cape Town Olympic bid committee.

Big business 'must embrace new SA'

(30) BD 7/3/96

John Dludlu

A LEADING Durban-based businessman, Don Mkhwanazi, has called on the country's private sector and the marketing profession to fully embrace the spirit of the new SA.

Speaking at a recent multicultural marketing conference near Johannesburg, Mkhwanazi — who is also the ANC's investment adviser — said big business was paying lip service to the goals and aspirations of the new SA, while simultaneously operating "mischievously behind the scenes to thwart legitimate efforts" by blacks to venture into the economic mainstream.

He warned corporate SA that sustainable economic growth would be a pipe dream if the majority of the country's citizens remained "consumers, labourers and job seekers" rather than wealth creators and owners of assets.

The political democratisation of SA posed a challenge to the marketing profession to "take bold steps" to show its real commitment to the rainbow nation or face being overtaken by events.

The advent of democracy had created new consumers "who will not hesitate to use their new-found political clout". The new consumers and workers were young and more demanding than their 1970s and 1980s counterparts. "They are well informed, discerning, streetwise, highly politicised, ambitious, arrogant ... and militant".

Mkhwanazi, who has earned the title of godfather to black economic empowerment, also criticised the recent wave of black economic empowerment deals, saying those transactions had been of more benefit to "white" companies than to blacks — "including those blacks who are paraded as the new owners of the ventures".

"Most of these deals are initiated by white companies. Very few black economic empowerment deals initiated by blacks succeed. The white master still calls the tune".

Mkhwanazi, who chairs the National Empowerment Trust, said white control was perpetuated through "subtle but very onerous agreements", preventing the sacking of top management without the approval of the new white minority shareholders.

In some cases black workers became "worse off" with the advent of new black owners.

Mkhwanazi warned that black organisations would become more vocal, demanding information on companies' strategies on the RDP, and their social-responsibility programmes.

BUSINESS AND BASIC RIGHTS

(30)

BEWARE OF RIGIDITIES

FM 8/3/96

With the May 9 deadline for the completion of the new constitution looming, organised business has been taking a hard look at some of the clauses in the Bill of Rights — and seeking to persuade the Constitutional Assembly (CA) to choose the "right" options.

Much of the final wording depends on the parties reaching a compromise. Business, therefore, has chosen to spell out its concerns about possible impediments to economic growth, the *sine qua non* of the "new patriotism."

Thus Sacob's "memorandum of comment" on the Working Draft of the constitution provides key perspectives on what the Chamber of Business sees as areas problematic for growth.

In his introductory comments Sacob director-general Raymond Parsons states: "The primary economic freedoms — including rights of ownership and freedom to engage in business activity — supply the 'basic chemistry' needed for wealth generation and are, as such, fundamental prerequisites for the material upliftment of mankind."

The document is both extensive and comprehensive. But three areas of concern can be highlighted as reflecting the chamber's overall approach:

- The equality clause. Here one option in the draft text reads in part: "To achieve equality, legislative and other measures that are designed (and likely) to protect and advance groups or categories of persons disadvantaged by (unfair) discrimination may be used."

Sacob wants the words "and other" deleted since "measures other than specific legislation to protect and advance disadvantaged persons should not be enshrined in the Bill of Rights, as it could countenance administrative action not subject to the discipline of the legislative process."

It would also want these legislative measures to be subject to the proviso that "they do not unfairly discriminate against the rights of others." The point is to exclude from the constitution any mandate to pass punitive legislation on, say, affirmative action — or to allow government to impose such policies through administrative fiat;

- Labour relations. If there is to be a "right to strike," Sacob argues that employers should have the right to lock-out. But that is only one point.

In general, the chamber clearly feels uneasy with some of the proposed detail in this section, suggesting that "cognisance must be taken of the fact that the relationship between employers and employees is primarily regulated by means of labour law and collective bargaining.

"Labour relations is a dynamic field, and accordingly any provisions in a Bill of Rights should not create rigidities which would militate against adaptation of the law and practice in accordance with changing circumstances;" and

- Access to information. Here the plea is that "the right to confidentiality of private business's information is critical to their ability to perform in local as well as international markets. To give free access to any item of business information irrespective of the effect that it would have on the business's competitive position would seriously jeopardise the enterprise."

The document quotes the opinion of the Association of Law Societies that the "right of access to information requires careful tailoring to protect information from disclosure which, in the legitimate interests of good governance or of third parties, should be withheld."

Sacob's feelings on the property clause are similar to those of other private-sector bodies (*Current Affairs* February 23). The organisation — while fully endorsing the democratic intentions of the Bill of Rights — is worried that the new constitution could become too prescriptive, or even one-sided.

It is unlikely to be pleased with what finally emerges from the CA, whose conclaves — both private and public — have been marred by some rancorous episodes — admittedly quickly smoothed over. But as the majority party in parliament, the ANC is displaying signs of wanting more power to speed up transformation and deliver on electoral promises. ■

plan

ST 10/3/96

ANC slams business's growth

(30)

By CAROL PATON

THE ANC yesterday slammed the business community's proposals for creating growth, saying they would "push the country backwards" and would be a "recipe for disaster" if they were implemented.

Labour Minister Tito Mboweni said the document "Growth for All", prepared by the SA Foundation on behalf of 50 top South African companies and released last week, was "dangerous". It was an indication that business wanted to renege on key agreements reached with labour and the government, in particular the Labour Relations Act.

"It represents an attempt to roll back the consensus reached between the government, labour and business," he said.

The document proposed the creation of a "second tier" to the labour market which would make it possible for new businesses to employ workers without abiding by minimum agreements on wages and working conditions.

The "second tier" would exist alongside current businesses and workers employed under its conditions could be dismissed immediately for taking industrial action.

The ANC described this proposal as "the most ridiculous of all".

"The suggestion to create a 'two-tier' labour market in which employees will not have basic human rights is an affront to democracy ... it would mark the return of institutionalising black workers once more in a cheap labour system," it said.

The ANC also criticised the proposals on fiscal policy, which included slashing the deficit to two percent and increasing VAT to about 20 percent, saying the brunt of this would be borne by the poor.

While agreeing that there was a need to avoid a "debt trap", slashing the deficit would mean less money would be available for poverty relief.

These policies would also cause major political difficulties with the process of reconstruction, Mr Mboweni said.

Responding to the claim that government resources — especially those for poverty relief — would be boosted by a brisk privatisation programme, Mr Mboweni asked: "What do you do after you have sold the family silver?"

The ANC also criticised business for suggesting a privatisation programme that flies in the face of the national framework agreement on the restructuring of state assets.

"The Growth for All document is a request from big business to do something for them, but nothing for the poor. In fact, it says increase the burden on the poor. What kind of political system would accommodate the proposals they make?" asked Mr Mboweni.

The document attacks key pieces of legislation and government policy for which Mr Mboweni has been responsible, such as the green paper on employment standards.

However, he declined to respond to it on behalf of the government, saying "the government would still have to find a way of responding".

He said the ANC agreed that there was a structural problem with the labour market but he said the solution lay in developing policies that absorbed large amounts of labour rather than in suppressing the rights of workers and pushing wages down.

Local initiative to help small business

(30) Sowetan 13/3/96

By Abdul Milazi
Labour Reporter

THE Mpumalanga government is to launch a Local Business Service Centre (LBSC) in a bid to combat unemployment and assist small businesses.

Dr Raven Naidoo of Ntsika Enterprise Promotion said the venture was part of the Department of Trade and Industry's initiative to stimulate economic growth.

"Core services offered to small businesses will be counselling, basic management training, information and referrals and experience exchange," said Naidoo.

According to Trade and Industry Minister Trevor Manuel the initiative was the first fully operational programme to result from the White Paper on small business development, endorsed by the Government on March 20 last year.

Manuel said small businesses would be the "real engine" of sustainable and equitable growth in the country.

He added that the stimulation of these businesses was part of a strategy in which the economy was diversified, productivity enhanced and investment stimulated.

"The LBSC will be an important step in bringing entrepreneurial skills and opportunities to the public," said Naidoo.

Mixed reaction from small, black business

(30) BD 14/3/96

Patrick Wadula and John Dludlu

FINANCE Minister Chris Liebenberg's second Budget speech was greeted with mixed reaction by small, black and independent business.

Black Management Forum president Lot Ndlovu welcomed the reduction of the secondary tax on companies to 12,5% (from a previous 25%), saying that this would benefit small entrepreneurs who were organised into close corporations.

But while praising the budget as being "very eventful and geared for the poor", the Foundation for African Business and Consumer Services criticised the reduction of the trade and industry allocation. "We think in this case (trade and industry) there should have been an increase with a special focus on the small enterprises where there is greater need," Fabcos general secretary David Moshapalo said.

The Small Business Project, formerly the Sunnyside Group, lauded Liebenberg's emphasis on job creation and growth, but urged government to make small business the "engine for growth".

Liebenberg said a 6% growth rate and 500 000 new jobs annually and development programmes would be important in addressing the country's backlogs.

The project's executive director Chris Darroll said more clarity was needed on the state's small business policies. She called for studies to be done gauging the economic contribution of the small and informal business sectors. Previous research initiatives on the informal sector had always been based on anecdotal accounts.

Theo Rawana reports that Nafcoc spokesman Mashudu Ramano said black business was disappointed that the minister had not made any concrete input to back up his talk of encouraging job creation. Black business had expected an announcement of tax relief after waiting for two years, , but this had not been attended to.

He said overall, Nafcoc congratulated the minister on a job well done in balancing areas that needed attention. He had done this by not increasing the tax burden on the poor, and had tried to contribute to crime prevention by increasing funding to the police.

Nafcoc AGM to resolve own crisis

(30) Sowetan 14/3/96

By Joshua Raboroko

THE National African Federated Chamber of Commerce and Industries (Nafcoc) is faced with a leadership crisis, with black business calling for an urgent council meeting to elect new executives.

The crisis deepened when Nafcoc floundered in a bid to take over African Bank, which was on the brink of bankruptcy until it was salvaged by the consortium of New Africa Investment Limited and NBS Holdings.

Sources disclosed that the Nafcoc leadership could have won the bid if its "arrogant leadership" had not brought an unknown financial institution into the race to save the bank.

Divided executives

Afbank was founded by Nafcoc under the leadership of Mr Sam Motsuenyane, who is now a senator in the Government of National Unity. The organisation failed to acquire the bank because of no proper consultation among the divided executives.

Sources also disclosed that Nafcoc lost two shopping complexes, Blackchain Supermarket in Diepkloof, Soweto, and the Soshanguve Shopping Complex in Pretoria, while the R15 million Management and Business Leadership Centre in Soshanguve was "a white elephant".

The sources said about 10 staff members were dismissed and not replaced when Nafcoc moved its headquarters from Soshanguve to Johannesburg. An executive director, Mr Benjamin Wauchope, has resigned.

Nafcoc deputy president Mr Sipho Tanana said most of the allegations would be answered at the annual general meeting to be held at a hotel in Johannesburg on March 31.

He said the organisation had not had any report-back on its failure to acquire the Afbank, "one of the pillars of black business". He said: "The executive has not been informed about the failure to acquire the bank. The bank is our pride."

Tanana said that the two chainstores were not economically viable and had to be leased to private retail companies. The executive had tried in vain to save the stores. Regarding the centre, Tanana said that it had remained "a white elephant" because it was unused for three years. Nafcoc tried to sell or lease it for community use but certain executives refused.

Tanana said that Nafcoc as a black business organisation did not play an important role in the National Economic Development and Labour Council.

The workers were dismissed after the headquarters shifted to Johannesburg. Pretoria personnel could not come to the Johannesburg because of high travel expenses.

Tanana said council would also discuss the 1996-97 Budget in view of the organisation's declining financial position. Elections would be important because they would shape the future of black business in South Africa.

Nafcoc scheduled for 'transformation'

Theo Rawana BD 15/3/96

(30)

THE National African Federated Chamber of Commerce (Nafcoc) would have a younger executive after its annual general meeting in Johannesburg on March 31, Nafcoc policy co-ordinator Mashudu Ramano said yesterday.

Ramano said this was not because the organisation was having a leadership crisis, as had been reported, but because Nafcoc, like the rest of SA, needed to undergo transformation to be relevant.

The organisation has been dogged by rumours of infighting, culminating in a report in yesterday's Sowetan that deputy president Sipho Tanana had said the organisation had not seen a report on its failure to acquire the African Bank, "one of the pillars of black business".

Tanana reportedly said: "The executive has not been informed about the failure to acquire the bank. The bank is our pride."

Ramano said: "The executive decided to hold the AGM and the elections soon after the end of the financial year, and not to wait until July as has been the case in past years. We need young professional people in the executive, with a perspective to address and solve issues," Ramano said.

He said Tanana was moved by fears that he might not be in office after the AGM.

Tanana rejected as lies reports that Nafcoc was "in a deep crisis" since it lost the rescue bid for the sinking African Bank to New Africa Investment Limited (Nail) and the NBS.

Ramano said Nafcoc, which was a co-founder of the bank, had a good bid and a credible bank. "People should talk to (Finance Minister) Chris Liebenberg, who gave Nail the veto right."

Stressing there had been only individual Nafcoc members as shareholders in the bank, and that the organisation itself was not a shareholder, Ramano said Nafcoc had sought an amicable solution and had approached Nail for a joint bid — but some Nail members had not been responsive to the idea.

Ramano also rejected allegations that Nafcoc had lost the Blackchain Supermarket in Soweto and the Soshanguve Shopping Complex in Pretoria. "Again there were only individual shareholders in Blackchain, and the Soshanguve complex has not been lost," he said.

omen's fashion
haute couture
front of 3 000
ures: GARTH LUMLEY

Nafcoc deputy president joins leadership dispute

Theo Rawana BD 22/3/96 (30)

THE looming crisis in the National Federated Chamber of Commerce (Nafcoc) came closer this week with deputy president Sipho Tanana accusing president Joe Hlongwane of defying the body's national council.

Tanana said Hlongwane, who had been reprimanded by the council for overlooking executive members and taking Mashudu Ramano on executive committee errands, had continued to have Ramano write letters on behalf of Nafcoc.

Ramano, speaking as policy co-ordinator of Nafcoc, had earlier said the organisation's election at its AGM on March 31 would usher in a new, younger and professional executive. He had implied that Tanana might not be part of that executive.

Ramano was reacting to Tanana's fears that Nafcoc was having a leadership crisis.

In a letter to Hlongwane, Tanana suggested that the problems in Nafcoc should be referred to the council because the differences and "attitudes displayed" at one of the executive committee meetings had left him convinced it was the only way to resolve them.

"From our side we are saying, we need to go to council and tell them that we are unable to resolve the problems and accept their decision whether to expel Tanana and (general secretary Cyprian) Lekoma from the executive — if there is such mechanism within the organisational procedures — or have the entire executive dissolved and a new structure put in place as the constitution dictates," Tanana wrote.

He said Ramano was to a greater extent the cause of the leadership crisis. The position of policy co-ordinator (which Ramano was supposed to hold) did not exist in Nafcoc.

There had been "verbal altercations" between Hlongwane and Lekoma at one meeting over Ramano writing letters on behalf of Nafcoc on Hlongwane's instructions.

On the following day, the president's driver had carried a firearm into the office.

Tanana said Hlongwane had unilaterally decided to call on Nafcoc members to disinvest from African Bank after the Nafcoc bid was beaten by New Africa Investment.

"This was in direct contrast to the spirit of the Durban meeting on Afbank on January 26 1996," Tanana said.

In another development, former Free State regional president LL Mule accused Hlongwane of masterminding his ousting in elections which chose QwaQwa Chamber of Commerce member Beef Molefe as president of the new unified Free State region.

Tanana's interventions over unprocedural elections had been unsuccessful and Hlongwane had insisted that elections take place despite objections from the Free State group.

Nafcoc acting executive director Phillip Tekane said the elections had been "inevitable or overdue" as the Free State region had to prepare for representation in the national structure. Mule had walked out because he had realised he did not stand a chance of being elected.

R1bn to help small enterprises

Linda Ensor BD 22/3/96 (30)

CAPE TOWN — Government could bring together close to R1bn to develop small and medium-sized enterprises (SMEs) this year, the trade and industry department said earlier this week.

This effectively makes government the prime mover for small business development in the medium term. Trade and industry SME chief director Alistair Ruiters told the parliamentary select committee on trade and industry the department had devoted itself over the past year to building up a strong institutional framework to disburse the funds.

But he said SA was 30 years behind Far Eastern countries in terms of small business development. Ruiters said in addition to the R87m (R80m) allocated for the 1996/97 financial year, about R100m would be secured from donors to support government's strategy to build up the sector.

Negotiations were under way with the Development Bank of SA for the transfer of funds earmarked for its small business development programmes.

The department was also finalising an agreement with the Small Business Development Corporation for the transfer of assets worth R500m back to government.

IDC boosts bid to aid firms

(30) BD 22/3/96

John Dludlu

THE Industrial Development Corporation has stepped up efforts to foster small and medium-sized industry, boosting the low interest rate finance set aside this year by R100m and slashing its interest rate.

The parastatal said yesterday it had allotted R700m of cheap finance this year. The fixed interest rate on the loans would fall to 15,5% from 16,5%.

The funds were open to manufacturers with total assets of less than R120m.

The corporation said the decision to cut the rate was prompted by a need to buoy industrial development after sluggish growth in output in the manufacturing sector in the last quarter of last year.

"In view of the apparent capacity constraint, the concerted thrust to promote growth, investment and job creation, the IDC considered it appropriate to reduce its fixed rate as a further supply-side support measure for smaller industrialists," the corporation said.

The IDC already operates support measures for SA firms. These measures include the "multishift scheme" for additional production shifts, a job creation scheme which provides finance for additional jobs, and the "Orchards" scheme.

This supports job creation in rural areas based on the fruit industry, which is export-orientated and has expansion capacity.

Last year the corporation introduced its "World Player" scheme which provides cheap finance for SA firms operating in sectors undergoing tariff restructuring, to enhance their global competitiveness. About R150m had been set aside for the scheme this financial year.

BD 22/3/96

New business body (30)

SMALL business owners would have an independent voice in government decision-making through the newly formed SA National Federation of Independent Business, executive director Chris Darroll said.

The federation aimed to champion the interests of small business, owners by advancing their concerns on legislative, regulatory and policy matters affecting their businesses.

Sanfib members would determine the organisations position on matters via a ballot.

New voice for small businesses seeking the government's ear

(30)

ST(BT) 24/3/96

By CIARAN RYAN

A SMALL-business lobby has been formed to give thousands of entrepreneurs a voice in government decision-making.

The SA National Federation of Small Business (Sanfib), modelled on the 600 000-member National Federation of Independent Businesses in the US, has been created to represent the interests of small business on legislative, regulatory and policy matters which impact their businesses.

"Small businesses will be balloted on a whole range of issues which affect them and their employees," says Chris Darroll, Sanfib's executive director.

"We can then present the results to the government as a legitimate expression of small-business interests."

As a first step, members will be balloted on the draft National Small Business Enabling Bill, the Basic Conditions of Employment Act, which is currently under review, and proposed legislation on minimum wages.

CHRIS DARROLL

Although there are 3,3-million small businesses in South Africa, this sector remains poorly organised and neglected at policy-making levels.

Small businesses employ 17% of the economically active population yet have no voice in government or negotiating forums, other than nominal representation through organisations such as the SA Chamber of Commerce and the National African Federation Chamber of Commerce.

Sanfib expects to sign up 1 500 members this year, targeting businesses employing between five and 200 workers.

Its US counterpart has grown into one of the most powerful lobby groups in the country and is widely credited with defeating President Bill Clinton's proposed health reforms.

Mrs Darroll says Sanfib will not compete with the proposed National Small Business Council, to be created in terms of the National Small Business Act to give small business a voice in government. The NSBC will be government-funded, giving rise to fears that its independence may be compromised — and individual businesses may only seek representation through small business federations.

Sanfib's technical and advisory board includes Mrs Darroll, who is also executive director of the Small Business Project (which grew out of the Sunnyside group), and Jo Schwenke, executive director of the Small Business Development Corporation.

Sanfib will also educate legislators and civil servants on the problems faced by small businesses and "the values of free enterprise".

Meanwhile, the government's small business policy is starting to take shape with the opening of 15 local business service centres (LBSCs) around the country. Trade and Industry Minister Trevor Manuel formally launched the LSBC scheme in Mpumalanga last week. LBSCs will offer counselling, business management training, information and referrals and "experience exchange".

Merger aids black consortium

By ANDILE NOGANTA

THE MERGER of Simeka Ltd and TWS Communications, both part of JSE-listed Adcorp Holdings, saw the birth of Simeka TWS communications this week.

Black-owned Simeka Holdings, which owned Simeka jointly with Adcorp Holdings, acquired a 30 percent stake in the new company formed as a result of a merger between Simeka and TWS Communications.

The new company will start operations tomorrow, April 1.

Managing Director of the new company and previously Simeka MD, Phinda Madi, said that Simeka TWS will offer the largest team of skilled communication consultants under one roof in South Africa.

He said that the company to respond effectively to communication requirements of the market place.

(30)

Challenge

CP 31/3/96

"The greatest challenge in the communication industry is to balance technical proficiency with strategic insight and Simeka TWS aims to achieve this.

"We will strive not only to assist clients to achieve their communication objectives, but also to develop appropriate communication strategies in line with the current socio-political and economic realities," said Madi.

Executive director of Adcorp and chairman of Simeka TWS Communications Matodzi Liphosa said: "The success of Simeka encouraged the Adcorp Group to hasten the transformation process in line with the principles of black economic empowerment.

"The transformation of Simeka TWS is confirmation that the empowerment process is succeeding as today Adcorp's major shareholder is a black consortium," added Liphosa.

SMALL BUSINESS DEVELOPMENT CORPORATION

SMME failures worry financiers

(30) Sowetan 1/4/96

In South Africa up to 50 percent of small businesses close down

STATISTICS WORLDWIDE reveal an alarming failure rate within the Small · Medium and Macro Enterprises (SMME) sector, and in South Africa it has been shown that up to 50 percent of small businesses eventually fail.

First National Bank's assistant general manager for banking, Edgar Blomeyer, says the figure is of great concern to financial institutions and indicates that a great deal of research is still needed in this emerging market's specific problems and requirements.

"We at FNB have become aware that one of the most common causes for failure amongst small businesses is a lack of effective cash flow management and consistently emphasise its importance to the bank's prospective and established customers

"It is imperative that the small business owner maintains a stringent and accurate record keeping process, particularly with regard to cash flow – the control of money in and out of the business."

The FNB, like other financial institutions in the country, requires a 12-month cashflow forecast from all applicants for small business financing.

Blomeyer said the objective of this requirement is to ensure that the aspirant small business owner stands the best possible chance of success, adding that "a well thought-out forecast will demonstrate to the bank, as well as to the entrepreneur, that the project is viable and sustainable."

Recognising that educational disadvantages have, in the past, excluded many worthy candidates from financial assistance, Blomeyer says the FNB's policy gives an unbiased consideration to each individual who applies for financial assistance.

"Where necessary," Blomeyer says, "the FNB will provide the aspirant small business owner with comprehensive guidance in financial planning and management, including assistance in the drawing up of a business plan and cash flow chart.

"Mentorship and monitoring of the new small business can continue for a period of up to two years.

"The FNB is committed to doing all in its power to assist the emerging market sector. Given that it is a highly competitive market, we are determined to maintain a realistic approach to financing and to ensure that aspirant entrepreneurs are well aware of and equipped to handle the financial responsibilities of owning one's own small business."

Effective planning essential

TO MANAGE and expand your business effectively, budgeting and forecasting is absolutely necessary.

But many small to medium-sized businesses do not review their financial situation until a crisis occurs, says Hennie Visser, a consultant for Entrepreneurial Services at Ernest and Young.

Budgeting and forecasting provides visible direction to follow and a foundation against which to monitor actual performance. It helps you in the following areas:

- Because "cash is king" that no business can survive without irregardless of how profitable, it is critical to be able to predict the finance required for future events such as increasing stock and debtor levels during a period of expansion, acquisition of new capital or a fixed loan repayment programme;
- Financial planning alerts you should there be a reduction in sales or blow out in overhead costs. The effects will show on cash flow and profit for appropriate action to be taken;
- By making adjustments in your budget you can prioritise your future plans according to which will be most beneficial; and
- Acquiring new equipment or adding a product line will be a simply process by incorporating it into your budget.

Building up the community... small business operators making bricks.

New scheme for SMEs

Sowetan 1/4/96 (30)

Plan's aim is to support those venturing into self-employment

WITH MORE SOUTH Africans finding it hard to obtain employment in the formal sector, the alternative "is to work for yourself".

This idea was supported by Nedcor Bank. In his statement in 1995 as Nedcor chairman, Dr John Maree said "South African businesses need to encourage and develop the strong entrepreneurial spirit possessed by so many of our citizens".

NedEnterprise, a business unit within Nedcor's Reconstruction and Corporate Affairs division, was created to finance and develop small and medium-sized businesses (SMEs).

Its creation is viewed as an extension of one of Nedcor's core values, the promotion of social and economic health of South African society, both inside and outside the organisation.

NedEnterprise provides three broad services to its clients.

Broad services

Debt finance is provided in the form of terms of loans, installment sales agreement, overdraft facilities and other business-related finance such as letters of credit and guarantees.

Equity finance and quasi-equity finance is primarily, although not exclusively, provided to the "previously disadvantaged South African community through Msele NedVentures".

The third service is a consultancy which provides accountancy programmes and services, as well as a business planning and evaluation services.

"We support people who display entrepreneurial flair and drive, who have a viable business proposal," says

NedEnterpise equity funds manager Dr Brennan Nelson.

Brennan Nelson, senior equity and fund manager. "Empowerment does not mean handouts. It is giving individuals the ability to generate wealth and create employment."

On the debt side, NedEnterprise generally considers applications from R50 000 to R1 million. Term facilities are for the maximum period of five years and overdrafts are reviewed annually.

If circumstances are right, capital moratoriums and balloon payment facilities are considered. Interest rates are prime linked and are comparable with industry norms.

Personal guarantees, cession of loans and life assurance policies are standard security and are required over and above other available security which is often supplemented using guarantee schemes. A business development manager at NedEnterprise assists the client through the process.

Suitable franchise

The Franchise Fund will invest equity capital in suitable franchise master licences and franchisees. This means that the fund does not give a loan but takes a stake in the business.

It does this using ordinary shares, debentures and shareholder loans. The fund's shareholding ranges from 30 to 49 percent.

The maximum amount of the fund will invest in a master licence agreement is R12,5 million with a minimum investment of R500 000.

For a single franchise or franchisee, the maximum investment is R5 million, with a minimum investment of R100 000.

The fund will not be a permanent shareholder, but will terminate its investment within four to seven years.

While providing management support, The Franchise Fund will not interfere in management unless it is absolutely necessary. This support takes the form of assistance with the definition of strategies and policies, networking and support in setting up management control systems, preparing budgets and pro-forma financial statements, rather than day-to-day management.

Nelson's firm view is that franchising is a safer way of transferring skills. He says skills transfer is critical and capital comes next. With the ability to transfer skills, franchising has a vital role to play in creating opportunities.

'Empowerment gives individuals the ability to generate wealth'

"In the US, for instance, about 50 percent of all the retail sales are generated through this concept. In South Africa, the figure is about eight percent. The South African market is relatively untapped and ripe," he said adding that "to our knowledge, this is the first venture capital fund in the world".

The Msele NedVentures Fund was established as a joint venture between Nedcor Bank, Msele Finance Holdings, DEG, a German development agency; Proparco, a French agency; and the Swiss Federal Office for Foreign Economic Affairs.

The fund will inject equity capital of between 30 and 49 percent for between three to five years.

Like the Franchise Fund, Msele NedVentures provides the necessary support to ensure the security of its investment, the transfer of skills and reasonable economic return.

Both the Franchise and the Msele NedVentures Fund invest in companies whose owners and managements are reputable and have demonstrated an ability to manage the proposed business.

The entrepreneur must have an interest in the business. The funds do not invest in "seed" or start-up businesses. So where to from here?

The business proceeds start with a detailed business plan. NedEnterprise has the expertise to assist the entrepreneur to complete this task.

If the business plan passes the initial evaluation, the business is then valued, the optimal financial structure considered and the outline terms of the deal discussed.

Financial viability

A due diligence process occurs to establish the technical and financial viability of the investment. This is a highly detailed process that provides the evidence to support or undermine the business plan.

It includes getting references on the company from suppliers; customers and bankers as well as the management team.

Once this process is complete the final deal can be negotiated and an investment prepared by NedEnterprise for submission to the investment committee. And as soon as legal documents are drawn up "the business of business" begins.

"Both the Franchise and Msele NedVentures Funds have the potential to make a significant contribution to reconstruction and development in South Africa," says Nelson.

Top Nafcoc duo loses out in 'coup'

BD 2/4/96 (30)

Theo Rawana

TOP National African Federated Chamber of Commerce (Nafcoc) members Sipho Tanana and Cyprian Lekoma were victims of an electoral coup at the weekend when they were replaced in their respective positions of deputy president and general secretary.

Tanana was replaced by affiliate Nafto chairman Peter Rabali, and Lekoma by Nafcoc Gauteng president Mashudu Ramano.

The elections had been described last month by now new general secretary Ramano as "ushering in a younger, professional executive". He had hinted then at Tanana not being around after the event.

Former Free State president and national vice-president Lemmy Mule, another ousted executive member, said the election at the AGM in Johannesburg had not been properly handled. He alleged there had been interference in the Free State region's poll to bring about the election of former QwaQwa member Beef Molefe as president of a united Free State region. Mule said that the majority of the Free state business community, which did not recognise the new regional executive, were to meet soon to decide what action to take because they were not happy with the way the Free State regional elections were handled.

"A number of other regional chambers, including the Eastern Cape, the Transkei, the Western Cape, Northern Transvaal and Northwest were also not happy with the way the national elections were handled," Mule said.

He said the AGM had been unprocedurally conducted because no report of the Free State election had been submitted. "Tanana and Lekoma were forced to apologise for statements they made against Nafcoc president Joe Hlongwane," Mule said.

Meanwhile Nafcoc has rejected media reports that there is a leadership crisis within its ranks. The Nafcoc caucus had not re-elected Tanana and Lekoma because of statements they had made which caused speculation that there was a crisis, the organisation said. They had apologised to Hlongwane and Nafcoc "for being implicated with statements which had the potential to bring the organisation into disrepute", it said.

Ramano said the national council was satisfied the Free State elections had been conducted procedurally.

Nafcoc now looked forward to the challenges presented by the new dispensation in SA, Ramano said. "We have not been making an impact in a strong and meaningful way; we were not 'playing the centre stage role'. Now we will be moving in that direction."

Nafcoc would also step up its efforts to unite black business.

Lekoma said he had not been elected because he had not stood for re-election. "I am still a member of the national council, chairman of the Northwest chamber and president of the Western Transvaal Chamber of Commerce. I am a member of the Nafcoc board of trustees and serve on several committees," he said.

Dissenting voices in Nafcoc silenced?

(30) Sowetan 4/4/96

By Mzimkulu Malunga

IT LOOKS as if the Nafcoc leadership has succeeded in silencing dissenting voices within the organisation but it is not clear whether the disagreements within the organisation have been laid to rest.

Already leaders from regions which openly declared their lack of confidence in the leadership, feel that last weekend's elections were aimed at silencing them. They have hinted they might fight back.

Nafcoc president Joe Hlongwane appears to have strengthened not only his own position, but also that of his allies such as the new general secretary Mashudu Ramano.

Ramano has for some time been tipped to be among the young professionals in Nafcoc who are being groomed for the presidency in future and his election to the general secretary's position is seen by many as good news as it introduces young blood in to the leadership.

While Ramano is known to be a dynamic character, it is not clear whether his rise in the organisation is dependent on his closeness to Hlongwane or out of recognition of his talent.

Unfortunately, since the retirement of Sam Motsuenyane as president, there has not been proper stability at Nafcoc's leadership level as various groups within the organisation started jockeying for positions.

The appearance of these factions has hindered Nafcoc from focusing its attention where its services are needed most – ensuring that black business is taken seriously.

What is even worse is that most of the disagreements in the organisation centre on personality differences instead of policy issues, with almost everyone of what some refer to as the "old guard" pushing to become president.

Taking a back seat

In the meantime, black business is taking a back seat in the debates around mapping out the country's economic future.

For instance, in the past few months, big business, the Government and the organised labour tabled their respective economic visions for South Africa and black business – which Nafcoc is supposed to lead – is sitting on the sidelines.

While it is a fact that black business does not have the necessary resources to compile comprehensive economic studies like those conducted by the likes of the South African Foundation, organisations such as Nafcoc are not justified to sit back and concentrate on less important issues.

Black g(

How unions are muscling in o(

Having helped to secure democratic government, trade unions are responding in new ways to th: the Johannesburg Stock Exchange of the Mathomo Group is one of several similar moves by u

4/4/96 (30)

ESTELLE RANDALL
Labour Reporter

THE Johannesburg Stock Exchange listing of the Mathomo Group Limited signals a more assertive approach from trade unions to compete in the economy.

Mathomo is the product of a joint venture between the Mineworkers' Investment Company (Mic), the Charne Group of Companies and the Standard Corporate Merchant Bank.

Mic was started in July last year as the investment arm of the National Union of Mineworkers (NUM). It is wholly owned by the Mineworkers' Trust, which the NUM established to ensure a separation between union business and the business of making money.

The Trust's function is to reinvest wealth generated by the Mic into social programmes, including provision of bursaries to mineworkers and their families, and improving the infrastructure and services in areas where mineworkers have a substantial presence.

Mic chairman and African National Congress MP Marcel Golding said Mathomo's listing represented workers trying to get a stake in the South African economy and contributing to black empowerment.

Before his election as an MP, Mr Golding was acting general secretary of the NUM, when Cyril Ramaphosa left to work in the ANC.

"In the past the unions were seen as the destroyers. Now they are becoming the creators of wealth and building working people's capacity to play a constructive role in building companies," he said.

Mr Golding said the formation of Mic and its joint ventures had not caused any tension within the NUM.

"Mic was started because the union saw the need to play a constructive role in the economic reconstruction of South Africa."

Mathomo comprises Select Sports Wholesalers (Pty) Ltd, Eric Andrews Sports (Pty) Ltd and Burke Russell Macnab Investments (Pty) Ltd.

The company has 85 stores on mines, in mine hostels, industrial complexes, power stations and commercial centres which sell popular brand-name clothes, shoes, sports goods, mattresses, blankets and workwear.

Its labels include Bear International, No Rules, Senqu, Instinct, and Lemon and Soda, and it markets Pierre Cardin active-wear under licence.

The stores, whose main customers are workers in the mining and energy sector, sell their goods on a retail basis through direct monthly wage deductions from workers' wages and directly to mines on a wholesale basis.

Apart from its 85 stores, Mathomo also distributes through retail chains such as Edgars, Sales House, Jet, Markhams, Stuttafords, Truworths, Smart Centre and John Craig.

Non-executive members of Mathomo, who do not draw salaries from the company, include NUM general secretary Kgalema Motlanthe who is also a director of Mic and chairman of the Mineworkers' Provident Fund with assets of more than R2,2 billion.

TORCHBEARER: The National Union of Mineworkers is in the forefront of attempts to give workers a stake in the economy.

Investing union billions in partn(

Labour Reporter

BESIDES its involvement in the Mathomo Group, the National Union of Mineworkers' investment arm, the Mineworkers' Investment Company (Mic), has also formed a joint investment company with the South African Clothing and Textile Workers' Union (Sactwu).

The company, South African Amalgamated Union Investment Company, is exploring the option of a stake in Vodacom, the cellular phone network company.

More details about the company's operation would be given later, said Marcel Golding, chairman of Mic and an ANC MP.

Mic earlier secured a 25 percent stake in Pepsi through New Age Beverages as part of a joint venture with Sactwu's investment company.

Sactwu was one of the first South African trade unions to establish an investment arm - Sactwu Investments - with a minority share of Real Africa Investments which was listed on the Johannesburg Stock Exchange in 1994.

In January this year Sactwu entered into a consortium with major black businesses to form Tsogo Investments which in turn formed Tsogo Sun – a partnership with the Southern Sun Group.

The partnership plans to develop a R2,4-billion Century City Hotel complex on 200 ha alongside Cape Town's proposed Olympic site in Milnerton.

Tsogo Sun has applied for a gambling licence but said the planned complex would go ahead irrespective of whether it was granted a licence. It estimated that the development could generate between 10 000 and 15 000 permanent jobs

While the NUM and Sactwu appear to be making progress with their busi... in 1994 to ... South Af... (Cosatu) ...

The Co... entered i... 1994 to f... tium with such as the Business (Fabcos), ... ated Ch... coc) as w...

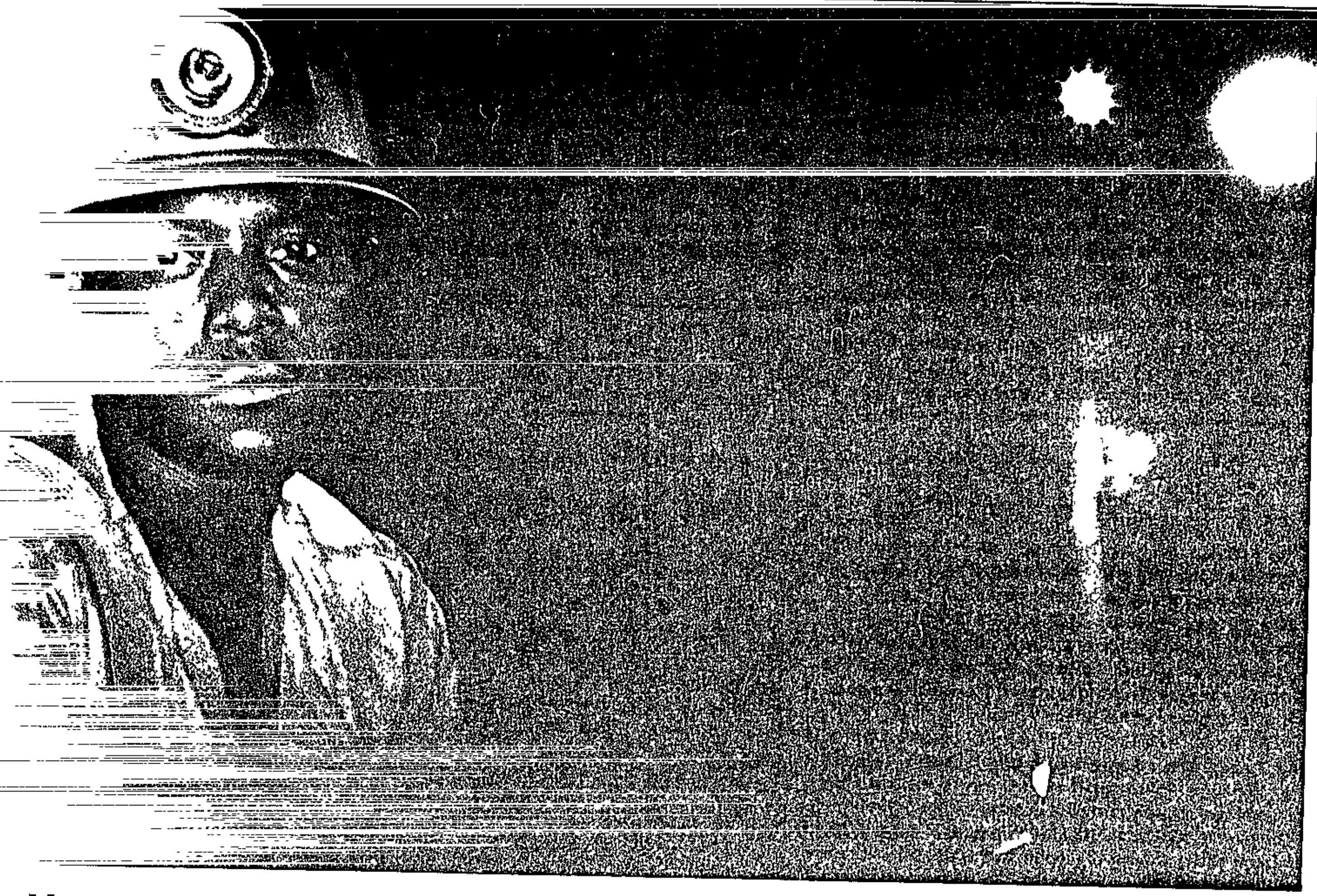
The idea had limited leading to out of the ... sequently ...

ck gold

nuscling in on the money game

ɔns are responding in new ways to the clamour for economic empowerment. The listing on
ꝑ is one of several similar moves by unions aiming to give workers a stake in the economy.

(30) ARG 4/4/96



illions in partnership with black business

Tsogo Investments which in turn formed Tsogo Sun – a partnership with the Southern Sun Group.

The partnership plans to develop a R2,4-billion Century City Hotel complex on 200 ha alongside Cape Town's proposed Olympic site in Milnerton.

Tsogo Sun has applied for a gambling licence but said the planned complex would go ahead irrespective of whether it was granted a licence. It estimated that the development could generate between 10 000 and 15 000 permanent jobs.

While the NUM and Sactwu appear to be making progress with their business ventures, an attempt in 1994 to establish a Congress of South African Trade Unions (Cosatu) company failed.

The Cosatu Holding Company entered into an abortive attempt in 1994 to form a gambling consortium with black business groups such as the Foundation for African Business and Consumer Services (Fabcos), and the National Federated Chamber of Commerce (Nafcoc) as well as Sun International.

The idea of a gambling venture had limited support within Cosatu, leading to the federation pulling out of the consortium, which subsequently collapsed.

However, another trade union federation, the National Council of Trade Unions (Nactu), has made investments in New Africa Investments Limited (Nail) and MTN.

Nactu is also part of Tsogo Sun, the joint venture between Tsogo Investments and the Southern Sun Group, which is planning to build a R2,4-billion business and entertainment complex in Milnerton.

Nail is the largest black company on the JSE and is said to be interested in acquiring Anglo American's 48 percent shares in Johnnic.

These include an industrial portfolio valued at about R8 billion and which has minority holdings in SA Breweries, Toyota and the Premier Group. Anglo's Johnnic shares also include 43,2 percent ownership of Omni Media which controls Times Media, publishers of the Sunday Times and Business Day. Nail already has a stake in the country's largest daily newspaper, The Sowetan.

Recently there has been speculation that leading trade unions could be negotiating for a stake of Johnnic, possibly in a joint venture with Nail.

Black firm for JSE (30)

By ANDILE NOGANTA

CP 7/4/96

THE deregulation of the Johannesburg Stock Exchange (JSE) which allows corporate membership has seen the Foundation for African Business and Consumer Services (Fabcos) and the National Council of Trade Unions (Nactu) joining forces to form a black controlled stockbroking company.

The new company, to be controlled jointly by Fabcos and Nactu, will open the way to an arena hitherto uncharted by the disadvantaged.

The company, to be called Equisec, will start trading in the next few weeks.

Black economic empowerment is a major objective of the company.

To further that aim Fabcos and Nactu will give their respective memberships the opportunity to be directly involved in the ownership of the company.

Equisec aims to make the services and products of the Johannesburg Stock Exchange more readily available to the black consumer, labour and business communities.

Soweto chamber restructures

Theo Rawana

THE Greater Soweto Chamber of Commerce, faced with the task of addressing all business issues in its area, had decided to restructure its executive from a retailers-only committee to one that included all sectors, president Sam Noge said yesterday.

The chamber had identified several sectoral business organisations. Among the 20 business groupings which had shown interest in becoming members were the Soweto Builders' Forum, Soweto Independent Shopkeepers' Association, Soweto Ceiling Club, Soweto Hardwares Association and Orlando West Industrial Park Association.

Coopers & Lybrand was providing business skills training to members in a programme sponsored by the British Development Agency.

(30) BD 11/4/96

The NAIL file: South Africa's top black business

(30) Star 13/4/96

By JACQUI REEVES

The development of New Africa Investments (NAIL) has been described as the most successful black initiative in the history of South African business.

Seeking a foothold in the economy, NAIL's first investment was in assurance company Metropolitan Life. NAIL acquired control of Metlife through a transaction with Sankorp, the investment holding company of Sanlam, one of South Africa's most powerful insurance firms.

The group's second acquisition gained it control of South Africa's biggest daily newspaper, the Sowetan, from what was then Argus Newspapers.

At the same time, the fast-developing company was negotiating with local and international partners for a 20% stake in cellular network MTN.

Its shareholders include M-Net, Fabcos, Cable & Wireless, Transtel and union-affiliated pension funds.

NTHATO MOTLANA

With Nthato Motlana at the helm, the company operates by building strategic alliances with big business and financial institutions. Backing it are 8 500 shareholders and a million members of pension and provident funds.

Nail has been in the news recently as one of two main contenders for Anglo American's 48% stake in industrial group Johnnic, worth R4-billion. It is understood NAIL and the National Empowerment Consortium could be equal partners in the bid.

Industry sour-ces say the deal may be more palatable for Anglo if it can negotiate the deal with the two bidders as a unit.

Anglo has indicated it would be willing to sell its stake in stages to allow the bidders easier access.

Small business body urges haste on policy

(30)

Theo Rawana

BD 15/4/96

THE National Small Business Council hoped changes brought about by the Cabinet reshuffle would not affect the momentum maintained towards formulation of a workable policy on small business, incoming council president Dave Moshapalo said at the weekend.

The council, initiated by President Nelson Mandela last year to represent small business' interests, would attain recognition as a statutory body when the National Small Business Enabling Bill became law, he said.

Initially funded by government, the council — made up of 18 (two from each province) councillors and five experts — reserved the right to generate funding and would fight for independence from government, Moshapalo said.

On progress in discussions towards consensus on policy affecting small business, Moshapalo said: "We hope that there will be minimum delays and the process should be completed by June. We need to keep the momentum. Speed is of the utmost essence."

Are black empowerment groups really black-owned?

(30) CT(BR) 15/4/96

By Majakathata Mokoena

Cyril Ramaphosa's decision to become a businessman can only be a positive addition to the world of wheeling and dealing. He brings to the table rich experience as a negotiator and an extensive list of contacts that can only benefit the group he is about to join though he leaves a dangerously disproportionate ethnic balance in the government of national unity.

For black economic empowerment groups, he brings to the table real power he has acquired in the trade union and political arenas. But he must be careful not to fall under the spell of corporate mediocrity that afflicts most of the empowerment groups.

Worries about the state of the groups abound. Take Business Report's recent story about NSB's souring deal with the Indians. The deal was waiting for approval by the South African Reserve Bank and the Reserve Bank of India. Having ensconced themselves in key positions within NSB, however, the Indians do not seem to have the wherewithal to make true their commitment.

If the Reserve Bank of India had not approved the deal in the first place, why are the Indians occupying the cozy positions in NSB boardrooms? Watch out, Ntate Mahanyele: "Dithoto ke lefa la baa bohlale (Fools are the wealth of the smart)."

Something is amiss here, and it seems to be a part of the disease that afflicts most of the empowerment groups — lack of confidence in themselves and in the younger, talented, and better-educated black professionals roaming the corridors of white-owned institutions.

Only two years ago, NSB attracted the best and brightest. Yet when crises have struck, those in positions of power have sought solace in foreigners or white people, not the black talent they have helped cultivate.

When are black people going to learn to solve their own problems or at least to make their own mistakes, instead of having others commit them on their behalf? Are we witnessing the managerial resistance of an old elite reluctant to pass on the baton to younger, more astute black professionals for fear of being eclipsed?

The African Bank is an example of this. Built with hard-earned pennies from the selling of fat-cakes and fish and chips to schoolchildren in the townships, the bank was to be destroyed by the "Ou Baas NBS".

The young black professionals who were originally attracted to the bank by a vision of self-reliance were left pathetically ill trained and ill prepared to save the bank, even if they had been given a chance. Consequently, the bank was put under curatorship, and the NBS was called in to provide the badly lacking managerial skill.

Because of the inability of many blacks to raise capital, the 25 percent stake the government holds in the African Bank is threatened by the NBS. Thus, shares which should be warehoused for future sale to black people to keep African Bank as predominately black-owned as Absa, FNB, Nedbank, and Standard Bank are white-owned, are likely to pass into white hands.

WAITING FOR EMPOWERMENT *How long before black economic gains are really felt across the nation?*

If blacks could maintain their strength in African Bank and other similar institutions, they could help future generations overcome the belief in the superiority of whites over blacks.

This belief still permeates our society, all the way up to our leaders in government and the supposedly more sophisticated empowerment groups. Of course, with the exception of those few who have remained true to the grassroots businessmen and women struggling from the pavements of our cities and townships, most empowerment groups seem to have forgotten who their constituency is.

> *'When are black people going to learn to solve their own problems or make their own mistakes?'*

They also steer clear of using black talent, citing lack of experience. The sad reality is that the empowerment group leaders are not really in charge of their institutions. Control lies with the people who own the bulk of the paid-up shares in the relevant companies, with those who have real managerial power through technical expertise and with those who lent black business leaders the money to pay for the companies they nominally own.

Just think where the power lies in the better-known empowerment groups. We have learned where it is in NSB and the African Bank. But the seemingly more impregnable New Africa Investments Limited and Real Africa Investments Limited have white godfathers as well. They too have foreigners as providers of loan or equity capital as well as managerial expertise, making them little more than front organisations.

Let us hope Ramaphosa can change this. He has accumulated too much respect in the new South Africa to simply squander it.

If almost all empowerment groups have their real power vested in white or foreign interests, can we even call them black economic empowerment organisations? We have to face the world as it is, not as we would like it to be. That way, we can provide better solutions for the real problems at hand. The challenge we blacks must confront is the inability to properly manage our affairs and take care of whatever wealth we have accumulated thus far.

We need a form of measurement which will help guard against the robbing of formative black wealth in the new South Africa. The challenge is to define accurately the real extent of black ownership and power that blacks have in the empowerment groups. Quantifying this will force us to face the reality of our wealth as it is, not as it appears.

We should go even deeper and measure the sustainability of the shareholdings we buy, keeping in mind that ownership attained with borrowed money is only as sustainable as the patience of the lender. The shareholder's destiny, is thus determined by the lender, not by the shareholder himself.

There is one bold way of calculating real black control in companies: the black economic, or equity, value. Admittedly, this is a back-of-the-envelope calculation, but it attempts to measure the real value of shares owned minus the cost of their acquisition. The value would equal the value of shares held minus the sum of the debt incurred to acquire the shares and the interest expense.

> *Those in positions of power have sought solace in foreigners or white people, says Mokoena*

The results may be harsh, but not many blacks can afford to buy millions of shares without borrowing substantially. And those lucky captains of the stronger empowerment groups are either leveraged to the hilt in their shareholdings or have acquired the shares through pure, unadulterated charity, which can only mean that they are forever beholden to those who made possible these acquisitions. Ironically, the poorer minority shareholders who actually buy their 200 or so shares have to fork put real money to purchase them.

Now, back to the formula. Say one owned 25 million shares of Nail or Rail, bought at R1 a share with an 18 percent loan two years ago. Assume the shares are still valued at R1 a share today. The calculation would then be: Black Economic Value = [R25 million (the current value of the shares) - R25 million (the value of the shares at the time of purchase)] - [R25 million (the debt incurred) + R4,5 million (18 percent interest on the debt over one year)] or R0 - R29,5 million. The value is thus -R29,5 million

Now, assume the share value doubles and see what happens.

BEV = [R50m-R25m] - [R25m+R4,5m]
= R25m-R29.5m
= -R4,5m

The value is still negative because the initial R25 million has to be paid back by selling the shares originally bought.

This method might help measure not only the black economic value in empowerment groups, but also the companies in the JSE.

If we know the number of shareholders in a company and the way they have financed their shares, we may also be able to add to it and calculate the Black Economic Value Distribution Quotient; that is the value divided by the number of shareholders.

According to the example above, even after the share price has doubled, the value is still negative. That means the share price has to grow by more than 100 percent for the value to be positive. I do not know how long one has to wait for one's shares to double so they are worth something.

We should be careful not to leverage our children's future and provide them with a situation worse than ours, which is pathetic enough.

We not only have to be able to measure our wealth; we also have to protect it with all we have. We have an obligation to make it grow for the sake of the country and our children. To do so, we have to ensure that we really own the black economic empowerment groups and cultivate a depth in managerial ability to protect them for future generations.

'ANC focusing on economy as key arena of struggle'

(30) ET 15/4/96

MR CYRIL RAMAPHOSA talks to MZIMKULU MALUNGA, AGGREY KLAASTE and MIKE SILUMA about his move from Parliament to New Africa Investments Limited (Nail).

WHY did you decide to leave politics to join a black company that is a key player in the economy?

Given our country's transformation challenge to have an economy that will have sustainable growth, I see joining Nail as a move to another terrain of struggle. After the success of the political struggle, I see this as an attempt to play a role in that area.

The economy is one of the spheres where the legacy of apartheid remains acute. We are likely to see more key black political leaders entering the economy. This is a national mission and not so much a question of a few people enriching themselves.

However, we need to be creative and look at how to give meaning to the whole concept of black empowerment. Is it the enrichment of a few or is it a situation where we create vehicles that can help empower people?

The orientation of white business, which has been very successful, has always been: "We are going to help empower our own." I think it is about time that among black people we begin to have that kind of approach.

How will your joining Nail be seen by the financial markets?

Rather than being seen as an event that will dampen the markets, I think it should be viewed as an affirmation of what we want to achieve as a movement, as a people and as a country. In our political circles, the business sphere was always looked down upon. We have done this to our own detriment and to the detriment of the country.

I think getting into corporate Africa, being part of Nail and working together with Dr (Nthato) Motlana, Dikgang Moseneke, Enos Mabuza and Jonty Sandler is going to mean that you have a concentration of rather able people who can attract a number of business opportunities. They will be able to add value to whatever operations or enterprises they get involved in.

One of my key interests is the area of small black business. I would like to see what we can do, what the economy can do, what the government can do to assist and to ensure that small black business does come into the mainstream of the economy.

Will your move be seen as a desertion of your old constituencies, such as the trade unions?

I have briefed comrades in the National Union of Mineworkers.

They are excited that I could be part of the Johnnic bid. Given the fact that unions are also getting heavily involved in business and are in many ways becoming employers, the ideological divide (of capitalism versus socialism), which existed in the past, is no longer the main issue.

Are you leaving politics because you are out of the race to succeed President Nelson Mandela?

I think presidents are made of sterner stuff. Being part of the ANC collective, we are not accustomed to saying: "This is my ambition." It is the ANC that finally decides what we should be and where we should go. It is the leadership of the ANC that has taken the decision that I should move in this direction. My deployment demonstrates how seriously the ANC is approaching the economy. Saki Macozoma has been deployed in Transnet. I am now being deployed in the private sector. The ANC is beginning to focus on the economy as the key arena of struggle to completely transform SA society.

Does your move mean that the ANC is taking over Nail?

A corporation such as Nail does not need a political name-tag. The important thing is that it should be a serious, efficiently-run business that is going to play a key role in the economy. It is sheer coincidence that I am ANC and Dr Motlana, the chairman, is known to be ANC.

What is your role in the Johnnic bid?

I have dealt with people who have been involved with the bid. I have been consulted and briefed on an ongoing basis, initially by the unions. Later I interacted on this issue with black business. The role I will play largely depends on what is decided by the parties that are involved in the bid, such as Nail, the National Empowerment Consortium and others. Johnnic is important because it is one of the possible key vehicles of black economic empowerment.

What is the role of unions in the economy?

Unions want to have a stake in the economy and I welcome that. This is something that big business should welcome. The unions are already demonstrating a good acumen for business. I have been, for instance, to the NUM conference and seen how workers have been analysing the reports of NUM investments with a great deal of pride, saying: "We own this. This is ours." Giving workers a stake is the way to go to ensure more people have a stake in the economy. Unions want to play a more meaningful role. They also have opinions about the growth of the economy. It should no longer be the prerogative of white business to play a key role in the economy.

What is your view on unbundling and competition?

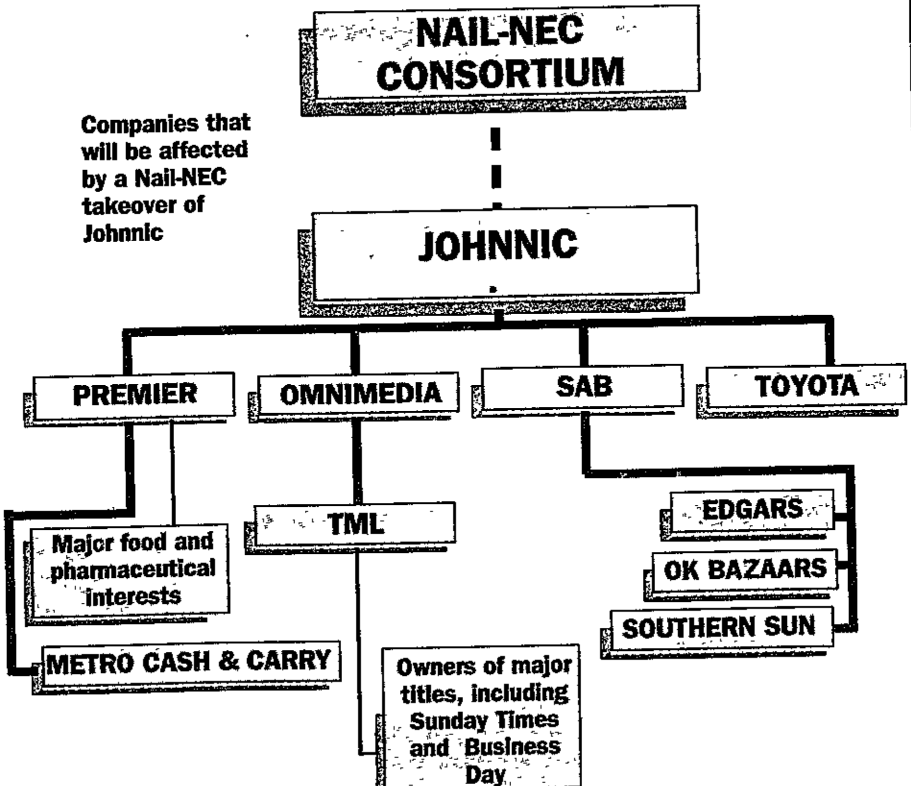
Competition is the hallmark of any democratic dispensation. I firmly believe that our relations with unions must be consistent with good democratic principles. Competition is healthy. But where you are going to grow so big that you crush others who want to start playing a role in an area of business activity is unhealthy. Part of the problem in this country is that many of our companies have not been sharpened by the competitive spirit found in other countries.

Has black empowerment meant the enrichment of only a few?

My key objective in getting involved in Nail is to ensure that economic empowerment is seen to be real and to be to the benefit of the disadvantaged. We would need to hold discussions with the stakeholders, such as unions and politicians, to define what black empowerment is all about. I see the entry of unions into the economy as fulfilling an aspect of economic empowerment for workers. We need to be creative. The challenge of empowerment faces not only people such as myself, but also the union movement and everybody else, including the government.

● See Page 13

Cyril Ramaphosa hopes his appointment will facilitate a successful joint bid for Johnnic.



Ramaphosa's tough task

(30) Sowetan 15/4/96

By Mzimkulu Malunga and Rafiq Rohan

CYRIL Ramaphosa, appointed deputy executive chairman of New Africa Investments Limited (Nail) at the weekend, will spearhead the group's bid for Johnnic in the biggest drive by black business to acquire a major stake in the South African economy.

This was confirmed yesterday by joint Nail deputy executive chairman Mr Dikgang Moseneke, who said the bid by the company – together with the National Empowerment Consortium – would be tabled to the Anglo group within days.

With Nail and NEC bidding jointly, this becomes the sole bid for Johnnic – the unbundled industrial portion of Johannesburg Consolidated Investments.

Anglo representative Mr Musekiwa Kumbula said yesterday his company was looking forward to the Nail-NEC proposal for consideration.

In an interview with *Sowetan* Ramaphosa expressed the hope that his appointment would facilitate a successful joint bid for Johnnic – estimated to be worth around R4 billion.

His move to Nail, which sent shock waves and excitement through the business and political

● Continued on page 2

● Continued from page 1

worlds, was seen as a coup for Dr Nthato Motlana and his lieutenants. It follows months of behind-the-scenes negotiations and consultations with political figures as well as the labour movement.

The talks, which went right up to President Nelson Mandela, culminated in Mandela's announcing in Cape Town on Saturday Ramaphosa's pending departure from Parliament. Nail chairman Motlana was at Mandela's side.

Ramaphosa told *Sowetan* the decision to move to Nail was not unilateral as there were consultations within the ANC. "This move has the blessing of the top leadership in the ANC," he said.

His "deployment" in the private sector was a demonstration of how seriously the ANC viewed the economy. But this did not mean that the ANC was taking over Nail.

"It is just a coincidence that I am ANC and Dr Motlana is also ANC," he argued, adding that Moseneke was not.

Initially, when it was hinted that Ramaphosa might choose to join the private sector, he was wooed by a number of companies, including, it is understood, Thebe Investments.

Ramaphosa becomes arguably one of the most influential people in the business sector, following his experience as trade unionist, ANC negotiator and Constitutional Assembly chairman.

Speculation was that he was earmarked for a number of influential Government positions, ranging from future deputy president to minister of foreign affairs.

"There is an over-concentration of capable people in Parliament and Cabinet. We need more black people at a senior level to begin to transform the economy, and I want to play a role in that," Ramaphosa added.

Although both Mandela and Ramaphosa were casually dressed during the announcement, Mandela's face mirrored the seriousness with which he had to deal with the announcement. In 1994 Ramaphosa wanted to quit but Mandela persuaded him to stay.

"I prevailed upon him that the timing was not right for him to do so, but this time I have allowed him to go because of the critical role he's likely to play in ensuring that this wide gap between white and black business is closed," said Mandela.

Although resigning from his Government position, Ramaphosa would, at least for now, continue as general secretary of the ANC and member of its national executive committee.

While Ramaphosa has played a pivotal role in negotiating for the GNU and the Constitution-making process, his loss from government does not mean his loss to the nation, Mandela added.

"His presence in the private sector will further cement the critical partnership between the ANC and Government on the one hand, and business, the trade union movement and the rest of civil society, on the other," he said.

It was a government priority to ensure that the racial chasm in South Africa's business world be closed, Mandela said. "Big business is by definition white. Blacks – and here I mean Africans, coloureds and Indians – are confined to small and medium-sized business. We want the economy to be improved and it cannot be improved if the wide gap still exists."

Ramaphosa was best qualified to do this, Mandela said.

Mandela's call to black business

(30) Sowetan 15/4/96

Mandela wants black empowerment to improve the lives of the majority

By Gabu Tugwana
New Nation Editor

PRESIDENT President Nelson Mandela yesterday lamented the state of chaos and disunity in black business.

In an exclusive interview with *Sowetan* in Cape Town at the weekend, President Mandela also appealed to black business to unite and work towards achieving the ideal of black empowerment. This would create more jobs and help to better the lives of the majority.

He explained that one of the key reasons for releasing Mr Cyril Ramaphosa to join the private sector was to help strengthen those working for black economic empowerment.

Disagreement on candidates

Often when the President tried to get a joint delegation of Nafcoc and Fabcos to accompany him overseas, the two organisations could not even agree on candidates He said in the past he had stressed the point about the crippling effects of disunity in black business circles.

Mandela said the gap between white and black business had to be closed. "White business, by definition is big business .. while blacks represent the small to medium size sector.

"Ninety percent of the country's means of production are in the hands of six conglomerates.

And black business needed education, skills, training and resources to close the gap

'We had hoped to achieve six percent (growth) in order to create more jobs'

In his presentations to business abroad, Mandela said he had repeatedly appealed to investors to enter into joint ventures with black business.

But on his return home, white business opposed this position, saying their organisation had the infrastructure to deal with overseas investors.

They also suggested that black business should work through them since blacks were still being promoted to positions of authority.

"But I refused to accept this and said they could not promote a few individuals because I did not know what happens inside each company I said I was told they had not assigned any responsibility to the people they promoted "

Mandela rejected criticism from black business that the Government was slow to effect black economic empowerment.

He said critics should be reminded that after his government took office, it found that the country had borrowed $250 billion (about R1 000 billion) from the international community. This debt was serviced at $34 billion (about R136 billion) a year. Between 1985 and the first half of 1994, he said there was a flight of $51,7 billion (about R207 billion) investment capital. Since the new government took office, $30 billion (R120 billion) had returned to the country.

'Create more jobs'

"There has also been a reduction in individual and company insolvency; we have also reduced inflation from 13 to six percent; transformed the negative growth which we had for two decades into a positive three percent.. although we had hoped to achieve six percent in order to create more jobs," added Mandela.

He said the Government was still on track as far as its promises were concerned In the runup to elections, he said, he had indicated it would not be easy to achieve a better life for everyone He had indicated that it would take up to five years

President Nelson Mandela shakes hands with African National Congress general secretary Cyril Ramaphosa after announcing Ramaphosa's resignation from Parliament in Cape Town on Saturday. Ramaphosa's resignation takes effect when the Constitutional Assembly finishes its work on the final Constitution. Ramaphosa is staying on as general secretary of the ANC. PIC AP

'Unity in black business' (30)

Patrick Wadula

BD 16/4/96

THREE major black business organisations yesterday dismissed allegations by President Nelson Mandela that disunity prevailed in black business circles.

The National African Chamber of Commerce (Nafcoc), the Foundation for African Business and Consumer Services (Fabcos) and the National Black Business Caucus were responding to weekend comments made by Mandela to the Sowetan newspaper.

Mandela reportedly told the newspaper that when he tried to get a joint delegation of Nafcoc and Fabcos to accompany him overseas, the two organisations could not even agree on their candidates.

Nafcoc president Joe Hlongwane and Fabcos general secretary David Moshapalo said there was no tension between them, and that they were working together on black business initiatives, such as a joint venture with German company MAN SA.

SME's receive growing attention from policy makers

Sowetan 18/4/96 (30)

***Sowetan* Business Correspondent**

UNITED Nations Conference on Trade and Development (Unctad) secretary general Rubens Ricupero says the role of small-to-medium enterprises (SMEs) in economic development is receiving increased attention from policy makers in the 1990s.

In a pre-conference report on next week's ninth Unctad meeting, Ricupero says enterprises are the building blocks of any economy.

The Unctad conference is to be held at Gallagher Estate from April 27 to May 11.

"These SMEs form the entrepreneurial engine of the dynamic processes of capital accumulation, growth and development. This has been a text book tourism for many years, but only recently has it found wide expression in the policy approach to major issues," he says.

The increasing interest in SMEs, suggests Ricupero, is due to a number of reasons such as:

- *Poverty:* Micro-enterprises are increasingly seen as the means to empower the poor and the disadvantaged;
- *Employment:* Small and medium sized enterprises are seen as major contributors to job creation, even in the mature industrial economies facing structural unemployment;
- *Adjustment:* The considerable experience now gained from structural adjustment programmes in many developing countries, suggests that the supply response of enterprises is essential to the success of structural adjustment measures;
- *Transition:* The nurturing of a whole new class of entrepreneurs and wealth seekers is fundamental to the reconstruction of the former socialist economies in line with market principles;
- *Privatisation:* Fiscal burdens, coupled with the need to promote entrepreneural and economic efficiency, have prompted the transfer of enterprises from the public to the private sector in the developing and already developed countries;
- *Competitiveness:* The best industrial exporters among developing countries have relied on enterprise development strategies, including linkages with foreign investors;
- *Competition:* The trend towards a borderless world is increasing competition and bringing enterprise issues within the ambit of international discussion and negotiation;
- *Access to networks:* Successful enterprises have drawn their strength from global economic and other business networks.

According to Ricupero, nearly all the developing countries and economies in transition have enacted an array of institutional and economic reforms to liberalise the environment for enterprise activity over the past decade.

Ricupero says enterprises in the developing countries and economies in transition need to continue to restructure and improve their competitiveness, if they really want to meet successfully the challenge of competing imports or to penetrate foreign markets.

Trainees set to cook up a storm in a container

(30) ARG 19/4/96

MICHELLE LERNER
Staff Reporter

TOWNSHIP residents are getting free training in how to run a successful business – and the opportunity to get started – as part of a programme to create jobs in disadvantaged areas.

Under an Eskom programme, seven people have graduated from a 16-day training course and have launched the first of 36 "container businesses"to operate in the townships.

Now Eskom is handing over a fully-functioning, compact bakery to the group, under the management of Misincedisane Business Development Trust. Equipped with ovens, a freezer, electricity, running water and a nationally accredited certificate, the trainees are also armed with new skills and the confidence necessary for success.

"This is an excellent opportunity for these people," said Dorian October, who provided some of the training.

"They wanted to do something with their lives, but didn't have the education."

Beneficiaries say they will also expand the scope of what they've learnt to include other business endeavours.

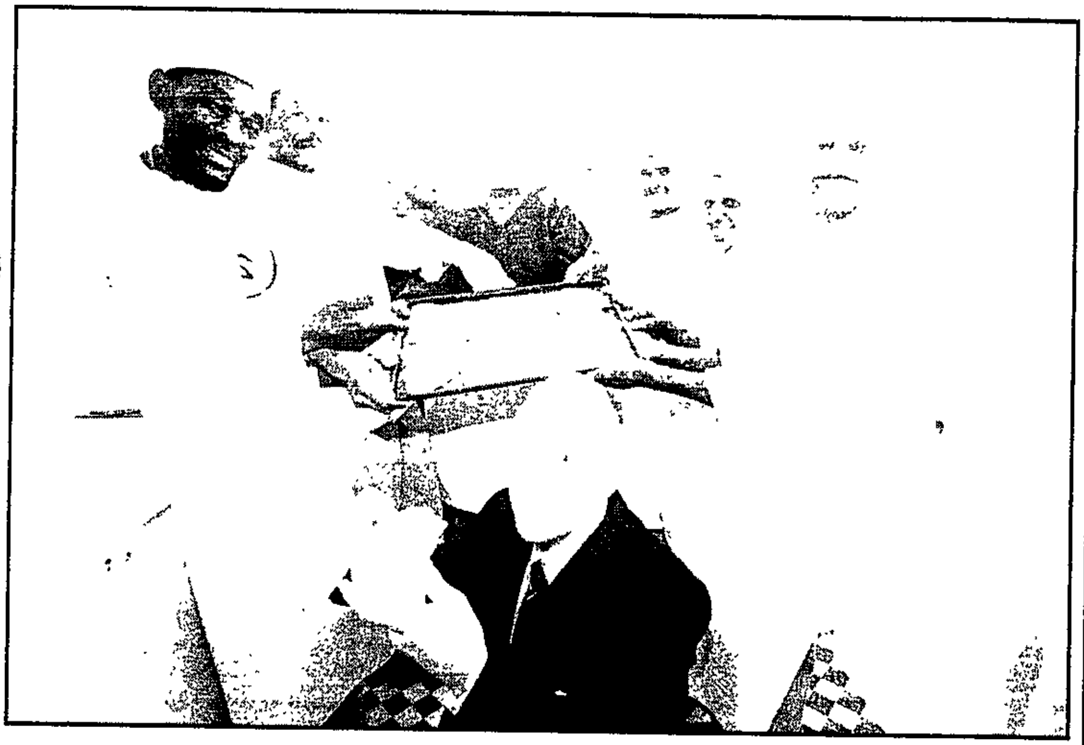
"Before, I didn't know anything about business skills and I couldn't make money," said Jackson Mtya, who also runs a small grocery stand in Khayelitsha. "Now I know what I must do to make a profit. My business can finally grow."

Eskom is now looking to containerise laundromats, butcheries and other services in the same way.

During the next year, the company hopes to create nearly 200 jobs.

Container businesses were easy and affordable to operate, said Eskom Test and Demonstration Centre manager Tony Stokes.

Costs to the company were R20 000 in structure and equipment, and the same amount in training.



/Picture: OBED ZILWA, The Argus.

TASTY BUSINESS: Displaying a freshly baked tray of pies, graduates of a training programme in business and baking skills get set to move their container bakery to Crossroads. From left, they are Joshua Balintulo, Jackson Mtya, Dorian October, Cynthia Lufele, Welfont Liwani, Elizabeth Monyeni, Nobalungisa Dyasi, Samuel Ngcwabe, and Tony Stokes, centre.

Teachers head for clash on proposed service conditions

ARG 19/4/96

Education Reporter

TEACHERS' unions look set to clash with each other over the government's proposed changes to service conditions.

The state's proposals were tabled in the Education Labour Relations Council (ELRC) this week and negotiations around them are to begin on Monday.

But one of the biggest teacher unions, the South African Democratic Teachers' Union (Sadtu) has accused another leading player, the National Professional Teachers' Organisation of South Africa (Naptosa), of being motivated by racist policies.

Sadtu has said it supports the offer by government and favours any move to integrate education and address imbalances.

Sadtu was therefore in favour of the new severance package, which the state offered in place of existing schemes.

But it is widely expected that the new severance package will amount to less than the old package.

Sadtu accused Naptosa of encouraging teachers to take the retrenchment package.

Sadtu said it was not prepared to discuss teacher retrenchments in the ELRC.

According to its own analysis, Sadtu said, the government's offer was aimed at "right-sizing" the public sector, which meant the restructuring of education to achieve equity.

The union said the proposed severance package would ensure no teacher would be forced out of the system.

SMALL BUSINESS DEVELOPMENT

STIMULATING A VITAL CREATOR OF EMPLOYMENT

(30) FM ~~19-30/5/96~~ 19/4/96

But don't hamstring small business

The new government aims to transform small business into a driving force behind the creation of jobs. It's an ambitious undertaking, made more so by the Department of Trade & Industry's determination to give special attention to previously disadvantaged groups blacks, women, youth, the disabled and rural dwellers. This means that government support will target the high-risk micro-enterprise or informal sector.

The ultimate goal, says the Small Business White Paper, is to make small, medium and micro-enterprises (SMMEs) equal partners in the economy and maximise their contribution to the RDP

It sees the sector as "an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change and, through all of this, stimulate economic development."

The Small Business Development Corp (SBDC) is finalising a deal to transfer R500m back to the State, mainly for the upliftment of micro-enterprises It's understood that the SBDC will phase out its services to this sector and concentrate on small and medium formal businesses.

Critics argue that this is where the real growth and employment-generating potential of the SMME sector lies and that, for government to meet its target of 6% GDP growth and 500 000 jobs a year by 2000, a national small business plan needs to be growth-driven.

Small Business Project executive director Chris Darroll says. "You can't marginalise the small, formal businesses which could kick-start the economy with a relatively small dose of support. If it's just an RDP or poverty relief exercise, then unemployment won't be addressed"

About 16% (around R14m) of the R87m budget allocated this year to Trade & Industry's small business promotion centre is for the provision of targeted assistance to disadvantaged groups There's also R100m from foreign donors, the Development Bank of SA's R245m for entrepreneurship and the SBDC's R500m

Centre director Alistair Ruiters says targeted assistance will include a sunset clause to limit the amount and duration of support given He says Trade & Industry has studied East Asia's small business success and tried to implement the same basic features — an enabling environment and top quality support network

The National Small Business Enabling Act — to be presented in Bill form to Nedlac this month — doesn't seek to introduce concrete supply side measures but creates the framework for delivering such support. It has five pillars

- Creation of a National Small Business Council, a statutory body to act as the collective voice of SMMEs. Only small business owners may be councillors, though organised business, NGOs and public corporations will be represented,
- Creation of Ntsika Enterprise Promotion Agency, a statutory body to help provide nonfinancial services to SMMEs,
- Government's first definition of small, medium and micro-enterprises,
- Provision for SMME programmes to be jointly determined at national and provincial level, and
- Provision for government to continually review all proposed and existing laws to consider their impact on SMMEs

The last provision is controversial given SMMEs' opposition to the Labour Relations Act. The Democratic Party is finalising a private Bill to exempt SMMEs from the collective bargaining and industrial council provisions of the Act, which it says will hamper job creation

Trade & Industry is against granting blanket exemptions from industrial council agreements or allowing a dual system of collective bargaining But it's difficult to see how government can be serious about creating an enabling environment for SMMEs to boost job creation while also forcing their compliance with these sections of the Labour Relations Act.

According to the White Paper, government would like industrial councils to be more representative of different industries — including small enterprise segments — and for agreements to make provision for small business interests. Where industrial councils don't exist or collective bargaining isn't feasible, government still wants minimum labour standards and warns that adherence to "certain basic labour standards" may become a precondition for concessionary finance and support services.

The 800 000 SMMEs absorb about 25% of the 15m labour force. Small business tends to be labour-intensive and create jobs at lower average capital cost than big business, making it a vital contributor to job creation. The high cost of hiring and firing has caused big business to shy away from employing more labour

However, SBDC MD Jo Schwenke notes an "alarming" tendency among SMMEs to adopt the same negative attitude when making investment decisions. As the only sector likely to create significant employment, government should be making it easier for SMMEs. Yet Ruiters "cannot say" whether the Labour Relations Act will be revisited to take into account the sector's concerns

Even if the Small Business Enabling Act becomes law, it will not compel government departments to ensure that legislation does not impede SMMEs, it merely "encourages" them to do so

The Small Business Project is sceptical of this, which relies on government's willingness to police itself It proposes that departments be "obliged" to do impact analysis on legislation that may have a significant economic influence on SMMEs and that enterprises directly affected be involved in the analyses, which should be open to public scrutiny

It says "The greatest hurdle to private-sector growth and development is unclear government policy, complex laws and nonsensical bureaucratic practices The Act presents small business with an opportunity to engender commitment from government — small business would do itself a disservice by accepting a mediocre solution"

GOVERNMENT'S DEFINITION OF SMALL, MEDIUM & MICRO ENTERPRISES

Sector	Size	Total annual turnover	Total asset value (fixed property excluded)	Total number of fulltime employees
		Less than	Less than	Less than
Group A (Capital Intensive) Agriculture, forestry & fishing, transport, storage & communication, financing, insurance, real estate & business services, community, social & personal services	Medium	R15,0m	R3,0m	51-100
	Small	R2,5m	R0,5m	5-50
	Micro	R0,5m	R0,1m	1-4
Group B (Labour Intensive) Mining & quarrying. Manufacturing, electricity, gas & water, construction, wholesale & retail trade, catering & accommodation services	Medium	R25,0m	R5,0m	51-200
	Small	R5,0m	R1,0m	5-50
	Micro	R1,25m	R0,25m	1-4

* The enterprise must be privately & independently or co-operatively owned & managed.
* It may have more than one branch.
* It must comply with any two of the three criteria listed above.

SOURCE: NATIONAL SMALL BUSINESS ENABLING ACT

The National Small Business Council's ability to fight for the sector in the sphere of labour relations will be its first big test. It will be watched to see whether its independence is compromised by the fact that it receives State funding, includes government representatives and may have to rely on government's small business policy and research arm.

The position government adopts when faced with opposition from a powerful union movement and lobbying from big business will indicate the extent of its commitment to small business

As well as the Enabling Act, the White Paper mentions two other Acts that may be needed should the private sector fail to act voluntarily to improve SMMEs' access to markets and finance:

Jo Schwenke

- A Transaction & Procurement Act, which would set out public-sector procurement rules (and possibly quotas) and incentives to encourage big business to subcontract out to SMMEs, and
- A Small Business Finance Act, which would encourage financial institutions to become more active in the SMME market, assist in deposit-taking by lender NGOs, recognise unconventional types of collateral and create scope for more specialised lending and investment institutions focusing on SMME needs

These proposals should be seen against other thrusts of the national strategy outlined in the White Paper

One of the most important is Khula Enterprise Finance, a public corporation set up in December to provide a range of financial products — including a national credit guarantee fund — to institutions which provide finance to SMMEs. The fund will help SMMEs to obtain bank loans as the State will assume some of the risk.

The White Paper lists a range of supply side measures The first has already been passed by Nedlac — a matching grant scheme, whereby government will match, to a certain limit, the amount spent by SMMEs on improvements to their export capabilities

Another crucial facet is the creation of a nationwide grid of local business service centres — 15 NGOs have already signed up These accredited private organisations will give advice, training and other forms of nonfinancial business support to SMMEs They will be responsible for their own funding and management, but those which meet certain standards will be eligible for subsidies of up to R100 000

A complementary network of manufacturing technology centres will render specialist support to small and medium-sized manufacturers aimed at increasing their productivity and competitiveness They will be collaborative endeavours among industry, government and international development partners

Government's strategy is to move away from a single-channel retail outlet (the SBDC) to a multichannel wholesale system, where government institutions — Khula and Ntsika — strengthen the capacity of the private sector to deliver support programmes

Though Trade & Industry accepts that existing private organisations are the best implementing agencies, it clearly believes government intervention is a prerequisite for success

The White Paper warns that it may take 10 years to reach all target groups through systematic programmes and that, to achieve the breakthrough, central government support to SMMEs will have to increase from around 0,6% to 1% of total Budget spending over that period

The Centre for Policy Studies argues — in a research document by Gardner Khumalo and Simon Shane — that government's stress on institutional engineering and the control of support functions may just be a substitute for a coherent policy that recognises and replicates the conditions and factors that have enabled SMMEs to succeed in the past

Khumalo and Shane nevertheless believe that "the restructuring of existing institutions and the creation of new ones to support SMMEs, combined with the prospect of legislative and financial support, are likely to promise a better business environment for SMMEs."

Even sceptics agree that the sector has never been better placed to realise its potential. If government can match its words with deeds (especially if they are unpopular with its Nedlac partners) and leaves poverty relief to the RDP while concentrating its energies on feasible SMMEs, the sector could be poised for a lift-off ■

'Shelter' for small businesses

(30) CT(BR) 19/4/96

FROM SAPA

Johannesburg — Metropolitan Life launched a new retirement fund — Umthunzi — which was aimed at small-scale enterprises employing more than five people, it said in a statement yesterday.

Umthunzi (an Nguni word meaning shade or shelter) would offer small businesses an affordable price range of benefits.

The new fund was developed in response to the extensive growth of small- and medium-sized businesses across the commercial and industrial sectors and the need to look after their staff interests, the company said.

Employers would be able to choose between a pension or provident fund pay-out and an optional range of add-on benefits, including life, disability, health and funeral benefits.

The benefits and contribution rates could be tailored to suit the needs of employees, provided the minimum total contribution for all employees exceeded R500 a month.

Derek Pead, the employee benefits general manager for Metlife, said employees would be able to borrow funds at competitive repayment interest rates against the security of their benefits, to buy a home, put down a deposit on a home or make home improvements.

Contributions would be tax-free within limits. In the case of the pension fund option, employee contributions would be tax deductible up to 7,5 percent of annual salary. Employer contributions would be tax-deductible as a business expense.

Big obstacles block path for smaller enterprises

ST(BT) 21/4/96 (30)

By MARCIA KLEIN

SMALL and medium enterprises are an unusually small share of SA manufacturing and their potential impact on the economy in the immediate future is limited, according to a recent World Bank discussion paper.

The paper deals with research into the business environment for industrial small and medium enterprises. These are generally independent firms with fewer than 300 employees.

The research indicates that SMEs should not be viewed as a panacea for the ills of SA industrial performance.

According to the World Bank, there is an urgent need to move towards a more labour-demanding pattern of growth to resolve unemployment problems. The bank notes that the country has embarked on a programme of industrial reform, including tariff reforms, relaxation of exchange controls and the promotion of small, micro and medium enterprises.

The research shows that growth patterns have led to poor productivity performance and almost no employment creation. The bulk of industrial activity is undertaken by white-owned enterprises, and there needs to be enhanced opportunities for business participation by people who have been historically excluded.

Over the past three years, the World Bank says, the outline of a new strategy has emerged. A key element is to strengthen the export and domestic competitiveness of downstream, light manufacturing. The bank found that SMEs were under-represented in manufacturing relative to international norms.

In addition, the most successful SMEs are run by highly educated and experienced entrepreneurs.

"Given the country's history of dualism and discrimination, it follows that in the near future, strong manufacturing SMEs are unlikely to emerge in substantial numbers from historically disadvantaged segments of the population," says the World Bank

The study suggests that there are limits to the extent to which policy interventions can accelerate SME participation.

It might be expected that such interventions could enhance access to finance and relax or remove anti-competitive behaviour on the part of larger firms.

But surprisingly, the survey "uncovered little evidence that manufacturing SMEs perceive the constraints associated with finance, regulation or industrial organisation to be especially binding". In fact, apart from the smallest firms, the financial system appears to be quite responsive to SMEs.

The high levels of conglomerate concentration add to the difficulties of smaller plastics and metalworking firms in winning work as sub-contractors. It also leads to higher input costs. But the SMEs generally do not think the high concentration has resulted in an unusually difficult business environment.

They believe there is ample opportunity to penetrate produce markets and that inputs are readily available, with little evidence of discriminatory vertical preferences.

The survey suggests there is no quick-fix set of interventions to propel SMEs to the forefront of the country's industrial transformations.

But recent political changes might see many South Africans change their career choices in favour of starting new businesses. According to the bank, the results suggest that in addition to SMEs, policymakers will need to look at other private actors as key movers towards an efficient, outward-oriented and labour demanding path of industrial development.

According to the study, there is a strong perception of unfair business practices, and these need to be addressed.

While the survey shows that commercial and parastatal banks are active in lending to SMEs, the smallest firms may be subject to some discrimination.

The bank says the results confirm that enhancing access to, and reducing the costs of imports, can substantially offset the market power enjoyed by large domestic suppliers.

"To enhance national competitiveness, there is thus a strong case for accelerating import liberalisation of inputs used by light manufacturers."

The export efforts and aspirations of SMEs have "remained modest", even in the context of very large export subsidies and a depressed domestic market, and firms have an inward focus.

The report shows clearly the importance of uncertainty as a deterrent to SMEs' operation and expansion.

While the political and economic uncertainties which were clearly evident in 1993 have eased, uncertainties over conflictual industrial relations have increased.

Dismissing myths, misunderstandings of entrepreneurship

(30)

MICHAEL H MORRIS

BD 22/4/96

IN RECENT years, considerable attention has been devoted to the role of entrepreneurship in creating economic development and sustained economic growth.

Consider the following evidence:

□ Studies have shown that the entrepreneurial sector of society accounts for 80% to 95% of all the new jobs created in industrial nations;

□ A direct, positive relationship exists between the level of entrepreneurial activity in a society and the growth of GDP;

□ Entrepreneurship appears to have a significant, positive impact over time on each of seven components of societal quality of life; and

□ At the corporate level, higher levels of entrepreneurial activity vary directly and positively with growth in company sales, assets, employment, and profitability.

And while many of our politicians, civic leaders, economists, corporate executives and labour union leaders are slowly coming to appreciate findings such as these, entrepreneurship remains a very misunderstood concept.

This misunderstanding is reflected in the following 11 "myths". Each of these myths can result in misguided approaches to fostering entrepreneurship within the SA economy.

□ Entrepreneurship is about setting up a small business.

This is not necessarily true. Entrepreneurship represents a growth-orientated outlook on business. It implies an innovative approach to running a company.

Most small businesses are not at all entrepreneurial. Rather, they are stagnant, reactive, complacent, status quo operations.

While they do serve an important purpose in the country's economy, they do not provide all that much dynamism.

□ Entrepreneurship is discrete.

Entrepreneurship does not just "happen". There is a definite process involved. The process starts with identifying an opportunity, then developing a solid business concept, assessing and acquiring resources, and finally, managing and harvesting a venture.

As a process, entrepreneurship can be managed on an ongoing basis and can be applied in organisations of all sizes and types.

□ Entrepreneurship is about taking wild risks.

Entrepreneurs are not wild-eyed gamblers. Instead, they are calculated risk-takers. They evaluate a situation and systematically identify the key financial, technical, market, and related risk factors. They then go about identifying ways to manage and minimise the likelihood of each of the underlying risk factors occurring.

□ Entrepreneurs are born.

After literally hundreds of studies on the psychological and sociological make-up of the entrepreneur, one conclusion emerges: entrepreneurs are not a unique and separate group that is somehow genetically predisposed to be entrepreneurial. They are not born.

Rather, we all have some degree of entrepreneurial potential within us. The ability to develop and realise that potential is very much a function of one's environment.

□ Entrepreneurship is about greed.

We have all heard about the entrepreneur who wants to be a millionaire by age 30, and retired by age 40, but it just does not work this way. The real motivator behind entrepreneurial behaviour is not money, and it certainly is not power or position.

Entrepreneurial individuals tend to be driven by a desire to achieve, to do what others said could not be done, to overcome all the obstacles and naysayers.

□ Entrepreneurship is about individual drive.

It is true that entrepreneurial events usually have a driving force behind them in the form of a visionary individual who persists in making change happen.

Even in corporate settings, there must be a champion who keeps a new concept alive and sells the organisation on it.

But entrepreneurship does not happen without teams. Too much must be done to bring a concept to reality. The obstacles are formidable and the technical, legal, financial, marketing and related requirements are complex.

□ Entrepreneurship needs money.

Entrepreneurial individuals are opportunity-driven, not resource-driven. They do not limit the scope of their vision by how much money, time, staff, or resources they own.

Rather, they go after their dream by leveraging resources — by borrowing, begging, partnering, sharing, leasing and recycling resources.

And it is not just money. Studies of entrepreneurial failure suggest that the problem far more often is related to other resources, such as poorly prepared managers, inadequate distribution channels, or ill-conceived marketing efforts.

□ Entrepreneurship is about luck.

This is not true. Entrepreneurs tend to create their own "luck". It is much more about hard work, creative insight, in-depth analysis, adaptability, and an openness to opportunity when it comes along.

The entrepreneurial individual recognises a trend, a possibility, an incongruity, an unmet need.

He or she comes up with a unique concept for capitalising on the trend or need, and does so while the window of opportunity is open.

□ Entrepreneurship starts with a new product or service.

This is one of the great mistakes many would-be entrepreneurs make. They come up with a novel product concept without ever determining whether a need exists, how extensive that need actually is, how satisfied customers are with current products, what their switching costs would be, and whether they will be able to see meaningful advantages in the new product.

Entrepreneurship does not start with the product or service one would like to sell. It starts with an opportunity, and opportunities are found in the external environment.

□ Entrepreneurship is unstructured and chaotic.

There is a tendency to think of entrepreneurs as "gunslingers" that shoot from the hip and jump in feet first. The reality is not only that they tend to be well-organised individuals. They tend to have a system, perhaps elaborate, perhaps not, but personally designed to keep things straight and maintain priorities.

When doing something entrepreneurial one is dealing with the unknown. Entrepreneurial individuals have to be comfortable with ambiguity, as things are rarely nice and clear-cut.

□ Most entrepreneurial ventures are destined for failure.

Many do, but many do not. Failure rates differ widely by industry, and drop off significantly after the first few years of operation. And failure rates rise as the amount of entrepreneurial activity rises.

One has only to consider the high failure rates experienced by new restaurants. Many of these fail because they are not well-positioned, the target market is not well-defined, or the restaurant fails to adequately differentiate itself.

But the failure rate is especially high because the number of start-ups is high.

SA is at a crossroads. The challenges are immense, and can seem almost insurmountable. But there are answers, and they do not lie in huge spending programmes or in corporate boardrooms.

The answers lie in the imaginations and aspirations of individuals and the teams they are able to build. The focus must be on the dreamers who take responsibility for change and transformation. A beginning point is discarding the myths and misconceptions.

□ Prof Morris is Donald Gordon fellow at the UCT Graduate School of Business. This article was written for the university's alumni publication Perspectives.

Nafcoc opposes 'short week and high wages'

BD 25/4/96 (30)

Theo Rawana

THE National African Federated Chamber of Commerce (Nafcoc) said yesterday it was opposed to a 40-hour week and "an excessively high minimum wage" as these would have a negative effect on black business.

Cosatu reaffirmed this week its commitment to campaigning for a 40-hour week, as one of the demands to be taken up in negotiations on the green paper on employment standards.

In a document prepared for discussion at Nedlac, Nafcoc says: "While we accept that workers should not work unduly long hours, we have serious reservations about the proposed 40-hour week. This we think would have a negative impact on many labour-intensive businesses and would discourage investment in tourism and the retail sector in which small businesses are involved in great numbers. We propose there should be a 45-hour week."

Nafcoc general secretary Mashudu Ramano said at its release in Johannesburg: "While we also accept that there should be no wage and salary exploitation, an excessively high wage combined with a shorter working week will have a significant impact on labour costs and may cause job losses."

The organisation held that SA's labour standards should be appropriate to its situation and not modelled on standards of economies far more advanced than its own.

Nafcoc recommended that government's promised cash flow basis of taxing small business should be implemented, and that the VAT registration threshold be increased to R500 from the current R150, in line with the impending Small Business Enabling Act.

Government should appoint a task team to look at making the tax system more "friendly to small business".

Nafcoc, a member of the National Economic Consortium which is to make a bid for Johnnic, said government, big business and black business should establish a Black Economic Empowerment Fund, so mobilising funds to enable blacks to move into the mainstream of the economy.

Ramano said the bid should be made "any week now".

Empowerment fund needed, says Nafcoc

Sowetan 25/4/96

Money needed so black consortiums can buy portions of unbundled companies

(30)

By Mzimkulu Malunga

Nafcoc is calling for the establishment of a black economic empowerment fund to support black consortiums that want to buy portions of unbundled companies and restructured parastatals.

Unveiling the organisation's economic vision for the country yesterday, the organisation's general secretary, Mr Mashudu Ramano, said the Government should sell its stake in big companies like Sasol and Iscor.

Proceeds from such sales should be used to establish the proposed empowerment fund.

Nafcoc's economic vision document – "Growth and development with equity strategy" – attacks the Government on economic policy, the labour movement and big business on labour markets and tax issues respectively.

> **Unions come under fire for inflexibility**

The Government is accused of following a "too conservative" economic policy while unions come under fire for inflexibility on the issue of collective bargaining.

Big business's demands for a further lowering of company tax has also attracted Nafcoc's criticism.

"How can you expect the Government to lower taxes and deliver at the same time," asked Ramano.

While Nafcoc is not opposed to maintaining financial discipline at Government level, the organisation says it is worried by efforts being made by the Government to cut the difference between revenue and expenditure – known as fiscal deficit.

"We think that a deficit of five percent is acceptable," said Ramano.

The Government is going full stretch to reduce the fiscal deficit to below four percent of the gross domestic product within the next few years

Labour movement criticised

As for the labour movement, Nafcoc said inflexibility on the labour market coupled with calls for a 40-hour-week will exterminate small business – which is crucial in the fight against poverty and unemployment.

"We can talk about a 45-hour working week, but not a 40-hour-week," he argued.

The Nafcoc document, which is going to be submitted to the National Economic Development and Labour Council, centres around three key issues: The development of human resources, the implementation of policies that will encourage investment and the revitalisation of the townships and villages in which the majority of South African live.

For this vision to be realised, Nafcoc said, there was a need to develop a vibrant small business sector, prioritise black economic empowerment as well as develop a competitive big business sector capable of standing its ground in international markets.

On human development, the organisation said many people in the labour market were disadvantaged because of apartheid policies.

Poor education

"Not only were they exposed to poor education in schools, but were also not allowed to accumulate human capital in the labour market," said the document.

In order to address this imbalance, Nafcoc argued, emphasis should be put on technical education, both at school and tertiary levels. Entrepreneurship and self-employment should be made mandatory subjects at learning institutions in the country.

"The Government must speed up the process of promulgating affirmative action legislation to facilitate the employment and training of workers," says the document.

The much talked about restructuring of parastatals was seen by Nafcoc as one of the avenues that could assist in the development of black skills.

Also, as part of the process of empowering black people, the Government should reserve half of the contracts it awarded to the private sector for black business.

The organisation called for a task team that would examine how tax specifically affected small business - this could be done either through restructuring the Katz Tax Commission to include small business representatives or could be undertaken by a different group altogether.

Amend tax legislation

Nafcoc also called for the amendment of the current tax legislation so that small business would only be required to register for Value Added Tax when their income reaches R500 000 a year.

Currently small businesses are required to register for VAT once their income reaches R150 000. The document also reaffirmed Nafcoc's commitment to its famous 1991 resolution which came to be known as 3456 resolution.

In that resolution the organisation said 30 percent of the board members of listed companies should be black by the turn of the century and during the same period 40 percent of the shareholders of listed companies should be black while half of their suppliers and contractors should be black.

Also, the resolution said 60 percent of the management of listed companies should be black by the year 2000.

Taking the bull by the horns ... Mashudu Ramano unveils Nafcoc's economic vision at the organisation's offices yesterday. The document is seen as a response to criticism that black business is not doing enough to be part of the economic debate in the country.

PIC VELI NHLAPO

ENTREPRENEUR FOR PEACE *Thulani Mlotshwa, general secretary of Nahora, says 'it's time we asked what we can do for our country, not what our country can do for us'* PHOTO: JOHN WOODROOF

A force for black business

CT(BR) 25/4/96 (30)

By Thabo Leshilo

Johannesburg — Mapetla hostel in Soweto is back in the news; only this time it is not about its squalor or the bloody battles between rival hostel dwellers and township residents of the past.

The once-feared hostel is now at the centre of an effort to promote black economic empowerment, thanks to people like Thulani Mlotshwa, who has been a resident since 1981.

Mlotshwa, 33, is the driving force behind the National Hostel Residents Association (Nahora), which aims to promote the participation of the mostly jobless hostel dwellers in the economic life of the country.

"We voted for political power in 1994. However, that is still miles away," says Mlotshwa, speaking from the hostel room he shares with eight other men. His wife and four children live in Natal.

Mlotshwa hopes that an attempt at co- operation between Nahora, of which he is the general secretary, and the ANC-aligned South African National Civic Organisation (Sanco), announced this week, will help to promote peace in townships.

"The violence has hurt many people and created boundaries between them. It is because of the violence that there are so few jobs in the country," he says.

Nahora and Sanco have formed Simunye, a joint company to help foster peace among their members and promote empowerment at the grass roots. The new company's immediate plans include seeking investment opportunities in security, cleaning, the gambling industry, privatised state assets and unbundled conglomerates.

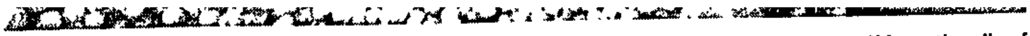
"We don't want to stay employees forever. We want to create jobs and contribute to the economy of South Africa. The government cannot do everything for us. It's about time we asked what it is we can do for our country, not what our country can do for us," Mlotshwa says.

Such is the enthusiasm about Simunye, which brings together 3 million hostel and township residents, that Mlotshwa has been inundated with calls from companies seeking to co-operate.

"The creation of Nahora and Simunye is to me the greatest achievement of my life. I feel that I have done what the gods have sent me to do," says Mlotshwa.

As an entrepreneur himself — he farms in Bergville, Natal, and he became the first person to own a cellular public telephone outlet when he opened a lucrative business at Mapetla Hostel — Mlotshwa fully understands the vitality of peace to promote economic growth. He said business has picked up at his phone shop since peace returned to the townships, encouraging nearby residents to venture into the hostel to make calls.

He says there was plenty of goodwill among residents and their hostel neighbours: "Would you believe it if I told you that at least 80 percent of the calls hostel dwellers made at my shop at the height of the violence in 1993 were to people in the townships?"



A Czech agriculture ministry official reacts angrily to being photographed while helping herself from the pile of onions dumped outside the ministry in Prague. Farmers dropped several tons of the vegetables outside the building in protest at the import of cheap vegetables from the European Union. Picture: AP

More to black business than its critics will admit

BD 26/4/96 (30)

Duncan James Randall

BLACKS in big business have been under fire since making an appearance in the early 1990s. Many are written off as having "nothing more than a Press-release understanding of the company" (journalist Sandile Mamela).

They are seen to be opportunists, "co-opted into what was ... a white boys' club" (Sam Shilowa), so as to "maintain the status quo" (Ebrahim Patel).

Cyril Ramaphosa's recent move has shone the spotlight more brightly than ever on the state of black business.

Recent research, based on interviews with 40 prominent black businessmen and their white partners, reveals that it is injudicious to paint all black capitalists with the same brush. While there may be a grain of truth in some criticisms, the complete picture is more complicated.

The point of departure of any assessment must be that apartheid stunted the growth of black businessmen, ensuring that most are now taking their first steps in the economic big league — penniless and with little business experience.

In many cases, this has led to their influence being muted at the core of the companies they have moved into. For instance, being cash-strapped, many black businessmen find themselves dependent on their white partners for financing, with debilitating consequences for their power at board level.

Says one black businessman: "There is an unwritten law that the guy who brings in the capital is the senior partner ... the other guy is more at risk and you are pressured to see things their way."

Apart from being financially handicapped, many black partners are further disempowered by their lack of experience. They are therefore even more at the mercy of the white partner.

Able to call the shots, the white partner is well positioned to secure a lucrative management contract and the power to approve or veto strategic decisions. For the black partner, this obstructs his ability to exert influence and acquire core expertise.

Often, black partners are reliant on less clear sources of influence. They often occupy "soft positions" where nebulous attributes such as their "knowledge of the black community" and "sensitivity to the political context" are solicited.

Some joint venture partners bring "political capital" to the table, derived from their struggle credentials and political connections — but, here again, technical input remains marginal.

At best, the black partner's room for manoeuvre in many joint ventures is limited by the "golden handcuffs" of restrictive shareholder agreements and, at worst, these ventures may lead to fronting aimed at disguising the white face of the company behind a black mask.

The research interviews brought to light several important cases where black partners are wielding substantial leverage. They have managed to avoid the shackles of stringent shareholder agreements and have begun to exert a decisive influence.

One black director explains that "we have the right to veto any decision we are not happy with". His white partner frankly admits that "if you cannot resolve something at board level with the five partners it gets taken up to the holding company, and that is it: the blacks control it".

There is also evidence of white partners committed to transferring skills and creating genuine black companies out of the ventures. One explains that within a few years "this place will be totally run by black people in every respect and at all levels".

Important in these cases has been the black partners' proactive attempts to learn and involve themselves.

One white director says of his black partners that "they take it very seriously and spend a lot of time on the business". Another noted how his partner's "knowledge and understanding of the business has multiplied by a factor of infinity".

From where, then, does the decisive influence come which some black capitalists enjoy?

The answer lies in several features of SA's political economy which favour the development of empowered black capitalists.

Firstly, democracy has revealed to the white economic elites — "squared off" against an overwhelming majority of blacks — just how politically vulnerable they are.

As one white executive puts it: "You cannot in this country, which is 80% black, hope to survive in a lily-white company. Your strategic planning and your management must tell you that you must evolve into a true South African company."

Secondly, a relatively sophisticated policy-making regime is promoting the growth of black capitalists. The RDP has as a "central objective" the need "to deracialise business ownership". Many tender boards have been restructured and mandated to further black economic empowerment.

The criteria for such empowerment are being built into virtually all business tendered out to the private sector. The state's relative strength gives it the teeth to monitor compliance with its criteria.

Gauteng tender board member David Moshopalo explains that, with regard to fronting, "we are vigilant to the extent that we are prepared to go on site. We do not want to see people being mentioned on paper and they are not on site".

It is no coincidence that black partners are in a particularly strong position in those companies traditionally dependent on the state for much of their business. A white partner explains "the tender board will be able to investigate each application and see if it is a front, and fronts will come out in the wash".

Thirdly, SA's political environment exerts strong pressure for genuine black economic empowerment. The potent trade union movement is sceptical of the real substance of many high-profile black businessmen. Added to this is a historical antipathy among blacks to the fronting resorted to by some Indians and whites eager to break into protected township markets during the apartheid years.

White capitalists are sensitive to this. One notes that "it is difficult to front because unions and local organisations soon cotton on and business doesn't want to lose credibility".

Fourthly, SA's complex, diversified economic base is an important factor facilitating the rise of black business.

It means that aspirant black capitalists have many potential points of entry into the economy. For example, many black capitalists are emerging via the burgeoning service sector, which on the whole is not heavily dependent on the specialised technical training denied most blacks by apartheid.

Lastly, innovative financial engineering made possible by SA's sophisticated capital market has enabled some black partners to bring their own capital to the table, with profound consequences for the balance of power.

As one explains: "When you speak with the same voice because you have a stake ... we have brought in capital and therefore we insist we have the same rights as the other partners."

It may be easy for detractors to assume that all black roles in the theatre of corporate SA are being played by white actors in black masks. A closer scrutiny of the cast reveals that some genuine black actors appeared before Ramaphosa's show-stopping entrance.

□ Randall is the 1996 KwaZulu-Natal Rhodes Scholar-elect and conducted research on big black business in partial fulfilment of a BA Hons degree at Wits.

Start-Up Fund plans to lend more

(30) BD 26/4/96

Robyn Chalmers

THE Start-Up Fund, one of SA's more successful micro-lenders, lent more than R3,5m to the informal sector over the past three years and planned to increase lending significantly this year, head Tony Davenport said yesterday.

Davenport said the organisation was proving that it was possible and profitable to lend to people in the informal sector, the majority of whom could not obtain credit through the formal banking sector.

"The doors of the capital market are firmly closed against the majority of SA's population.

"We need a strategic intervention on the part of government and big business to enable people to climb out of unemployment and poverty," he said.

"To do this, basic skills training, simple business training and access to capital are vital."

Organisations which had funded the Start-Up Fund included the Development Bank of SA, Nedcor, Anglo American and De Beers, Southern Life, Foschini, FNB, the Independent Development Trust and JCI.

The fund used a phased programme to extend credit, with the client receiving R250 during the first phase of three months. This had to be paid back before further funds were lent to the borrower.

Davenport said that bearing in mind the background of most borrowers, their repayment record was good. Bad debts were currently equivalent to 12% of advances.

In a bid to eliminate the effect of bad debts, the fund introduced a new mechanism last year called the group indemnity trust.

Clients deposited a fixed amount into the trust which covered all bad debts and provided them with group life insurance.

He said the fund was expected to show a profit of about R130 000 in the year to September.

Employment proposals ignore small business

ST(BT) 28/4/96 (30)

By CIARAN RYAN

THE government's Green Paper on employment standards could end up cutting a swathe of destruction through the small-business sector, says the Small Business Project, which lobbies on behalf of small businesses.

Scant attention is paid to the differing needs of small businesses, raising the costs of compliance, says Chris Darroll, executive director of the SBP. Many of the proposals "will make small enterprises uncompetitive and not economically sustainable".

The Green Paper is a confusing mix of policy proposals which on the one hand recognises the need to address labour market rigidities, and on the other grants trade unions greater power over the determination of basic employment conditions, she says.

Provision is made for varying the proposed basic conditions of employment to be outlined in the Employment Standards Act, but this will be subject to collective bargaining between unions and employers.

"A possible consequence under the current proposal could be the variation of employment standards by a collective agreement which is then extended to the whole industrial sector under section 32 of the Labour Relations Act," says Ms Darroll.

"This amounts to a unilateral override on employees' rights, let alone the rights of employers, who are not party to the agreement. Such an imposition may be seen as contrary to the principles of fair employment practice, but is nevertheless possible. Thus the basis for any proposed Employment Standards Act should provide and protect basic employment standards in relation to the individual employee."

The Green Paper makes provision for the variation of some employment standards and not others, says Ms Darroll. While the Minister of Labour has the power to grant variations and exemptions, this would be subject to the consent of the representative trade union in the workplace.

"This gives employees and trade unions in particular much greater power in negotiating with employers. They are unlikely to agree to significant exemptions from the statutory minimum unless they win significant trade-offs, in which case the consequent rise in costs will force many small business employers to abandon attempts to seek administrative variation or exemption.

"This is particularly damaging for small business, which needs access to speedy exemption procedures. It places too much power in the hands of trade unions."

Such veto power may not be necessary, she says, because both parties have access to a fair hearing under our administrative law before a variation is granted.

The Green Paper proposes extending employment standards to all employees, including temporary employees, part-timers, contract workers and dependent contractors, but not government employees. "If all employees are to be covered under the new employment standards, this should include both the private and public sector," says Ms Darroll.

Although the Green Paper recommends that basic conditions of employment cover all employees, it is unclear what this entails for different categories of employment relationships. The existing Basic Conditions of Employment Act does not provide full protection for part-time workers. The Green Paper suggests that part-time workers would qualify for benefits on a "proportional basis", with little explanation as to what this means.

"The vagueness in employment obligations impacts negatively on small employers as they won't clearly understand their duties under the law, leading to extra payments for paid leave, sick leave, overtime, Sunday work and extra record keeping as required by the law," says Ms Darroll.

Employers who make use of "labour-only contractors" are jointly and severally liable for any breaches of employment standards committed by the contractor. Small businesses face the added risk of being exposed to potential claims for breaches committed by outside parties.

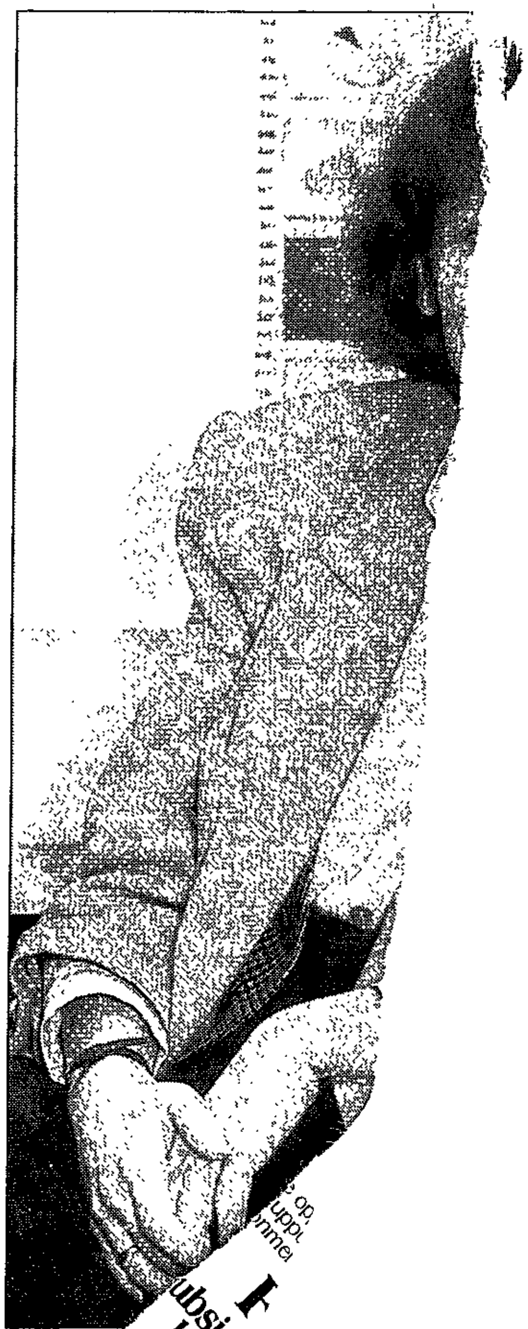
This could discourage the use of contract labour by small contractors which would have a damaging effect on small enterprises in the construction industry that rely to a large degree on contract labour. The SBP has urged that this provision be removed from the proposed new legislation.

The Green Paper also calls for a reduction in working hours and attempts to facilitate more flexible working times, promote increased productivity and remove restrictions on Sunday work. It recognises that a reduction in working hours has broad economic implications, requiring the development of a strategy through consultation with all stakeholders. The "regulated yet flexible" approach adopted by the Department of Labour includes scrapping the three-hour limit on overtime, but retains the weekly limit of 10 hours, increases payment for overtime to time and a half, and any individual agreement to work overtime is valid for no more than a year.

"This allows more flexibility as there is no daily limit on overtime, but the cost of paying employees for working overtime is increased. It also means that employers have to renegotiate every year with their employees to work overtime, which could be problematic since employees could use this as a bargaining chip to gain additional benefits in exchange for their agreement to work overtime," says Ms Darroll.

Many small businesses rely on Sunday work, overtime and night work to operate efficiently, she says. The over-regulation of the "flexible" arrangement of working hours may force them out of business.

"It is imperative that small businesses be strongly encouraged to respect basic employment standards, as exploitation is not condoned, but all the efforts to support the growth of the small enterprise sector may come to nought with the imposition of rigid labour standards as currently proposed," says Ms Darroll.



FIGHTIN... Small Busi...

Unions committed to black empowerment

Sowetan 29/4/96 30

Mahlomola Skhosana – assistant general secretary Nactu

THERE can never be real black economic empowerment without training. This is the view of assistant general secretary of the National Council of Trade Unions Mr Mahlomola Skhosana.

"The basic principle is that people should be empowered with skills. We have to give ourselves time to get training, so that we are capable of acquitting ourselves well in whatever positions we are promoted to," said Skhosana.

Skhosana argued that buying into companies was good, but it was also important to have black people who will run the businesses. "We have to take a way that is long and demanding, but it will pay off in the long run. There is no point in placing people in top positions, only for them to fail."

Skhosana also said that it was time blacks stopped pining for what whites own and establish their own businesses and financial institutions so that blacks could control the economy in their communities.

Skhosana said: "It is not that we don't have black-owned and controlled businesses. Take the taxi industry, for instance, it is wholly black. All we have to do is get our act together. If we can get that right, blacks can run public transport in this country.

"We also have the African Bank, the National Federated Chamber of Commerce and Foundation of African Business and Consumer Services. We have to improve these and we are on our way to economic empowerment.

Skhosana said Nactu had already begun sending its members for training in management at the University of South Africa.

Mr Nelson Ndiniso – president of Sarhwu

SOUTH African Railways and Harbours Workers Union (Sarhwu) president Mr Nelson Ndiniso said black empowerment should not benefit a few individuals.

Ndiniso argued that black empowerment should not be left to big business, but the Government should facilitate it to ensure a more even distribution of power.

Ndiniso said: "Buying into big companies needs money and this places black people at a disadvantage. To buy you'd need funding and the funder would become the owner of that which you've acquired.

"If a financial institution funds a black group to purchase shares or a business, these individuals would have to meet certain requirements, failing which the banks would either withdraw the funding of take over the business."

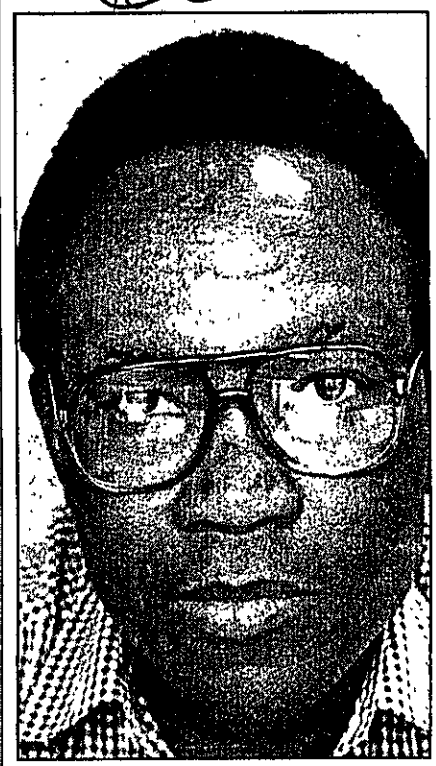
Ndiniso argued that the Government should redefine black empowerment or make available resources to ensure its success.

"Black empowerment as it is at present will only benefit a few individuals. It must not only be seen as buying into big companies, but a package which will include land distribution to benefit the landless.

He charged that trade unions needed to establish their own companies to become self sufficient and provided better services for their members.

"If there's industrial action, unions cannot assist workers financially. We also have to create a climate where we will be able to provide loans and bursaries for our members," said Ndiniso.

Sarhwu is part of a consortium, including the National Education, Health and Allied Workers Union and several small independent unions, which bought 51 percent of the Safrican insurance company



Mr Kgalema Motlanthe – NUM general secretary

GENERAL secretary of the National Union of Mineworkers Mr Kgalema Motlanthe said the success of black business would be an inspiration to African communities.

He said black business sought the support of trade unions and black communities in their plan to enter the mainstream economy, and unions would use the opportunity to generate money to fund job creation and to ensure equitable distribution of the economy.

Motlanthe said labour was establishing investment companies to ensure that the unions were self-sufficient and provided better service to their members.

He said the informal partnership would benefit both the unions and business, who wanted to project the image that they cared about social equity. "It is necessary for black people to see their own kind running corporations"

BUSINESS NEWS

Start-Up Fund gets locals started

(30) Sowetan 30/4/96

R2 million set aside to aside to assist entrepreneurs in South Africa

By Shadrack Mashalaba

TWO MILLION RANDS have been set aside to help thousands of survivalist entrepreneurs in the informal sector throughout South Africa to access finance.

Start-Up Fund is a mini loan scheme organisation started three years ago to serve the so-called "untouchable sector" of the banking sector, to gain access to the modest amounts of capital that they need for starting or expanding their micro-business activities.

Micro enterprises or survivalist businesses have been highlighted as the sector that is going to play an important role in addressing poverty and generating wealth.

The informal sector has played a crucial role in keeping millions of unemployed South Africans off the streets and even the Government's White Paper on small business has recognised the need to support these enterprises.

'Every year more school leavers queue up for jobs'

It was against this background that Start-Up Fund chairman Tony Davenport paid tribute to the unsung heroes, the unemployed who have succeeded in spite of disadvantages and against all odds, at a function where funding was announced in Midrand last week.

"With the country faced with an unemployment figure of eight million people and more school leavers queueing up for jobs every year, the situation is posing extreme socio-political problems.

"It was for these reasons that we felt we needed to help the unemployed, disadvantaged and eager to work sector of our community," said Davenport.

'The unemployment situation is posing extreme socio-political problem'

The fund provides loans in phases that range from R250 to R6 000, depending on the needs of the person applying for the loan. The fund's lending criteria are:

- One has to complete a start-up training programme;
- One must have a bank account where money borrowed can be transferred; and
- One must deposit R75 in the Group Indemnity Fund, refundable when leaving the scheme.

Davenport adds that their default rate is 30 percent and despite that, people always show a willingness to pay and the scheme has proved to be financially viable and expects net profits (excluding grants) for 1996 of R130 000 and for 1997 R250 000, with 1998 expected to post R500 000.

Start-Up Fund director Dicks Xipo says the Fund has recently had a number of success stories, with some of the beneficiaries now owning self-sufficient businesses such as salons, tuck shops and many others.

Government and business ties 'still strong'

CT(BR) 30/4/96 (30)

By James Lamont

Johannesburg — The relationship between business and government was unaffected by the ANC's support for Cosatu's national strike call, Tito Mboweni, the labour minister, said yesterday.

He said the emergency summit on Sunday evening between representatives from trade unions, big business and government was a "good meeting" and all parties were working well together.

Mboweni said the gulf between business and government had not widened after President Nelson Mandela had lent his party's support to today's strike.

On the contrary, he said, the relationship between the two was a strong one.

He insisted that a clear distinction existed between Mandela's capacity as leader of the ANC and his position as head of state. When Mandela met the unions, he talked to them as the leader of the ANC, Mboweni said.

In spite of the run on the money markets since the strike was announced, he said he was confident that most people were able to make that distinction.

The Cosatu strike is in protest against plans to enshrine employers rights to lock out workers in a dispute. The ANC has backed the strike, arguing that a lock-out clause has no place in the final post-apartheid constitution.

Cosatu warned yesterday that it did not share the government's rosy view of last weekend's talks, and that there were a number of issues still to be negotiated. As these issues were still outstanding, the strike would go ahead.

It said the ANC had begun negotiating with the NP on the lock-out clause, and as far as Cosatu was concerned, these negotiations had taken an unfavourable turn.

IN YOUR EAR *Tito Mboweni, labour minister, left, and Zwelenzima Vavi, the assistant general secretary of Cosatu* *See Page 18*

PHOTO JOHN WOODROOF

Françoise Botha reports from Cape Town that the National Productivity Institute has estimated that today's stayaway could cost the country close to R500 million. Other industry sources say the figure may be higher.

Jan de Jager, the institute's chief economist, said yesterday: "Together with Workers' Day the following day, the loss to the economy, in value of total production terms, climbs to R1,32 billion. With just a fraction of that money, we could build a lot of houses."

Rene de Wet, the deputy chairman of Pick 'n Pay, said the company was expecting lower turnovers for the day because, based on past experience, shoppers stayed away on the expectation that stores would be understaffed.

Mvuso Msimang, the executive director of the South African Tourism Board, said that if transport was halted the stayaway figures could be higher, which would have repercussions on the tourism industry.

Jon Beverley reports from Durban that business is expecting that today's national stayaway by Cosatu workers will disrupt activities for most of the week and that a "no work, no pay" policy will be applied.

Neil McGregor, the labour consultant at the Durban Chamber of Commerce and Industry, said it had received reports that people were being "warned" in the townships to stay at home today.

Fund targets developing nations' entrepreneurs

CT (BR) 1|5|96 (30)

By Ross Herbert

Midrand — The Banque Internationale Luxembourg and the United Nations Conference on Trade and Development (Unctad) announced the creation of an international fund yesterday that would invest in banks and non-governmental organisations that specialise in lending to micro-businesses and entrepreneurs in the developing world.

Pierre Bultez, the head of the fund project at Banque Internationale, said traditional equity investments in emerging markets offered higher returns than developed world equities, but were victim to greater volatility. The fund aimed to offer emerging-market returns to eliminate much of the volatility, through debt instruments.

Bultez said micro-lenders and non-governmental organisations varied in quality, but a significant number achieved loan repayment rates of 96 percent. Because interest rates on micro-business loans in the developing world tended to be quite high, there was room for a profitable fund that would help the developing world, he said.

The fund, which would offer market lending rates and investment returns of about 10 percent, would have initial funding of $20 million. The fund hoped to have assets of $100 million in five years.

Bultez said worldwide experience confirmed that women were a better credit risk than men in the developing world and non-governmental organisations that offered subsidised interest rates tended to have lower repayment rates than those demanding market rates.

The conference would support the fund by providing credit ratings of the non-governmental organisations and micro-lenders. These would be evaluated on management efficiency and the extent to which funds went to development and job creation schemes.

The fund's initial focus would be on lending in central America.

Jean Gurunlian, the head of special projects at Unctad, said the fund was in discussions with several South African non-governmental organisations.

The fund would be administered by Banque Internationale and supervised by the Luxembourg Monetary Institute. It would invest in local currency bonds in the organisations and banks.

Investors in the fund would be primarily European institutional investors. —Independent Foreign Service

Plans to step up small business

(30) Sowetan 2/5/96

By Gerry Reilly

A COMPREHENSIVE institutional framework to accelerate small business development is now firmly in place and will ensure a steady advance of the sector into the mainstream economy, says small business chief director at the Department of Trade and Industry, Alistair Ruiters.

In an interview with *Sowetan Business* this week he said the establishment of the framework had been part of the department's main thrust in the past 12 months.

The institutions that have been formed are: The National Small Business Council which will be the national voice of the sector, Ntsika Enterprise Promotion Agency that will provide 'wholesale support services' including entrepreneural and business training.

'Its development should be a vital facet of government's overall economic policy'

The other structure is Khula Enterprises Financing which will give financial support to the sector through retail financing intermediaries such as NGOs commercial banks and development corporations. It was launched last year and will be in full operation by mid-year.

Ruiters said the National Small Business Enabling Bill was submitted to Nedlac at the end of March for comment and endorsement.

Its main aim, he added, was to address the 'historical disempowerment which occurred during the apartheid years'.

He confirmed that legislation would be tabled during the current session of parliament stressing measures were needed to open up the economy to medium and small business enterprises, as well as anti-monopoly legislation.

Econometrix director Tony Twine said the small business sector had proved its worth worldwide as a generator of jobs.

Its development should be a vital facet of government's overall economic policy, he added.

Other economists said the unwillingness of banks to lend funds to the sector until now had been based on a perception that the risk involved was too great.

This had been proved false by the success so far attained in the sector in spite of this constraint.

A1 rating for Edgars chainstore

REPUBLIC Ratings has accorded South African clothing chain store Edgars a short-term rating of A1 and a long-term rating of A, which is defined as an organisation with a strong capacity to timeously honour its commitments.

Republic director Dave King said the high ratings were accorded on the basis of Edgars' sound "balance sheet structure as well as its favourable strategic positioning in the retail sector". – *Sapa*.

Small business to get a shot in arm

John Dludlu (30) BD 2/5/96

SMALL businesses in developing countries, including SA, are to be given a shot in the arm by recently launched support measures.

This emerged at the ninth session of the UN Conference on Trade and Development at Gallagher Estate in Midrand.

Trade and Industry Minister and Unctad president Alec Erwin said the initiatives included the planned establishment of trade points in SA, and centres for trade-related information which would significantly enhance small firms' access to information they would otherwise not have.

At the same briefing, National Small Business Council interim national co-ordinator Monde Tabata said the challenge was to link the trade points with the network of recently launched local business services centres to help modernise the small business sector in SA.

The services centres, an initiative spearheaded by the trade and industry department, were aimed at providing advice to small firms on financial and non-financial services.

Small business promotion centre chief director Alistair Ruiters said about 14 of these nationwide structures, linked to the department's Ntsika Enterprise Promotion Agency, had been given accreditation.

Luxembourg's Georges Wohlfart announced that Banque Internationale à Luxembourg would create a private fund investing in micro-finance institutions in developing nations.

The fund, which would be set up from private sector investors, would wholesale finance to non-governmental agencies lending to the micro-enterprise sector.

The fund would be administered by Banque Internationale and supervised by the Luxembourg Monetary Institute.

BUSINESS NEWS

NIC wants to reshape its vision

Sowetan 2/5/96 (30)

This will ensure the organisation keeps pace with developments in the new South Africa

Nafcoc's president Joe Hlongwane will be among the speakers at the NIC annual general meeting this weekend.

By Isaac Moledi

THE NATIONAL INDUSTRIAL CHAMBER, an industrial wing of Nafcoc, is to reshape its vision to tally with new developments taking place in South Africa when it begins its annual conference this weekend.

The three-day annual general meeting under the theme "From political transformation to economic innovation – strategies for growth," begins on Sunday at Park Hotel in Potgietersrus in Northern Province.

Speakers at meeting

Public Enterprise Minister Stella Sigcau, Nafcoc president Joe Hlongwane and Northern Province MEC for economic affairs Thavhadziawa Mufamadi will be among speakers at the meeting.

Apart from electing a new NIC executive committee, the meeting will also, for the first time, issue merit awards to 20 outstanding black industrialists who pioneered manufacturing in the black business area and have succeeded against all odds.

NIC president Joe Mogodi says his chamber has for years been advocating a complete transformation of the South African economy – ensuring that black business no longer concentrates on the retailing and service industries as they used to but also become manufacturers.

He says it is important that businesses in South Africa stop exporting the country's raw material but process them within.

"NIC says to black business: Let us break with the stereotype that we operate in the retailing and service industries only. We have to go into manufacturing so that we can add value to our raw materials for export," he says.

Mogodi says since NIC's inception it has assisted 80 percent of its members to venture into manufacturing.

"That is why we have chosen the theme 'From political transformation to business innovation – strategies for growth'. We want to reshape and rethink our vision to suit the new South African conditions," he says.

He urged the Government to play a major role in assisting black business to grow by reserving some of its lucrative contracts to black manufacturers.

Africa 'must concentrate on its small businesses'

30

By Patrick Phosa

Star 3/5/96

The different stakeholders in Africa should join hands and develop a strategy for the development of small, medium and micro businesses in southern Africa and Africa, said Mpumalanga Premier Mathews Phosa yesterday.

Speaking at the 9th annual conference of the International Council for Small Business: Southern Africa, at Malelane Lodge outside Nelspruit, Phosa said southern African states and Africa as a whole should seriously consider developing special programmes for the small, medium and micro business sector.

"We should consider developing programmes such as counselling, financial assistance, co-ordinated marketing, capacity building and many others. Incentives could be used to attract entrepreneurs to start to develop their businesses in these countries," he said.

Training was a very important sector of the development of small, medium, micro and entrepreneurs. "It is therefore of the utmost importance that southern African and African countries should start a process of transferring and sharing their knowledge and knowhow across the borders of their neighbours and friends," Phosa said.

He said the economic link between South Africa and Mozambique regarding the Maputo Corridor initiative was a good example.

He said despite being a very important business sector, small business had, for the past decades, been seriously neglected.

"I believe that we should concentrate, with all our energy, on the development of the small, medium and micro businesses in Mpumalanga, South Africa and also southern Africa.

"Entrepreneurs should be encouraged to develop their skills and to believe in themselves and in their abilities.

"If we achieve this, we can make a difference to the problems of unemployment, low incomes, low savings and low investments," Phosa said.

Scheme to help unemployed start business

ARG 4/5/96

(30)

WILLIAM-MERVIN GUMEDE
Own Correspondent

JOHANNESBURG. – While everyone seems to be bemoaning South Africa's huge unemployment rate, a relatively unknown scheme is doing ground-breaking work to draw the jobless into the mainstream economy.

Its efforts may rarely hit the headlines, but the drive is giving hope to thousands of poor. With the country's unemployed conservatively estimated at around eight million, and growing at more than 400 000 a year, every small effort is valued.

Only last week the Reserve Bank's quarterly bulletin announced that a mere 12 000 new jobs had been created since the beginning of the upswing in the economy in May 1993.

The Start-Up Fund provides funding for the unemployed - the untouchables of the banking sector - to start their own small businesses.

The fund was launched back in October 1993 and, at the moment, has 4 000 people on its books. It has lent more than R3,5 million to the informal sector the past three years.

Many of these recipients have been able to get their own businesses off the ground.

"The Start-Up Fund provided loans to those disadvantaged but enterprising people who are willing and able to become self-employed," said Tony Davenport, founder of the fund.

"The only hope for the vast majority of the unemployed is job-creation through self-employment in micro-enterprise.

"This may not be the ideal solution to the huge unemployment problem, but it is the only effective way of addressing it on a large scale," Mr Davenport said.

He said most of the unemployed wanted to work but could not get jobs or loans from the commercial banks to start their own businesses because of their perceived financial risks to the banks – "with the result that economic growth is by-passing them," he said.

The fund gives loans of up to R6 000 over a period of 33 months to those unemployed, depending on their rate of repayment.

In the first three-month period of the loan a recipient would receive R300. Of the amount R50 is diverted to a Group Indemnity Trust (GIT), which is some kind of group life insurance and covers all bad debts of borrowers.

The amount increases every six months after the initial three-month period, which could go up to R2 400 after the sixth phase.

A non-refundable amount is debited to the loan account during each of these phases and transferred to the GIT. There are checks and balances built into the loan scheme.

Firstly, to be in line for funding, one has to undergo a start-up training course. Secondly, recipients can progress to the next phase only when the previous phases' loan has been repaid. The recipient is also expected to deposit R75 into the GIT before receiving the first loan.

So far the fund has been relatively successful, although it has a default rate of 30 percent. It expects a profit of R130 000 this year, forecasts a profit of R250 000 for 1997, and an even bigger profit of R500 000 and beyond for 1998.

Start-Up Fund provides cash and hope for jobless

30 1983 Star 4/5/96

By WILLIAM-MERVIN GUMEDE

While everyone bemoans South Africa's huge unemployment rate, a relatively unknown scheme is doing ground-breaking work to draw the jobless into the mainstream economy.

Its efforts may rarely hit the headlines but the drive is giving hope to thousands of poor people.

With the country's unemployed conservatively estimated at around 8 million, and growing at more than 400 000 a year, every small effort is valued.

Only last week, the Reserve Bank's quarterly bulletin announced that a mere 12 000 new jobs have been created since the beginning of the upswing in the economy in May 1993.

The Start-Up Fund provides funding for the unemployed – the untouchables of the banking sector – to start their own small businesses.

The fund was launched in October 1993 and at the moment has 4 000 people on its books. Informal sector loans have accounted for more than R3,5-million in the past three years.

"The Start-Up Fund provides loans to those disadvantaged but enterprising people who are willing and able to become self-employed," says Tony Davenport, founder of the fund. "The only hope for the vast majority of the unemployed is job creation through self-employment.

The fund gives loans of up to R6 000 over a period of 33 months to the unemployed, depending on their rate of repayment.

Start-Up director Dicks Xipo says the fund boasts a number of success stories, with some of its beneficiaries now owning profit-making businesses such as hair salons and tuckshops.

The fund hopes to expand to eventually help hundreds of thousands to support themselves.

Here at last: pioneers of a revolution in money power

ST (BT) 5/5/96 (30)

The rush to make black economic empowerment a reality has brought a small number of black businessmen into the maintream of the economy. Their impact and role, however, remains controversial as accusations of enrichment in the name of black empowerment are flung about with increasing vigour. THABO KOBOKOANE profiles the elite of black business.

.E term black empowment has an odious res-.nce to those at the bot-1 of the empowerment -in.

The spoils, according to oular mythology, are ared among a handful of eady super-wealthy ck businessmen, leav- the rest to sweat and l for a living as they ve always done.

There is intense debate hin the black commu-y about the merits of ck empowerment, and ention is inevitably fo-sed on its chief benefi-ries, foremost of whom Nthato Motlana, Presi-nt Nelson Mandela's for-r family physician and e-time Soweto commu-y leader.

Dr Motlana, an amiable d persuasive advocate of rket economics, con-ls New Africa Invest-nt Limited, the largest ck-controlled entity on e Johannesburg Stock change valued at R900-llion, through the Corpo-te Africa pyramid.

Other significant in-stors include Sankorp, e investment arm of Af-aans insurance giant nlam, and the National uncil of Trade Unions, th 21,5% and 13% spectively.

Dr Motlana's success is unded on the simple phi-ophy of forming strate- partnerships and al-nces with established sinesses with a view to nsferring skills, know-w and ultimately power black employees.

Nail's principal invest-ent is a 30% equity stake d management control Metropolitan Life, South rica's fifth largest life surance company with t assets of R8,6-billion d a strong foothold in the rgeoning black life surance market.

Ironically, it was Afri-ans group Sanlam which ade the first overture to ack business when it de-ded to sell 30% of etropolitan Life to Dr otlana and a consortium black investors in 1992.

Three decades earlier, Afrikaners had been in much the same position as blacks are today — they had political power but no economic clout. Following threats by the National Party to nationalise mines, Anglo American Corporation, which straddles the economy like a colossus, attempted to mollify Afrikaner anger by selling General Mining (now Gencor) to Sanlam.

Not surprisingly, Nail has been likened to a black Sanlam, particularly in view of Metropolitan's ambition to mobilise the savings of blacks for social upliftment projects offering a commercial return.

Nail's business empire now stretches to media, banking and telecommunications. It is the majority shareholder in the *Sowetan*, the country's largest daily with a readership of more than one million, and last year Nail bought the ailing weekly, *New Nation*.

Nail also has a 10% share in cellular network operator MTN, down from 20% following its decision to sell 10% to US telecommunications group SBC for about R100-million.

The group owns 21% of African Bank, South Africa's first black-owned bank which last year was rescued from bankruptcy following recapitalisation by Metropolitan Life, the government and NBS.

The deals just seem to drift Dr Motlana's way. He is tipped to win control of South Africa's first black-owned mining group. This follows Anglo American's decision last year to split subsidiary Johannesburg Consolidated Industries into three companies and to sell two of them, Johnnic (assets of R7-billion), and JCI Ltd (mining assets of R6,4-billion).

Throughout, Dr Motlana has been dogged by accusations of self-enrichment, a charge which he brusquely dismisses.

JSE-listed life assurer African Life forms the core of Don Ncube's Real Africa Investment Limited, which has a broader spread of shareholders than Nail — including trade unions with a 22,6% stake. Rail is 51% held by pyramid company Real Africa Holdings.

Rail's interests include 51% of African Life, the country fastest growing life company, 20% of NSA investments, a venture capital fund, 21% in Oceana Fishing, 30% of health-care company Lifecare, and an interest in Ebony Southern Africa, the black American magazine recently launched in South Africa.

Last year it sold its 2,1% stake in cellular telephone operator MTN for R25-million. In a resounding vote of confidence for the company, the World Bank's International Finance Corporation acquired 8,8% in Rail for about R35-million in 1995.

But there is also a new generation of black entrepreneurs.

Since commencing operation last year, New Age Beverages, bottlers and distributors of Pepsi products in southern Africa, hustled capital of R240-million — much of it from high-profile black American investors such as Whitney Houston, basketball star Shaquille O'Neal and actor Danny Glover — and promptly launched an all-out attack on Coca Cola's 50% share of the R3-billion-a-year carbonated soft drinks market.

After a nine-year absence from South Africa, Pepsi cleverly positioned Coke as "part of the old South Africa" while trumpeting itself as "the new generation". Pepsi's returns, though concentrated initially in Gauteng, have started to hurt Coke.

Pepsi chief executive Kehla Mthembu is positive NAB's balance sheet will swell to R450-million by the end of next year.

The National Union of Mineworkers and SA Clothing and Textile Workers Union recently ploughed R50-million into NAB to boost capacity.

Initially, NAB was 75% owned by a consortium of African-American investors under Egoli Beverages, a SA consortium, Kuyasa Trust, whose stake is undisclosed, and 25% by Pepsi. The Egoli shareholding will gradually be reduced to make room for SA investors.

One of the consequences of the transfer of political power to the ANC was a diversion of foreign aid from non-government organisations to the government. Many have been forced to seek new sources of funds or convert to commercial enterprises.

In 1993 Kagiso Trust formed Kagiso Trust Investment headed by self-made businessman Eric Molobi.

KTI has shown impressive growth potential. A R20-million soft loan from JP Morgan allowed KTI to finance the acquisition of a 40% stake in Haum publishers, now housed in its publishing arm Kagiso.

AMIABLE BUT PERSUASIVE: Nthato Motlana, the man behind Nail, the largest black-controlled company on the JSE

Publishing, particularly of school books, is enjoying something of a renaissance as the decade-long culture of school boycotts draws to a close.

Like so many other black business organisations, KTI believes in spreading its risks. Its other interests include 20% of Tongaat Hulett's catering business, Supervision Food Services, renamed Kagiso Khulani Supervision Food Services, and 5% of building materials company Boumat.

KTI also has a 22% stake in a consortium with the *Mail & Guardian* weekly newspaper and publishing house Publico. The consortium has ambitions of launching a television station.

One of the most respected black groups is Thebe Investment Corporation, which has grown its initial seed capital of R100 000 into a conglomerate with annual turnover in excess of R250-million and assets of R500-million-plus.

Controlled by Batho Trust, whose directors include mostly ANC members, Thebe has built an array of investment interests in financial services, aviation, entertainment and leisure and industrial holdings. It now has more than 20 subsidiaries.

By far the most visible of its initiatives are regional airline SA Express, cinema chain Ster-Moribo (a joint venture with Ster Kinekor and the country's third largest film distributor), a 48% holding (together with FirstCorp) in listed Citizen bank and its much publicised acquisition of a 5% stake, worth R81,7-million, in technology group Altron.

Thebe attracted strong media attention in the early 1990s following allegations that it traded on its association with the ANC in business negotiations. The ANC subsequently distanced itself from Thebe, which continues to grow at an astonishing pace.

Managing director Vusi Khanyile says Thebe seeks to empower the community through proceeds that go into a trust, though for the moment profits will be reinvested.

The only visible women's business group to date is the 30 000 strong Women's Investment Portfolio, headed by Wendy Luhabe-Shilowa. The group hopes to attract more than a million members. It recently acquired a 9ha rose farm to grow export flowers.

Last year WIP bought a R10-million BMW dealership in a joint venture with Imperial Holdings.

Other investments include an undisclosed stake in Kuyasa Trust, the consortium that has an interest in NAB, and Africa Sun International, a venture that includes Sun International and other small black consortia.

Kunene Brothers Holdings started out as a family-owned dairy business but has grown into a diverse business empire. Run by the five Kunene brothers, KBH recently bought a bottling and distributor franchise in Mpumalanga with an annual turnover of more than R100-million.

The group trades in and distributes Coca Cola on the East Rand and has a 10% stake in Grinaker Electronics with an option to increase to 30%.

Other interests include two properties, a 30% stake in cleaning company Supercare, three Wimpy outlets, two bottle stores, three cash and carry outlets and a joint venture agreement with Qualcom and Nedbank.

Senior member Keith Kunene says the company's mission is to make black economic empowerment a living reality.

Until it was rocked by mismanagement and corruption allegations two years ago, National Sorghum Breweries was a candle of hope for many blacks. With a 90% black shareholding, it could not afford to falter.

Led by the charismatic Mohale Mahanyele, NSB was formed in 1990 and showed good annual growth returns.

However, the turbulence in the group has forced it to sell 30% of equity to UB International, India's biggest beer company, for R70-million, with an option to raise the stake to 50%.

Richard Maponya is the doyen of the black business community and a strong financial supporter of the ANC. He owns a string of racehorses, supermarket chains and a BMW franchise in Soweto.

In 1987 he bought a majority stake in a Coca Cola franchise through his group Kilimanjaro Holdings, which listed on the JSE last year.

A relative newcomer on the scene is Worldwide Africa Investment Holdings, headed by Wiseman Nkuhlu.

Wail is playing a leading role in putting together the National Empowerment Consortium, which will be bidding for Anglo's stake in Johnnic with Nail.

It is also the only role-player in the oil industry after entering into a R17-million deal with Caltex to form Afric Oil. Caltex transferred 50 petrol stations in Gauteng, representing 11% of its fuel sales, to Afric Oil.

South Africa's first black advertising agency, Herdbuoys, was formed in 1991, and, having won some high-profile accounts, has mushroomed into a R40-million-a-year agency. Its clients include Eskom, NSB, the *Sowetan* and SA Breweries.

Khulani Holdings, largely based in KwaZulu Natal, was the first black company in the 1970s to mobilise black capital for investment purposes by means of a public share issue and joint ventures with established white businesses. Headed by Johnny Mhlungu, the group has turnover in excess of R100-million and is focused in the consumer goods sector, holding interests in four Spar franchises and catering.

The banks have also begun actively supporting black businesses. Capital Alliance is a new financial services group, 51% controlled by black investors and the balance by McCarthy Retail and Rand Merchant Bank.

Its subsidiary Capital Alliance Investments has insurance brokerage Price Forbes as a 30% shareholder. "Our major thrust is into asset management and developing a top-ranking financial services company for our clients," says managing director Mzi Khumalo.

Supported by Absa, Dynamo Investments is 50,5% controlled by black businessmen. It is led by Oscar Dhlomo, former Inkatha politician and founder of the Institute for Multiparty Democracy.

GROWING: Don Ncube's Real Africa Investment Ltd

Dynamo has a 15% stake in dairy group Clover and is currently in negotiations with Africa Sun International to form a consortium which will bid for a gambling licence in KwaZulu-Natal.

Two established black business organisations have a minor role in the business world, but represent many emerging businesses. The National African Federation of Chambers of Commerce (Nafcoc) recently lost control of African Bank to Nail-NBS, but the Federation of African Business and Consumer Services (Fabcos) has branched out more successfully.

It has a joint venture with catering company Fedics and shares control of a travel company with SA Airways. It also has shares in FutureBank, insurance brokers Afsure and African General Insurance, and a minority stake in the proposed R200-million Metro Mall shopping centre in Johannesburg.

□ *This is an excerpt from an article which first appeared in an African Ventures publication: World Trade and Investment 1996.*

When the going gets tough, President Nelson Mandela calls on South Africa's most exclusive club for advice. RAY HARTLEY profiles the Brenthurst Group

HIGH FINANCE'S ULTRA-ELITE . . . (from left) Neil van Heerden, Conrad Strauss, David Brink and Marinus Daling

MANDELA'S SUPERCLUB

(30) ST 5/5/96

PICTURE tobacco tycoon Anton Rupert in his pyjama's, telephone in hand. It's a shade after midnight and the voice on the other side belongs to President Nelson Mandela, who has called to talk about the failing rand and the looming Cosatu strike.

The call to the Rembrandt supremo was one of several made by the President last Thursday. He also called Liberty Life's Donny Gordon, Anglo American's Harry Oppenheimer and Sanlam's Marinus Daling.

The next day, after talking to Reserve Bank Governor Chris Stals about an interest rate hike, he would carry on his consultations with a call to Standard Bank chief Conrad Strauss.

Like Mr Rupert, these captains of industry belong to South Africa's most elite organisation, an informal association named the Brenthurst Group after Mr Oppenheimer's imposing Parktown estate.

The group, which has no offices, no spokesmen and no formal presence was called together by Mr Oppenheimer at Mr Mandela's request to provide a sounding board for his thinking on economic and fiscal matters.

Other members are said to include Old Mutual's Mike Levett, Anglo's Julian Ogilvie Thompson, Sanlam's David Brink, Anglovaal's Clive Menell and Barlows' Warren Clewlow.

Between them, these members of South Africa's business ultra-elite control three quarters of the market capitalisation on the Johannesburg Stock Exchange.

Exactly when it first met is a matter for speculation, but what is certain is that Mr Oppenheimer was called on to form the club shortly before Mr Mandela became President.

He is said to have consulted the group on his May 1994 inauguration day speech, in which he emphasised investment, job-creation and the need to change South Africa from "a net exporter of raw materials to one that exports finished products" — all themes the Brenthurst Group would have endorsed.

FROM inauguration day on, the President has made a point of regularly contacting members of the group to talk about policy matters — especially those that might affect business confidence in government.

Lately, consultations have become more frequent as the economy has begun to dominate the political debate.

One recent consultation occurred following the resignation of Finance Minister Chris Liebenberg. Insiders say Mr Mandela called on the Brenthurst heavyweights to seek an okay for his choice of Trevor Manuel for the critical post, receiving a nod from all those he consulted.

Not surprisingly, someone in the elite group is suspected of letting the cat out of the bag the day before the announcement, leading to a flurry of activity on a stock exchange floor that has proved highly sensitive to rumour.

Despite this momentary blip on the radar screen, Mr Mandela has subsequently increased the frequency with which he has consulted the group, calling on them on several occasions in the last two weeks as the rand hit an all-time low against the US dollar and workers took to the streets over the constitution.

The Brenthurst Group has no public identity and its members are said to have been stunned by the recent publication of details of its leading lights in Millennium magazine.

Says Sanlam's Marinus Daling: "We don't want to talk about our private discussions with the President."

How many members does the group have? Between 10 and 12: "It depends very much on the issue," he answers after a pause.

Less secretive, but nearly as exclusive, is the revitalised South Africa Foundation, which counts all the Brenthurst figures among its members.

Once an international lobby for South African businesses languishing under isolation, the foundation has since undergone a dramatic facelift under new director general Neil van Heerden.

Leaner, meaner and with its old donation-driven funding replaced by membership fees, the foundation now represents South Africa's 53 leading companies.

Its membership criteria? A cool R2-billion in market capitalisation on the Johannesburg Stock Exchange and the ability to sign an annual membership cheque of R75 000 without blinking.

Says Mr van Heerden of the clubs exclusivity: "A feeling arose among the large corporations that they would like a smaller club. They come from the same league, if I may put it that way. We are somewhat elitist . . .if big is elite."

By virtue of the country's skewed access to wealth, not one black South African meets the foundation's membership criteria, a problem that has been addressed by waiving the rules.

Mr van Heerden says that Nail chairman Dr Nthato Motlana and his deputy, Dikgang Moseneke, have been made members of the foundation's council. Will Cyril Ramaphosa find himself on the council once he takes up his post at Nail? Mr van Heerden shrugs and smiles.

MR Daling — the foundation's president until February this year — is at pains to stress that the foundation's revival was not an initiative of the Brenthurst Group, but undertaken by its members as a result of financial difficulties.

"It was felt over many years that the external role lacked credibility without an internal role," he said.

There is nonetheless an eye-catching overlap between the two institutions. It was, after all, Mr Daling, Mr Strauss and Mr Ogilvie Thompson who were among those who presented the foundation's key policy intervention, the Growth For All document, to the media.

With the blessing of the Brenthurst Group and the foundation, Growth For All has taken centre stage in the debate on how South Africa should get its economy going to deal with social backlogs and unemployment.

In crude summary, the document calls for smaller, more efficient government, a lowering of the deficit, an increase in exports and a more flexible labour market, allowing business to hire and fire workers with greater ease.

The document's wide public impact pleases Mr van Heerden. "Growth For All has become at least one of the benchmarks in the public debate."

Before being released publicly, Mr Mandela was given an exclusive overhead projector presentation on the document. Several times during the presentation, Mr Mandela stopped to ask questions and make comments.

"There was no question of confrontation," says Mr van Heerden of the encounter.

The Brenthurst consultations have signalled the rise of a new "bilateralism" between government and business, pointing to a reduction in the importance of tripartite institutions such as Nedlac.

Launched amid great fanfare as the forum where government, labour and business would find each other, leading to consensus on where to take the South African economy, Nedlac has fallen on hard times.

Its crowning achievement was the passage of last year's Labour Relations Act, but there were already signs that key parties preferred to negotiate differences on a one-on-one basis.

With Nedlac reduced to a place where documents are tabled, bilaterals between government and business on the one hand, and government and labour on the other, have risen in prominence.

But there has been a missing link — bilaterals between business and labour. It was this that Mr Mandela sought to correct at last Sunday's meeting at his Pretoria residence when he brought business and labour together to discuss constitutional difficulties.

As the new bilateralism has taken hold, it has diminished the significance of other business players, such as the SA Chamber of Business. Once the sole champion of business on the national stage, the chamber was reduced to one player among many in the Business South Africa caucus at Nedlac.

The Brenthurst club has entered the public arena unwillingly, dragged there by the fact that big secrets are hard to keep, especially in a nation with an insatiable appetite for gossip.

How long it will survive depends entirely on government, more particularly Mr Mandela, who must decide how close to the heart of economic decision making he wishes to keep business.

In the meantime, when the phone rings at midnight, the captains of industry must rise in their pyjamas. After all it might just be the President on the line.

ANSWERING MANDELA'S CALL . . . Rembrandt supremo Anton Rupert and his son, Johan, arrive at the president's Mahlambandlopfu residence for last Sunday's crisis meeting between business and labour Pictures: HERBERT MABUZA

Entrepreneurship is the answer for SA

CT 6/5/96

(30)

ENTREPRENEURSHIP and entrepreneurial management are the best antidotes to poverty in post-apartheid South Africa, argues political economist **RALPH HORWITZ.**

LET'S get the history, let alone the economics, right before we and the Reconstruction and Development Programme strive to put it right. The history of immediate concern is when and how mass poverty starts its inescapably slow and incremental march to mass well-being.

In its castigations of a South African Foundation report, recently released, the National Institute for Economic Policy (Cape Times Forum of March 15) comments:

"The RDP is a conceptual framework that looks for growth and development through reconstruction and redistribution ... (it) delineates a clear role for the multiplicity of interest groups that have become a part of the emergent democracy, while reserving a special role for the state. It demonstrates that for the first time in our history the state can become a major instrument through which the needs and interests of all the people can be addressed."

God, Adam Smith and Friedrich Hayek help and save us — from non-history and the non-economics of the National Institute for Economic Policy.

This country... has just emerged from the national socialism and concomitant sociological disaster of apartheid.

This country of great natural beauty and perhaps less fruitful natural resources has just emerged from the national socialism and concomitant sociological disaster of apartheid. What the National Institute with its new (?) ideology and now non-history would propose is a continuation of the socialism, minus the totalitarianism of Hitler or Stalin.

In brief, South Africa, having gone down its own road to serfdom following the post-war electoral victory of the National Party, is to continue the fatal conceit of statism or Big Brother governance so brilliantly exposed and explicated by the Anglo-Austrian economist and social philosopher, Nobel Laureate Friedrich von Hayek.

The framework underlying the South African Foundation's report, the National Institute's critique continues, identifies with that school of thought defining saving (or capital) as the source of economic growth. The SA Foundation draws a picture of an economy that has a flexible labour market, minimal government participation in the economy, high savings rates and is fully integrated into the global market.

The National Institute submits that the SA Foundation ignores the overwhelming historical evidence of the role of the state in growth and development of the modern world. "The United States during the depression years, Japan in its early period of industrialisation, Korea between the 1950s and the 1970s, and most of Western Europe from the early 1920s are examples of state intervention aimed at meeting the basic needs of the population, developing internal markets and alleviating the effect of regular market failure," the National Institute continues.

Go tell that to the fairies — not to the serious economic historian.

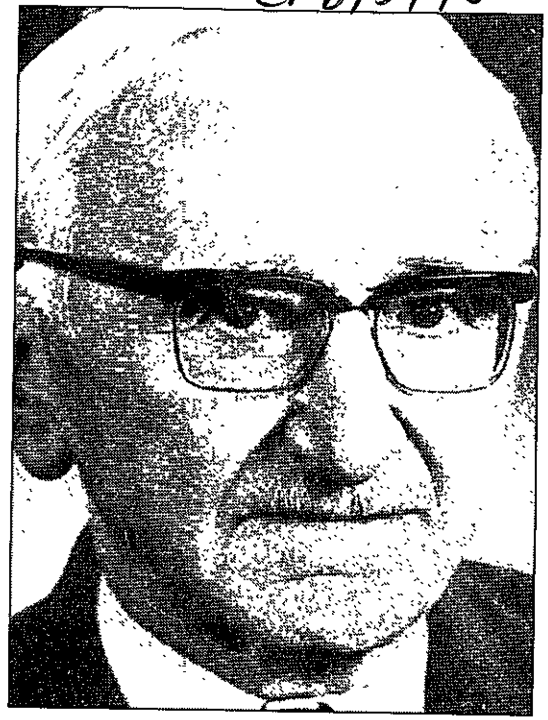
Has the National Institute never heard of or noted the first and finest of the post-medieval "economic miracles" — the British?

By way of an Agricultural Revolution that enclosed "the Commons" in private ownership of great estates, an Industrial Revolution of unending labour-saving and thus job-creation, an emerging Financial Revolution spread world-wide by the City of London and its Gold Standard, mid-Victorian Britain had become the wealthiest nation with the highest standards of living of an urbanising-industrialising population in world history.

The ideas of epochal consequence came from Adam Smith with his *Inquiry into the Wealth of Nations*, establishing trade as the wealth of the free and the enterprising rather than stashed bullion accumulated in bank vaults.

Much of this was grievously damaged by a crippling Fabianism that promoted a blinkered British Labour Party, aiding and abetting the castrating restrictionism of trade unionism usurping the individual's right to a job.

A *Pax-Britannica* by way of the British Navy, the British Empire and a British-run Gold Standard took such Victorian wealth and income-promotion to the four corners of the earth during the 19th century. Not least to Hong Kong, where it climaxed this half-century in a unique, tight little island with no "natural resources" whatsoever.



BRILLIANT EXPOSÉ: Anglo-Austrian economist and social philosopher, Nobel Laureate Friedrich von Hayek, who exposed and explicated the fatal conceit of statism or Big-Brother governance.

Come, then, to South African history of political economy — or the triumphs of a century of exploitation of its mineral wealth uncovered (most assuredly not by government geologists) from about a century ago.

These successes were spurred largely by those who came (not very much wanted) as *uitlanders*, desperately poor and even more desperately yearning to be free from Tsarist tyranny and despotism in Europe.

Even Cecil John Rhodes had poor health and precious little savings, Barney Barnato an East Ender's heritage of music-hall and prize-fighting, Sammy Marks a case of cutlery.

What they did have was an entrepreneurial sense and sensibility. Call it an ethic, a culture of entrepreneurship. It and they developed the South African economy — the foreign capital investment came later and the domestic capital investment much later.

And what of the state or "states" of colonial Cape and Natal, and Republican Transvaal and Free State?

They did build state-owned railways that were a major causative agent or agency in the civil war, sometimes known as the Anglo-Boer and sometimes the Second Freedom War.

Peace brought the beneficence of a common market to the Union but also brought the malevolence of "no mixing in church and state" in place of a Cape liberalism.

This brand of liberalism, introduced by way of Victorian Britain, freed slaves, established an "equality before the law" ordinance and a colourblind franchise from about 1830 onwards.

After the First World War, a Pact Government of (Afrikaans) Nationalist Party and (English) Labour Party introduced an uncivilised "Civilised Labour Policy" taking jobs from poor people of colour to give to poor (and voting) whites on the South African Railways.

This state enterprise began a near-ruinous monopoly, inhibiting the vital gold-mining productivity and expanding maize cultivation.

After the Second World War came, of course, the command economy or national socialism of apartheid. What saved the nation from the same disastrous impoverishment of Marxist Europe and post-imperial Africa was entrepreneurship and entrepreneurial management.

Thank heavens not for little girls, but for the big conglomerates. Without their unending reconstruction and ceaseless development, post-apartheid South Africa has not a snowball's chance in apartheid's hell from escaping statism.

❑ Dr Ralph Horwitz is a graduate of UCT, was the editor of several periodicals focusing on South African trade and industry, and has been honorary economic adviser to the Cape Chamber of Industries. He is also the author of several books, including "The Political Economy of South Africa" and "South Africa's Business Realities of Profitability"

Entrepreneurship culture 'is needed'

(30) BD 7/5/96

Nicola Jenvey

DURBAN — Small business could not survive on corporate and government patronage, but it had to develop a culture of entrepreneurship, KwaZulu-Natal economic affairs and tourism MEC Jacob Zuma said yesterday.

Zuma told the National Economic Initiative AGM that such patronage was vital to small business development, but long-term sustainability for small, medium and microenterprises (SMMEs) resulted from self-reliance and creativity.

Zuma said the provincial government would establish sector-specific support networks for emerging entrepreneurs in tourism, timber production, food processing, construction and textiles and clothing.

State tendering, which had previously favoured better-established and predominantly white-owned businesses, would also be restructured to assist SMMEs.

He said the Small Business Development Programme of Action, initiated by the provincial economic affairs and tourism department, aimed to address problems related to tendering information and language barriers.

The revised procurement policy should be extended to the private sector to facilitate stronger relations between large and small businesses.

For example, the requirement that contractors needed all the technical, managerial and financial resources before being awarded contracts barred SMMEs.

Zuma said big business's concern that quality standards would be comprised could not be dismissed simply as discriminatory.

There were legitimate concerns on both sides, he said.

RMB is out of Capital

Adrienne Giliomee

RAND Merchant Bank (RMB) has sold its 24,5% stake in financial services company Capital Alliance to a consortium consisting of Capital Alliance CE Mzi Khumalo and fellow directors for R2,7m.

The move will increase the directors' stake in the company to 75,5% from 51%, with the remainder held by McCarthy Retail.

Khumalo said yesterday that there were no plans for McCarthy Retail to dispose of its shareholding.

RMB MD Paul Harris said the initial aim of buying into the company was to make a good investment and to develop a constructive business relationship.

"The idea was to be a greenfields investor. Now that Capital Alliance has reached maturity, our strategic objective has been realised."

Capital Alliance was founded by Khumalo in 1994.

SMALL BUSINESS 30

UNTOUCHABLES TOUCHED

FM 10/5/96

With unemployment totalling 8m and increasing by 400 000 a year, the formal sector cannot cope. International experience shows that economic growth often bypasses the unemployed.

Tony Davenport, chairman of the non-profit Start-Up Fund, says the only solution workable on a large scale is self-employment through micro-enterprises. The fund, a Section 21 company, has lent R3,5m since October 1993 to 4 000 "untouchable" microbusinessmen.

Tony Davenport . . . interest rates compare well

Davenport says there is no bad debt risk. The relatively high proportion of bad debt (12% of total advances), which is to be expected, is compensated for by a separate entity, the Group Indemnity Trust.

The trust (registered with the Master of the Supreme Court) is funded by refundable deposits (if the borrower leaves the fund in good standing) and non-refundable monthly contributions over the period of phased borrowing.

The 30% of borrowers who go into arrears represent only 12% of total advances. This shows they are the ones who don't succeed in the first stages of the phased borrowing scheme, when advances are still small. Lending is done over six phases, with loans gradually increasing upon proper servicing of debt.

To qualify for funding, the borrower must complete a 35-hour business training programme, have a bank account into which funds can be deposited electronically, and deposit R75.

The fund enters into strategic partnerships with training programmes, rather than train candidates itself. Training costs are R500 per person. Applicants contribute small amounts over the entire borrowing period, spanning six phases, in the form of repayment. These are transferred to the Training Trust, which is then able to pay R200 per person upfront to the training organisation.

Actual lending is incentive-based. The borrower gets R250 in the first phase, lasting three months, and upon repayment, gradually more in the five subsequent six-month-long phases. The maximum is R2 000 in the last phase, with the option of staying with the programme with loans to the maximum amount over six months, or joining the formal banking sector.

About 20% of advances goes to the Indemnity Trust (nonrefundable), to make good bad debts, another 1,7% goes towards the Training Trust, and a small monthly fee is charged, as payment is processed electronically.

To add to this seemingly large burden on the poor, interest of 39% is charged. Davenport says this compares well with other countries, who charge between 40%-80% a year.

"Micro-enterprises have a quick turnover of capital," he adds. "So the cost of capital is relatively insignificant to the borrower. Our costs, including the cost of capital, at 22%, must be covered. I don't draw a salary from the fund." Fund director Glenn Mansfield says the electronic transfer system negates the need for a labour-intensive operation as one loan officer can manage up to 4 000 accounts.

Excluding grants, the fund is expected to post a net profit of R130 000 in its current financial year. This is expected to increase to R500 000 by 1998.

The fund is financed by the Development Bank of Southern Africa, the Independent Development Trust and private-sector corporations. ■

Internal bickerings split Free State Nafcoc

(30) Sowetan 10/5/96

Matters came to a head during Nafcoc's national executive elections

By Shadrack Mashalaba

THE FREE STATE branch of National African Federated Chamber of Commerce has split into two factions.

One of the factions has structured itself into a new organisation.

The new body, which was formed on Saturday last week following what it terms the "irretrievable breakdown in communication" between the regional branch in the province and the head office, calls itself Free State Business Foundation.

Sowetan Business has learnt that about 300 business people from 15 branches in the province decided to break away from Nafcoc at a meeting at the Four Ways Hotel in Bloemfontein last weekend.

One of the members of the new group, Lemmy Mule, told *Sowetan Business* that the breakaway was the result of national office's failure to resolve divisions among Nafcoc members in the Free State.

"Instead they took sides," he said.

The group's breakaway from Nafcoc has its roots in the long-standing dispute between a faction led by Mule and another loyal to the leadership with the national office.

Early this year the Free State leadership of Nafcoc was reported to have called for the resignation of Nafcoc's president, Joe Hlongwane, but the Nafcoc leadership dismissed the group as a discredited minority.

Matters came to the head during Nafcoc's national executive elections at the Holiday Inn Garden Court near Johannesburg International Airport on March 31.

The breakaway faction's public relations executive, Themba Mateza, said at that gathering it was clear that the organisation's hierarchy was out to eliminate the dissenters, instead of resolving the differences which his group had raised. Allegedly the Free State region of Nafcoc called for the postponement of the elections to resolve the divisions among members in the area but their plea was turned down.

Sowetan Business has learnt that members in the Free State have been calling for change in the way the organisation did business.

The region was also reported to be unhappy with its representation in Nafcoc's national structures.

"The Free State is hardly represented in Nafcoc. Whatever 'representation' you find there is powerless – the region wants, rather, its demands to be heard," said Mateza.

The new group was also not happy with the result of the Free State regional elections which were held before the national. In those elections, a group led by Mule lost and they blamed it on the behind-the-scenes intervention of the Nafcoc national office.

Sowetan Business has learnt that a series of behind-the-scenes attempts by the feuding Nafcoc Free State factions to solve their innumerable differences failed.

"The Nafcoc Free State elections were a mockery of democracy, but they were no different from the Nafcoc national elections," said Mateza

' Apparently the majority of Nafcoc members in the Free State belong to the splinter group '

Apparently, the majority of Nafcoc members in the Free State now belong to the splinter group.

There have also been unconfirmed reports that as a result of the split, Nafcoc's structures are virtually non-existent.

Nafcoc's new general secretary, Mashudu Ramano, dismissed as a "myth" a suggestion that the organisation's structures were no longer functional in the Free State. He said regional president Beef Molefe was running the organisation.

"We are not prepared to answer speculations. There are splinter groups who want to serve their own egoistical interests and we are not prepared to serve them," he said.

He added that there were 16 branches in the province which had a truly representative executive committee supported by the national office.

Ramano said angrily, "It is nonsense to hear people saying that there are factions in Nafcoc, instead we are more united than ever before".

"I am once again not prepared to answer faceless allegations. The executive elections which were held over a month ago were conducted in accordance with normal democratic principles."

IFC gives R73-m to black business

Sowetan 20/5/96

(30)

Sowetan Business Correspondent

WASHINGTON – THE International Finance Corporation (IFC) – private sector arm of the World Bank – has stepped up the pace of its investments in small black businesses in South Africa and is about to channel more than R73 million into several enterprises.

The IFC last month approved a R2,6 million investment in a roses-for-export farm in Tarlton, Gauteng, and has nearly finished proposals to help finance a Spar supermarket in Umlazi near Durban, a bank to lend money to low-income earners in Cape Town, a biscuit factory in Durban and a factory to make prefabricated panels for low-income homes in Nelspruit, Mpumulanga.

Biggest investment

The IFC's biggest investment proposal is to place R43 million in Cashbank which was established in April 1995 in Cape Town by the Group Credit Company (GCC), an NGO established in 1989 to develop financial services for low-income groups.

The bank was established only to serve the banking needs of low-income communities through providing savings facilities, credit for housing, small business, education and personal loans.

It is a commercially-oriented bank owned by its members with a capital base of R73 million.

The major shareholders are SA insurance companies, institutional investors and pension funds.

Funding sources

The IFC said that in addition to diversifying the bank's funding sources, the IFC investment would act as a catalyst for mobilising further funding to enable the bank to meet the strong demand for its products.

The IFC is also planning to invest nearly R21 million in Estra Homes, a new R81,7 million joint venture between Tamburini SpA of Bologna, Italy, which will own 60 percent and provide technical expertise, and Hlanzeni Holdings Pty Ltd, a black-owned business in SA which will own 40 percent.

Building houses

The company plans to establish a plant near Nelspruit to make enough prefabricated concrete panels to build 3 000 houses of 48-square metres each per year.

The IFC's Trust Funds programme helped finance the project's feasibility study.

"IFC can now play a significant role in helping to bring affordable and respectable housing to many low-income households as well as developing capacity in the construction industry in the province," a project proposal said.

Disadvantaged groups

Its investment would also help the economic empowerment of previously-disadvantaged groups such as the shareholders of Hlanzeni Holdings.

The IFC is also planning to invest R6,5 million in Bismonte Biscuits, a multi-million project to establish a biscuit factory in Durban which will export 20 percent of its products to the UK and sell the rest locally.

This is a joint venture by South African Afzal Osman and Pakistani Mobeen Mehdi who will bring into it his experience in establishing British Biscuits, one of Pakistan's leading biscuit manufacturers.

Chamber calls for policy on black empowerment

(30)( ) BD 21/5/96

Patrick Wadula

THE National African Federated Chamber of Commerce has called on government to table a blueprint for economic empowerment, claiming many black empowerment companies have fallen short of their goals.

The chamber said at the weekend government needed to put down a policy on what black empowerment should be and how it should be implemented.

The issue will be discussed today when the chamber's Gauteng region opens its annual meeting.

Chamber president Joe Hlongwane said a policy statement from government would allow black business to properly lobby for empowerment, focusing on funding and the transfer of technical skills. "This will help the government in transforming the economy to empower the people."

He said much of the economic empowerment to date was perceived as failing to create jobs, and benefiting the few rather than the many.

"I see nothing wrong in some becoming rich, but that should not be done in the name of black empowerment."

Hlongwane said property and asset ownership and unbundling conglomerates could lead to empowerment, but only if entrepreneurs had the skills and know-how. Companies should seek JSE listings but the chamber wanted to see more of the listed companies creating employment.

Today's conference, to be opened by Gauteng premier Tokyo Sexwale, has taken The Changing Face of Black Business as its theme.

"We believe that redistribution of (minority-held) wealth is of prime importance, that the issue of training and skills transfer to black entrepreneurs is long overdue and the matter must be given priority," the chamber said.

"We are still looking up to government to assist with more programmes," Hlongwane said.

Survey shows SA firms have singular worries

By John Spira (30)

DEPUTY EDITOR

CT(BR) 21/5/96

Johannesburg — Crime and social unrest are the most pressing concerns for South Africa's business leaders, a global opinion survey released recently has found. The survey also identified labour laws and racial quotas as major problems.

This provides a sharp contrast to the concerns of business leaders elsewhere in the world, where the economy and foreign competition are the main issues.

The global opinion survey, Windows on the World, was conducted by Research International. The company interviewed 1 300 top business people, 27 of whom were South Africans, in 32 countries around the world.

The survey found that, unlike many other English-speaking countries, plans for revenue growth in South African companies were focused more on the rest of Africa and the Middle East (45 percent) than on the Asia Pacific region (26 percent) or elsewhere.

This contrasted with Britain, where the focus was 64 percent on the Asia Pacific region and only 10 percent on Africa and the Middle East.

South Africa was nevertheless more outward-looking than Kenya or Zimbabwe, where 75 percent of executives expected Africa to be the primary area for five-year growth.

Virtually all South African companies expected major growth in overseas competition for their domestic market, with 59 percent expecting the competition to increase "a lot" over the next five years.

These figures were the highest of any Westernised nation in the study.

As many as 78 percent of executives rated concern for customers as one of their two most important priorities. The other was profitability, at 63 percent.

South African executives were more optimistic overall about their economy than countries like the United States, Britain and Australia, with 60 percent expecting improved conditions in the future.

However, only 19 percent of the South African companies interviewed planned to increase full-time hiring.

On the global front, Research International found that concern for customers was the most crucial priority for companies throughout the world. Job security for employees and returns for investors also ranked prominently as corporate imperatives.

Gauteng premier Tokyo Sexwale, left, addressing the National African Federated Chamber of Commerce's provincial conference in Johannesburg yesterday. Also there were Bobby Makwetla, top right, and Wits University academic William Makgoba, bottom right. Picture: ROBERT BOTHA

Sexwale slates black business

(30)

Patrick Wadula

BD 22/5/96

BLACK business had failed to take advantage of opportunities with foreign investors, Gauteng premier Tokyo Sexwale said yesterday.

Speaking at the 26th Gauteng conference of the National African Federated Chamber of Commerce (Nafcoc) in Johannesburg, Sexwale said about 400 foreign companies had invested in SA since April 1994 but black business, represented by Nafcoc, had done little to form associations with them.

Sexwale said provincial government had funds to assist economic empowerment but the impetus had to come from black businesses. Nafcoc president Joe Hlongwane said this week government should draw up a blueprint for black empowerment.

The premier also announced the introduction of the Gauteng Economic Development Agency which would assist black businesses in securing joint ventures with local and foreign companies.

Sexwale asked Nafcoc and the Foundation for African Business and Consumer Services to discuss the tendering process in Gauteng with his office, adding that black businesses must create jobs if they secured provincial tenders. He added, however, that government did not create jobs but merely facilitated the creation of employment.

Erwin issues challenge to private sector

John Dludlu

BD 22/5/96 (30)

TRADE and Industry Minister Alec Erwin has challenged the private sector to forge a partnership with government — to promote small business development — via linkages and transfer of skills.

Speaking at the launch in Sandton yesterday of Enterprise Africa, a conference and trade exhibition to be held in July, Erwin said the private sector could improve market access for small business "through the forging of joint ventures, subcontracting and outsourcing arrangements".

Large corporations, which also attended the function, sponsored by both the trade and the public works departments, "had the knowledge, expertise, skills and capital to form linkages with the small business sector".

"The global experience, in countries that have demonstrated high economic growth, shows that the linking of big and small enterprises is critical for stimulating competitiveness and a vibrant economy."

Concerning the trade department's institutional framework, Erwin said the state-owned Ntsika Enterprise Promotion Agency had created a marketing and business linkage arm.

This unit acted as a pillar of demand-side support and would focus on programmes to create market access for small business, he said.

Enterprise Africa represented a concrete attempt by government to build partnerships with the developed private sector, he said.

"However, this will materialise only if the private sector comes forward with a clear commitment," he said.

Public Works Minister Jeff Radebe said the procurement task team was currently working on an "affirmative procurement policy".

This covered the recently released 10-point plan, an interim strategy aimed at providing guidance towards implementing suitable procurement strategies within the present system, he said.

Enterprise Africa, aimed at facilitating business linkages, would also help smaller firms to gain access to new markets, he said.

Emerging black businesses urged not to forget roots

(30) Star 22/5/96

By Patrick Phosa

Gauteng Premier Tokyo Sexwale has urged emerging black businesses not to lose touch with their roots in a bid to enrich and empower themselves ahead of the majority of the unemployed blacks and women.

Sexwale was speaking yesterday in Sandton at the 26th annual general conference of Gauteng's National Federated Chamber of Commerce and Industries (Nafcoc) whose theme was the changing face of black business.

He said tenders awarded to black businesses should not merely enrich the minority, but should create jobs for the majority.

"We will make you wealthy, but how many jobs are you prepared to create? We give you tenders, you give us jobs," Sexwale said.

He said he had learnt from black economic empowerment in the United States that black businessmen had a tendency of "forgetting their roots".

"We do not want to make you rich and make you targets of the poor like in Malaysia in the 1960s where the emerging businessmen had their throats slashed. We must create a system that empowers everyone," Sexwale said.

He encouraged black businesses to develop partnerships with existing white corporations as part of a long-term economic growth and development strategy.

He warned them to form partnerships with corporations which would not sideline them.

Sexwale said his government was to launch a Gauteng Economic Development Agency to alert black businesses to new opportunities created by the Government.

Outgoing Nafcoc Gauteng president and new national secretary-general Mashudu Ramano said they would not forget where they came from, adding that "we would contribute to the rebuilding of our townships and villages".

Former University of the Witwatersrand deputy vice-chancellor William Makgoba, the keynote speaker, said "great economics are not built on copycat principles, but are rooted in the cultures of the country".

Public works ministries give hope to small entrepreneurs

Star 24/5/96 (30)

Government contracts for small businessmen create jobs

By Justice Malala
Provincial Correspondent

More than 36 000 people were employed and thousands of small, previously marginalised entrepreneurs granted Government contracts by the public works ministries of Mpumalanga, the Eastern Cape and Northern Province in the past two years.

Addressing an ANC media briefing in Midrand, the public works MECs of the three provinces said although many projects had been started and were nearing completion, problems in changing the mind-set of some civil servants, building the capacity of emerging business to deal with projects and establishing new departments had been experienced.

North West Public Works MEC Zacharia Tolo said the department had employed 16 000 people in projects which included building 750 classrooms, renovating hospitals and building roads.

He said more than 106 contractors had been involved in the building of classrooms, and improvement of their productivity through training to enable them to take on bigger projects was under way.

Medium and large contractors will always have their place

"Although the emphasis is on the development of the small and emerging contractor, the medium and large contractors will always have their place in the market. It should not be perceived that we are against them in any way," Tolo said.

He said in the school-building programmes small contractors had experienced difficulties with the tendering process itself, with incomplete tender prices, incomplete tender documents, difficulty in raising sureties, a lack of bridging finance, lack of management and business skills, and time overruns on projects.

The Eastern Cape's Thobile Mhlahlo said 8 126 jobs had been created within the ministry in the province, and 74 384 electricity connections were made to homes, schools and clinics.

Mhlahlo said, however, that the key challenge to the department was the rationalisation of its 12 847 staffers, which had to be cut to 6 759. The department has been plagued by several cases of misconduct, including fraud.

In the Northern Province, 12 858 jobs were created in various projects, including building of roads, schools and maintenance.

Corporations helping small business surveyed

(30)

Patrick Wadula

BD 27/5/96

SASOL, Eskom and Toyota SA were among companies which had aided the integration of small businesses into the economic mainstream, a Business Marketing Intelligence survey said.

The study, a precursor to a nation-wide survey, was aimed at establishing a benchmark of what corporate SA is doing in the small business development field and detailed a number of activities which produced sustainable and mututally-beneficial results. These included the establishment of alternative sources for raw materials, purchasing from small businesses, subcontracting or hiving-off of activities, the development of mainstream markets through alternative distribution lines and the establishment of new ventures via equity participation schemes or the supply of venture capital.

The study, which also named Denel, Sappi and Anglovaal as companies which had helped establish and support small black businesses, noted that SA corporations were relatively new in this field.

It highlighted barriers experienced by large companies to the development of small business, detailing cases where substantial investment by corporations had failed to produce sustainable small businesses. Failed efforts often resulted in a high degree of frustration and demotivation towards helping other small business developments, it said.

Many corporations were still quick to find reasons for not supporting small business development. The most common was a perceived lack of opportunity, unavailability of entrepreneurs, difficulty in dealing with relatively unsophisticated businesses and cost versus quality constraints. However, successful cases proved that with understanding, planning and concerted effort, barriers could be overcome.

Sasol commercial services manager Deon Scheepers said Sasol had set aside nearly R1,3bn for small businesses over the last year. It had sub-contracted over 40 services, including cleaning, catering, and gardening. It also had a R50 000 revolving fund which offered loans to small entrepreneurs to help them develop their own businesses, he said.

Toyota SA director Peter Taylor said that of 300 Gauteng dealers, 10% were black businessmen who contributed 7% of R6bn turnover last year.

Eskom small business development manager Nomonde Mapetla said Eskom had established 502 businesses and created 2 023 jobs last year.

Fabcos distances itself from action

(2)(30) BD 27/5/96

Patrick Wadula

THE Foundation for African Business and Consumer Services (Fabcos) would not back Business SA in its bid to petition the Constitutional Court to amend the labour relations clause in the new constitution, secretary-general David Moshapalo said.

Fabcos, a BSA affiliate, had decided on this stance at an executive council meeting last week, but would not pull out of the organisation in spite of its differences over the exclusion of employers' right to lock out workers.

BSA, which represents 18 organisations, including the the Afrikaanse Handelsinstituut and SA Chamber of Business, said this month that it intended petitioning the court to invalidate the clause.

Moshapalo said BSA's constitution allowed affiliates to differ on certain issues, and "this is one of them. In this instance we are of the opinion that the will of the majority is being served."

While BSA had found the property clause in its final form both "complex and unclear", Fabcos' executive council had endorsed the constitution, he said, this position was based on the historical background of its members, he said.

SBDC frees itself from the state

(30) ET (BR) 28/5/96

By Christo Volschenk

ECONOMICS EDITOR

Cape Town — The government was not putting pressure on the Small Business Development Corporation's (SBDC) new management to postpone its relaunch under a new name and with a new corporate image until the government got its own small business institutions off the ground, an SBDC spokesman said yesterday.

Industry sources said that the corporation had been itching for months to rid itself of its image as a development agency.

It wanted to reposition itself as a financial institution that provided loans to viable small and medium-sized businesses.

This follows the agreement last year between the government and private-sector shareholders that the government would in future extend loans to micro-enterprises.

The government and the corporation's private-sector shareholders agreed last week that the state would reduce its shareholding in the company from 50 percent to 20 percent over the next 5 years.

The private-sector shareholders would be responsible for the management of the corporation.

Since its inception in 1981, the government has held 50 percent of the shares. The balance was held by private-sector companies.

The private-sector shareholders and the government agreed that the corporation's capital base of R1,1 billion would be reduced by R600 million over five years.

The state's representation on the corporation's board would also be reduced to 20 percent over that period. The shareholders agreed that the state would receive R243 million in cash.

The corporation would issue debentures secured by property it held for the R357 million balance.

State to pocket R600m for SBDC shares

BD 28/5/96 (30)

John Dludlu

GOVERNMENT is to receive about R600m in cash and assets as compensation for cutting its 50% stake in the Small Business Development Corporation to 20% over the next five years.

However, it was unclear yesterday whether the state will continue with the partnership after five years — when the agreement with private sector shareholders has run its course.

The corporation said the proceeds from cutting the stake would be used to support the state's own small business development strategy.

Following the reduction of the state's interest, the SBDC would be left with net assets of just more than R1,1bn and would remain "well funded and liquid to perform its task", it said.

"The transfer of money will take place once the Supreme Court has sanctioned the reduction of capital."

However, the state would continue playing an active role in the private sector-led partnership, the corporation said.

No job losses would result from the reshaping plan. The organisation employs 621 people.

In terms of the plan to refocus the organisation, the SBDC would focus on the small and medium segment of the small business sector, leaving the state — through its newly established institutional framework — to buoy the development of the micro sector.

SBDC MD Jo Schwenke praised the agreement with government as marking the "beginning of an exciting new era for the SBDC where we will provide viable and medium businesses with ready access to capital coupled with aftercare and problem-solving expertise".

However, it remains unclear what the future of the partnership will be since government now has its own small business promotion machinery — including Khula Finance Corporation and the Ntsika Enterprise Promotion Agency.

The SBDC has previously been accused of failing to play a developmental role for the small business sector and helping mainly white-owned firms — claims denied by management.

Black business 'must know what economic empowerment means'

(30) BD 30/5/96

Patrick Wadula

BLACK businesses need to reach a consensus on what is meant by black economic empowerment, says Dynamo Investment chairman Oscar Dhlomo.

Dhlomo, who founded Dynamo last year with an initial capital of R101m funded by Absa Merchant Bank, says there are several versions of black economic empowerment among black businesses.

At the moment, black people who used their entrepreneurial ingenuity and risked their personal savings to empower themselves by establishing companies, thus creating new jobs, were accused of enriching themselves. "This negative attitude could possibly be remedied if we knew what black economic empowerment was supposed to mean in the first place."

Once consensus had been reached by black business, it had to sell its version to corporations and government.

Ultimately there would be a broadly acceptable version of black economic empowerment right across the board which all stakeholders could strive for.

DHLOMO

Dhlomo, who comes from a business background — his father was the first bus operator in KwaZulu-Natal in the late forties — also runs a family business. It specialises in developing retail centres in previously disadvantaged communities.

"We give preference to small business people from these communities when choosing our tenants for the centres," he says.

Today these businesses are valued at between R10m and R15m.

It was important that black businesses prospered so that many more black people entered the mainstream of the economy.

To help achieve these goals, Dhlomo has set up an educational trust, the Sizanani Educational Trust, which has a 10% stake in Dynamo. The purpose of the trust is to offer scholarships to black students in business administration and related fields.

Through Dynamo's participation at board level in companies it invested in, it encouraged affirmation action programmes in their labour policies.

"Affirmative action needs to be accompanied by vigorous and purposeful industry-based education and training programmes.

"If this is not done, we will end up with token managerial appointments which will be detrimental to both employer and employee," says Dhlomo.

murdered each year than were itance of apartheid.

Small firms win tenders

(30) BD 4/6/96

Ingrid Salgado

THE Gauteng government had begun awarding more tenders to small, medium and micro enterprises in the past three months, Gauteng tender board chairman Danisa Baloyi said yesterday.

This was because emerging business, especially black business, was starting to have more confidence in the system. Departments had also begun to make a concerted effort to include the small business sector. However, many emerging businesses remained reluctant because of the previous government having overlooked their bids.

Baloyi, who presented a report to Gauteng's finance standing committee yesterday, said some departments had failed to update company lists, from whom they received quotes. The board now required proof that new players were included.

Baloyi said the board, Gauteng's economic affairs and finance department and the provincial small business council would embark on a roadshow to educate communities in an effort to draw in more emerging entrepreneurs.

A task team had been established to facilitate the board's work with line departments. Its work would continue until new regulations were being practised.

The new regulations made the tender process lean towards sectors which the old tender rules tended to ignore, and were in line with national guidelines, Baloyi said. The board was also investigating setting aside a portion of government contracts for small, medium and micro enterprises.

Slowdown knocks small business drive

(30)

John Dludlu

BD 7/6/96

THE Industrial Development Corporation's drive to foster small business has been hurt by the manufacturing slowdown, with the monthly uptake for its small business loan funding scheme down 35% on last year's figure.

The parastatal — which offers small enterprises cheap loan finance — said yesterday it had lent R613m through the scheme for the year to last June, helping 252 small businesses.

But the uptake since then had dropped markedly, with disbursements for the nine months to March at just R297m.

The IDC cut the interest rate on the funding in March to 15,5% from 16,5%, which had led to an uptick in applications through April and May. It added that the value of the applications was still below the average for last year, although applications in the pipeline could result in approvals double the level for April and May. "Whether this can be sustained remains to be seen."

The corporation pinned the fall on the drop-off in manufacturing towards the end of last year. Manufacturing had been hit by various factors, including capacity constraints and the high level of real interest rates.

The IDC said that its World Player scheme, launched last October to provide cheap finance for industrialists to modernise their equipment, continued to find a ready market.

Applications now totalled R504m, with 16 loans approved amounting to R277m. The corporation had expected to spend about R150m a year on the scheme. Most of the demand came from the textile and motor industries — the two sectors that underwent major tariff restructuring last year.

Businesses in KwaZulu-Natal received 42% of the funds.

ECIP makes financing easier for smaller local companies

CT (BR) 11/6/96

(30)

South Africa is one of the countries outside the EU in which small and medium-sized companies may qualify for financing offered by the European Community Investment Partners (ECIP) programme.

The programme, instituted by the European Commission in Brussels in 1988, promotes trade, investment, research and human resource development, says Owen Tidbury Standard Corporate & Merchant Bank international division director. Companies applying, whether South African or European, are expected to focus on potential joint venture projects with small- and medium-sized companies.

Support is provided for four successive stages of joint venture creation:

- ☐ Identifying potential projects.
- ☐ Feasibility studies or pilot projects.
- ☐ Capital requirements.
- ☐ Training, technical or management development.

ECIP operates through a network of financial institutions in eligible countries. Last year Standard Bank signed an agreement with the Commission which enables it to act as an ECIP financial intermediary.

Tidbury says another overseas scheme offering specialised finance is the US Department of Agriculture's southern Africa GSM-102/103 programme.

"US exporters are able to apply for credit guarantees to cover sales of food, livestock and grains to South Africa. This is an inducement to US banks to make competitive financing available to foreign buyers through guarantor banks in this country – of which the Standard Bank is one."

He sees a considerable market for the facility, as US exports of agricultural goods to South Africa in 1994 were worth R477-million.

"Financing is available only for the FOB portion of a sale – freight and insurance are included. However, Standard is able to provide trade finance for the excluded charges at market-related rates."

Business initiative gives R10m for development

(30) BD 13/6/96

Mduduzi ka Harvey

THE National Business Initiative has injected more than R10m in a bid to promote development, effective governance, economic empowerment and the setting up of support services nationally in the 1995/96 financial year.

Speaking at the initiative's first general meeting in Midrand last night, chairman Mike Rosholt cited as achievements for the year the initiative's recruitment of 44 professionals who had facilitated effective governance at all government levels. Micro-economic activities to encourage small business and income generating projects had been implemented.

The development of education and training and the facilitation of housing delivery had also been set in motion.

In addition, he said all government departments working with the initiative at all levels had accepted its legitimacy as a credible private sector partner and facilitator.

Patrick Wadula reports that in his address New Africa Investment deputy executive chairman Dikgang Moseneke called on Nedlac partners to join forces to create growth and jobs.

He the Nedlac experience during the negotiations of the Labour Relations Act had proved a useful model for reaching a negotiated accord around complex economic issues.

He suggested the Nedlac process be used frequently to ensure that an accord which should provide labour, business and government with a framework to improve the country's economic prospects was achieved.

Outlining the challenges ahead, initiative CE Theuns Eloff said delivery was of the essence.

To this end, a five focal point plan would be implemented and it would involve public sector support which would mobilise business expertise to help in transforming the public service and building the capacity of local government.

The constitutional process in KwaZulu-Natal would be helped and income-generating projects would be bolstered which would include assisting with public works programmes and facilitating local economic development. There would be a focus on educational policy work, teacher development and the education financing crisis. Accelerated housing delivery would be facilitated through the establishment of a private sector task team, he said.

See Page 14

Black empowerment is likely to accelerate soon

(30) CT(BR) 13/6/96

Black economic empowerment in the Western Cape should speed up considerably over the next 12 to 18 months, the Western Cape Economic Monitor annual review has predicted.

The review says that the relatively small share of blacks in the regional population mix and the large segment of first generation urbanised households in the black community made it difficult to show rapid, visible progress at management and business director levels.

Since such advancement of blacks (as opposed to coloured people) is often interpreted as the crux of 'black empowerment', it should be understandable that many observers of empowerment in the Western Cape are complaining about slow progress.

However there was an increasing north/south flow of skilled and managerial blacks.

This was in sharp contrast to the past pattern of south/north migration, mainly of white, but more recently of skilled coloured professionals and other skilled people.

The southwards stream strengthened the Western Cape's human resource base but the absence of acceptable black partners for new ventures "may cause such projects to be established in one of the other centres, in particular if foreign investors insist on an appropriate mix of ownership or control."

But this could be offset by local blacks being motivated to get involved in a broader range of ventures and also encourage local training institutions to increase trainee output and foreign venture partners to intensify efforts to identify and attract local partners, given the keen interest of many investors to settle here.

The report says if black empowerment is interpreted in the broader "non-white" sense, the situation was different in the Western Cape from other provinces because of the large coloured/Muslim community, which was relatively well-trained and far-advanced in upward movement towards middle management and beyond.

There was a relatively close relationship between coloureds and whites in business with apparently little pressure on exclusive black control and majority ownership.

"This could open the way for greater flexibility in the future structures of business and other partnerships/joint ventures."

The rate of economic empowerment over the next 18 months could be speeded up by a number of developments, including:

- The planning by Thebe Investments of a large shopping centre in the Philipi area, which could herald similar centres elsewhere in the metropolitan area;
- The black-dominated Metlife group was likely to search harder for larger local black-controlled investments;
- Moves by organised black business to expand turnover and contract opportunities;
- The recently established Western Cape Small Business Council appeared set to push for greater black economic empowerment, with particular emphasis on the Olympic bid process;
- In sub-contracting there was greater awareness of the need to involve black entrepreneurs and investors;
- The recent formation of a number of locally-based black investor groups, which were likely to increase their portfolios.

It was also likely partners would be drawn in from Gauteng; and

- The shift in local authority control from being dominated by white to black councillors.

Board members appointed

(30) BD 18/6/96

Patrick Wadula

GOVERNMENT has appointed two senior officials to the interim board of the new state-owned Ntsika Enterprise Promotion Agency — a move seen as signalling the state's intention of involvement in the institution.

Alistair Ruiters, a small business promotion chief director, and public works deputy director-general L Gwagwa were appointed to the board.

A statement from the trade and industry department said a permanent board would only be appointed once the Small Business Act had been passed, making Nepa a statutory body.

Other members of the board include National African Federated Chamber of Commerce general secretary Mashudu Ramano, NUM development head Kate Phillips, and leading tax lawyer Michael Katz.

The department said the board reflected policy of fostering partnerships between the public and private sectors.

Observers said the inclusion of senior government officials is in line with the state's intention to ensure effective implementation of its small business development strategy.

This follows the shake-up of the Small Business Development Corporation and Industrial Development Corporation, which saw government appointments to the boards.

Previously, government has been criticised for pouring public funds into institutions over which it has no control.

Ntsika was established last year together with Khula Enterprise, to promote and co-ordinate non-financial services, while the latter was to act as a wholesale finance facilitator to small businesses.

Tendering to be exposed

(30) Sowetan 19/6/96

Small business to learn procedures

By Pamela Dube
Political Reporter

A HEAVY LID WHICH has for decades shielded white big business in the procurement of government tenders would soon be lifted to expose them to direct competition.

By early next month the Gauteng Tender Board will unveil a new policy on rules and procedures for the government tendering process.

The crux of the policy document which is currently before the Gauteng Legislature for discussions and endorsement, is opening opportunities for emerging black owned business to government contracts.

Gauteng Tender Board chairman Dr Danisa Baloyi says when Gauteng Premier Tokyo Sexwale appointed them to the new board in May 1995, the first priority for the 12 members was to overhaul government tendering system.

Difficult start

And because the Gauteng government had to start from scratch when it was established in 1994, Baloyi says board members had a difficult start since there were no existing policies to borrow from.

In the past business in Gauteng was covered by the national policies and the Transvaal Provincial Administration.

On its formation, the Gauteng Tender Board had to start by juggling the policies around to suit the principles of the new system.

What made the board's jobs even more difficult was that they had to wait for interim revised policies of the Government's National Tender Board and the new Tender Act.

The process, Baloyi says, was long and tedious.

Firstly, the board had to meet with line management of all government departments, big business, small and black business, to investigate the operations of the old system.

> 'It is shocking to go out there and find out that the majority of our people are still in the dark as to breaking into the mainstream'

Gauteng Tender Board, says Baloyi, discovered a lot of discrepancies.

Some government departments did not bother advertising tenders and some companies were assured of getting the contracts.

Matter of procedure

"The tendering sometimes was done as a matter of procedure when government officials knew that specific tenders would be automatically awarded a particular business."

In the new system, government departments will only be allowed to award contracts to companies without the approval of the GTB only for services worth less than R1 500.

For services worth up to R7 000, line management will be expected to acquire at least three quotes.

But for tenders worth R75 000 and above, line managers would be expected to put the request before the GTB, Baloyi says, adding that this is due to discriminative policies and practices against black and emerging businesses.

Another major problem the GTB is facing is lack of information on tendering procedures.

The Gauteng Tender Board seeks to end white business' monopoly on government contracts, says chairman Danisa Baloyi. PIC VELI NHLAPO

She says many of the black and small businesses still have no idea of what tendering is about.

"It's shocking to go out there and find that the majority of our people are still in the dark as to breaking into the mainstream."

But that will soon be history, promises Baloyi. "We have committed ourselves not only to fair competition but to deliberate discrimination against blacks and emerging business."

In the next few months GTB members will go to the rural areas and black townships to educate emerging businesses on tendering procedures.

While waiting for new rules and procedures, the board took advantage of the Tender Act to slowly implement the process of engaging black business.

For every big company tendering for government services, the GTB insists that such a company has a visible affirmative action policy or is in partnership with emerging black business, Baloyi says.

Where those requirements are not feasible, the company should be able to sub-contract some of the business to emerging black business.

SMALL-BUSINESS LOANS (30)

SELF-CONTROL

FM 21/6/96

Chairman of the Business Practices Committee Louise Tager has called on the R5bn a year microlending industry to regulate itself.

Tager's comments come after the Council for SA Bankers (Cosab) sharply criticised the practice of lenders retaining the ATM cards and personal identification numbers (PIN) of borrowers, which it says is in direct contravention of banking regulations.

Says Tager: "Laws ruling this out can be passed, but any law should be enforceable. Otherwise it becomes a mockery." She adds that continuing education on the dangers that surround such a practice may be the only solution. Even this, on which Cosab has spent R4m over the past two years, "is not enough, but there's little else anyone can do."


Louise Tager

Cosab says the controversial retention method, whereby the lender withdraws repayments from an automatic teller machine, and gives permission to the borrower to withdraw when the need arises, "exposes all involved to undue risk."

There is also concern that loans exempted from the interest rate requirements of the Usury Act are too widely defined (broadly any loans under R6 000), and that the uneducated borrower may be exploited.

However, Association for Microlenders chairman Johan Jonck says they've had no complaints of fraud. He adds the destitute borrower has no other recourse, and is "insensitive" to an average interest rate of 30% a month. The average microloan is R450.

Registrar of the Usury Act Alistair Ruiters says he is awaiting submissions on the issue from the association and the Alliance for Micro-Enterprise Development Practitioners.

But Piet du Plessis, head of the Department of Business Management at Stellenbosch University, recommends that the industry be given a chance to regulate itself.

Says Du Plessis: "The millions of rand in potential tax revenue generated annually by the industry will only be recoverable when it operates openly. Threatened legislative change will force it underground."

Following his recommendation, the Association for Microlenders was founded in January. It is the only government-recognised body in the sector. ■

Small businesses 'stifled' — expert

(30) BD 26/6/96

John Dludlu

THE business climate had recently become hostile, stifling the growth of the small business sector in SA, a small business expert said yesterday.

Chris Darroll, executive director for Small Business Project — a Johannesburg-based small business think-tank — said that it had become increasingly difficult for companies operating in this sector to survive.

Particular difficulties faced included access to markets and availability of capital.

Hold-ups in implementation of the state's small business promotion strategy were compounding difficulties, she said.

Lack of information and advice was also hampering small business' ability to take advantage of the reformed tendering system.

While she lauded government's small business strategy as being an excellent policy framework, Darroll said the problem related to delays in creating the necessary machinery. "I think we have been in the 'analysis and paralysis' mode for too long."

Credit Guarantee senior economist Luke Doig attributed the increased number of failures of close corporations to the negative effect of high interest rates.

US-based company is betting on SA's 'motivated' small businesses

(30) CT(BR) 27/6/96

By Ben Fishman

New York — First South Africa Corporation is betting that small to mid-sized companies in South Africa will prove better investments than larger firms.

Smaller companies "are growing faster with highly motivated management, at prices we think are very attractive", said Clive Kabatznik, president and chief executive officer of the company.

First South Africa, a US-based company formed to invest in private companies in South Africa, plans to buy stakes in companies with sales that are between $5 million to $50 million, Kabatznik said.

Interest in investing in South Africa among foreign investors has grown in recent years since the end of apartheid and pent-up consumer demand among a growing black middle class is expected to fuel annual economic growth of as much as 6 percent.

Betting on those trends, First South Africa plans to focus on construction, infrastructure, consumer goods, and tourism.

The best opportunities were among companies which have annual sales of between $10 million and $20 million, Kabatznik said.

He said those companies found it hard to secure the financing needed to expand and are too small to be takeover targets for the conglomerates.

Investing in large companies was less profitable because the prices an investor had to pay were high, Kabatznik said.

For smaller companies, First South Africa plans to pay between four and six times after-tax earnings.

Typically the firm buys a 100 percent stake with the intention of spinning off the companies at some point in the future.

So far, First South Africa has acquired Europair Refrigeration, a maker of refrigerator and air conditioner spare parts, LS Pressings, which makes washers for the fastener industry, and Piemans Pantry, which makes meat, vegetable, and fruit pies.

Kabatznik said he expected the consumer goods companies in which he was investing to post sales growth in rand terms of between 30 percent and as much as 40 percent.

For the industrial companies growth could amount to 25 percent.

The strategy is to make more acquisitions in each of the sectors of the economy and then, after combining the companies, spin them off as separate entities on the JSE or an exchange in the US. — Bloomberg

Unity and strategy main aims at black business summit

(30) ARG 28/6/96

ESTELLE RANDALL
Labour Reporter

BLACK business unity and a common strategy to take advantage of economic openings in the Western Cape will be the focus of a summit this weekend.

Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka and Black Management Forum (BMF) president Lot Ndlovu will be keynote speakers at tomorrow's summit, which is being organised by the Black Management Forum (BMF).

Besides top black business people, representatives from the Congress of SA Trade Unions, the National Council of Trade Unions and the Federation of SA Labour Unions have also been invited.

Gavin Pieterse, Western Cape chairman of the BMF, said the summit aimed to give a practical answer to the call by President Mandela for black business to speak with one voice.

"Divisions in the Western Cape are quite bad," said Mr Pieterse. "The railway line which symbolised the apartheid divide between Africans and coloureds still persists psychologically."

He said the thinking behind the summit was to produce a collective strategy to ensure black business took effective advantage of economic possibilities developing in the regional economy. Areas of potential included gaming, tourism, construction and the fishing industry.

But, possibilities that Cape Town might host the 2004 Olympic Games also offered enormous scope for black business involvement. The Olympic Bid Company had indicated it wanted to make granting of tenders for Olympic contracts conditional on companies having 40 percent black ownership.

But, using these economic openings required greater unity among the myriad black business groups that existed.

Mr Pieterse said building black business unity also would eliminate "some of the undermining" which now occurred.

He said there was a tendency for white business to deal with individuals and not organisations when they made approaches for joint ventures. This created divisions.

"We need an over-arching body or a loose network, where we can pool resources and build unity," he said.

Such unity also would enable black business to have greater impact in influencing government policy on issues such as tender procedures for government contracts.

Mr Pieterse has had a taste of what this influence could mean. He is serving as the BMF representative on the Presidential Review Commission, which is examining the restructuring of the public sector into a more efficient and accountable government machine.

He was also the BMF representative on the Department of Labour-initiated Affirmative Action Policy Development Forum.

The forum suggested affirmative action policy which was now being honed into an employment equity bill by a specialist drafting team, appointed by the Minister of Labour in May.

That trade unions in the province have been invited to tomorrow's summit is indicative of their entry as national economic players.

The SA Clothing and Textile Workers' Union (Sactwu) and the National Union of Mineworkers (Num), in particular, have been part of recent attempts to shift economic power into black hands.

Last week, the SABC announced that a union-backed consortium, Newshelf 63, had been selected as preferred bidders for the Western Cape's KFM and Gauteng's Highveld Stereo.

The consortium, comprising the Num's Mineworkers' Investment Company, the Sactwu Investment Group, the Women's Investment Portfolio and Primedia Broadcasting, is offering R110 million for KFM and R320 million for Highveld Stereo.

There is also the pending bid to buy Anglo American's 48 percent of Johnnic shares through the union-initiated National Empowerment Consortium and New Africa Investments Limited.

In April, the Mineworkers' Investment Company was part of a joint venture which saw the Mathomo Group listed on the Johannesburg Stock Exchange.

And, in January, Sactwu and the National Council of Trade Unions were part of a consortium to give support to the R2,4-billion Ilco Homes Century City hotel, casino and entertainment centre which was to be based in Milnerton.

However, Mr Pieterse noted that most of these investment ventures were outside the Western Cape.

He hoped that provincial trade-union involvement in the summit would open the way for unions to start investing specifically in the Western Cape in joint ventures with black business here.

Describing himself as "a child of black consciousness who sauntered into the congress movement", he said his experience in a range of organisations had taught him the importance of unity.

While the political battle had been won, the economic struggle was still critical, he said. "We (black people) need to be unified to build skills and capacity and increase our access to finance."

This would allow for black business interests to position themselves for bigger deals than those into which they had ventured until now.

Picture: ROY WIGLEY, The Argus.

YOUNG AND GIFTED: Gavin Pieterse of the Black Management Forum, who believes black business should unite to take up key economic opportunities.

Blacks losing out

Sowetan 28/6/96 (30)

Black firms are not tendering for work from Gauteng government

By Shadrack Mashalaba

THE GAUTENG GOVERNMENT is accepting tenders for work worth millions of rands but is not getting any applications from black business.

Speaking at the Business Beat seminar held at Club 707i in Orlando West, Soweto, on Wednesday, Gauteng Tender Board chairwoman Danisa Baloyi said since the new government took power there had been innumerable opportunities for black business, "but we hardly get any applications from them for procurement work".

Baloyi emphasised that operations in the tender board were transparent and that people had a right to question why their tenders were rejected.

Township problems

The Business Beat seminar was organised by the Soweto Chamber of Commerce and Industries in conjunction with Ernst & Young and the Johannesburg Chamber of Commerce and Industries.

A panel of experts and black business people discussed the problems faced by small business people, particularly those operating in the townships.

One of Business Beat's objectives is to level the playing field regarding laws regulating small business.

In addition to Baloyi, the panelists included Nafcoc Gauteng president Sam Noge, business consultant Willie Ramoshaba, Deloitte & Touche representative Charles Godfrey, Absa franchise manager Leonard Chocho, Absa representative Mervyn Franks, attorney Mandla Ngcobo, tax consultant Wilson Masipa and Gert Cloete of the Gauteng Tender Board.

"We are faced with the legacies of the past and as the situation prevails there is nothing we can do as some of the agreements that exist were agreed upon when the previous government was still in power," said Baloyi.

Ramoshaba said business struggles of the past were not in vain as there were a number of successes associated with black business.

"We need to ask what is it that we can do today which we were not allowed to do in the past? If we are still involved in what we were ten years ago, there is something wrong with us," he said.

But black business people at the gathering dismissed the suggestion that they were not submitting tenders to the Gauteng Tender Board. They argued that their bids were overlooked in favour of big business.

They also dismissed Ramoshaba's claims that black business people stayed in one business for too long.

Frustrations

Delegates also expressed frustration with the procedures in regard to the granting of procurement work in the townships, some of which they felt they were entitled to a share.

The business people said there was a need for Government to launch a massive education drive to inform the public about the process of tendering. They also expressed their frustration with the conduct of commercial banks and small business lending institutions in granting loans.

Franks said it was unethical for banks to set as a pre-condition in granting a loan to business people that they formed a partnership with blacks.

Quest for common black business strategy

(30 ARG 29/6/96

MXOLISI MGXASHE
Staff Reporter

LACK of communication among black business people in the Western Cape and the absence of a collective strategy and a united voice are among factors retarding the economic liberation of black business as a whole.

These and other pressing issues are to be discussed at a major unity summit in Cape Town today.

The summit, to be attended by more than150 top black business people from all over the province, is aimed at developing a collective strategy for the empowerment of black business.

Announcing the summit, the Western Cape chairman of the Black Management Forum (BMF), Gavin Pieterse, said the challenge was for all enterprising black businesses to put their individual agendas, ideological differences and "absurd need to protect turf" aside and begin a process of dialogue.

"The time has come for us to speak with one voice on issues of regional economic development," Mr Pieterse said.

The conference is being held at the Spier resort near Stellenbosch. BMF president Lot Ndlovu will deliver the keynote speech and Deputy Minister of Trade and Industry Phumzile Mlambo-Ngcuka will speak on the government's role in the development of black economic power.

Participants will then break into three commissions to identify attitudal, structural and capacity problems faced by the black business community and how to overcome them.

"Hopefully, we can begin a more co-ordinated effort to gain meaningful access to opportunities in the local economy," said Mr Pieterse.

Govt 'is assisting small business'

BD 2/7/96 (30)

John Dludlu

THE trade and industry department's small business promotion centre chief director, Alistair Ruiters, yesterday denied allegations that government was failing to promote small business in SA, saying considerable progress had already been made.

In an interview Ruiters countered claims of non-delivery, defended government's appointment of a Sri Lankan consultant at high fees and denied claims of sour relations with the donor community.

Achievements in the past year included the establishment of institutions such as Business Council and its provincial arm, Ntsika Enterprise Promotion Agency and Khula Finance Corporation.

To speed up delivery, Ntsika was set up as a section 21 company, while the Small Business Act was being negotiated. Khula, which would wholesale funds to financial retailers, expected to start its lending operations next month. A court order paved the way for the transfer of R600m of state funds from the Small Business Development Corporation.

Negotiations for state expenditure of R272m to be channelled to Khula were under way.

Talks had been held with 16 financial and non-financial institutions about participation in a Khula-administered credit-guarantee scheme.

Government expected to spend about R800m in small business development over the next two to three years. This included the R87m from government, SBDC funds and donor contributions, he said.

A network of about 27 local business service centres — providing direct support to small firms — had been appointed, and the department was moving to the second stage of funding these centres. "This is delivery to me ...."

Contrary to claims that financial institutions were moving out of the sector, Ruiters said more than 10 banks were looking for partnerships with Khula.

About R375m worth of property from the SBDC would be sold out in a plan that would include modifying these buildings into small factories.

"A proposal (on the model for converting these buildings into factories) will be completed this month and presented to the Danish government (for support)," he said.

Donors also had "confidence in what we are doing". Germany was offering R9m and Sweden R10m to small business projects.

Ruiters defended the appointment of Sri Lankan consultant Anton Balasuriya for a total R420 000 two-year package paid by the US Agency for International Development. Balasuriya's track record included advising 14 Asian countries on small business and success in launching new institutions.

BUSINESS & DEMOCRACY (30)

A NO OPTION CONTRACT

FM 5/7/96

Unlike the developing nations of the East, SA must carry out fundamental economic reforms while endeavouring to maintain, and build, a democracy. Successful Asian economies, such as Singapore and South Korea, were able to force their pace of growth and development by authoritarian means. Democracy played second fiddle.

SA, by contrast, has no option but to seek to achieve high growth with open, accountable government. This raises almost unique challenges — for government and business, which has a vested interest in ensuring SA's well-being, says Centre for Development & Enterprise (CDE) executive director Ann Bernstein. "SA business has been thrust into the politics of public policy and has to think collectively to devise the best strategies to protect and promote its interests."

Ann Bernstein

To this end, the CDE has embarked on a project to help define the role of business in a democratic SA and will publish five reports in its *Role of Business* series this year.

Its second report, released this week, examines the function of business in devising strategies for successful economic development, evaluates its role in the democratic transitions of 19th Century Europe and assesses the impact of multinationals on Chinese society. The authors are Boston University economics professor Gus Papanek, Anglo American's Michael O'Dowd and Hong Kong University Business School's Gordon Redding.

The first paper is an overview of the insights and recommendations on business and its role in growth, development and democracy. The authors and project leaders are Bernstein, Anglo's Bobby Godsell and Boston University's Peter Berger.

Rarely has business, as a bloc, been expected to take a hand in political transitions, says Bernstein. But the process has begun to evolve naturally in SA, instancing joint business initiatives to combat crime and the SA Foundation's document for growth.

Acting individually, businesses may actually encourage government intervention, as each firm pursues State protection for its own short-term gain, Bernstein says. The only way to counter this is for businesses to join forces in devising long- to medium-term strategies and to ensure that natural business competition does not turn divisive and damaging to the economy.

The latter point is well argued by Papanek in his strategy paper. But he's less convincing in explaining how competing business blocs — for example, manufacturers vs retailers or importers vs exporters — can overcome their differences and persuade shareholders to accept costly but short-term compromises.

The SA Foundation, for example, caused unease in some business circles, who disapproved of its recent report's confrontational tone and the way it was released. They would have preferred a more confidential approach, so as not to disturb their cosy advances for government favours Papanek's exhortation to the rich to limit conspicuous consumption is hardly practical in SA.

The CDE series is weakened by the absence of any discussion of organised labour and its impact on, for example, wages and housing policy. Bernstein says this is because the project is focused specifically on business's role in society, which has received virtually no academic attention to date. "We're just opening the door on a whole new field of study and looking at this in a generalised way," she says. "We don't pretend to have all the answers." ■

Black business to lobby govt on economic empowerment

(30) BD 5/7/96

Patrick Wadula

TEN leading black business and professional bodies — including Nafcoc, Black Management Forum, the Foundation for African Business and Consumer Services — have agreed to jointly lobby government on black economic empowerment issues.

The lobby — to be carried out via the newly established Black Business Council — would begin with an urgent meeting with Posts and Telecommunications Minister Jay Naidoo to review the SABC's short list of bids for its six radio stations which have been put up for sale.

Nafcoc general secretary Mashudu Ramano, who sits on the council's secretariat, said yesterday the SABC had not taken into account whether black companies selected had radio and media as core areas of activity.

"There is a danger of Primedia (one of the short-listed firms) becoming a monopoly as they already have a licence."

He said this would be detrimental to other players and that government should not be encouraging this trend. The council found it unacceptable that the highest bidder for the radio stations was a major determinant. It said black empowerment should be the main determinant and not the price.

The council was also concerned that the Industrial Development Corporation had sold part of its stake in Sasol through the JSE to overseas investors instead of offering it to black investors.

The council plans to meet Deputy President Thabo Mbeki and Trade and Industry Minister Alec Erwin on this issue.

Other plans involved representations on behalf of black asset management companies to government, for omitting them on the list of organisations earmarked to receive Public Investment Commission funds.

Although now speaking with a single voice, Ramano said the council's affiliates — which included the National Black Business Caucus — would retain their identity as individual organisations and pursue their own programmes.

New life for small businesses

(30) M+G (om) 5-11/7/96

The jury is still out on whether the new framework for small business policy can be put into action, writes Aspasia Karras

THE White Paper on a National Strategy for the Development of Small Business in South Africa, endorsed in March 1995, is finally kicking into life. The national Small Business Act was tabled in Cabinet this week, after extensive consultation, and the Enterprise Africa Conference, one of the more visible interventions, will take place this month.

The aim is to establish links between big business, the government and small businesses, concentrating on procurement. However, on the question of whether policy is finally being turned into action, the jury is still out.

The process of negotiation with the much criticised Small Business Development Corporation (SBDC), and the establishment of four new institutions — to put right the older institutions' wrongs — Khula Enterprise Finance Limited, Ntsika Enterprise Promotion Agency (Nepa), the Centre for Small Business Promotion (CSBP) and the National Small Business Council (NSBC) — have been plagued by the natural organisational nightmares inherent in the transfer of funds, the division of competencies, and even the technical time-frame problems of employing and training staff.

Dr Alistair Ruiters, head of the Centre for Small Business Promotion in the Department of Trade and Industry, set up to co-ordinate the national small business strategy, explains: "We have tried to establish a long-term programme that will achieve a sustainable institutional framework for the next century. We have looked at best practice internationally and attempted to create a dispensation within which small business can become the backbone of economic growth."

He argues that the government has taken a cautious approach to the issue. "It is a very difficult sector, composed of widely divergent entities. You have to be very specific about what you are trying to achieve, otherwise you can waste a lot of money."

Clearly the tension between effective strategic planning and actual delivery on the ground needs to be resolved. Septi Bukula of Upstart Business Strategies, a consultancy providing research and policy advice to provinces, and the Centre for Developing Business at Wits, elaborates: "They have set themselves very ambitious targets, which may be an indication of their deep commitment to the issue.

The massive publicity campaign around the new institutions may have promoted expectations that could not be fulfilled. He says: "They announced targets but ran into serious institutional problems."

The financial wrangling that has slowed down Khula highlights two problems facing most of the government's institutional transformation process: rationalising inherited entities and dealing with complex bureaucratic financial arrangements. Khula is responsible for promoting small and medium enterprises' access to finance and administering the National Credit Guarantee Scheme, while providing financial and capacity-building support for non-governmental organisations, provincial development corporations and banks.

"A lot of thinking and negotiating with financial institutions has been packed into the past 12 months to ensure that a credible and accountable service can be provided," claims Ruiters. More importantly, the relationship with the old SBDC had to be renegotiated. The culmination of this process will take place on July 16, when the government's share in the SBDC is cut to only 30%. The transfer will boil down to R599,8-million over the next five years, with the state holding 51% of Khula.

Ruiters is adamant that Khula will soon be ready to roll. The company said it will probably take 60 days, while Bukula points out the bureaucratic hitches that could hamper the process: "The government's share is held in trust by the Industrial Development Corporation (IDC). So the SBDC will release the funds to the IDC, which will then pay back the Treasury, which will then transfer the money to Khula. The cycle will be completed many months hence."

He is also not sure whether the private sector will indeed invest the other 49% in Khula. Ruiters explains that 16 financial institutions have been approached and Khula is almost ready to become a fully-fledged retail lender.

Despite delays, the new institutions are definitely attempting to address the inherent problems of the SBDC. The confused desire to be all things to all people by providing both financing and support resulted in poor delivery, especially to the black community.

The problem appears to be co-ordination. Bukula cites a case where a Nepa initiative was opened in Cape Town. Because of conflicts of interest with the national programme, it had to be closed down and moved to Pretoria, after it had in fact begun to deliver in the area, thus leaving a vacuum. Says Bukula: "One is not unduly pessimistic; when you are establishing completely new institutions you will run into problems, and learn from mistakes."

But, says Ruiters: "When people talk about delivery, they must realise it is not just up to government, but about the people and government working together to deliver the programmes they need. We have the basic elements of success, a vision; institutional capacity We now need to ensure that we work with the community. It is certainly not about just throwing money at the community."

New style: Communities and the government must work together to ensure the success of the Small Business Act PHOTO HENNER FRANKENFELD

Nedlac gives OK to business bill

(30)

Labour Reporter

ARG 6/7/96

THE National Small Business Bill, aimed at promoting small, medium and micro business development, has been ratified by the National Economic Development and Labour Council (Nedlac).

Nedlac's ratification of the bill, which for the first time sets up an institutional and regulatory framework for small, medium and micro enterprises (SMMEs), paves the way for its approval by the cabinet and its promulgation later this year.

The Bill establishes the National Small Business Council to represent and promote the interests of SMMEs at all levels of government and to advise government on economic policy affecting SMMEs.

It also establishes the Ntsika Enterprise Promotion Agency to expand and coordinate provision of information, training and advice support for SMMEs.

The Bill provides guidelines for an overall regulatory framework to define the parameters of the relationships between small business functions.

Boost for small business promotion

Star 9/7/96 (30)

By Jovial Rantao
Political Correspondent

The promotion of small, medium and micro-sized enterprises – a crucial part of South Africa's economic development and job creation plans – has received a boost with the adoption of the National Small Business Bill by the National Economic Development and Labour Council.

Nedlac's executive council ratified the bill, paving the way for it to be finally approved by the Cabinet before being promulgated later this year.

Nedlac executive director Jayendra Naidoo said the significance of the bill was that for the first time an institutional and regulatory framework for the promotion of such enterprises had been created.

"The Nedlac parties have agreed on the need to promote small, medium and micro-sized enterprises as an effective way of creating jobs. This also reflects the Government's commitment to the promotion of black economic empowerment because the majority of such enterprises are owned by black people," said Naidoo.

The bill sets standards that define such enterprises, which, to qualify for support, will be required to comply with any two of three criteria relating to total annual turnover, total asset value and number of full-time workers.

It also provides for the creation of a national small business council to represent and promote the interests of such enterprises at all levels of government.

The general policy direction taken by the bill has been endorsed by business, labour and the Government, but Naidoo said a few reservations had been expressed about the implementation of certain aspects and it had been agreed that individual organisations would raise their concerns with the parliamentary portfolio committee.

JOBS

Small business sceptical about new Act's effectiveness

(30) ST (BR) 14/7/96

By CIARAN RYAN

THERE are doubts that the National Small Business Act, which was ratified by Nedlac last week, will do anything to promote the interests of small business.

The latest version of the Act is substantially different to the one gazetted in December 1995, and may not achieve its previously stated objectives to "facilitate an enabling environment", says Chris Darroll, executive director of the Small Business Project. The focus of the latest version is to establish two statutory small business institutions. "This Act subjugates law to government policy. In the original version, government departments were required to carry out impact analyses to ensure that new legislation did not harm the small business sector. The latest version merely requires impact analyses on how existing and proposed laws will affect the government's national small business support strategy," says Darroll.

The Act sets up two institutional bodies, the National Small Business Council (NSBC) to give voice to small business interests at national, provincial and local levels, and Ntsika Enterprise Promotion Agency (NEPA), a small business facilitation and promotion body. A third body, Khula Enterprise Finance, has been set up as a public company outside the Act's ambit. Its purpose is to promote access to financial services for small, medium and micro enterprises (SMMEs).

Darroll says given the fact that the NSBC will receive funding from the government, the independence of the council may be compromised, particularly when it needs to voice its policy concerns to the government.

The Act defines small, medium and micro enterprises. The definitions are embodied in the Act so that any changes to qualitative criteria — such as the form of business, turnover- and asset value — must be voted on by Parliament.

"The Act should serve the overall interests of small, medium and micro entrepreneurs throughout the country by facilitating a more enabling regulatory environment and should not be promulgated in a rash manner because there is an urge to prove statutory status to those bodies in the institutional framework which are already operating," says Darroll.

The government's growth, development and redistribution strategy makes repeated mention of the small business sector as the engine for economic growth, yet no mention is made of targets for small business job creation or how this will be achieved.

The Department of Trade and Industry's small business strategy has come under attack from several quarters for slow delivery. But Dr Alistair Ruiters, chief director for small business promotion at the Department of Trade and Industry, refutes allegations of slow delivery. Over the past 15 months, he says, the department's small business initiative has:

- ☐ Designed and set up four institutions as endorsed in the White Paper;
- ☐ Registered three companies;
- ☐ Staffed four institutions;
- ☐ Developed programmes for implementation of support to SMMEs; and
- ☐ Sourced funding for the establishment of institutions and implementation of programmes from donors and government.

"Not only has the department established a new institutional framework, it has been involved in protracted negotiations on the restructuring of the Small Business Development Corporation, thus ensuring that the SBDC becomes more accountable to its target constituency," says Ruiters.

The government is to reduce its shareholding in the SBDC by 30% and transfer R599,8-million to Khula over the next five years. Only R100-million of this will be in cash, with the balance in properties. Khula will operate as a wholesale funder of micro enterprises, while the SBDC will concentrate on the more formal small business sector.

"This R100-million earmarked for Khula will come in several tranches and therefore the capitalisation of Khula may take longer than anticipated, particularly if the department has to sell off properties," says Darroll.

While the SBDC has been criticised for operating as a bank, its track record in job creation over 15 years is unparalleled in South Africa. It presented a single shop front to its customer base, which now has several new institutions with which to deal.

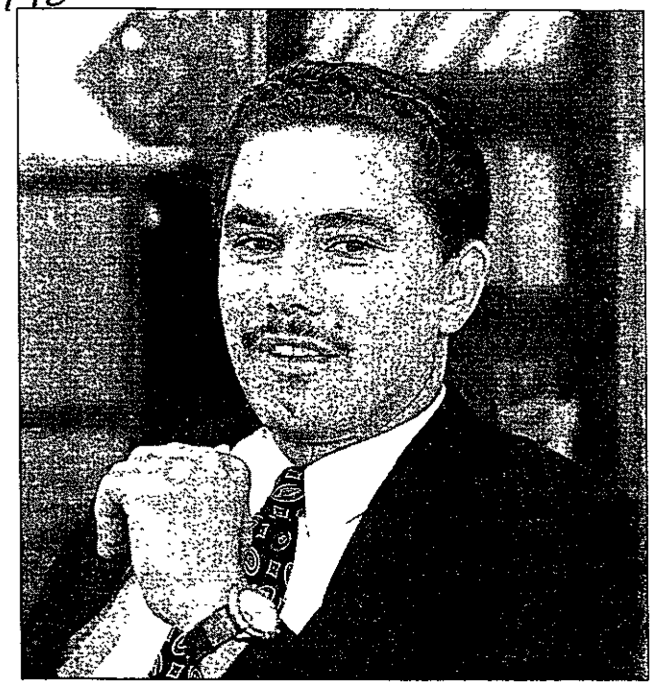
Ruiters says discussions are taking place with eight banks and eight non-bank institutions to provide a credit guarantee scheme designed to encourage commercial banks to advance their risk frontiers by accommodating unsecured, small-sized firms. Progress has been made on authorising local business service centres around the country to dispense support services to the small business sector.

Some small businesses say they were better off under the National Party because funding was more freely available through the SBDC, and policy direction, though deficient, was unequivocal.

About 2,67% of the department's total budget for 1996/97 has been earmarked for small business: "This is small fry for a sector on which government has placed so much emphasis," says Ruiters.

Budget line items refer to "project co-ordination" (R6,7-million), "development and co-ordination of SMMEs (R11,1-million)", "support programmes for SMMEs" (R49,6-million) and "promotion of small business" (R17,3-million) — the latter item being an allocation to NEPA to administer the support programmes.

DOUBTFUL: Chris Darroll, executive director of the Small Business Project



POSITIVE: Alistair Ruiters of the Department of Trade and Industry

In a submission to the parliamentary committee on trade and industry, Darroll says the headings are vague and monies appear to be repeatedly allocated under different sub-headings. Much of it, unspent in the previous fiscal year, was rolled over into the current year.

Ruiters replies: "Due to the gestation period in establishing (small business) structures, part of these monies will remain unspent. Hence the budget for this year has taken cognisance of these balances in the current vote. The provision in the current budget looks meagre and inadequate in comparison to the activities envisaged."

There are no anomalies in the budget sub-headings, he says. "At the end of the budget year when structures are firmly in place and a series of programmes have been implemented, the department will be in a more informed position to detail accelerated funding in the next budget year."

Small businesses are still subject to the provisions of the Labour Relations Act, which allows business and labour, through the industrial council system, to set minimum wages and working conditions across industrial sectors.

Industrial councils have been slated by small business for strangling job creation by levying onerous compliance costs.

"Given that the new small business act sets up two institutions, it is questionable whether the very real issues such as the Labour Relations Act and the extension of industrial council agreements will be addressed," says Darroll.

Skin-deep riches

CT(BR)17/7/96 (30)

Jenny Cargill

Black economic empowerment is one of those buzzwords in the now not-so-new South Africa. Like everything else that is trendy, there is the danger that it will lack depth and durability. The central question is whether it will command sufficient sting to prod the country's economic establishment into making changes that address the disparities in ownership and wealth. Given the trends to date, it would seem that on its own, it won't. The conclusion is that government policy will be key in helping it along.

But what exactly is black economic empowerment? So far it has mainly constituted joint ventures between black and white businesses and transfers of equity in established companies to black shareholders, usually constituted as investment holding companies or consortia of black businesses and groups. In other words, it has focused on the ownership question.

The common complaint about these deals is that they have involved a handful of black companies, and therefore laid themselves open to criticism of black enrichment, rather than empowerment. There is now a first generation of black companies, such as New Africa Investment (Nail), Real Africa Investments (Rail) and Thebe Investments, which have accumulated capacity and experience.

Another concern raised about black empowerment is its emphasis on blackness as the primary asset brought to the table by black business. In most instances, black companies and their executives lack experience and finance. Also, established business has not found much merit in the oft-cited rationale for black partners that they provide special knowledge or access to the black consumer market.

At the end of the day, the finance that can be brought to the table is the crucial leveller of the playing fields in any business relationship. Most black firms just cannot win on this — at least for a while. Therefore, it will probably have to live with the fact that most deals are, and will continue to be for some time, consummated because their blackness is an important requirement to the business at hand.

Blackness and credible political history is probably the most sought after combination as South Africa's corporate sector tries to redress its lack of easy access to the new political establishment.

This kind of approach towards black empowerment provides a good basis for cynicism. But there is a case for arguing that if blackness is to be a deciding factor, so be it. It provides an entry point, with financial institutions and companies amenable, for a while longer at least, to engineering special financial arrangements. However, on entry, black companies will need to apply themselves meticulously to build up their capacity. If they don't, they will remain in the business backwaters, always dependent on their white counterparts.

In the past two years there have been more than 150 deals, which have been significant enough to be reported in the national media. Clearly there have been many more regional and local initiatives that are not publicly reported. What is most notable about these black empowerment initiatives is the absence of information on their value and how they were financed. Kagiso Trust Investments, the investment arm of the donor agency Kagiso Trust, stands out among the unlisted companies as being most forthcoming with information on its transactions.

Reportage should also improve as more black companies list on the JSE. Two of the largest black companies, Nail and Rail, listed last year and others have signalled their intention to do so over the next two to three years.

Most companies use their private, unlisted status as justification for not revealing information on their financial and other affairs. But they will need to rethink this approach. If South Africa is to develop a vibrant private equity investment market, reportage by companies will need to improve significantly. The establishment of private equity investment funds is new to South Africa. There are two stand-alone funds, which are specifically geared towards supporting black business — US-owned Umbono Investments, listed last year on the JSE, and Capital Enterprise Fund, 50 percent owned by the Commonwealth Development Corporation, 25 percent by Investec Bank and 25 percent by Fedsure.

A recent trend is the sale by the larger, more established black groups — the first generation — of some of their earlier investments. The reasons for doing so vary. In some cases it is to raise funds. In others it is to restructure investments, as the companies become clearer on where and with whom they want to do business.

In the past year, some joint ventures developed sufficiently for the black partner to buy a full share of the operation. Thebe Investments bought out its partner, Persetel Holdings, in Bhekisiswe Computers. Rand Merchant Bank has sold its 24,5 percent stake in financial institution Capital Alliance, founded in 1994, to the consortium led by Mzi Khumalo, which owns 51 percent of Capital Alliance. McCarthy Retail is the other investor.

Among the black holding companies, Thebe Investments is way ahead of others in terms of the number of acquisitions and joint ventures, followed by Rail, Nail and Kagiso Trust Investments. But there is still not much evidence of the large black companies becoming more focused in terms of areas or sectors of activities. With a range of sectors poised for change, with black empowerment being a requirement in many instances, the trend in black business is to scan the environment quite widely for investment opportunities. In telecommunications, state-owned Telkom is poised for partial privatisation and significant expansion of its services, which will not occur in the absence of a black empowerment component. The broadcasting sector, dominated in the past by the state-owned SABC, is going the route of increasing private ownership. But it is the privately owned print media that is sensitive to the black empowerment question and it has come under enormous pressure for its white ownership.

State tender requirements for public works, although not formalised in new legislation, insist on black contractors featuring in bids. Within the fishing industry there is strong political pressure to ensure that white-owned companies no longer monopolise fishing quotas and individual and particularly coloured fisherman get a fair stake. Premier Fishing, Sea Harvest and Oceana have chosen to introduce employee-share ownership schemes — each with their own variations.

The largest empowerment deal is still in the making — and possibly it will be the last on this scale. Anglo American and the National Empowerment Consortium (NEC), which involves both black business and trade unions, are involved in negotiations to transfer a sizeable portion of equity in the industrial holding company of Johnnic, in what could amount to a R4 billion deal. By virtue of being South Africa's largest conglomerate, Anglo is consistently under pressure to make meaningful moves on the black empowerment front.

Once Johnnic is through, JCI is likely to follow, although there is nothing in principle to stop the sequence changing. After this there is unlikely to be a black empowerment issue on this scale again. The NEC experience of trying to bring together a consortium of this kind and size has the makings of a novel and few individuals in the consortium are ever likely to want to live through anything like it again.

☐ *Jenny Cargill is the director of BusinessMap SA. This is an excerpt from its latest quarterly review*

Acoco's president Eldridge Mathebula with Trust Bank's client adviser Greg van der Merwe at the launch of a new loan project yesterday. PIC JOE MOLEFE

Scheme empowers blacks

(1996) (30) Sowetan 17/7/96

By Nomfundo Nhlapo and Busisiwe Ntuli

A NEW loan scheme was launched by the African Consumer Council and Trust Bank to create business opportunities for black consumers.

The R2 million project which was launched at the Carlton Hotel yesterday will enable Acoco members to acquire loans of about R4 500 to purchase shares in Acoco Mills and Bakeries.

Joint venture

The company is a joint venture between the Danish government, Pretoria businessman Albert Molope, and Acoco.

The people who buy shares in the company will form a chain by opening small distribution bureaus.

Membership is acquired for a fee of R2 500 payable to Acoco, an additional R120 for life policy and a R500 investment.

Acoco's president Eldridge Mathebula said the venture would give consumers access to bigger businesses rather than spaza shops.

Buying power

They looked at ways in which consumers' buying power could be used to generate wealth and at the same time benefit consumers.

The application forms will be available in African languages because black business people will be the target.

The consumers, Molope the owner of Garankuwa Bakeries, would provide machinery, buildings and the farms where flour will be produced.

Stake in the economy

"It has always been my dream to see black people have a stake in the economy," said Molope

The scheme already operates in areas such as Gauteng, KwaZulu-Natal, Free State and Mpumalanga.

About 10 000 members have joined the Acoco but less than 800 people have paid funds which enables the scheme to succeed.

Nafcoc urges revamp of restrictive tax laws

BD 18/7/96 (30) (328)

Patrick Wadula

THE National African Federated Chamber of Commerce (Nafcoc) yesterday called for revision of SA tax laws to provide tax shelters and incentives to facilitate black entry into commerce and industry.

In its document, Democratisation and Growth of the SA Economy, released yesterday, Nafcoc said that SA tax laws remained barriers for black entrepreneurs, and that many laws had to be re-evaluated or perhaps reformed to provide for companies setting up businesses in black townships or rural areas.

Nafcoc said that the dismantling of import substitution through the speedy implementation of the GATT agreement would open SA to foreign companies, resulting in increased foreign investment.

However, liberalisation policies should include a specified period for protection of black "infant" industry to allow them a fair chance to compete.

The policy document recommended that ways and means of restructuring and privatising state-owned enterprises be studied with a view to opening opportunities for black empowerment.

State assets designed for privatisation had to be clearly identified and a percentage of privatisation set aside for black advancement along the lines of Nafcoc's programme for black economic empowerment.

The document said that the privatisation process offered government a chance to widen economic opportunities to previously marginalised emerging businesses.

The document also drew attention to regulations concerning the sale or leasing of state enterprises through share ownership.

The document stated that the capacity of the disadvantaged communities, including entrepreneurs, to participate and benefit fully in the restructuring programmes should be ascer tained and improved.

It suggested that the department of state enterprises address this issue, to prevent privatisation further strengthening the dominant conglomerates or a small number of black entrepreneurs.

Emerging business could have greater access to non-strategic public enterprises such as tourism.

Stipulation on sales may be needed to ensure that emerging firms have special access to purchases — possibly in joint ventures with established businesses, the document stated.

THE NATION
APG 18/7/96

Plea to boost black business

(30)

JOHANNESBURG. – The barriers to the South African economic mainstream need to be broken down to allow small black business to drive economic growth, says National African Federated Chamber of Commerce president Joe Hlongwane.

Mr Hlongwane told businessmen at the presentation of two Nafcoc policy papers in Johannesburg yesterday that past policies of apartheid and import substitution had resulted in a few large companies dominating and flooding the domestic market.

These companies had raised barriers to free trade, not only for foreign investors, but for small, micro- and medium-sized enterprises (SMMEs).

"Lack of access to markets is a major constraint for the small business sector," Mr Hlongwane said.

He said SMMEs not only contributed to the development of jobs, but used less capital than big business, and were more innovative and dynamic.

He said he welcomed the government's proposed framework for a national small business support strategy, but called for an urgent approach to further the goals of small and medium-sized businesses.

"We recommend the establishment of a more vigorous, pro-active, robust and strong competition policy, and changing business regulations that impose high entry costs, introduce onerous administrative requirements and create unnecessary barriers to opening a business."

He said it was crucial for the growth of the economy, and in particular reaching the required 6 percent GDP growth, that blacks took part in the mainstream of the economy.

"To accomplish this, we recommend widespread promotion of a population development policy, and greater access to quality education and training opportunities," Mr Hlongwane said.

Nafcoc recommended in its policy papers the streamlining of the process to register businesses, the strengthening of the competition board to prevent the establishment of monopolies and cartels, and the abolition of exchange controls to facilitate investment outside South Africa. – Sapa.

Study says blacks still face many economic barriers

(30) LT (BR) 18/7/96

By Thabo Leshilo

Johannesburg — Blacks are still being prevented from entering the mainstream economy and contributing to growth despite having gained political power, says a new study commissioned by the National African Federated Chamber of Commerce (Nafcoc) released yesterday.

The study said barriers to black participation in the economy included the lack of competition because of the monopolistic and oligopolistic structure of the banking industry; discrimination against small enterprises; unfamiliarity with established business practices; high collateral and deposit requirements; the concentration of banks in predominantly white areas; and the Usury Act.

It said that as banks expanded beyond their traditional base, they would probably become less profitable because of higher transaction costs and the increased possibility of losses associated with smaller loans.

To overcome the barriers, the researchers said that the government should pass regulations to foster competition, let the private sector lead the process of expanding credit and create a framework to promote credit unions and co-operatives. Township residents who had rented their houses for more than 20 years should be given the title deeds so that they could use the houses as collateral.

The study also called for the the apartheid-era import substitution strategy to be dismantled through a speedy implementation of the World Trade Organisation agreement.

"This will open South Africa to foreign competition, resulting in increased foreign investment," it said.

Liberalisation polices should, however, include a specified period of protection for infant black industries to enable them to compete fairly.

State enterprises should be restructured and privatised to create opportunities for blacks, in line with Nafcoc's 3-4-5-6 empowerment plan, the study said.

The plan would require blacks to constitute 30 percent of the boards of JSE-listed companies by 2000, to constitute 40 percent of their shareholders, be given 50 percent of their outsourced work and make up 60 percent of their senior managers.

Change business trend

Sowetan 18/7/96 (30)

Government should make sure that black entrepreneurs get finance

GROWTH OF EMERGING black business in South Africa is constrained by the narrow range of market opportunities and limited access to finance, says the National African Federated Chamber of Business and Industry (Nafcoc).

Until a few years ago, South Africa's financial system had catered mainly for large corporations in the "modern" white sector of the economy.

The Government must therefore "speed up" its efforts in addressing this problem to ensure that the once-disadvantaged black business is afforded opportunities and access to resources equal to their white counterparts.

Major policy paper

This message comes from a major policy paper produced and officially launched last night in Woodmead by Nafcoc.

The paper is called Democratisation and Growth of the South African Economy.

The chamber notes that while black entrepreneurs are currently not explicitly precluded from the financial system, a number of examples show that they have and continue to be excluded in practice.

Some of the inhibitive policies and other related measures, most of which still present legacies of apartheid in so far as they militate against the success of black business, and for which Nafcoc seeks drastic changes, include issues like:

- Collateral – this is a major barrier particularly for black entrepreneurs because they lack capital and have no asset base which can serve as collateral. The lengthy procedures and high cost of establishing title and security is yet another major barrier for many SMMEs and seem to dissuade them from borrowing
- Ability to prepare business plans – failure by business persons to formulate bankable business plans and proposals on viable projects pose another barrier to obtaining loan and equity financing.

Black entrepreneurs in particular need technical assistance and promotional support services to develop their projects.

- Character of the borrower – the economic boycotts of the 1980s (rent, utility, mortgage payments etc) in the black neighbourhoods have resulted in potential black entrepreneurs being "black listed" by credit bureaus because of their actions.

This has become another barrier for the black business community as prospective financiers lack trust in them.

- The Usury Act – this is another major barrier to the growth of black business in the country as it has been abused particularly by retailers who charge interest rates that are above the maximum rates set by the act.

Against this background Nafcoc recommends that government, in assisting the black business community to overcome some these barriers, must among other things, initiate support services such as training and extension of advisory services to help make first-generation entrepreneurs more bankable and increase their chances of success.

Nafcoc's general secretary Mashudu Ramano is one of the people who were instrumental in producing the organisation's latest report on SA's economy.

Small black businesses defy eviction order

(30) ST (CM) 21/7/96

By NORMAN WEST

HUNDREDS of black small businessmen are squaring up to defend their turf against the giant Small Business Development Corporation after the body gave tenants in arrears with rentals until Thursday to cough up or face eviction.

The public relations officer for the SBDC Western Cape Tenants Association, Kenny Brinkhuis, vowed yesterday that his organisation, which represents the businessmen, would "use every method at our disposal, including collective physical resistance, against any sheriff or anybody who attempts to evict our members".

"We have a plan in place and I wish to assure members there is no reason for panic. They must not allow themselves to be harassed or terrorised. We will find a solution in good time."

He said the eviction threat came at a time when, ironically, his organisation was negotiating with the state to buy the properties members had been renting from the SBDC.

The business premises at risk are scattered all over the Peninsula, including Mitchells Plain, Khayelitsha, Guguletu, Phillippi, Retreat, Athlone, Blackheath and Atlantis.

"Some of our members are boycotting rental because the SBDC would not sell the properties to them when the prices were reasonable. Others simply cannot afford the high rentals," he said.

But they would all rather be owners than tenants.

Brinkhuis said his organisation would campaign for the dismissal of Anthony Kedziersky, the SBDC senior manager in the Western Cape, who had signed the eviction letter, dated July 18, saying he was acting on instructions from his managing director, Joe Schwenke.

Brinkhuis said the SBDC wanted to abuse its position as managing agent for the state and was coercing tenants into settling old scores with the organisation.

Instead of threatening to evict tenants with one week's notice, he said, "the all-white top structure of the Western Cape SBDC should be dismantled and Kedziersky and other senior management replaced to give a more representative reflection of the Western Cape population".

Brinkhuis said the SBDC seemed to have forgotten why it was established.

"It now seems to ignore the fact that it has a far greater responsibility than just making profits. It is forgetting its greater responsibility to the people, which is the empowerment of small business persons with business skills.

"The SBDC was originally funded by about R800-million of taxpayers' money because it was established in the national interest to stimulate the economy through small businesses.

"Its shareholders were then regarded as heroes who were prepared to make sacrifices to empower the small, and more specifically, the black small businessman.

"Now the SBDC billionaire shareholders seem to be screaming for more and more profits without any regard for the livelihoods of our members."

Finance house receives R300-m boost

(30) Sowetan 22/7/96

MICRO enterprises finance house, Khula Enterprise Finance, has been given R300 million by the Government to enable the institution to commence business.

Khula was formed late last year as part of the Government's policy to support small business.

Its main duty is to take over some functions of the Small Business Development Corporation and finance small and micro enterprises.

The money will be used to cover Khula's product range, including business loans, guarantees and institutional support to small and micro enterprises.

Start up capital

The Department of Trade and Industry took a decision to reduce its stake in the SBDC to 20 percent, which was withdrawn by way of capital reduction, meaning that funding can be transferred to Khula as start-up capital.

Khula Enterprise Finance chief executive officer Sizwe Tati says: "Since March 1995 a core of 10 individuals representing all key small business finance sectors met regularly to guide and advise on the design and operational approach of Khula.

"The underlying strategy is guided by Khula's mission of ensuring an improvement in access to finance by small and micro enterprises. We also intend to increase the capacity of the existing retailers in terms of both availability of capital and institutional strength."

Khula has also announced that its capital structure is designed to facilitate private sector investment in three years time.

Additional government contributions, says Khula, will be generated by selling of its former SBDC

R1-m UN project for Soweto

~~277~~ (30) Sowetan 24/7/96

Work on the project starts this September

By Shadrack Mashalaba

UNITED NATIONS CONFERENCE on Trade and Development and the Department of Trade and Industries are to set up a micro business centre in Jabulani, Soweto, to help small business.

Work on the R1 million centre, to be known as the Win-Win Village, is scheduled to start in September. Situated next to the Metropolitan Council offices, the centre will be run on a commercial, self-sustaining basis targeting the informal sector with more emphasis on community involvement.

Services to be offered

The centre will offer services such as marketing, training and financing. It will grant loans of up to R10 000.

Loan applicants will not necessarily have to provide security for the money they borrow.

The project is the brainchild of the ninth meeting of UN Conference on Trade and Development held in Midrand in April.

Stakeholders from civics, chamber of commerce, private sector and Government structures were consulted on the establishment of the centre.

Project coordinator Ceda Ogada says unlike the previous projects, this is a global initiative targeting the poorest of the poor to help themselves instead of giving them charity.

"We have selected Soweto for our pilot project because South Africa holds the Unctad presidency. We are confident that it will lead the way to economic emancipation in SA."

A third of the R1 million that Unctad and DTI hope to raise is already in the bag. Ogada is confident that the additional R700 000 will flow in soon.

Ceda Ogada says the centre will inspire the rest of Southern Africa. PIC SIPHIWE SIBEKO

Half of the money is expected to come through private funding with the remainder coming from Government and aid agencies.

"If the centre is successful, it will naturally lead to a mushrooming of similar centres in both rural and urban areas in southern Africa," he says.

Several companies have already pledged more than R400 000 to fund the project, but its coordinators cannot take money yet as legal modalities on the project have to be finalised first.

First National Bank, Southern Life Foundation and the local division of British Petroleum are some of the companies that have made pledges.

Once operational, the Win-Win Village will be monitored constantly, says Ogada. "We want to make sure that when the next meeting of Unctad convenes in Bangkok in 2000, we give a positive report-back."

The village will be managed by a trust and a property holding company will be formed to construct and own the business premises.

Initially, Get Ahead Foundation's managing director will be in charge until a permanent manager has been found for the project.

Govt procurement system shake-up to help small businesses

Star 25/7/96 (30)

By Patrick Phosa

Government is restructuring unfair public sector procurement policies which hamper small businesses from gaining access to mainstream projects funded by the public sector, Public Works Minister Jeff Radebe has said.

Addressing delegates at the Africa Enterprise 1996 Exhibition and seminar programme at the World Trade Centre in Kempton Park, Radebe said this week his department and other departments wanted to create an environment conducive to allowing small, medium and micro enterprises (SMMES) to get government tenders.

"SMMEs owned and operated by historically disadvantaged persons have been particularly excluded through poor access to information on contracting opportunities, tender and contract conditions," Radebe said.

Enterprise Africa 1996 Exhibition is intended to promote business links between small, medium and micro enterprises with corporations, parastatals and government departments.

The trade exhibition and seminar programme is hosted by the Trade and Industry Department's Centre for Small Business Promotion, the Ntsika Enterprise Promotion Agency and the Public Works Department. It ends today.

State Tender Board chief director Jan Breytenbach said the Government was "unbundling contracts into smaller and manageable entities". He said if a large company was given 90% tender for a construction project, the other 10% should be given to SMMEs.

Breytenbach said 60% of goods in India were manufactured by SMMEs.

Small and large businesses should work together to build an economically viable country, he said.

Government to establish fund for small business

(30) CT (BR) 25/7/96

By Jonathan Rosenthal

Johannesburg — The government plans to establish a venture capital fund to support small business, Alistair Ruiters, the chief director of the small business promotion centre in the trade and industry department, said yesterday.

The fund, which is expected to start out with about R40 million, will be operated by the the Khula Enterprise Finance Agency. Venture capital of between R100 000 and R2 million would be provided to small business along the same lines as private-sector venture capital.

Although the number of private-sector venture capital funds has increased over the past few years, none of these funds have serviced the small business sector for projects worth less than R2 million.

Ruiters said that the government would not compete with the private sector but would show that it could work profitably in this sector of the market.

The administrative costs for a small loan were the same as for loans of more than R2 million, he said.

Capital for the fund would initially be sourced from the government, but donor funding would also be sought once the project viability had been demonstrated.

The centre for small business development was negotiating with 23 donor countries for approximately R100 million in donor funding for small business support.

This funding would be channelled to both the Ntsika Enterprise Promotion Agency, which delivers non-financial support to small business, as well as the Khula Finance Agency.

The Khula Enterprise Finance agency would start operating soon with R300 million to provide credit guarantees, loans and grant finance.

The agency had already evaluated 22 institutions through which it would be disbursing funding. Several non-government organisations involved in small business support would also be funded directly, he said.

Black business now moves towards unity

(30) Sowetan 25/7/96

By Mzimkulu Malunga

THERE is a belief that a crisis produces the best in any nation. This could be true about black business in South Africa today.

After years of fragmentation and petty divisions, it is dawning on black business groups that they need to find ways of working together.

The formation of the Black Business Council a few weeks ago has been hailed by some as the beginning of good things to come.

Over the past few years black businesses came increasingly under pressure both from the political leadership and some sections of civil society to find ways of cooperating with one another.

The democratisation process also saw furious debates on a number of key economic issues and the voice of black business was nowhere to be heard as white business plotted the direction that should be taken.

Marginalisation was staring black business in the face.

As if this were not enough, some black business organisations were only heard of during their annual general meetings. Here it was the norm to invite high-profile people to make speeches – but within days everyone would return to their little corners until the next AGM.

Even the resolutions passed during such gatherings were never pursued.

However, this year it looks as if organised black business is finally getting its act together.

For instance, groups like the Black Management Forum are lobbying the Government on issues relating to affirmative action and employment equity like never before.

On the transport front, taxi organisations are working flat-out to solve the violence and economic problems that have plagued the industry since the beginning of the '90s.

Even the chambers of commerce, many of which existed only in name, are beginning to limp along.

In addition to these few examples many black business organisations are waking to the fact that they can no longer continue blaming apartheid for their own follies.

Another encouraging development is that a number of young professionals are increasingly becoming active in the affairs of organised black business.

In the past many young professionals were frustrated by the personality clashes and jockeying for position within some of the main black business organisations.

What was referred to as the "old guard" in such organisations sought to dominate and chart the direction that had to be taken.

Consequently the tussle between the young generation and the old guard resulted in a situation where most of the energy was spent on petty issues, while the real battle – that of lobbying for the empowerment of black entrepreneurs – was fought in a lukewarm manner.

Although there are pointers of a move towards unity, there are still a number of hurdles that need to be crossed and a lot of work ahead.

Shilowa wants lower interest rates to help foster development

Erwin warns against double-tier interest

(30) CT (BE) 26/7/96

By James Lamont

Johannesburg — Alec Erwin, the trade and industry minister, yesterday warned against creating lower, differential interest rates to foster the development of small- and medium-sized enterprises.

Speaking at the close of the Enterprise Africa exhibition, Erwin said the creation of a double interest rate would result in arbitrage and would be difficult to administer.

However, he said, the introduction of the trade and industry department's Khula Enterprise Finance package would encourage retail banks to lend to the emerging sector of the economy, which is expected to create hundreds of thousands of jobs by the end of the century.

He said retail banks would be asked to evaluate small businesses more closely and the government would underwrite the loans.

He said that would mean that the interest rate offered to small businesses would effectively be below the rate on the ordinary market.

Earlier this week, Sam Shilowa, the general secretary of Cosatu, proposed that a separate interest rate, below ordinary commercial bank rates, should be offered to spur small and medium-sized enterprises and housing development.

Alistair Ruiters, the chief director of the trade and industry department, said the pitfall of offering a interest rate below the Bank rate for small business would be the difficulty in differentiating between money spent for production and money spent for consumption.

> **'Double interest rates would result in arbitrage and be difficult to administer'**

Ruiters said that if subsidised rates were offered, as they are in Japan, Korea and Singapore, they must be targeted at specific programmes such as training and the upgrading of technology.

But, he said, the government should consider ways of expanding credit facilities through the post office and financial non-government organisations, especially in rural areas.

Erwin also recommended that the government review its tender procurement policies to increase market access for small enterprises, especially for tenders below R250 000. He said he wanted government ministries to issue statements of commitment to procurement reform.

"This sector is the most important employment creator in the South African economy," he said. He said the relationship between the state and small businesses was an essential working partnership and without it the government's macroeconomic strategy and reconstruction and development programme would fail.

TARGETING *Alistair Ruiters, the chief director of the trade and industry department, says subsidised interest rates should be directed at education and upgrading technology* PHOTO JOHN WOODROOF

BLACK EMPOWERMENT

Unity at last

(30)
CT(BR) 26/7/96

Thabo Leshilo

The decade-long quest for unity among black businesses is finally bearing fruit. The formation of the Black Business Council on July 1 has given black business and professional organisations a single voice after years of political and personal squabbles between the National African Federated Chamber of Commerce and Industry (Nafcoc) and the Foundation for African Business and Consumer Services (Fabcos).

Their rivalry began when Nafcoc members split and formed Fabcos in 1986. The two bodies put aside their differences on that Monday night in Johannesburg and agreed to work side by side in pursuit of a common goal — promoting genuine black empowerment and participation in the mainstream economy.

They were joined by eight other organisations, the Black Management Forum (BMF), the Association for the Advancement of Black Accountants of South Africa, the National Black Business Caucus (NBBC), the Black Editors' Forum, the Association of Black Artisans and Construction, the Association of Black Securities and Investment Professionals, the Black Lawyers' Association and the Congress for Business and Economics.

The council aims to become a united voice for its members in influencing the political and economic restructuring of the country. It will also research programmes for black economic empowerment and lobby the government in promoting these programmes. None of the bodies wanted a monolithic structure, so the council is not a merger but a loose alliance that will identify issues of common interest and unite around them.

Mashudu Ramano, one of the conveners and the general secretary of Nafcoc, said a formal constitution would be adopted at the council's launch next week. Until then, all matters are being handled by a body made up of representatives from each organisation.

The council arises from the mounting concern among blacks that the ANC-led government of national unity has been less than vigorous in promoting their interests. It also indicates that blacks are willing and able to take collective responsibility and steer government policy in a direction that will give meaning to their political freedom.

The council traces its origins to the three-day black business indaba held with the ANC at the Kruger Park's Mopani Lodge at the end of October 1993. Delegates at the indaba accused the ANC, which was not yet in power, of ignoring black business and pandering to the interests of white big business.

The Mopani memorandum of understanding was adopted at the meeting and the parties agreed to work together to promote black economic empowerment. It was also agreed that once in power, the ANC would introduce affirmative action legislation that set "clear, negotiable targets to be achieved in both management and business equity, and in addition establish an effective monitoring process".

The parties also agreed to improve their relationship and recommended that a national black business caucus be formed to enable black business to speak with one voice. The NBBC, headed by Danisa Baloyi, was formed.

The new caucus failed to achieve its goal largely because it could not get Nafcoc and Fabcos to co-operate.

Another gathering of black business, held at Johannesburg's Indaba hotel in May last year, acknowledged the failure of the NBBC and called for yet another forum. Its first responsibility would be to fight for an office of a national adviser on black empowerment to the government.

Nafcoc had a change of heart and decided to work for unity at its 31st annual conference last July. The conference chose Danisa Baloyi, Bheki Sibiya and Benjamin Wauchope as the executive directors of the NBBC, the BMF and Nafcoc, as facilitators to lead the process of establishing a united front. After months of sloth, the council could be established by mid-September. It was later decided that Eric Molobi, the chairman of Kagiso Investments; Vusi Khanyile, the managing director of Thebe Investments; Wiseman Nkuhlu, the chairman of Worldwide Africa Investment Holdings; and the businessmen Don Mkwanazi, Winky Ximiya and George Negota should fulfil a similar role to the three facilitators.

The council is a direct culmination of these two groups' work. The council is already proving itself to be more than just another talkshop. Only three weeks after it was formed, it has begun to challenge the government's proposed affirmative action policy.

Through the BMF, the council met the ministry and department of labour this week to argue that affirmative action targets and time frames be more firmly stipulated in the recent Green Paper on employment and occupational equity. Ramano said the interaction with the government indicated the modus operandi preferred by the council — selecting policy issues and having the members that are best equipped to deal with them leading its assault.

Ramano said the sale of the six radio stations of the SABC was another issue marked for action. The council disputes the use of the highest bidder principle as a major determinant in the sale, saying it should be secondary to the need to promote black empowerment.

The council also wants Alec Erwin, the trade and industry minister, and Deputy President Thabo Mbeki to explain why the Industrial Development Corporation sold its 2 percent stake in Sasol through the JSE instead of offering it to blacks. Representations will also be made about the government's exclusion of black asset management companies from the list of organisations that will receive public investment commission funds.

SBDC's equity option makes financing easier

BD 31/7/96 (30)

Nicola Jenvey

DURBAN — The Small Business Development Corporation is proposing to take stakes in small businesses as part of its new package of funding mechanisms for the sector.

The corporation said the equity option would make finance more accessible to viable small businesses, though medium and longer term loans would remain its core funding mechanism. The package was part of a line up of mechanisms to provide finance of between R50 000 and R3m.

Schwenke said the corporation would target an increasing number of black entrepreneurs as clients, and the financing products were specifically designed to achieve that goal.

"The lack of black applicants for formal mainstream business loans is a problem," he said.

"The organisation will now look at these more carefully." The corporation said it would view security as being less important, as equity could be obtained as reward for risk. It would inject risk capital and would be compensated for the risk by a share in future profit and capital appreciation.

"Equity partner deals are possible where a business proposition is viable and has growth potential, and the client has entrepreneurial qualities," SBDC MD Jo Schwenke said.

The corporation also wanted small and medium sized businesses to become shareholders prior to its listing, planned for the year 2 000.

Alongside the traditional loan packages, the options also included a business with low security gaining a fixed payment loan, with SBDC taking a minority stake as collateral.

"If the entrepreneur does not make it we also lose," Schwenke said, "so we are united with a purpose to succeed."

Tenders for small firms

Patrick Wadula

BD 1/8/96

(30)

THE Gauteng Tender Board wanted provincial departments to earmark half their tender budgets for small and medium-sized businesses, the board said yesterday.

Board subcommittee chairman on tendering Dupree Vilakazi said the board had already set aside half the R120m in security tender contracts allocated by the province for such businesses.

"A role played by the board is to ensure that employment is created for the previously disadvantaged people through these tenders," he said.

The board had called on SMMEs to provide it with information on their registration, auditors, accountants, and lawyers.

He said the closing date for submitting tenders for the security contracts had been extended to August 12 from July 22 to give SMMEs time to provide the required information.

Small enterprises seen as high road to prosperity for the have-nots

30

While whites have a massive hold on the economy, the informal sector could be just the vehicle to drive black advancement, writes GUMISAI MUTUME

The greatest hindrance to the development of small and medium-sized enterprises in South Africa remains poor access to resources, according to government officials and business experts.

More than 98% of the Johannesburg Stock Exchange is in the hands of conglomerates that dominate production and have absolute access to the economy through numerous subsidiaries, they say.

"We must first acknowledge the ills that are facing the economy of this country," Public Works Minister Jeff Radebe said at the Enterprise Africa Expo, an exhibition to promote micro-enterprises, held in Johannesburg last week.

"Failure to address these ills will lead only to a dead-end street and an economy characterised by distorted forms of growth, and failure to support the process of reconstruction and development of our society," he warned.

On the JSE, for example, black-owned companies own less than 1% of the equity. The biggest, New Africa Investments, is ranked 72nd among the country's top 100 industrial shares.

Small, micro and medium-sized enterprises (SMMEs), dominated by blacks, are now being touted as a potential saviour in the drive towards black advancement.

Across the world, emerging economies have realised the capacity of SMMEs to create employment, activate competition and boost economic growth. In SA, they occupy a significant job market position, employing 35% of the country's 14,3 million economically active people in 1994.

However, statistics on the sector are based largely on estimates, which put the number of SMMEs at about 800 000 and their contribution to gross domestic product at 29% compared to 25% for larger private firms.

Underfunded and mainly employing poorly trained personnel, SMMEs have largely been squeezed out of profitable operation and were in fact hardly recognised as an important sector during the apartheid era: it was only in 1981 that the first national corporation aimed at developing small businesses was set up.

MAINLY IN WHITE HANDS: Conglomerates are the major force on the Johannesburg Stock Exchange

The new government, elected in 1994, started with virtually a clean slate. For instance, only three of the 1 200 employees of the Department of Trade and Industry, whose work included supporting SMMEs, were actually given that task.

"Probably the most significant limiting factor has been the scarcity of trained and experienced people with an SMME-support orientation who could fill key positions in public and private sector support agencies," says Alister Ruiters, director of the Centre for Small Business Promotion.

"At a time when all government departments and larger enterprises try to recruit competent black professionals, it has been difficult to find persons experienced and affordable to fill vacancies in the SMME support field," he notes.

The scarcity of statistics on SMMEs and their role in the economy has also made it difficult to promote their status, he adds. South Africa, with an unofficial unemployment rate of 50%, is beginning to feel the need to promote SMMEs through state intervention, although efforts in this direction have thus far been

Star 3/8/96

rather lukewarm.

The Government is now trying to wedge the informal sector into the formal market through affirmative action under a proposed 10-point plan which recommends that the state procure sgoods and services from SMMEs.

In its white paper on small business promotion, the Government says the idea is to help the spread of wealth and the economic empowerment of black people and other previously disadvantaged groups like women.

"Government is developing an affirmative procurement policy to unbundle contracts and secure the participation of SMMEs," notes Finance Minister Trevor Manuel, whose ministry is behind the strategy.

"We will act as facilitators and matchmakers." The idea is to pull the market steadily out of the arms of big business.

The strategy also involves partnerships between SMMEs and big business in order to facilitate skills transfer and human resource development.

Critics, however, say it may be as difficult as attempts to implement affirmative action policies in private companies, which have had very little impact over the past four years.

The number of white middle managers has risen 1,8% since 1992, though that of white senior managers has fallen 1,3%.

The number of black senior managers increased by only 0,4% and the number of blacks in middle management by a mere 0,7%, according to a recent survey by human resource consultants FSA Contact. – Sapa-IPS

SBDC reaches out to black business

(30) ST (BT) 4/8/91

By THABO KOBOKOANE

THE Small Business Development Corporation this week unveiled measures to make finance easily available to the country's small and medium businesses, in particular to the black community.

"Special efforts will be made to facilitate the part of viable black business in the mainstream," says SBDC managing director Jo Schwenke.

The new measures are an attempt by the corporation to increase lending to the black community, which for years has criticised the SBDC for not doing enough to assist black entrepreneurs. Since its inception, the SBDC has lent out over R2,6-billion to more than 59 000 people. While 70% of the total number of loans went to blacks, largely in micro-lending, only 30% of the total value has gone to black entrepreneurs.

The new measures allow the SBDC to fund viable businesses even where collateral is not available. "The measures are designed to make finance more accessible to viable SMEs and will position the company to take equity instead of collateral for loans, when collateral is not available," says Schwenke.

He says the stake, which will be up to 40%, will not amount to management "interference" by the corporation, but will "enable the SBDC to assist if problems arise".

Medium- and long-term loans will still form the core of the corporation's business in the short term, but Schwenke could not say what the percentage split between the new measures and the existing ones will be.

The financing packages, with loans of between R50 000 and R3-million, are:

Equity partner: The SBDC will participate in a business as an investor and a financier. It will agree to inject risk capital and will be compensated for the risk by sharing in future profits and capital appreciation;

Loan partner: The traditional product where the SBDC will still require viable ideas and security to grant a loan;

Property partner: The corporation will provide a loan to enable business to place a deposit for its own premises and security will be a second mortgage bond. The SBDC will take a minority shareholding and the loan will be repayable at market rates; and

Risk partner: In a case where viable businesses have low security, the SBDc will take a minority shareholding in the business as compensation for risk.

The new measures form part of the process of restructuring of the SBDC, which has been going on for a year.

Schwenke says the SBDC would like to list on the Johannesburg Stock Exchange by 2000. He hopes that 20% of the shareholding will be taken up by SMEs who are serviced by the SBDC.

Have a crack at it

CT(BR) 6/8/96 (30)

James Lamont

You cannot, it appears, make an honest buck in the townships. The Good Woman of Sharkville, a play running at the Market Theatre in Johannesburg, has a bleak message for small business and those who wish to foster its growth in South Africa.

The play, a local adaptation of Bertolt Brecht's work, replete with tsotsis and beer halls, explores how difficult it is to be virtuous in a corrupt and deprived society.

The one good resident of a neighbourhood, Sizakele the prostitute, receives a windfall of start-up capital. She tries to set up a tobacconist's shop. But a combination of generosity and preying con-artists leads her to ruin. So, to pay back debts and survive in the local business environment, she buries her goodwill and undergoes a character transformation into a ruthless entrepreneur, selling a commodity — much more marketable than cigars — crack.

For Sizakele, the new South Africa and its ambitious macroeconomic plan does not reach out with workshops on how to audit accounts and subsidised loans. And there are no friendly parastatals or corporates offering procurement contracts for her goods and services.

The government needs to make business more attractive than crime. And with a target of creating 400 000 jobs a year, critically in the small business sector, it needs to get workable programmes moving — and fast.

For Sizeka Rensburg, the head of marketing and business linkages at the Ntsika Enterprise Promotion Agency, the Brechtian parable is one that she would rather consign to an earlier era, when the National Party government did little to promote small business. In fact, she says the previous government worked to stifle the entrepreneurial spirit of the bulk of the population by barring them from certain areas of economic activity.

"People tended to concentrate in the areas where they were allowed to operate," she says, explaining why small business activity has concentrated in areas like textiles and carpentry.

MAKING GOOD YEARS OF NEGLECT *Sizeka Rensburg, the head of marketing and business linkages at the Ntsika Enterprise Promotion Agency, plans to create an environment where small business can blossom*

PHOTO JOHN WOODROOF

Her agency, an arm of the trade and industry department, has the job of making good years of neglect. It must put in place an environment where small enterprises can blossom and create jobs for school-leavers and the weighty numbers of unemployed.

After all, the small business sector is billed as the creator of one-third of the annual target of 400 000 jobs a year anticipated by the government's macroeconomic policy package.

The acid test is whether corporate-sponsored small businesses can stand on their own

Rensburg acknowledges that the challenges faced by small businesses, particularly in the rural areas, are daunting. Not least is the widely held belief that small business is synonymous with poor quality. But there are reasons for this. "Can you run a business without electricity, without a telephone and running water?" she questions. In her opinion not enough is being done to bring rural communities into the wider economy.

Nevertheless, she is encouraged by horticultural (cutflower) and fishing initiatives that have shown what can be achieved in areas like the Northern Province. "I grew up in the rural areas and I have family and friends there. I am positive about development there — something is already going on," she says.

Although access to low-cost finance tends to dominate the small business debate, she insists on a broader consideration of market access, technology and good infrastructure.

"Small businesses always say that their biggest problem is money, but I don't believe that is the real problem," Rensburg says.

While the trade and industry department is in the final stages of setting up the Khula Enterprise Finance Programme, under which the government will underwrite small business loans, Rensburg sees other sources of capital becoming available. One of these is retrenchment packages. She foresees wide-reaching retrenchments in the economy as industries, like mining, shed more jobs, which could act to boost small-scale economic activities and job creation. "These people get packages. We have to get them to invest in the economy," she says.

But Rensburg's division is looking away from financial support to linkages between corporates and parastatals and small enterprises which could provide them with goods and services. A reform of parastatal procurement policy alone could create opportunities for small businesses. Rensburg is in favour of setting quotas for parastatals which will oblige them to purchase from this sector. Transnet has already taken the lead after a commitment by Louise Tager, its chairman, to procure 50 percent of its needs from small concerns.

She does not, however, prescribe the same for the private sector, even though very few of the top 100 JSE companies supported the recent Enterprise Africa exhibition staged to expose small business to big business and the public sector. Her reasoning is that corporates have a varied record of support for small business. "Something has happened in the private sector, but it is still not enough," she says.

Some, like Anglo American, have their own business promotional schemes, while others have done little. But the acid test is whether corporate-sponsored small businesses can stand on their own if their parent withdraws its support.

Rensburg identifies a "window of opportunity" for small business with the current restructuring of parastatals. Her advice to the entrepreneur is not to wait for the end of the restructuring process but to form joint ventures now to work for the big contracts that make up the state's annual R42 billion spend on goods and services. Let us hope this is more profitable than crack.

NEWS

Thahane calls on commercial banks to service small business

CT(BR) 8/8/96 (30)

By Roy Cokayne

Pretoria — South Africa has a critical need to create links between the formal banking sector and the informal sector, Timothy Thahane, the deputy governor of the Reserve Bank, said yesterday.

Thahane said the commercial banks should have specialised windows to serve small, medium and micro-enterprises.

He said the banks had to accelerate this service through training.

Project design was one of the constraints the informal sector faced in dealing with frontline banks, so loan officers should have the training and skills to enable them to make informal-sector projects bankable.

He said the government looked to the informal sector to create jobs and reduce poverty. The informal sector was also important for long-term growth in any economy.

Thahane said there was a great demand for finance from small and medium businesses in South Africa, but the informal sector was not adequately served by the formal banking sector, particularly in rural areas.

He questioned how the banks would meet the credit needs of the people in the informal sector if they did not distribute savings geographically.

Thahane said organisations such as the Development Bank and the Small Business Development Corporation filled some of the gaps left by the formal banking sector, but these institutions' coverage did not extend to every village and urban area.

He said secondary lending schemes had sprung up in South Africa because so many micro-enterprises were refused credit in various communities.

Thahane said there was a feeling that micro-enterprise financing or informal-sector growth was hampered by high interest rates and lack of access to credit. The Reserve Bank was often blamed for maintaining high interest rates.

He said deciding where to set the Bank rate was always a judgment call, but the key aspect was that the rate should be pitched at a level that allowed the country to maintain stable growth over time.

He stressed that many variables determined whether interest rates were high or low.

Thahane said if savings were insufficient for investment demand in any economy, interest rates could be raised to attract more funds.

These funds could also be supplemented by printing more money, though this would lead to higher inflation.

It was globally accepted that printing money caused inflation, which became a tax on the whole economy because it affected all the goods in the economy, he said.

Tuesday August 13 1996 SOWETAN

Small business needs support

Sowetan 13/8/96 (30)

By Gerry Reilly

UNLESS the financial institutions "open up" to small black business people there is a danger that the sector will be permanently marginalised, says African Council for Hawkers and Informal Business executive director Lawrence Mavundla.

He says a survey made by Natal University has exposed the immense obstacles facing black entrepreneurs struggling to move into the mainstream economy.

The Government, too, has failed to give adequate support to the sector.

The Natal University study, which involved 645 small and micro business people, revealed that more than 30 percent of the entrepreneurs in the sector have completed matric and an almost similar percentage have post-matric qualifications.

"These are not 'beggar survivors'. Given half a chance they can become successful businessmen with great job creation capabilities."

The study confirmed the extreme difficulties in obtaining finance.

Only 5,4 percent had succeeded in getting loans from commercial banks.

Mavundla says it is high time the Government put more pressure on the private sector to ensure easier access to loan funds for small black businesses.

He says the level of education revealed in the Natal University survey and the success rate among small and micro businesses, should be enough to persuade banks that the risk of lending to the sector is not as great as it is made out to be.

He welcomes last month's announcement by Small Business Development Corporation Limited that its new products are aimed at improving access to capital for small and micro businesses.

The most promising, he says, seems to be equity partnership in which the SBDC Ltd puts risk capital into businesses in return for a share in future profits and capital appreciation.

Million workers

It is estimated that there are 900 000 small and micro businessmen nationwide, employing more than a million workers.

Meanwhile, the head of marketing at the Ntsika Enterprise Promotion Agency, Sizeka Rensburg, says the Government should set procurement targets to buy goods and services from small businesses.

CT (PR) 15/8/96

Province sets up aid for small businesses

By Roy Cokayne

Pretoria — The North West Province has launched the first phase of its R7,6 million support programmes for small, medium and micro enterprises (SMMEs).

Martin Kuscus, the MEC for finance and economic affairs, said the finance and economic affairs department, the North West Business Forum, the Small Business Advisory Bureau and the North West Development Corporation had agreed that the most urgent SMME support programmes would be launched during the first phase of a similar national programme.

Kuscus, speaking at the scheme's launch in Brits this week, said the budget for the support programme was R7,6 million, but he said the North West government did not intend to "throw money at the SMME's problems".

(30)

"For this reason sufficient care has been taken to ensure that the programme which is embarked upon meets the needs of SMMEs in the province. In addition, an SMME desk has been established in the department of finance and economic affairs to look after the interests of SMMEs," he said.

Kuscus said the government had granted the North West Development Corporation R5,6 million for several programmes. They had already started, but it was important that they be maintained and R20 million had been set aside for the programme in the next financial year.

R7,6-m support

(30) Sowetan 15/8/96

By Joshua Raboroko

THE North West has set aside R7,6 million to support small business in the province.

Two support institutions with expertise in offering credit, training, counselling, infrastructure development and small business promotion have been charged by Premier Popo Molefe with overseeing the implementation of the project.

The Small Business Advisory Bureau at Potchefstroom University and the Northwest Development Corporation have been charged with this task.

Premier's spokesman Mr Willie Modise yesterday said the first project, which includes consultation to improve existing businesses among communities, will be initiated at an estimated cost of R1 million.

Aims of the project

The project is aimed at assisting small businesses with general management, finance, productivity, personnel related matters, appropriate technology, advice, business plan compilation, opportunities, mentorship, book-keeping and marketing assistance.

Research has shown that the failure of 95 percent of the all businesses could directly be attributed to the lack of managerial skills.

The second programme will be aimed at specifically promoting the microenterprise component of small businesses at a cost of R3,5 million.

The money will be used to subsidise existing micro-finance sector, training and infrastructure development.

Capacity building is one of the focus areas, according to Modise.

In the former Bophuthatswana homeland, the informal sector was prohibited from operating.

This was in spite of the fact that this sector had proved to be one of the most efficient job creators.

The absence of a coordinated, established and thriving micro-sector in North West worsened the unemployment situation in the province, said Modise.

Illiteracy a problem

"Another problem identified is the illiteracy and lack of basic education among the majority of the unemployed in the province."

The third programme – capacity building for infrastructure delivery for the small building sector – is aimed at enabling the small and micro enterprises to tap on opportunities created by the Reconstruction and Development Programme (RDP).

The programme includes training and transfer of skills, consultations and management training and productivity.

The estimated budget is R1,1 million. It is expected to train 1 000 people and 50 building training courses.

The project is also directed at advising sub-contractors when tendering for projects for major companies as well as government departments in the province.

Ramaphosa spells out empowerment priorities

BD 15/8/96 (30)

Patrick Wadula

NEW African Investment deputy chairman Cyril Ramaphosa yesterday called on the government, private sector and the black community to introduce programmes and direct efforts towards ensuring that black economic empowerment did not remain a dream.

He told a two-day conference on black economic empowerment the programme had to include equity ownership, entrepreneur promotion and skills transfer.

Those who did not possess capital should be assisted to obtain meaningful equity ownership. One successful model for providing funds for small and medium enterprises in the private sector was venture capital funding through private equity funds.

Ramaphosa said these were sources of funding black business should be aware of — yet their focus was targeted to small and medium enterprises. "However, redistribution must be defined in terms of blacks as owners rather than employees only. Continuous exclusion of the majority population from the mainstream economy will have serious long-term political and economic consequences," he said.

There were core strategies government could put in place to ensure that its programme for economic growth achieved genuine empowerment.

Ramaphosa said SA had to learn from the Malaysian experience where goals were in place to achieve racial economic equity. "As SA moves towards the 21st century, every effort must be made to achieve racial economic equity," he said.

Government had to provide incentives to the private sector to promote and fund black economic empowerment. These would include the revision of procurement policies to affirm and promote the procurement of goods and services from emerging black businesses. Government contracts could be an important base from which black companies could be nurtured for growth, job creation and wealth redistribution.

Foschini staff warn on 'slow' wage talks

Staff Reporter (30)

ARG 16/8/96

EMPLOYEES of the Foschini clothing retail group say their frustration is growing over the "slow rate" of wage negotiations between the South African Commercial Catering Allied Workers' Union (Saccawu) and the group's management.

The Foschini Group is comprises Foschini, American Swiss, Sterns, Markhams and Pages.

Bosses have offered an annual across-the-board increase of 8 percent, but the union's chief negotiator, Zureina Allie, said workers were demanding 14 percent.

Talks between Saccawu negotiators and the Foschini Group management held in Johannesburg recently failed to resolve the dispute.

About 250 Foschini Group employees in Parow vented their frustration on Wednesday with a picket during their lunch hour.

Picketing workers warned management that "drastic action" would be taken if their demands were not met.

Telkom accesses black business

(30)

Sowetan 20/8/96

Executive Nkosi sees value of skills transfer for black empowerment

By Isaac Moledi

BLACK-OWNED companies that want to do business with Telkom will find access easier, according to Mike Nkosi, Telkom's newly appointed economic empowerment executive.

Nkosi, who will be responsible for the formulation and implementation of economic empowerment policy and guidelines, says Telkom is embarking on a comprehensive policy development programme to foster black economic empowerment through the adjudication of its procurement contract.

These guidelines will form part of Telkom's request for information, proposals, tenders and contracts.

According to Nkosi, Telkom's empowerment programme will be confined to the small, medium and micro enterprise (SMME) sector even though this sector is an important focus area. It will cover all contracts, including high-tech and other non-routine supplies.

Overcoming obstacles

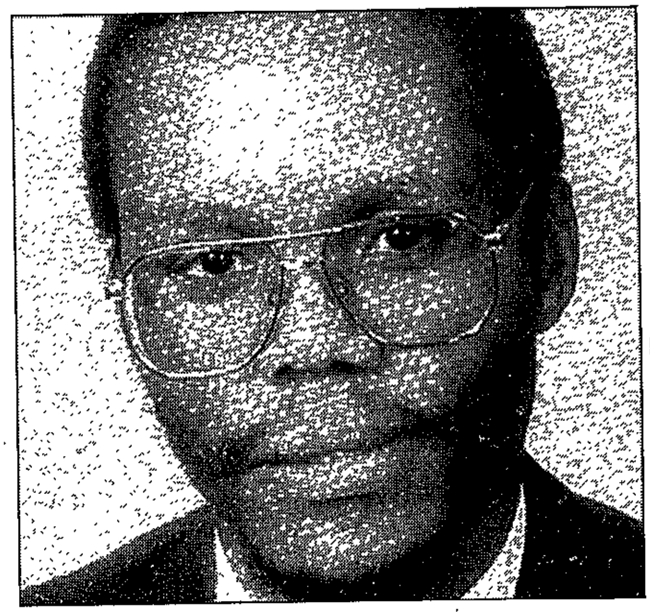
"There is already a large number of black-owned companies with the financial, technical and professional capacity to meet our needs," he says.

The programme will facilitate access for black-owned companies that were previously unable to do business with Telkom and will also ensure that the company's traditional suppliers contribute to black economic empowerment.

"I am exploring ways of overcoming obstacles for black-owned companies wanting to supply Telkom. The objective is not to waive requirements but to come up with innovative ways of widening participation to the mutual benefit of both parties," says Nkosi.

He says when the evaluation of future bids of Telkom's traditional suppliers is considered, Telkom will take into account issues such as black shareholding (not just directorships), the size of the stakes held by black shareholders, affirmative action and community upliftment programmes.

All current and future company suppliers, be they accounting and advertising service suppliers, stationary, furniture, telephones and other high-tech products and services, will be affected.



Mike Nkosi ... ways are being explored to overcome obstacles for black economic empowerment.

"All areas within Telkom which present opportunities for black economic empowerment will be vigorously explored," he says.

Nkosi says he wants Telkom's economic empowerment programme to make provision for technology transfer.

"I want to see cutting-edge technologies becoming accessible to South African companies through the establishment of partnerships and joint ventures – not for convenience sake, but to ensure that technology and technological skills are transferred and that some of the benefits of big contracts are enjoyed locally."

PROPERTY

Plan assisting small firms to be reviewed — govt

(30)

BD 21/8/96

Reports by Robyn Chalmers

THE public works department would review its pilot roster system to look at any potential problems which may have arisen since its launch last year, director-general Sivi Gounden said yesterday.

Speaking at the Interbuild Africa conference, Gounden said the review would take place in conjunction with the Association of Development Professionals and the SA Technical and Allied Careers Organisation.

"It must be made clear that we see any problems which have arisen with the pilot roster system as teething problems which should not detract from the gains which made by the system."

The scheme is based on the compilation of a points system roster of previously marginalised firms which are involved in professional services such as architecture, engineering and quantity surveying.

It aims to create an environment whereby small construction practices — previously excluded from government contracts — can take part in government and public sector contracts. It also encourages established companies with strong human resources and social responsibility commitments to use their services.

Gounden said that of the estimated 3 500 registered practices in SA, less than 5% had a majority shareholding by previously disadvantaged people.

This situation had to be changed dramatically.

He said that of 900 firms which had applied to take part in the pilot roster system, only about 200 had scored enough points in terms of social responsibility, human resources, shareholding and other factors to qualify.

"Since the launch of the pilot roster system in August last year, about R50m worth of professional fees have been allocated, representing an equitable spread between established and historically disadvantaged companies."

Public Works Minister Jeff Radebe said at the conference that good progress was being made on the first SA national register of state-owned fixed assets, recently approved by Cabinet.

Radebe said this would provide for a register of all state-owned property and fixed assets, including a complete picture of property of former TBVC states.

"This is a massive task that will not be completed within a year."

The ministry's 10-point plan to facilitate the access of small, medium and microenterprises to mainstream activities funded by the public sector was also receiving attention.

Radebe said the plan currently provided for preference treatment for previously disadvantaged enterprises. It had been suggested that this strategy could facilitate joint ventures and partnerships with the benefit of skills transfer and human resources."

Nafcoc Conference, Durban 1996: 'We won't interfere with market forces'

Erwin promises world-class support package for business

CT (BR) 4/9/96 (30)

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — South Africa will have one of the most effective support packages for business in the world by the end of this year, Alec Erwin, the minister of trade and industry, said yesterday.

Speaking at a Nafcoc conference in Durban yesterday, he said the emphasis would be on the small to medium business, but the government would not turn its back on larger businesses.

He emphasised that the government was prepared to offer non-financial backing and create an environment conducive to small enterprises taking up business opportunities through changing laws which governed commerce and industry, but that it was not prepared to provide emerging businesses with financial subsidies.

Erwin said the government was in favour of finance at favourable rates, but emerging business had to learn to live with market rates over time. "At the end of the day, we won't interfere with market forces. This will make for a more resilient and economically viable (small-business) sector," he said.

Erwin stipulated that in South Africa, economic growth and empowerment would be regarded as one. He warned that the South African economy would not achieve 6 percent growth by 1999 if there was no redistribution.

Although Erwin emphasised that new economic activity would not be promoted at the expense of the old, he said the country's economic base, which was characterised by power concentrated in the hands of large conglomerates, had to be expanded.

Growth

He said countries with high degrees of income inequality showed little prospect of rapid and sustainable growth.

Erwin also said that the South African economy had to face radical restructuring if it was to survive in a new international arena. A country where a high proportion of GDP was attributable to trading did not have the choices that were available to it 20 to 30 years ago. As a result, South Africa would have to match changes in the world economy. This meant no import tariffs or government protection.

Erwin said that the government, business and labour were capable of changing, as long as the government was not expected to do everything.

NO FREE RIDES *Alec Erwin, the trade and industry minister*

Nafcoc resolutions lack govt support

(30)

Nicola Jenvey

BD 10/9/96

DURBAN — Delegates at this year's National African Federated Chambers of Commerce (Nafcoc) convention were unsure last week about the conference's most striking point: its resolutions or its often chaotic run of events.

The resolutions including calling for the reinstatement of the death penalty — for murder, rape, and robbery under aggravated circumstances. Another called on government to reconsider sales and value-added tax amnesties beyond January 1994. Present judicial proceedings for these offences were to be stopped. Neither got the support from government that the conference was looking for.

Similarly, delegates expecting President Nelson Mandela, his deputy Thabo Mbeki, Transport Minister Mac Maharaj and Public Enterprises Minister Stella Sigcau to address the convention were disappointed. Labour Minister Tito Mboweni, who made it after missing three planes, spoke late and off the cuff.

It vowed to lobby government for stronger competition policies to pave entry into more diverse activities, including access to mineral rights.

Low-cost housing pays price for crime

Robyn Chalmers

SA's high crime levels were beginning to have a serious effect on the delivery of low-cost housing, particularly in Gauteng and KwaZulu-Natal, Housing Minister Sankie Mthembi-Mahanyele said at the annual National African Federated Chamber of Commerce conference in Durban yesterday.

The crime wave had resulted in major contractors shying away from tendering for these jobs, she said. "When they do tender they push up their rates; to include down time in case they can't get on site, for damage to vehicles, for theft of materials and so on."

Crime was putting contractors' lives at risk, leading to spiralling costs and slowing down work.

Mthembi-Mahanyele said the situation was unacceptable, and action had to be taken as the real losers were the millions of homeless people who were being denied the right to shelter.

Mthembi-Mahanyele said that the project to repair houses damaged by violence in the Katorus area had had to be rebudgeted, largely as a result of rising crime.

The project would cost an additional R46m, with an estimated 10%, or about R5m, of the extra cost caused by theft. In addition, about 10% of the overall budget allocated to the Katorus special presidential lead project had been allocated to improving general security measures on the project.

Despite obstacles, there had been an increase in delivery and this would continue, she said.

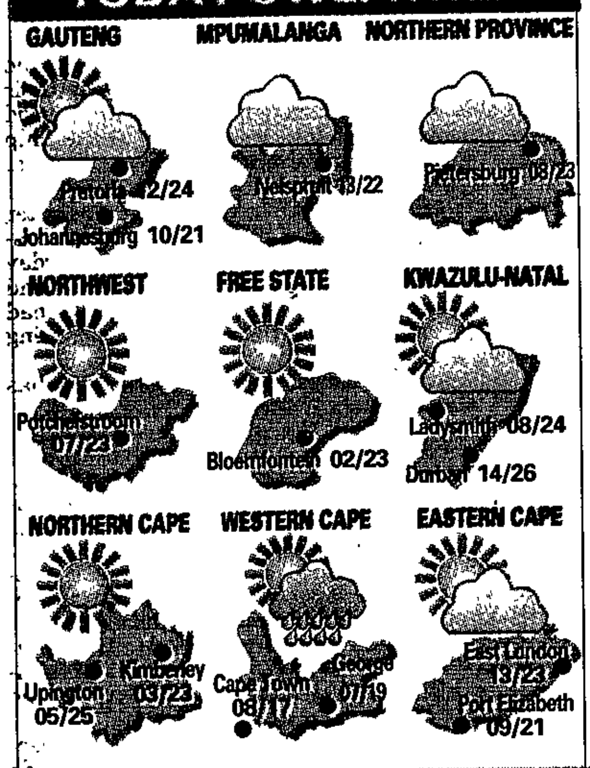
The average monthly delivery for individual and project-linked subsidies approved, increased from a monthly average of 539 for the period between March 1994 to August last year to 5 946 for September 1995 to July this year.

"While delivery is increasing, it is still not enough. I am impatient with the pace and I expect to announce new measures to speed up delivery," she said.

She remained concerned that there was no unified voice in the construction industry.

BD 4/9/96

TODAY'S WEATHER



GLOBAL TEMPERATURES

	Min	Max		Min	Max		Min	Max
Amsterdam	08	21	Lisbon	18	29	Rome	17	25
Brussels	10	19	London	15	21	Sydney	10	17
Dubai	28	43	Los Angeles	19	29	Taipei	24	30
Frankfurt	11	21	Moscow	12	25	Tel Aviv	22	30
Geneva	11	19	New York	23	32	Tokyo	23	30
Harare	09	24	Paris	12	21	Toronto	15	28
Hong Kong	26	30	Rio de Janeiro	20	29	Vienna	17	20

Erwin rules out rates help for small business

Nicola Jenvey (30) BD 4/9/96

DURBAN — Government did not intend subsidising interest rates to small, medium and microenterprise businesses, and would rather direct resources to education and training of business management skills, Trade and Industry Minister Alec Erwin said.

He told the Nafcoc convention yesterday that developing a sustainable economy that empowered black businesses demanded strengthening the small medium and micro enterprise sector.

Subsidising loan rates created businesses which would not be viable in the long run.

Erwin believed that by December SA would have an economic philosophy promoting growth with empowerment. He challenged black business to grasp the opportunities provided.

KwaZulu-Natal economic affairs and tourism MEC Jacob Zuma said provincial government remained committed to transforming proposed development nodes around KwaZulu-Natal into black economic empowerment opportunities.

"However, serious businesses cannot survive on outside financial injections, and before demanding anything from others, businessmen must demand many times more from themselves," Zuma said.

Labour Minister Tito Mboweni, although not providing a specific time frame, said SA urgently required antitrust legislation to counter past imbalances. "Its delay is only delaying the necessary restructuring of the economy ..." he said.

Safety and Security Minister Sydney Mufamadi urged black business leaders to counter crime by becoming visible role models to youth.

"Black role models are not giving sufficient of their time to their communities ... too often the role models are drug dealers and flashy criminals."

OUR

Small players not adequately represented by employer bodies

Labour act 'could strangle small businesses'

(30) ET(BR) 5/9/96

By Stuart Rutherford

Durban — The new Labour Relations Act, which has been lurking at the back of the minds of entrepreneurs for the past year, is finally about to be implemented.

This week Tito Mboweni, the minister of labour, said the new act would be implemented later this year.

Small businessmen will be affected by the new provisions of the act, because they generally lack access to expertise in labour relations and are not adequately represented by employer bodies.

Vernon O'Connell, the secretary of the KwaZulu Natal Institute of Directors and a partner at Van Onselen and O'Connell, said there was a threat of closures among small businesses when the act was promulgated.

"There are already dangerously high levels of pessimism among the entrepreneurial class. Unless they are able to approach this thing positively, the danger is that people will throw up there arms and say: 'We can't operate in this environment.'"

He said the move to centralised bargaining also contained problems for small business. "Collective bargaining inevitably does not contribute towards the creation of employment at the small business level, because small business simply cannot afford the higher wages agreed to centrally."

O'Connell believed small businessmen needed to understand the new act's provisions and become involved in employers' organisations to make sure their interests are safeguarded.

He said an important change in the new legislation regarded information disclosure.

In terms of section 16 of the act, representative trade unions will have the power to compel employers to divulge information about the business which will help them engage effectively in consultation or collective bargaining.

"This may, for example, include information regarding business plans, competitive strategies or even the packages of senior management." The only exceptions are legally privileged or prohibited, confidential and private personal information.

The final decision on what information must be disclosed will be made by a commissioner appointed in terms of the act.

In terms of the new act, representative unions will be entitled to enter an employer's premises to recruit workers or communicate with members, provided they do not unduly disrupt work or threaten life and property.

In addition, the new act legitimises the right to strike in support of other strikers who are striking legally and legitimises picketing outside or inside the premises of the employer.

Finally, one of the more radical innovations of the new act is to extend the definition of employee to cover job applicants.

"The new act prohibits unfair discrimination, whether direct or indirect, on any 'arbitrary' ground, including but not limited to, gender, sex, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, political opinion, culture, language, marital status or family responsibility," O'Connell said.

Nafcoc and AHI sign partnership accord

Nicola Jenvey (30)

DURBAN — The National Federated Chamber of Commerce (Nafcoc) and the Afrikaanse Handelsinstituut (AHI) signed a partnership initiative yesterday with the long-term intention of combining the two organisations.

Nafcoc president Joe Hlongwane and AHI president Mof Terreblanche agreed "to do everything in their power to work together" to form a single body representing SA business.

Spokesmen for the organisations said they believed the partnership would benefit members economically.

It would promote empowerment and entrepreneurship by developing joint ventures between AHI and Nafcoc members, and present a unified voice when lobbying on government policies.

Hlongwane and Terreblanche confirmed the arrangement had been mandated by individual members.

BD 5/9/96

THE NEC AND JOHNNIC

BLACK EMPOWERMENT AMID ECHOES OF HISTORY

pmb|9|96 (30)

Challenges face disparate alliance

What may come to be seen as the business deal of the century reached its climax last week when Anglo American Corp sold control of investment conglomerate Johnnic to black investors

Grouped loosely under the banner of the National Empowerment Consortium (NEC), more than 50 disparate black organisations came together to give effect to an awesome shift in economic power This noisy grouping embraces the full spectrum of black SA opinion and constituencies from capitalist companies like New Africa Investments (Nail) to powerful unions like the National Union of Mineworkers (NUM). The unanswered question, of course, is whether this unlikely coalition can turn this extraordinary opportunity to good account

The deal itself is simple enough In the first round, the NEC will buy a minimum 20% stake in Johnnic at a purchase price of R50 a share — a discount on the day of nearly 11% The total cost is R1,52bn. The NEC also gets an 18-month option to buy another 15% at a price calculated by formula (weighted average over the preceding 60 trading days, less 5%) Finally, Anglo and De Beers will provide another 6% for a retail offering to "smaller NEC members" over four months — at R50 a share.

Transferring control usually invites a premium This is transparently not the case this time round And the reasons aren't hard to find Anglo's view is that an ice-breaking deal is vital if blacks are to scale successfully the economic heights Whether any shareholder would have the bottom to challenge the discount must be debatable though

More important perhaps — and demonstrating that power actually has shifted — Anglo and the NEC will put their shares into a voting pool which the NEC will control (subject to minority rights)

Blandishments aside, the deal raises any number of permutations about practicality, philosophy and politics The *FM* was the first to break the news (*Torque* October 8 1993) that Anglo was flirting with the possibility of repeating an earlier political success. When the National Party came to power in 1948, it marked Afrikaner ascension to the political kingdom. But it was accompanied swiftly — and indignantly — by the realisation that political power is limited by the hands holding the economic keys

Cyril Ramaphosa

Julian Ogilvie Thompson

As threats and hysteria multiplied, deflecting Afrikaner opinion became not merely expedient but essential.

In a daring move, the Oppenheimers sought to involve Afrikaners in the economic mainstream by conferring control of General Mining (now Gencor) on Federale Mynbou

The underlying principle, no less appropriate now, is that when a governing group is without a meaningful stake in the national economy, danger threatens on many fronts

This compelling logic found a convenient foil in JCI, an old and revered mining house (Johnnies) controlled by Anglo JCI's managers increasingly found themselves taking on their Anglo masters

If they weren't bumping heads in Africa, they were defying the *diktats* of 44 Main Street by taking stakes in companies they deemed strategic (such as international platinum refiner Johnson Matthey). If Anglo chairman Julian Ogilvie Thompson (and, in the background, Harry Oppenheimer himself) wanted an excuse to act, JCI provided it Repetition may be boring but it can also be alluring.

JCI was broken into three parts The platinum companies were bundled into Amplats, a broad and powerful industrial portfolio was assembled in Johnnic, the remaining gold, coal and base metal mining interests were left in JCI Amplats went into Anglo For Sale signs were hung up for Johnnic and JCI The stipulation was (is) that the purchasers must be black groupings

It was a great card to play Here was the embodiment of SA's corporate power and success, one of the greatest international mining finance houses, voluntarily dismembering itself — and doing so, what's more, in the interests of a greater national good

But life is never that easy After decades in the wilderness, black economic power remains fragmented — it is certainly possible to pull it together but the channels through which its resources are marshalled are complex and owe as much to political imperatives as to financial compulsion

And, though the Johnnic deal is done, there is a feeling of unease somehow, a questioning of its underlying veracity. Can it work? Can these widely spread groupings of potentially argumentative components add value to their new toys?

No-one knows better than Cyril Ramaphosa, the man brought in by Ntatho Motlana's Nail to rescue the NEC from its tendency to disputation, how vital it is that black SA must be successful in this venture

The ANC's secretary-general for a few more months, Ramaphosa admits frankly that Johnnic is a "once-in-a-lifetime deal We were taught sharp lessons about collectivism, the process glued us together and the deal has come to occupy

P.T.O

a significant place in our common vision. Being involved in the transaction can only have been of huge advantage to every party — just being named in the group counts for a lot"

The euphoria the deal generates distracts attention from some serious issues. When Anglo executive director Mike King told a press conference that he hoped the NEC's 35% controlling stake would escape the rigours of the Securities Regulation Panel, he invited a riposte

Sniffily, the panel said any application brought by the NEC will be dealt with according to the rules In practice, what is most likely is that the panel will find various factors sufficiently vital (national interest) to waive the requirement that an offer must be made to minorities

Another is how the deal will help black economic empowerment in practical ways Ramaphosa and Worldwide Africa Investment CE Wiseman Nkuhlu are at pains to underline that black economic empowerment means more than a passive portfolio investment "We want," says Ramaphosa, "to be actively involved in the businesses and in unlocking value for all shareholders It is vital that we are seen to add value."

It is indeed How this deal is managed will be watched with unusual intensity Any failures will be held up, rightly or wrongly, as proof that winning elections isn't synonymous with creating wealth

Yet another is the nature of Johnnic's underlying investments Except for two, they are passive — they do not confer the right to manage The two exceptions are Times Media and Johnnic's property company, expected to be listed soon

The two biggest businesses in Johnnic's stable are SA Breweries, the prince of the country's consumer sector businesses, and Premier And, in both cases, control is shared between Johnnic and the man on Braamfontein's hill Liberty's Donny Gordon

Has Ramaphosa discussed future plans with Gordon? "No, not yet," is his response "I thought it important to get the deal out of the way first" When will discussions take place? "Soon" And Ramaphosa expects these to be every bit as tough as everyone keeps warning

For Gordon of course, control of SA Breweries has long been a Holy Grail He certainly made it clear to Johnnic CE Vaughan Bray that he considers the old deal between Anglo and Liberty to be a dead letter now This early posturing suggests he seeks something in return for Liberty's compliance with the NEC's long-term intentions for Johnnic

A logical candidate for further unbundling must be Premier itself CNA Gallo can be cut loose from its parent Premier Pharmaceuticals is already into a merger deal with Adcock Ingram

This leaves Premier's substantial food interests which could easily be merged with Bonnita, its highly successful listed dairy products manufacturer, a rearrangement which could give the NEC its first opportunity to add value at managerial level

Another asset of real size is the stake in Toyota Ramaphosa confirms negotiations are far advanced. It's a matter now of determining the price The NEC's problem is that the Wessels run the business well and logic dictates that the NEC will be better off applying the cash proceeds to other businesses

Times Media itself has excited the intense interest of its journalists, if not that of the investing public Inevitably, so has the Anglo group's approach to its newspaper interests. A pillar of the group's philosophy since the Fifties was to ensure that key elements of the English-language press were kept in its hands. And, by and large, Anglo also meticulously refrained from interfering in editorial freedom

The sudden about-turn has excited resentment and deep concern An attempt to soften the blow by putting in place a protective editorial charter failed when it elicited vocal opposition from some sections of TML's employees

"Well," says King in an interesting throw-away line, "we tried (to provide protection) but we didn't get much help from some editors who fell by the wayside" The charter may be revisited, of course, but its form is unknown.

And the proposed deal between TML and the Pearson group, owner of the London *Financial Times* and the *Economist*, in terms of which ownership of the *FM* and *Business Day* will be shared with TML, gets the nod from Ramaphosa, assuming Pearson's purchase price is acceptable "I support the deal," he says "I can certainly see that Pearson will bring many benefits with it It is after all, among the premier publishers of world-class financial journals I am sure it will improve the quality of the *FM* immensely"

Ramaphosa and his colleagues have still to deal with the vital matter of leadership Right now, the NEC is conducting a due diligence This is due to finish before October 28, when Anglo and De Beers will expect their first cheque for the NEC's 20% stake.

That's also when the NEC must appoint its 10 Johnnic directors But who will they be? Who will get the chair? Ramaphosa says these issues haven't been addressed, which may be read as diplomatic language for saying he's waiting to see what happens

With more than 50 parties on his list of participants, some are certain to fall off the edge When they do, others must either be recruited or those remaining must dig a bit deeper In the circumstances, it is hardly surprising that the choice of directors and chairman will be left to last.

When Ramaphosa first announced his intention to join Nail (and the NEC), this correspondent suggested Ramaphosa's real target, given his background as a conspicuously successful NUM secretary-general should have been mining house JCI. As this week's *Sunday Times* suggested, subsequently confirmed by Ramaphosa, Nail's hat is now in that ring

However, he may have joined the party a bit late The front-runner is clearly Mzi Khumalo of Capital Alliance, said to be structuring a deal which involves powerful local backing along with the involvement of a substantial American mining house (which the *FM* learns is Homestake Mining).

King confirms that negotiations on the JCI deal are firming, though he also concedes that the imponderable, after so much cash is taken out of the system with the Johnnic transaction, is whether black pockets will be deep enough for a second shopping session of comparable size so soon after the first

Will Anglo's moves in Johnnic and JCI inspire other, similar deals? There's no sign of that happening yet True, new partnerships are being forged, but deals transferring control are noticeably absent (Sanlam's Metropolitan being the only other of real size)

A lot has changed in the last week Business won't be the same again The new SA has arrived in formal commerce and industry At the same time, movement of this kind produces gaps and opens niches How these are filled will be riveting stuff

Meanwhile the full impact of these changes will emerge only over the next two or so years For many people a lot is riding on it *David Gleason*

AHI chambers court Nafcoc

Cape may focus on developing entrepreneurs

(30) ARG 6/9/96

ESANN DE KOCK
Business Reporter

Business chambers of the Afrikaanse Handelsinstituut (AHI) in the Western Cape have been given the go-ahead by the organisation's national leadership to start ground-level co-operation with the National African Federated Chamber of Commerce (Nafcoc).

This follows the recently-announced partnership initiative between Nafcoc and the AHI aimed at empowerment and growth in the economy.

AHI president Mof Terreblanche said in an interview that letters were being sent out to all chambers, asking members to take note of the partnership initiative and to start working at ground level to make it a reality.

In the Western Cape, he said, co-operation would probably focus on entrepreneurial development.

The AHI could contribute in terms of its structures and understanding. Nafcoc, he said, could help the partnership to become a lobby group with real influence.

"Business cannot stand on different islands. We must work together.

"When I was overseas in July and mentioned to the international community that AHI was talking with Nafcoc with a view to co-operation, people were really excited.

"This was the good news after all the murders – the fact that black and white business in this country were taking hands.

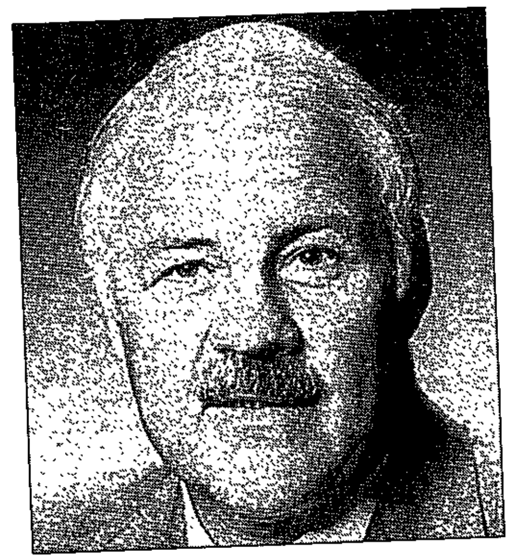
Nafcoc executive director Phillip Machaba said the main objective of the partnership was to bring about economic empowerment by joining forces to transfer skills and knowledge.

Local Nafcoc and AHI branches would immediately start looking at joint ventures "and anything that will help address the problems of unemployment and poverty", Mr Machaba said.

Mr Terreblanche said one could only start talking about empowerment if there was economic growth.

A merger between the two organisations was still a long way off, he said.

"We cannot put a date to that, but it is a mission and a belief we share. To talk to



Mof Terreblanche: 'We'll work together'

government and labour in future, we'll have to be a force."

He added that neither of the two bodies would lose their identities in the partnership initiative. "We approach things differently, but when we talk business we share common goals."

The two organisations have agreed to:

- Serve and promote the economic interests of members and of South Africa.
- Promote economic empowerment and entrepreneurial development at all levels.
- Promote joint ventures between their members.
- Share resources.
- Develop policy and lobby for those policies together.
- Facilitate regular interaction between the two organisations.
- Allow for a bottom-up approach at local and provincial levels.

A planning committee has been formed to consider and report on processes and structures as well as the joint use of resources.

A working group will consider and give content to the action plans on entrepreneurial development and joint ventures.

Both groups will report back to the first joint meeting of the executive committees of the AHI and Nafcoc on November 15.

Will the unions, through their membership on the board of Johnnic, have an impact on company policy, and if so, can those unions represented on the NEC establish the required, but now lacking, coherence around their investment strategies?

Black economic empowerment dilemma

(30) Star 9/9/96

By Jenny Cargill

There is a pat response to initiatives that involve the transfer of corporate equity to black South Africans. Do they support empowerment or enrichment? Do they benefit a few or many?

The reaction to the recent sale of Anglo American's industrial holding company Johnnic has been no different, except its very scale has significantly raised the profile of black economic empowerment (BEE).

Naturally, to juxtapose issues in such either-or fashion tends to blur the complexities of BEE. Enrichment and empowerment are not mutually exclusive. And, just because there may be many who are party to a deal doesn't mean that the actual exercise of ownership and control is inclusive of everyone involved.

The Johnnic deal illustrates well that there are many facets to making empowerment meaningful, and that, certainly, empowerment is not concluded along with the deal itself. The new black buyers carry a responsibility to give substance to the empowerment objectives which underpin such initiatives.

The structure of South Africa's corporate ownership suggests that the scale of equity transfers needs to be significant. Black controlled companies on the JSE constitute a minuscule share of the total. Excluding Johnnic, they constituted 2% of the total number of companies, and 0,8% of total market capitalisation.

However, if the black share of pension and provident fund investments on the JSE are taken into account, the picture is very different. Still, do individual black workers, with their collective ownership of equity via their life funds, feel that they exercise the kind of control which is commensurate with their equity holdings? It is doubtful.

This brings us to a key aspect of Johnnic's empowerment formula: the involvement of the trade unions to broaden and deepen black economic ownership and control. At this stage, the unions are entitled to 50% of the Johnnic equity on offer, black business gets the other half.

The union presence is twofold: there is the mobilisation of investments by pension and provident funds under the auspices of the unions, and there are investments by the few union companies. The unions will get five of the 10 board seats on offer to the black buyers in the National Empowerment Consortium (NEC).

There are a number of pertinent issues relating to union participation. Life funds are already invested in Johnnic, as they are in all blue chip companies. Therefore, in terms of effective black ownership on the JSE, it is neither here nor there whether life funds are invested in Johnnic or in another listed corporation.

At issue here is control. Will the unions, through their board membership, have an impact upon the policies of Johnnic? To do so, the unions represented on the NEC will need to establish a coherence around their investment objectives and strategies, which currently is not evident.

What of the interesting new breed of union investment companies? Currently, it is unclear how these companies will balance the relationship between exercising control and hence influencing change within Johnnic, and the return on their investment.

Also unclear is the extent to which union members feel empowered through the existence of their investment companies. Experience elsewhere has shown that union investment activities can in fact be a source of disempowerment of union members.

CHRISTINE NESBITT

Cyril Ramaphosa ... NEC's chief negotiator in Johnnic deal.

In other words, successful investments have allowed unions to reduce their dependency on member subscriptions, and as a result, have diminished the accountability of unions and their officials to their membership.

In SA's case, it is too early to say what the relationship between union company, union and union membership will be. But, currently there is an absence of transparency by our union companies, which employers must view as a sweet irony, given the constant tension between unions and corporations over improved disclosure of information.

The union companies tend to be extremely secretive, drawing on their status as private companies for justification.

Technically, they are within their rights, but the issue of disclosure is not merely a technical one; it is also political. The assertion of privacy by union companies effectively limits how much union members can know about the full activities of their companies.

Accountability must suffer, as must a sense of personal ownership by workers.

Overall, therefore, the presence of unions in the NEC does not automatically confer on the Johnnic deal meaningful empowerment. There is a structure to support empowerment, but the conduct of unions is relevant here.

Besides the union component, the consortium is also structured for broad-based black business ownership. The Johnnic deal might have been more easily consummated if there had been fewer parties in the NEC.

Now there is the possibility of more than 50 groups and individuals being involved in the purchase of the first tranche of shares. The leadership and management of a consortium of this size proved to be extremely taxing; and was probably the single most important reason why the Johnnic deal had such a protracted and harrowing birth.

The resort to consortiums by black business is a feature of black empowerment today.

There are two reasons for it. First, black companies on their own lack financial resources, and therefore they need to come together to expand their muscle. This is particularly true of black business people who are still trying to gain entry into the corporate world. Once in and credibility has been established, the need for consortiums diminishes.

Second, there are situations where a spread of black groups is important to the success of an initiative. For instance, companies tend to feel that their chances of acquiring casino licences will be enhanced if they are involved with a number of black groups rather than one or two.

In the case of Johnnic, there was a strong political imperative for controlling shareholder Anglo America to support a sale to a large, fairly representative group. Anglo would hardly have been relieved of the pressure on it for its dominance in the SA economy had it structured a sale that supported conglomeration within black business.

While the composition of the NEC and the structure of the sale is supportive of broad-based black ownership, such an outcome is not automatic.

Two business groups – Nthato Motlana's New Africa Investments Ltd (Nail) and Wiseman Nkuhlu's Worldwide Africa Investments – have the financial backing to buy in.

As yet, the smaller business groups don't. Hence, they have organised themselves into the National Empowerment Consortium to improve their access to the necessary funds.

Under the leadership of Mashudu Ramano, the smaller players have just under two months to convince financial institutions of their credibility. If they don't, the Johnnic deal will no doubt be discredited as an empowerment initiative.

The achievement of BEE through the transfer of corporate equity is not a technical matter only, brought about through financial engineering, and representative equity structures.

They are important, but empowerment needs to developed so that everyone who is expected to benefit from it does in fact feel a sense of ownership in the SA economy.

■ *Jenny Cargill is the director of BusinessMap SA.*

Saccawu wage march planned

(30) BD 11/9/96

Reneé Grawitzky

WAGE disputes continue between the SA Commercial, Catering and Allied Workers' Union (Saccawu) and Edgars, Sun International and the JD Group, while attempts are being made to implement a wage agreement at Woolworths.

The union indicated yesterday that workers would march on Sun International offices on Friday in support of wage demands.

Since balloting in favour of a strike, the union has embarked on a number of intermittent strikes at all Sun International hotels.

The union is demanding an across-the-board wage increase of R280, while the company has offered R220 to be implemented from July 1.

Sun International said it reserved its rights to take whatever action it deemed fit.

Union members began balloting at Edgars yesterday and are also expected to start balloting at JD on Friday.

Edgars confirmed that balloting had begun at some stores. The union is demanding R350 or 19% while the company has offered R220 or 9,5%.

Woolworths indicated yesterday it would implement a wage agreement reached last month with Saccawu shop stewards following a countrywide ballot.

The agreement links wage increases to flexibility.

After the agreement was reached, the union requested that the company suspend implementation following misunderstandings over the content of the agreement among some workers. It is understood that groups of workers in Gauteng and KwaZulu-Natal were unhappy with the agreement while workers in the Western Cape supported it.

The agreement provides that workers receive an across the board increase of R300 on the basis that full-time workers work a Saturday and Sunday at normal rates of pay.

At the request of the union, the company conducted a ballot to ascertain whether workers supported the R300 increase linked to flexibility or an increase of R205 without flexibility.

It is understood that over 60% of workers voted in favour of the flexibility agreement. However, over 400 workers refused to vote.

In terms of the understanding, the company would implement the agreement if the majority of workers voted in favour.

LBSC to assist small businesses

(30) Sowetan 12/9/96

By Shadrack Mashalaba

THE creation of more Local Business Service Centres (LBSC) is the key to enabling small business access to information.

In his presentation at the tendering workshop organised by Business Opportunity Centre in Johannesburg this week, Blue Project's training coordinator Richard Winstanley said once established, these centres will serve as a one-stop station.

"Perhaps as back-up services, the centres may also look at establishing banks and consulting offices as part of their broader infrastructure at a central point," said Winstanley.

The purpose of these tendering workshops which started at the beginning of the month is to give small businesses tips on how to tender, particularly in these days when some element of transparency has been introduced to the lucrative market of Government contracts.

Twenty-five people attended this week's workshop and the next workshop is to be held on October 3.

"Once unsuccessful in tendering for contracts people have a right to know where they went wrong in the process.

"However, a well priced and responsive tender form will always be successful."

State tenders to favour blacks and women

Star 12/9/96 (30)

The number of black, Indian, coloured and female co-owners of a business could become a decisive factor in Government's granting of tenders, the State Tender Board said yesterday.

In a statement in Pretoria it said Finance Minister Trevor Manuel recently approved the introduction of a points preference system aimed at helping historically marginalised businesses compete favourably for State tenders.

"In terms of this system, price will count 88 points, company equity owned by previously disadvantaged individuals 10 points, and company equity owned by women two points," the statement said.

The contract would be awarded to the applicant who scored the most points.

"It is therefore now possible that contracts will not be awarded to the lowest bidder in price but to the most responsive tender as far as the principles outlined in the points-preference system are concerned," the statement said.

This system would, however, only be applied to contracts worth R2-million or less.

Manuel also approved the introduction of an "affirmative procurement" policy within the Department of Public Works which awarded tenders for building and construction services. Reporting on the progress made by a 10-point plan to date, the board said national Government departments had been instructed to compile databases of small businesses.

These businesses should be approached on a rotating basis, whenever services valued at less than R20 000 were needed.

Requirements of more than R20 000 should be advertised in the Government Tender Bulletin to make it widely known, thereby enabling emerging businesses to tender. – Sapa.

SA's kings of black corporate power emerge

(30) ST(BT) 15/9/96

Once reviled, they now occupy commanding heights of economic influence, writes SVEN LUNSCHE

IN THE not too distant past Dr Nthato Motlana, Cyril Ramaphosa and Dikgang Moseneke would have been unlikely visitors in any company boardroom.

Now the three former political activists, in conjunction with businessman Jonty Sandler, are emerging as one of the more influential quartets in corporate South Africa.

Most recently they played a major role in winning control of industrial holdings group Johnnic on behalf of the National Empowerment Consortium, a grouping of 50 black businesses and trade unions.

They are now spreading their reach into the heart of the SA economy by bidding for Anglo American's 47,4% stake in the JCI Ltd gold mining group.

The quartet exerts control over a range of companies through a complicated pyramid structure unravelled this week by Robin McGregor of McGregor's Information Systems. The organogram is the first that takes cognisance of Ramaphosa's position in the group, which will be formally and legally implemented only after the ANC secretary-general concludes negotiations on the new constitution.

McGregor estimates that Corporate Africa Entrepreneurs, which the four will own with an equal holding, has effective economic control of 14,1% of the ultimate operating company, New Africa Investments Ltd. Nail has confirmed this figure.

Through the pyramid any three of them could control the operating company with an effective share ownership of only 10,5%.

This structure has been criticised at a time when direct control rather than pyramid companies are in vogue. However, as Nail chief executive Sandler argues, the structure is very similar to that used by Donald Gordon to exert control over the Liberty Life empire.

"We've modelled ourselves on Gordon and he has been accepted by the market," says Sandler. "We don't run the company by voting equity. We run it by consensus and with economic sense."

Moseneke says Nail is planning to move away from pyramids over time "but we would not have had control in black hands if it weren't for the existing structure".

Accusations of black enrichment are rejected with equal force. Sandler says: "Within the broader group both the National African Council of Trade Unions and Metropolitan Life's 1,5-million black policyholders are involved. That is meaningful black empowerment." Moseneke argues that Nail itself has many thousands of small black shareholders who benefit from the company's expansion.

Using McGregor's estimate, the combined holding of the quartet, at Nail's current 250c share price, is worth about R150-million.

Unanswered is the question of what price ANC secretary-general Ramaphosa had to pay for admission as deputy chairman in April. (Ramaphosa holds the position jointly with former PAC and current Telkom chairman Moseneke. Motlana is chairman.)

Sandler says: "Everything was done at arm's length and on a commercial basis." Insiders argue that Ramaphosa's admission fee would not have come cheap and was not paid up-front.

Other black entrepreneurs, such as former African Bank chairman Sam Motsuenyane, former Kangwane chief Enos Mabuza and SA ambassador to the US Franklin Sonn, share in the group's wealth through a joint 30% interest at Corporate Africa Holdings level.

The influence of white capital, which helped establish the group, is now largely limited to Sanlam's 17% interest in Nail and minor holdings by Standard Bank in both Corporate Africa Investments and Corporate Africa.

However, the assets of Metropolitan Life are invaluable to Nail. Through Metlife, Nail will finance its initial 12,5% interest in the Johnnic stake acquired by the NEC. That could increase further if other NEC parties fail to raise the necessary funds. The NEC interest will therefore be directly controlled by Metlife, says Sandler. Metlife's funds will also play a crucial role in Nail's next major ambition — JCI Ltd. Nail has expressed interest in joining a bid for Anglo's holding.

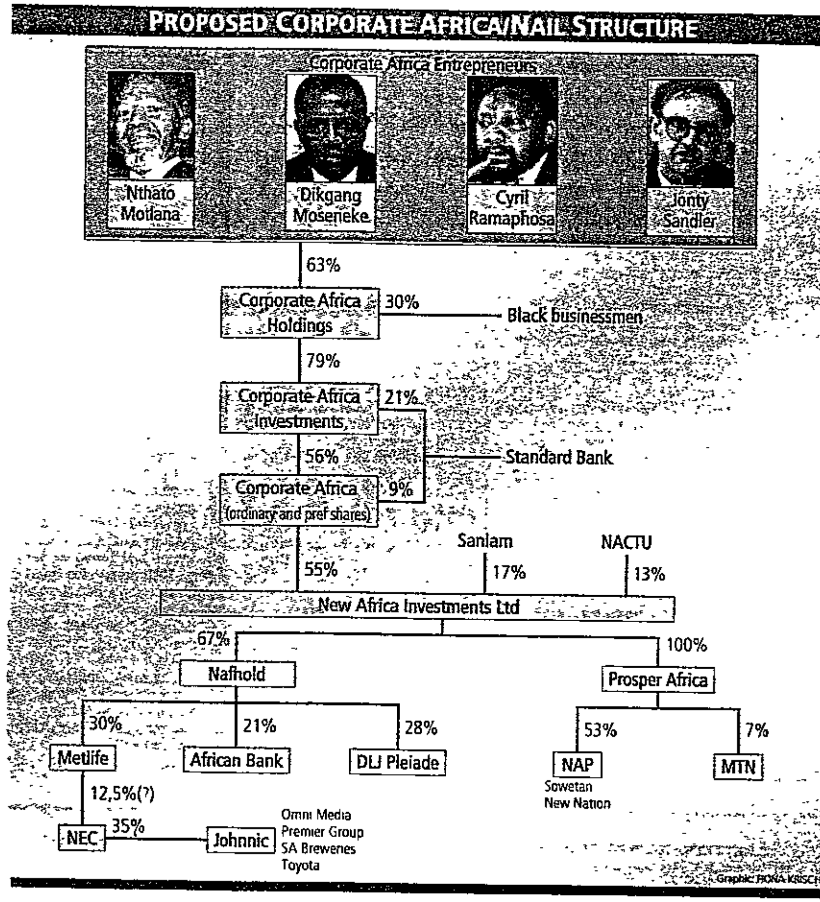
While attempts are in progress to group together five potential black bidders in a consortium, there have been suggestions that Nail could negotiate for Anglo's entire stake.

Unlike Johnnic with its diversified investment portfolio in a number of leading industrial companies, JCI Ltd directly controls its operating companies in gold and coal mining. It also controls chrome producer Consolidated Metallurgical Industries.

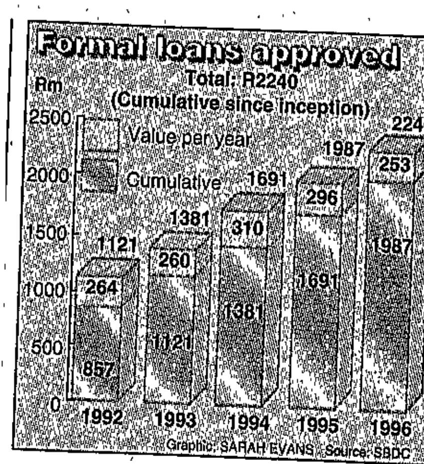
Metlife's extensive assets would be vital if Nail were to make a sole bid for JCI.

● See Page 4

PROPOSED CORPORATE AFRICA/NAIL STRUCTURE



Graphic: FIONA KRISCH



SBDC loans fall after restructuring

(30) BD 18/9/96

Edward West

THE Small Business Development Corporation's (SBDC's) overall financing activities fell a quarter to R253m in the year to March, and could fall further this financial year following extensive restructuring.

According to the annual report released yesterday, the number of directors would be reduced to about 25 by the end of the new financial year. Staff and management would be reduced through natural attrition or redeployment, depending on the growth of the company. The SBDC, in which the state recently reduced its stake to 20% from 50%, had 81 directors at the end of March.

The reduced financial activities could be seen from loans provided to the micro-business sector falling to 655 against 5 016 the previous year. The value of the loans was a mere R9,2m against the previous figure of R52m.

MD Jo Schwenke said overall financing activities could fall further in the new financial year to R200m-R250m. This would depend on the quality of deals and the intention to seek further equity investment and loan financing opportunities.

Equity and loan financing had been provided to 49 companies since the de-

Continued on Page 2

SBDC (30) BD 18/9/96

Continued from Page 1

cision in July to move out of micro-business financing into the provision of equity and loans to companies with annual sales of R50 000-R3m.

Schwenke said the corporation was looking at increasing asset returns to 16%-17% — equivalent to SA banking sector averages — from the current 6%-7%, in about five years. About 50% of its activities were expected to be equity-related financing. A JSE listing was a possibility.

The SBDC's net income increased 11,8% to R58,2m for the year to March after an 8,5% increase in turnover to R223,1m.

Operating income increased 29,5% to R69,3m. Sharply higher exceptional income of R8m consisted of a R5,3m surplus on investments and a R2,6m surplus on the realisation of investments in properties. Pre-tax income was 38,4% higher at R77,2m. Taxation increased sharply to R19,4m from R4,2m, and taxed income was 12% higher at R57,8m.

Bad debts nearly doubled to R50,2m from R28,2m. Schwenke said the nature of the SBDC resulted in increased risk of bad debt, but this would be offset partially with an increase of funds from equity financing.

Schwenke did not foresee immediate changes in the government's shareholding. In terms of the deal with government to reduce its stake to 20%, the SBDC board had approved a payment to government which was R100m higher than the R499,8m originally envisaged. This followed the finance department not accepting the final negotiated amount. Schwenke said the R100m difference came out of further negotiations — government and the SBDC wanted more money out of the deal.

New SBDC loans down by R43-m

Sowetan 18/9/96 (30)

By Mzimkulu Malunga

THE value of loans granted by the Small Business Development Corporation (SBDC) this year declined drastically to just over R9,2 million.

In 1995 the company disbursed loans worth R52 million.

The SBDC, which insists on being called SBDC Limited to emphasise its new private sector orientation, says the decline was caused by cutbacks on micro-loans.

In terms of the new set-up, the SBDC will no longer finance micro-enterprises but will concentrate on the small and medium component of small business.

As a result of the changes contained in a Government White Paper on small business, the number of loans granted by the company this year declined drom more than 5 000 to 665.

Micro-loan

The micro-loan component of funding has been taken over by a new structure called Khula.

SBDC Limited will fund projects worth between R50 000 and R3 million.

Bad debts during the year under review amounted to R32,1 million for the small and medium component, while unpaid defaulters in the micro-enterprise section cost the company R18,6 million.

To counter the severe criticism it has been subjected to in the past, the company's management says they will go out of their way to invite applications from black business.

In the past, while the company gave more loans to black business, the value of the loans were substantially smaller than those given to white small businesses.

But the company has since been restructured, leading to the appointment of a new board and managing director. The changes have brought a new sense of optimism at SBDC Limited.

Safto beefs up SME aid

Sowetan 20/9/96 (30)

THE South African Foreign Trade Organisation (Safto) is to increase its assistance to small and medium enterprises to make them internationally competitive.

Safto chief executive Johan Scheepers says they have identified a number of SMEs who stand to benefit from this new approach.

The new look Safto has been guided by the results of a comprehensive survey undertaken last year after the Government withdrew its financial support for the organisation.

Their survey found that there was a definite need for a private-sector-driven organisation such as Safto to provide services to individual companies.

As part of a new strategy, says Scheepers, Safto has shed some of its products and services whilst at the same time other services have been restructured.

In addition, it has disbanded the African Business Development Group and closed its trade fair department to allow exporters to take part in specialised exhibitions.

Pro-business action needed, says Nafcoc

CT (BR) 3/9/96 (30)

By Stuart Rutherford

Durban — Joe Hlongwane, the president of the National African Federated Chamber of Commerce and Industry (Nafcoc), called for a number of pro-business measures yesterday, including accelerated privatisation, a rejection of a 40-hour working week and a clampdown on crime.

Speaking at the 32nd yearly conference of Nafcoc in Durban, Hlongwane said more emphasis had to be given to the development of business, particularly to small, medium and micro enterprises.

To facilitate that, several changes were needed, including the removal of certain business regulations, a flexible labour market, lenient monetary policy and a strong new competitions policy.

"We must enhance the discretionary powers of the Competition Board, more specifically (by) the establishment of an independent competition tribunal and competition appeal court."

Attention should be given to increasing the severity of punishment and penalties, and augmenting the transparency of investigations and outcomes.

Hlongwane said that though labour laws should discourage exploitation of workers, they should be appropriate to South Africa's situation and not mimic the practices of economies far in advance of it "The government needs to ensure that the suggestion of a 40-hour working week does not seriously arise again until our economy reaches a far more advanced state of development."

He also appealed to the government to declare a moratorium on the prosecution of tax offenders until a fair solution had been found to deal with the pre-1994 tax liabilities of small business tax offenders.

'We strongly recommend the restructuring of state assets should be accelerated'

To promote higher levels of inward investment, Hlongwane suggested reducing the destructive relationship between business and labour, action to overcome the disturbing wave of crime and speeding up privatisation.

"We strongly recommend that the restructuring of state assets should be accelerated so as to provide opportunities for foreign investors to participate in strategic alliances with South African companies, and in particular black business, in the development of the economy."

Earlier, Mangosuthu Buthelezi, the home affairs minister, added his voice to the call for speedier privatisation and a more business-friendly environment. "I have always believed that there must be a constitutionally entrenched mandate to force government to privatise and to undertake the maximum reasonable effort in the direction of deregulation," he said.

Growth requires black empowerment – AHI

ARG 21/9/96 (30)

BUSINESS REPORTER

Economic growth is not possible without black economic empowerment, warns Mof Terreblanche, president of the Afrikaanse Handelsinstituut (AHI).

He told members of the George Business Chamber thatd past inequalities had placed a heavy burden on South African society, the economy and individuals.

Black empowerment represented the other side of growth.

"We cannot have one without the other," he said.

But black empowerment would not provide an immediate solution, because it required the development of skills, knowledge and expertise.

Mr Terreblanche said he had been astonished time and time again by the enormous potential that had been overlooked in the past.

"We have to learn how to recognise and unleash this potential by providing information, by making resources accessible and by forming mutually beneficial partnerships."

In this way, he said, the burden of responsibility could be shared and joint responsibility could be taken for the domestic economy.

"Only through economic growth can we create the capacity to enable the state to fulfill its social responsibilities."

South Africa's domestic economy, according to Mr Terreblanche, lacked the capacity to create jobs fast enough or to turn the present deficit in total production around, "unless we bring about black economic empowerment". But this did not mean taking away from those who had been advantaged in the past in favour of previously disadvantaged people, Mr Terreblanche said.

But empowerment, he warned, had to be based on potential or on merit, otherwise it would not succeed.

"It is totally unfair to concentrate on merit alone, because unless black people are allowed a foot in the door, no opportunity will arise for them to become part of the mainstream economy."

Mr Terreblanche told the gathering that he felt it was worthwhile to take a risk and fail a few times, rather than not take any risk at all and fail anyway.

He said performance and endorsement of healthy business ethics should enjoy greater prominence in South Africa.

Sunday Times Business Times
September 22 1996

Bigger proves to be better for new-look SBDC

(30) ST(BT)22/9/96

SMALL BUSINESS

By SVEN LUNSCHE

IN LESS than a year the Small Business Development Corporation has changed its character and focus almost irrecognisably. The SBDC, originally a provider of finance for small- and micro-enterprises, is now focusing on small and medium-sized businesses.

This is in line with a government rethink on its role in promoting activities in the informal sector. A number of new agencies and funds, falling under the umbrella of the Small Business Development Agency, have been established to fund emerging businesses in this sector. In turn, the state reduced its holding in the SBDC from 50% to 20% and virtually gave it a free hand in banking small and medium-sized businesses.

Since its inception 15 years ago the SBDC has granted close to 59 000 loans valued at R2,58-billion. The latest annual report, released this week, shows how much of its focus had already changed in the year to end-March 1996. The 2 654 loans approved during the year represented a decrease of 66% over the previous year. Micro-loans declined from 5 016 to only 665 during the year.

Reflecting the move away from micro-businesses, the average loan size during the year increased markedly by 122% to R99 000. On balance the value of loans approved last year was R262-million, a 25% drop on the R348-million approved in 1994/95. Total income in 1995/96 was R200-million while net income was R55-million.

In its management review the company says that the trend towards higher loan values was in line with the company's new financing range of R50 000 to R3-million, "which will concentrate increasingly on the financing of value-adding activities that require additional capital to start-up or expand".

The shift from micro-lending will certainly strengthen the balance sheet. While total bad debts amounted to R32-million, a mere 4,2% of its loan book, the comparative figure for micro-businesses in the SBDC's book was 30%, valued at R19-million.

The role of the SBDC is likely to increase significantly over the next few years as skilled public servants and employees in large private sector firms are squeezed out by affirmative action and seek new fortunes on their own. This is evident in the sharp increase in the number of new companies being formed. According to the 1995 annual report of the Registrar of Companies, 14 000 new companies were founded last year compared with 10 900 in 1994 and 7 960 in 1993.

ZDH, NSBC sign trade pact

(30) Sowetan 30/9/96

By Shadrack Mashalaba

THE Zentralverband des Deutschen Handwerks (ZDH) and the National Small Business Council (NSBC) signed a memorandum of understanding for future cooperation in development projects at the weekend.

ZHD is a German organisation with the support of small businesses in that country.

The record of understanding is a result of a fact-finding mission undertaken by ZDH in July.

The mission was funded by the German ministry of economic cooperation.

In terms of the record of understanding, the ZDH and NSBC agreed to cooperate in a partnership project to promote small, medium and micro enterprise development in South Africa.

The two organisations also agreed on the following procedures:

- ZDH will submit a proposal for a three-year project to the German ministry for economic cooperation and development before the end of 1996. The project may start in April next year.
- The project will be managed, monitored and evaluated with the help of the Foundation for Economic Cooperation and Training based in Bonn, Germany.

In turn, the NSBC will take responsibility in coordinating and implementing the project. It will also be required to put proper infrastructure into place for the project.

The ZDH and NSBC acknowledged that the SMME sector in South Africa has a great potential to stimulate economic and social development as well as create jobs.

The sector could also facilitate equitable income distribution, activate competition, exploit niche markets and enhance productivity in the country.

ZDH is the national umbrella body of 55 regional, cross-sectoral chambers of small business and skilled crafts in Germany.

NSBC represents the aspirations of SMMEs and was founded in December 1995 following a White Paper on small business development released in March 1995.

It will be established as a statutory body once an act has been passed in Parliament.

Govt acts to help small entrepreneur

Nomavenda Mathiane

(30) BD 2/10/96

IN A bid to assist small emerging entrepreneurs to enter the big-time civil construction industry, government had decided to waive sureties on all building and civil contracts worth R100 000 or less, Public Works Minister Jeff Radebe said yesterday.

Addressing a two-day seminar on tendering, held in Johannesburg, Radebe said this strategy would enable government to underwrite the risk of such contracts in order to provide opportunities in this specific sector.

Government would set up tender advice centres throughout the country to assist tenderers.

He said government was aware that the biggest barrier to entry for new businesses — particularly emerging contractors in the building and civil engineering industry — was financial security or sureties. Hence the new strategy of waiving sureties for small entrepreneurs wishing to access government tender.

Outlining the government's 10-point strategy, which is a set of interim strategies aimed at revamping public procurement in line with the objectives and principles of the RDP, Radebe said small contractors often encountered logistical problems in preparing and submitting tenders.

He acknowledged that the administrative burden for smaller businesses in dealing with tender form requirements from government bodies was disproportionately greater and more expensive than for larger companies.

This was reiterated by delegates who complained about the "detailed and complicated" tender board forms they had to fill in. Delegates said also the whole process of tendering was cumbersome and incomprehensible. The seminar continues today.

Human resources expert Renosi Mokati, top left, addresses the Coca-Cola tender board workshop yesterday. Also pictured are Glen Mpukane of Khula Finance, below, and businessman Dupree Vilakazi, right, who chaired most of yesterday's sessions.

Pictures: ROBERT BOTHA

Small business Bill through soon

ARG 5/10/96 (30)

ESANN DE KOCK
BUSINESS REPORTER

The portfolio committee on trade and industry hopes to push the National Small Business Enabling Bill through Parliament during the current session, according to Rob Davies, acting chairman of the committee.

Speaking at a Triple Trust Organisation breakfast in Cape Town yesterday, Dr Davies said the committee was dedicated to the passage of the Bill, which has already passed through Cabinet and been approved by Nedlac.

The Bill defines small, medium and micro enterprises (SMMEs) and sets up two institutional bodies – the National Small Business Council (NSBC), to give a voice to small business interests at national, provincial and local levels, and Ntsika Enterprise Promotion Agency (Nepa), a small business facilitation and promotion body.

A third body, Khula Enterprise Finance, has been set up as a public company outside the Bill's ambit to promote access to financial services for SMMEs.

Dr Davies said SMMEs were a substantial part of the economy, absorbing about a quarter of the South African labour force.

International experience had shown this sector was highly important to economic growth.

The SMME sector, which had been neglected and discriminated against under apartheid, was also significant in terms of RDP delivery.

He said the sector was close to people on the ground as a means of redistributing wealth, especially in disadvantaged communities.

New business body to lobby government

(30)

ARG 8/10/96

ESANN DE KOCK
BUSINESS REPORTER

The South African Chamber of Small Business Entrepreneurs (Sacosbe) will lobby Government to purchase products manufactured by the small business sector in an effort to eradicate the marginalised nature of the sector, says media spokesman Taj Akleker.

The chamber, which celebrates its official launch tonight, has recently signed an international document of understanding with the National Small Industries Corporation of India.

Mr Akleker says this corporation has more than 55 000 members who sell more than 48 percent of their products to the Indian government on a guaranteed basis.

It is precisely this concept as well as other matters in the interest of promoting small business entrepreneurs that the newly formed chamber will lobby for.

Mr Akleker says the chamber comes from the previous ad hoc South African Consortium of Small Business Entrepreneurs.

"The consortium reached a peak and we felt we needed to create a more positive platform in terms of a Section 21 company from where we could market ourselves as a well-structured organisation which could look after the interests of its members."

The chamber hopes to lobby on a national and local level as an umbrella body. It will act as facilitator for representation by small business entrepreneurs in Government and the corporate sector.

According to Mr Akleker the chamber views training very seriously and plans to lobby Government and the private sector to assist in the training of small business entrepreneurs, particularly those from the previously disadvantaged communities.

"We believe if you want to see growth within the economy, our first investment has to be in our people."

He says the chamber will embark on a membership drive, and any individual or organisation is welcome to join.

Wide support for network of African 'movers'

'Marginalised group needs political home after ANC failure to deliver'

(30) ARG 19/10/96

MXOLISI MGXASHE
Staff Reporter

Despite the hostile reception the idea of an exclusively African networking organisation has received from some sections of the media, more and more black professionals have come out in support of such a group.

The idea of this network, which has apparently been up the sleeves of some high-profile African professionals and business executives for some time, first came to light a fortnight ago when the names of prominent African business executives appeared in the media in connection with a series of "secret" meetings where such a group was reportedly being mooted.

The report claimed that those involved included such powerful men as SABC chief Zwelakhe Sisulu, chairman of Worldwide Investments and the Development Bank of Southern Africa Wiseman Nkuhlu, Transnet managing director Saki Macozoma and Telkom boss Dikgang Moseneke.

Others mentioned were Khehla Mthembu of New Age Beverages, Herdbuoys advertising company head Peter Vundla, chairman of Real Africa Investments and African Life Don Ncube and the chairman of the Human Rights Commission, Barney Pityana.

Gallery of black power: from left, human rights chief Barney Pityana, top banker Wiseman Nkuhlu, public enterprises official Sipho Shabalala, Transnet's Saki Macozoma, SABC chief Zwelakhe Sisulu

But a number of those mentioned, including the SABC boss, have denied attending such a meeting, though most expressed support for the group's aims.

These objectives, according to minutes of a meeting printed in one newspaper, include serving as a think-tank on the challenges of transformation; providing strategic support to ministers, directors of strategic organs of transformation and professionals placed in leadership positions and defining areas where members need to support each other and decision makers in business and the Government.

The African National Congress secretary-general in the Western Cape, James Ngculu, said there was nothing sinister about people organising to address their common concerns.

He said the African intellectuals referred to were not organising themselves in defence of racism and inequality as the members of the Broederbond had.

"We come from a system that disregarded the majority of the people in this country, their values and interests in general, especially when it came to employment and levers of the economy from which we have been excluded deliberately."

Mr Ngculu said all this supported the need for African intellectuals, professionals and business people to be united in order to ensure their interests were properly addressed.

Mike Muendane, managing director of a Johannesburg consultancy, said there had been many African networking groups before and many had died prematurely because of insufficient commitment among African professionals.

"This one has has been exposed prematurely, perhaps, but it is part of the general search for a political home of some sort by a marginalised people in the face of failure by the ANC to deliver.

"People do not see much on the ground this Government has done, and if there is it means the Government is not able to publicise it efforts properly," he said.

Sipho Shabalala, the deputy director-general in the Ministry of Public Enterprises, said such a body would spearhead the African people's advancement in business, education and science.

It would provide the necessary role models to African youth and give them a sense of achievement.

"It is important that we should have our own heroes of today outside political activities and movements," he noted.

Germans' R9-m drive to help small business

(30) ARG 11/10/96

Training, marketing plan unveiled

ESANN DE KOCK
BUSINESS REPORTER

Small businesses in Germany have launched a plan to raise up to R9-million to fund a partnership project with their South African counterpart, the National Small Business Council (NSBC).

Announcing the partnership project at a press conference in Cape Town, Christiane Kühne of the German Confederation of Small Business and Skilled Crafts said the aim of the initiative would be to promote the development of Small/Medium/Micro Enterprises (SMMEs) in South Africa.

The German organisation hopes to access between R6-million and R9-million for the project from funds which the German government allocates annually to support small businesses.

Dr Kühne said a two-day planning workshop was held in Johannesburg recently where the confederation and the NSBC signed a Memorandum of Understanding, on the basis of which the confederation would submit a proposal for funding to the German government and the European Union.

Tony Ruiters, head of the economic and RDP department in the Western Cape government, said the project could be implemented in March next year.

The general idea behind the partnership, he said, was to help South African SMMEs with support services such as information, opportunities to access markets and training.

A practical example of the partnership, Dr Kühne said, could be co-operation between a German training centre and a South African small business centre.

The partnership would make the confederation the first foreign business organisation to support the NSBC in its efforts to represent the interests of SMMEs and to strengthen private chambers and associations in South Africa.

This might also be taken to reflect Germany's interest in the development of the South African economy, Dr Kühne said. Germany is South Africa's biggest single trade partner.

She added the Small Business Council Western Cape would play an important role in implementing the project, "since we are convinced that the relevance and success of any SMME support measures crucially depend on their ability to reach the provincial, regional and local level".

■ Dr Kühne said the confederation was a private small business organisation at national level in Germany, which acted as an umbrella for 55 regional chambers of small business and skilled crafts, as well as 52 national sectoral business associations.

The organisation represented 810 000 SMMEs with more than 7-million employees who were active in 127 trades related to manufacturing, construction, maintenance, repair and services.

Together with some of its chambers, the ZDH was currently involved with 25 partnership projects in developing countries.

Germany gives small business big injection

(30) Sowetan 11/10/96

By Waghied Misbach
Political Reporter

SMALL business got a major boost yesterday when a German organisation pledged between 6 million and 9 million rands over a three-year period for the development of the sector in South Africa.

The German Confederation of Small Business and Skilled Crafts (ZDH) – representing about 810 000 small and medium sized enterprises, with over seven million employees – made the announcement at a briefing at the Western Cape legislature in Cape Town yesterday.

Dr Christiane Kuhne, ZDH spokesperson in South Africa, said the funding came in the wake of a Memorandum of Understanding signed between the ZDH and the National Small Business Council (NSBC) in Johannesburg last month.

The ZDH will be the first foreign private business organisation to support the NSBC in its efforts to represent the interests of small, medium and macro enterprises. It is also the first to strengthen private chambers and associations in South Africa, said Kuhne.

Active organisation

The German organisation, which is active in 127 trade related sectors that include manufacturing, construction, maintenance, repair to services – will offer their technical expertise to business people in South Africa.

Other forms of assistance include:

- Strengthening SMMEs development in areas like communications, management, strategic planning, financing and fundraising, public relations and lobbying; and
- Technical assistance to improve areas like technology transfer, quality management, export promotion and training.

The ZDH is involved in running 25 partnership projects in a number of developing countries.

Kuhne said that her organisation was not driven by the desire to make profits in this country but to have the opportunity to share their knowledge for small business development here.

LOBBYING FOR BIG BUCKS

FM 11/10/96

Any group of executives has the right to form a business lobby or discussion group — even if they wish to call themselves a "bond."

However, the name evokes thoughts of the once notorious and secretive Afrikaner Broederbond, whose tentacles controlled virtually all spheres of society, the economy and politics.

Is that what a group of top black business executives hopes to achieve in the new SA? No, says Khehla Mthembu, a former president of Azapo and now chairman of New Age Beverages, who on August 20 convened the third meeting of a group of top black businessmen and women.

Among those invited to the last meeting, but who did not necessarily attend, were Telkom chairman Dikgang Moseneke, SABC chief Zwelakhe Sisulu, Transnet's Saki Macozoma, Worldwide Africa Investments chairman Wiseman Nkuhlu, Real Africa Investments and African Life chairman Don Ncube, Herdbuoys chief Peter Vundla and Kagiso Trust Investment chairman Eric Molobi.

Minutes of the meeting, leaked to the *Sunday Times*, say the group wants to "become a behind-the-scenes Africanbond, with a clear agenda and strategy."

Asked what this means, Mthembu says the word "Africanbond" has been taken out of context. He describes the minutes as merely "somebody's thoughts."

Africanbond, he says, "is not a name that has been accepted by our forum, which is not an organisation, and we don't intend making it one. It is a forum of friends who are now important players in the economy, who get together to share experiences, problems and frustrations they encounter as blacks. It's also about a mental shift that is required to accept new responsibilities."

Leading theologian Beyers Naudé, who resigned from the Broederbond in 1963, admits to being a little confused after reports in which some of those listed deny knowledge of the Africanbond or reject the name.

"My major concern would be that if any organisation was being set up in SA on the same basis as the Broederbond, it would be detrimental to nation-building. But if the intention is purely another business or even cultural lobby, then I would have no problem — as long it was not secret in nature."

Naudé adds that the danger of a secret organisation is its tendency to develop wider, more "sinister goals."

Eyebrows have also been raised by the forum's claim that there is a "growing conspiracy against meaningful black participation in extending and leveraging political democracy to facilitate economic and social democracy."

The charge flies in the face of a number of facts, such as the appointment of blacks to a number of important posts at, for example, Telkom, Transnet, the SABC and elsewhere, not to mention new employment equity legislation designed to affirm black promotion.

Khehla Mthembu

Mthembu says: "We are concerned about the political and economic direction of SA and, if given a chance, would like to influence that direction to reflect the new democracy."

It was important for "those who own power now to realise that it is in their interests to share that power to ensure its sustainability and for the benefit of the country. It's pure business thinking — aside from the moral and altruistic sides.

"It is also my view that it is time blacks started dictating the pace of empowerment. Black economic empowerment is not just about taking over JCI, for instance, but creating structures that actually force people to talk along the lines of job equity and so on. We have to make it so that any company that doesn't support the new democracy feels uncomfortable in it."

The reason behind such forums, says one emerging black entrepreneur, is the weakness of the ANC as a political party, which is faltering at grass-roots level and is not able to organise its support at the top either. Most of those allegedly involved in the forum, he says, are senior civil servants who are trying to become established entrepreneurs — and hence forming themselves into a lobby.

But "unless it is organised politically by the ANC, it won't work because they will soon start fighting among themselves as businessmen." For example, he says, an effort to set up a Chrysler Jeep assembly plant in SA under black control never got off the ground because those involved couldn't agree.

Going further, he says that the "consortium mentality" of the forum reflects "the lack of real projects with which to make money." Hence "attempts to lobby government using their political influence by virtue of being black.

"Those with no project focus and business skills (are) trying to sell their political connections to extract concessions from government. Successful black businessmen and professionals go to the market," he says. ■

Black 'broederbond' causes a stir

(30) CT 11/10/96

THE MEDIA

JOHN PATTEN

SUNDAY newspapers set the pace this week with reports that had repercussions for several days.

The Sunday Times made everyone sit up with its report that top black executives were planning the equivalent of a "broederbond" for blacks, the Africanbond, to influence top appointments.

Perceived secret agendas behind this move were the immediate focus of press attention, one group focusing on the perceived white "conspiracy against meaningful black participation" and others on the dangers of a secret "broederbond-style" organisation developing.

The Sunday Times itself expressed some doubts. The Africanbond's purpose, it said, was clearly "to win favours for its members by subterranean means. The fact that certain prominent people in parastatals are named as 'members', or invitees, is doubly alarming". And it went on: "It would be an unimaginable tragedy if the Africanbond were to tread the same divisive path of the Afrikaner Broederbond."

The Sowetan put the other view, saying the formation of a think-tank comprising black intellectuals was long overdue. The negative reaction from certain quarters was hardly surprising, for there would always be disingenuous moves to discourage blacks from forming their own caucuses to formulate strategies to ensure their meaningful participation in the economic and political spheres.

"The ink is hardly dried on the forum's proposal document but its detractors have swung into action to give it a sinister label. To equate the structure with the Broederbond is, at best, mischief-making." The black business executives behind the move "should resist any attempts to dismiss the forum as an anachronism," it said. "The last thing we expect is for them to take cover and be apologetic about something of which they have no reason to be ashamed."

❑❑❑

THE Sunday Tribune and Sunday Independent set the cat among the pigeons with the report suggesting the scandal surrounding the Sol Kerzner bribery allegations had exploded in the National Party's face. A Justice Department report showed the former government had conspired to block Mr Kerzner's extradition to face charges in Transkei.

The question now is whether political point-scoring around the issue has not taken over from the real issue of bringing a prosecution against Kerzner.

General Bantu Holomisa, for his part, claimed there was no doubt the National Party had deliberately frustrated the prosecution of Kerzner, but could not understand why its democratic successor, the ANC, should be compromised on the same issue.

It does seem as if the ANC also does not wish to prosecute Kerzner, but simply to embarrass the Nationalists. Justice Minister Dullah Omar said later in the week that the government would not interfere in Kerzner's prosecution for bribery as it respected the independence of the country's attorneys-general.

Can we conclude that the ANC government has very much the same view as the old Nat government, without saying so?

❑❑❑

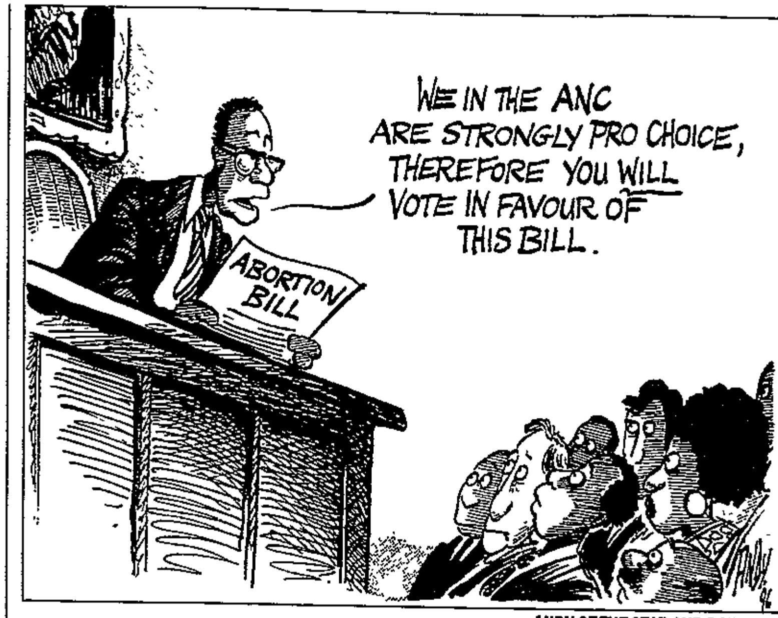
DO WE read anything into the different emphasis placed by The Star and the Cape Argus on news that former Law and Order Minister Adriaan Vlok is to be subpoenaed by the Truth Commission?

The Cape Argus front page lead quoted Truth Commission chairman Desmond Tutu as pledging to "extract the truth" from Vlok.

The Star, on the other hand, had a front page lead quoting Vlok as saying he found the subpoena "strange".

He said: "I have said repeatedly I am prepared to co-operate fully and accept full responsibility for decisions by the ministry. But thus far I have received no request from them to answer any questions."

The Cape Argus report implied total resistance by Vlok. The Star report gave the impression of injured innocence for Vlok in the face of TRC victimisation. Will the evidence clear the air?



ANDY OF THE STAR AND DAILY NEWS

SAYINGS OF THE WEEK

❑ "The bottom line is that Sol Kerzner was free under the Nats. He is still free under the ANC-led government." — *General Bantu Holomisa.*

❑ "We don't know the national anthem of South Africa, and no one said which anthem should be played." — *Mr Jimmy Rayani, chairman of the Kenya Cricket Union explaining to Beeld the mix-up that resulted in only* Die Stem *being played for South Africa.*

❑ "In spite of what everybody said about the lack of experience of the government of national unity, we have managed very well." — *Mr Popo Molefe, premier of North West province, quoted in the Pretoria News.*

Mochachos franchisees Paul Nkanyane, Joan Maphiring and Josiah Cindi with the company's director Tony Arvanitis (second from right).
PIC: CLEMENT LEKANYANE

Blacks concerned over loan delays

(30)

Sowetan 14/10/96

Out of 60 Mochachos outlets, 19 franchises are owned by blacks

By Isaac Moledi

FRANCHISING IS A FAVOURED route for black entrepreneurs to establish their own businesses. However, it has been difficult for these entrepreneurs to access finance, says Mochachos Chicken Villages director Tony Arvanitis.

Arvanitis, who started Mochachos franchise business in 1993, says black entrepreneurs are concerned about financial institutions in the country which are making it difficult for them to go the franchise route.

This was supported by three Mochachos franchisees in Johannesburg – Paul Nkanyane, Joan Maphiring and two Katlehong partners who did not want to be mentioned. They said that banks were either reluctant or delaying the whole process of granting them financial assistance.

Nkanyane, who became the first black Mochachos franchisee, now owns two outlets in Daveyton. He says when he started his businesses, he found it very difficult to obtain finance.

"The demand for collateral from small entrepreneurs is even more than what the banks demand from the Oppenheimers of this world," he says.

"When I started my business, I was informed by a financial institution that my loan application was successful, but I had to wait for eight months before the loan was processed. By that time I had incurred costs worth more than R150 000," he added.

Maphiring, who has established her outlet in downtown Johannesburg, says she could have got the best site in town if the banks processed her application in time. She still blames the banks for delaying the application to the extent that the owner had to give it to someone else.

Of the 60 Mochachos outlets, 19 are owned by blacks and the numbers are growing.

Arvanitis believes that the Mochachos franchise can grow among blacks if banks and the Government have a mechanism structured to make assistance to small entrepreneurs easier.

R65 000 for small business training

30

Sowetan 14/10/96

By Shadrack Mashalaba

TWO major black business organisations have received R65 000 from the National Economic Development and Labour Council to educate small business about the new Labour Relations Act.

The amount. given to National African Federated Chamber of Commerce and Fabcos Foundation for African Business and Consumer Services, is part of an amount of R500 000 which has been set aside for educating small business about the LRA. The new LRA is expected to come into force on November 11.

This first payment is part of a three-month programme which will entail the organisation of 30 workshops. Nafcoc and Fabcos members will make presentations in all nine provinces.

The money will be used to develop materials and pay consultants.

"The implementation of the LRA has a significant impact on both business and labour.

"Therefore, in order for it to succeed fully, it is imperative that all those affected by it understand its provisions and implications," says Nedlac's executive director Jayendra Naidoo.

Earlier this year, Nedlac received R2,5 million from the African-American Labour Centre for the training of workers. Fedsal, Nactu, Cosatu and their affiliates will benefit from this programme.

"The act is fundamentally different to what we had before which makes training that much more important.

"Training is also needed to ensure the two new LRA structures – the Labour Court and the Council for Conciliation, Meditation and Arbitration – are successful," said Naidoo.

Bill aims to bolster small businesses

BD 19/10/96 (30)

CAPE TOWN — The National Small Business Bill, aimed at establishing a supportive environment for small business development, was tabled in Parliament yesterday.

The Bill, earlier versions of which have already been debated by stakeholders and Nedlac, will turn the National Small Business Council (NSBC) and the Ntsika Enterprise Promotion Agency (Nepa) into statutory bodies.

They were set up last year on the initiative of the department of trade and industry as section 21 companies. The NSBC's role, says the Bill, will be to represent the interests of the small business sector and advise government on small business development.

Nepa will co-ordinate non-financial services such as training and advice to small businesses, give financial support to institutions which offer support services to small business, and undertake research.

Trade and Industry Minister Alec Erwin said in a memorandum that the measure had its origins in a white paper last year which envisaged a legal framework that would formally recognise government's involvement in small business support.

The Bill says the NSBC will include 18 provincial representatives, a national co-ordinator and up to five extra experts.

The 18 representatives will be elected by provincial small business councils, which will in turn be chosen by small businesses.

The minister will be empowered to issue guidelines to all arms of government on promoting government policy on small business. These will probably include measures for co-ordination and for consultation with department of trade and industry on new legislation.

The department's director-general will have to compile an annual review of small business, to be submitted to Parliament.

The Bill defines a small business as including micro, small and medium enterprises which meet set criteria on turnover, asset value and the number of employees.

It will also allow the minister to change these criteria by regulation. — Sapa.

New Bill will boost small businesses

(30) ARG 17/10/96

Parliament – The National Small Business Bill, aimed at establishing a supportive environment for small business development, was tabled in Parliament yesterday.

The Bill, earlier versions of which have already been debated by stakeholders and Nedlac, will turn the National Small Business Council (NSBC) and the Ntsika Enterprise Promotion Agency (Nepa) into statutory bodies.

They were set up last year on the initiative of the Department of Trade and Industry (DTI) as Section 21 companies.

The NSBC's role, says the Bill, will be to represent the interests of the small business sector and advise Government on small business development, while Nepa will co-ordinate non-financial services such as training and advice, to small businesses, give financial support to institutions which offer support services to small business, and undertake research.

Trade and Industry Minister Alec Erwin said in a memorandum that the measure had its origins in a 1995 white paper which envisaged a legal framework that would formally recognise Government's involvement in small business support.

The Bill says the NSBC will include 18 provincial representatives, a national co-ordinator and up to five extra experts.

The 18 representatives will be elected by provincial small business councils, which will in turn be chosen by small businesses.

The Minister will be empowered to issue guidelines to all arms of Government on promoting Government policy on small business. These will probably include measures for co-ordination and for consultation with the DTI on new legislation.

The director-general of the DTI will have to compile an annual review of small business, to be submitted to Parliament.

The Bill defines a small business as including micro, small and medium enterprises which meet set criteria on turnover, asset value and employees. It will allow the minister to change these criteria by regulation. – Sapa

National Small Business Bill tabled (36)

Trade and Industry Minister Alec Erwin yesterday introduced the National Small Business Bill in Parliament in an attempt to define a statutory environment and to assist small businesses. The bill proposes the establishment of the Ntsika Enterprise Promotion Agency which will aim to extend and co-ordinate non-financial services such as training, advice and counselling.

■ Telecommunications Minister Jay Naidoo urged Parliament's joint communications committee to process the Telecommunications Bill so that it can be approved by both the National Assembly and Senate this year. The bill paves the way for liberalisation of the industry and Telkom's partial privatisation, and any delays would create uncertainty among "some of the largest investors in the country's economy".

Sow 17/10/96

250 staff affected as JCI reorganises

(30) Sowetan 17/10/96

By Isaac Moledi

Services may be outsourced and staff absorbed by new owners

About 250 employees of JCI Limited will be affected by internal restructuring of some of its internal business areas.

"In the case of the majority of positions, firm job offers are already in place," JCI corporate affairs manager Marc Gonsalves said.

It was not yet clear whether some staffers will be retrenched but he did not rule this out.

JCI Ltd is one of the companies in which the Anglo group is selling its 48 percent stake to black investors.

JCI was restructuring some of its internal business areas in order to focus the company on its core business and ensure effective implementation of its growth strategy.

The nine business areas which are affected by the restructuring are information services, internal audit, head office security, organisational development, vehicle services, investment, pensions administration, catering and cleaning.

In each case, a number of options are being considered such as buying in the service from an outside supplier. This could also include transferring staff to the company to which the function is being outsourced.

Another option would be to establish the services as free-standing business units selling their services back to the company.

Deloitte & Touche and EDS Corporation have been selected as service providers for internal audit and information service respectively. The companies are expected to absorb staff.

"In the remaining seven business areas discussions are proceeding with both staff and external providers.

"An important concern throughout is the welfare and interests of JCI Limited's staff, and every attempt is being made to ensure that proposals make good sense not only in business but also in people terms."

Estimates of enterprises in SA wrong, says official

BD 21/10/96 30

CAPE TOWN — Government estimates that there were at least 800 000 formal enterprises in SA were exaggerated by at least 20%, a senior government research official said at the weekend.

Senior research manager of government's Ntsika enterprise promotion agency Christo Abrahams said research undertaken for the trade and industry department could not confirm the official estimates.

"We tried to get an estimate of the number of enterprises and we found no evidence of claims that we have 800 000 formal enterprises in SA.

"Actually it should be lower than 600 000 and it could be far lower than 500 000 at this stage."

Abrahams told the parliamentary committee on trade and industry that preliminary estimates based on VAT registrations, the October Household Survey and other sources indicated a total of 595 900 enterprises employing at least one person.

This excluded public servants, employees of state-owned enterprises as well as subsistence businesses. He said the figures were soft and the actual number could be considerably lower.

Abrahams said his estimate of 316 350 microenterprises giving work to 467 600 people was probably quite accurate.

Less firm were the estimates of 188 000 very small enterprises employing 790 400 people and 64 850 small enterprises employing 1,3-million people.

Abrahams said the estimate of 17 000 medium enterprises employing 883 100 people and 9 700 large enterprises employing 2,8-million people in the country were the most accurate.

He told the committee that total employment in non-government formal business stood at about 6,2-million.

The sector estimates included 1,6-million employed in manufacturing, 1,2-million in agriculture, 836 000 in the retail and motor trades, 690 000 in mining, 535 000 in finance and business services, about 489 000 in construction and 126 000 in catering and accommodation.

Abrahams was giving evidence on the revised National Small Business Bill tabled in Parliament last week. — Reuter.

Govt identifies IDC as engine for black economic empowerment

BD 22/10/96 (30)

John Dludlu

BLACK economic empowerment has been identified by government as one of the main goals of the Industrial Development Corporation.

In a state document outlining a reshaped IDC mandate, government says other key objectives should be a focus on job creation and exports, rather than "growth for its own sake".

The document, which is seen as providing a strategic vision for the organisation as it begins to shed its image as an "Afrikaner economic empowerment vehicle", says additional policy-based lending should be considered for black economic empowerment, for medium-sized firms facing defined opportunities and constraints, cluster development and training.

The document comes days after claims that the IDC board rejected proposals from its management to help finance the bid by black interests to buy a 35% stake in Anglo American's Johnnic. It also comes as the debate intensifies on whether the IDC has a role to play in empowerment initiatives.

The mandate also coincides with the appointment of a new CE, Khaya Ngqula, who has signalled strongly that while he is keen to see the IDC keeping its traditional role of industrial development and maintaining profitability, its role has to be broadened to include black empowerment.

The main objectives outlined in the document, which has already been tabled before the board, could be supported through financing downstream, labour absorbing and competitive manufacturing concerns.

Key opportunities may be identified through the cluster initiative and spatial development programmes.

The state and the IDC will set regular targets on investment focus and the organisation's dividend policy, and policy-based lending could be reviewed annually. Crucially, the corporation, which has been criticised for its almost exclusive focus on major projects, will "work with government, but not be managed by government".

Government says the IDC's mandate should also be broadened to SA's neighbours, such as taking financial interest in projects "as long as these actions take into account local sensitivities". The IDC came under fire recently for its "lukewarm" attitude to the Maputo development corridor, the multibillion-rand cross-border infrastructure investment projects with Mozambique and SA as key players.

The paper states that the IDC has to support private-sector development but not compete with business, and must become more representative.

Fund (30)

Continued from Page 1

BD 22/10/96

Discussions were being held with organisations including the National African Federated Chamber of Commerce, the Foundation for African Business and Consumer Services, the National Black Business Council and Msele Corporate and Merchant Bank.

Public enterprises director-general Sipho Shabalala said yesterday that apart from agreeing in principle on the need for a fund, no firm decisions had been taken on its form. Government hoped, however, to have agreement in principle by the end of the year.

Contributions could be sought from government, overseas aid organisations and companies, and the fund would either be overseen by government or managed independently.

Alternatively, a portion of shares from the sale of government's stake in a parastatal could be set aside for black economic empowerment purposes.

Shabalala said the proposed sale of a 10% stake in Telkom to black economic empowerment groups could provide a kickstart for the fund, but it depended on whether it would be set up in time. Government hopes to have decided on a strategic equity partner for Telkom by March next year.

Sigcau said the restructuring programme would be accelerated over the next few months and its success would be visible next year.

Government's privatisation adviser HSBC Simpson McKie James Capel had recently completed a document on corporate governance for parastatals, indicating how these entities should be managed to meet government objectives, she said. This would be discussed at Thursday's interministerial Cabinet committee meeting. She said a framework for employee share participation in parastatals had also been completed, in a bid to empower workers.

R9-m boost for small business

Sowetan 22/10/96 (30)

By Shadrack Mashalaba

THE National Small Business Council (NSBC) is to receive a R9 million boost from a German Chamber of Business to develop its productive capacity.

Speaking to *Sowetan* Business yesterday, chief executive of NSBC Monde Tabata said it was important to develop a collective approach to help small business.

"We have established a research unit on the number of small businesses in the country and identified their needs," said Tabata.

The NSBC was founded in December 1995 as a result of the White Paper on Small Business Development.

The small business "Enabling Act" is expected to be passed before the end of the current parliamentary session.

The aim of the organisation is to represent the interest of all small, medium and micro enterprises (SMME's) in South Africa and to consult Government on policies conducive to SMME development.

Tabata said he spoke to Confartigianato – an Italian small business chamber to cooperate with them in technology transfer.

The key challenges facing the council is to work in conjunction with the Department of Trade and Industry to address the issue of blacklisting facing small businesses, said Tabata.

"In addition, we need to develop small and sustainable businesses engaged in export markets who produce quality products.

"Our intention is to allow small businesses to evolve gradually. This can be achieved if they constantly knock at our door. By this time next year, we need to be talking about success stories of the NSBC," he said.

For more information on NSBC, contact Tabata at phone (012) 341-0888.

AHI CONFERENCE *Business sector slammed*

Nafcoc lashes out at racial imbalances

(30) CT (BR) 24/10/96

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Exploding population growth allied to high unemployment could overtake all efforts to create a viable economy unless South Africa achieved acceptable participation by blacks in corporate structures within a reasonably short period, Joe Hlongwane, the national president of Nafcoc, warned at the annual congress of the Afrikaanse Handelsinstituut yesterday.

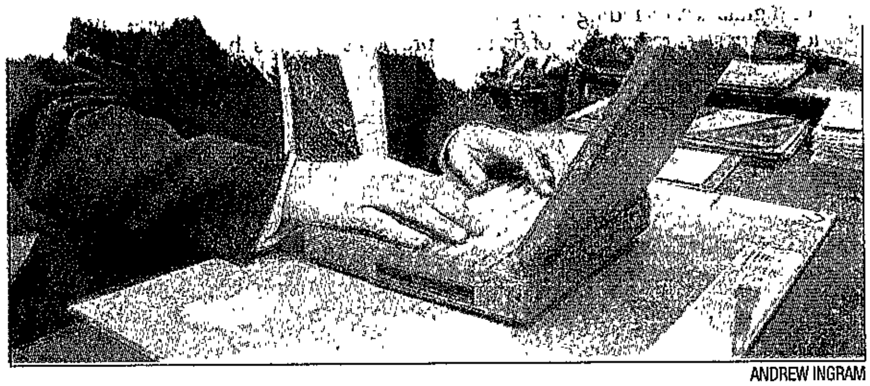
Hlongwane said Nafcoc intended launching a programme which could see the key resolutions outlined during its recent conference adopted by all listed companies in South Africa.

This stipulated that at least 30 percent of board membership, at least 40 percent of the shareholding, at least 50 percent of the value of external purchases and at least 60 percent of the management of each listed company should be representative of the black community.

"This programme ... is an indication of the enormity of the task which faces the business community in converting the underperforming economy into one which ... effectively utilises the potential productive human resources of this country to make it internationally competitive," Hlongwane said.

He launched a scathing attack on the business sector. "South Africa has not established a sound balance between the levels of influence of government, organised labour and business. Labour has organised itself effectively at national and grassroots levels.

"Business, however, remains a fragmented, weak participant, unable to mobilise the cohesion and resources to enable it to become influential in the formulation of economic, trade and industrial policy," he said.



ANDREW INGRAM

Sacob president: Philip Krawitz says the business sectors must perform to create wealth

Time for chambers of business to unite, says new Sacob president

ARG 24/10/96

LLEWELLYN JONES
BUSINESS REPORTER (30)

BUSINESS INTERVIEW

It is time for business chambers in South Africa to unite, says Philip Krawitz, Cape Union Mart chief executive and newly-elected president of the South African Chamber of Business.

"We respect Nafcoc's (National African Federated Chamber of Commerce) concern for the black business sector, as we respect the AHI's (Afrikaanse Handelsinstituut) for the cultural preservation of its values," Mr Krawitz said.

"But we honestly believe that the time has come when business must unite in a single endeavour aimed at doing what has to be done in this country – that is, making the business sector perform, thereby creating the wealth so desperately needed to prevent our society from self-destructing."

Mr Krawitz said the South African Chamber of Business (Sacob) did not want to take anybody over.

" Our aim is to be a facilitator for a process whereby a new chamber orientated business order can emerge reflecting the full cultural diversity of our country," he said.

Mr Krawitz believed that there were no major points of difference between the major business organisations.

"One still has to take cognisance of facts, and those facts are that a large grouping of white English-speaking businessmen align themselves towards Sacob, white Afrikaners towards the AHI, and blacks towards Nafcoc and Fabcos.

"But I believe that all of us embrace the principles of a socially responsible private enterprise system and the philosophy that business has to be the economic engine which will raise the socio-economic standards in South Africa," Mr Krawitz said.

'Every one of us sees the absolute indisputable necessity for black economic empowerment'

The greatest sticking point remained black business concerns for economic empowerment, he said.

"But I think that every one of us sees the absolute indisputable necessity for black economic empowerment if we are going to accommodate the vast majority of this country's people within the free enterprise system.

"Remember, the free enterprise system is on trial in this country, and the Marxist alternatives, which have become so prevalent in Africa, are still regarded as an option in some quarters.

"All we need to do now is address the legitimate concerns that we all have, and by the time that we have focussed on our common ground the differences will be so minor as to be accommodated within a new structure.," Mr Krawitz said.

He said it would not be long before a social contract emerged between business, labour and Government with the objective of increasing South Africa's productivity to become globally competitive.

"In 21st century there will only be one standard – the global standard. It's no use saying it's good for Africa – that's insulting and demeaning – we need to find a path to that global standard."

Creating a small business class is the challenge — Sunter

(30) BD 28/10/96

Ingrid Salgado

GAUTENG'S greatest challenge was to create a new entrepreneurial class comprising small businesses, and for Johannesburg to provide the infrastructure for small business development, Anglo American corporate affairs chairman Clem Sunter said.

He was speaking on Friday at a Gauteng government conference on plans to regenerate the province's cities, towns and township centres. The province has initiated a four-point plan in conjunction with local authorities and business, labour and civic organisations to transform urban areas.

Sunter said values that applied in the 1950s and 1960s — when companies were clustered in ever bigger groups — were not applicable this decade. As businesses moved into the service and information fields, away from manufacturing, Johannesburg's CBD needed to follow suit.

Small business would be the prime source of economic success, strengthened by the rise of women entrepreneurs. In the US, one in four employees worked for female bosses, he said.

At the same time, Gauteng should become a network of small cities and towns rather than allowing Johannesburg to become a massive urban sprawl. Internationally, small cities were the fastest-growing areas.

Constitutional development standing committee chairman Pravin Gordhan echoed the call for investment in infrastructure for small business. He welcomed Gauteng's urban regeneration plan, saying it would become a role model for SA's other cities.

SA National Civic Organisation president Mlungisi Hlongwane said city decline was a worldwide phenomenon and not peculiar to SA.

Urban regeneration and integration should not merely focus on accommodating the needs of business. Housing, recreation facilities, environmental issues, unemployment and crime eradication should be integral to renewal.

In terms of the plan, local authorities would next year identify priority maintenance and regeneration projects for urban centres, such as paving, providing public toilets, open spaces, street furniture and public lighting. Longer-term plans include metropolitan policing, reviewing town planning schemes, providing business incentives and public transport systems.

The day of the small business operator and family firm is dawning

(30) BD 29/10/96

SA stands on the threshold of a new business dispensation favouring the entrepreneur, says David Brink

BUSINESSMEN can do very little about many environmental pressures, but there are others we can tackle. One of them concerns affirmative action and human resources development.

There has been much criticism of affirmative action lately, and I have personally been critical of the dramatic process carried out at Transnet, particularly as far as the modus operandi was concerned.

I have heard counter arguments that a forced process would not have been needed had the transformation progressed sufficiently and enthusiastically in recent years.

Two things stand out in this problem area. One is that SA desperately needs a larger resource base of management skills, and for all the reasons we know and understand, this needs to be representative of our population.

It is also true that the private sector has not moved with sufficient speed and effect, especially when judged by the majority of the population.

Over the past half-dozen years it has become painfully obvious that much has to be done. Nevertheless, I feel strongly that we should avoid situations which result in the over-promotion of people, causing them to fail, and self-destruct their careers. Within the limit of that concern, however, there is no doubt that all business people are going to have to push human resources development at the maximum pace possible.

I have resisted artificial racial targets which have to be met by particular dates, but the time has come to set ourselves human resources development targets to promote this process. Every business needs to decide how many disadvantaged people they are going to help make clear progress during the year — beyond the direct operational needs of the enterprise if necessary.

Individuals also need to set targets to assist, either financially, or by providing of their time to support and mentor disadvantaged people.

The SA Non-Listed Company Award seeks to identify companies that have demonstrated exceptional creativity and entrepreneurial skills. It is perhaps time that we all sought to demonstrate exceptional creativity in the field of human resource development in SA.

Another problem in the economy is the lack of direct foreign investment. Members of government and others have claimed for some time that this is caused by the so-called big five conglomerates in SA. Newsweek, on October 21, stated that "the five white-run conglomerates that grew up in the apartheid era still control the economy virtually unchallenged. Such a concentration of power is a powerful deterrent to investors."

We all know the reasons for the horizontal diversification which took place, leading to conglomeralisation. This was basically brought about by our closed economy and the inability of institutions and major groups to diversify territorially.

While the power of the big five groupings may look awesome to incoming competition, the question needs to be asked: are foreigners being kept out merely because the big five are occupying the turf, or are competitors being kept out because our major companies are too competitive?

SA Breweries chairman Meyer Kahn says that at a recent roadshow in New York he was questioned about SAB's monopoly in SA, which was said to prevent competitors from entering the market.

He asked his questioners: "Do you think our beer is too expensive in SA, or is it too cheap?" and then gave his own answer: "If you think our prices are too high, this is a good opportunity for you to enter the SA market and make a killing. However, if you think that because our 'monopoly' prices are too cheap, you are going to have a big problem persuading 40-million South Africans that we should increase them."

The question of size itself cannot be a major problem. The same edition of Newsweek asks the question: "Can South Africans one day compete head to head with the world's mega multinationals? Not a single SA firm made the August Fortune 500."

The good news for those who feel the big five represent a major stumbling block to incoming investment is that Sanlam and Sankorp have embarked on a road of power deconcentration.

Already announced is the unbundling of the Malbak group, which in effect will make available for local and overseas investors a number of prime assets to a value of about R7bn. More opportunities will flow after that, and I estimate that about R50bn worth of assets will be set free over the next two to three years.

Dramatic change in the SA corporate environment has definitely begun. It may be too soon to say that "the day of the entrepreneur has dawned", but we certainly stand on the threshold of a new business dispensation which will favour the entrepreneur, small operator and the family business — and that, of course, includes all the unlisted businesses.

In developing SA's industrial strategy, we may have to take a leaf out of Germany's book where, over a long time, smaller businesses and many family-controlled businesses have engaged the global markets most successfully.

Size does have certain benefits in global markets, but there will no doubt be important opportunities for smaller companies who, by definition, will be more adaptable and quicker on their feet.

The list of finalists for the Non-Listed Company Award surely indicates that a bright future lies ahead for SA when we have such companies in the engine room of our economy.

□ *Brink is CE of Sankorp. This is an edited extract from his speech to the SA Non-Listed Company Award presentation banquet in Johannesburg last night.*

Go-ahead for small business Bill

(30) BD 29/10/96

Tim Cohen

CAPE TOWN — A slightly amended National Small Business Bill was given the go-ahead by all political parties at the parliamentary trade and industry committee yesterday and is likely to be passed by Parliament later this week.

The Bill, intended to support small, medium- and micro-sized enterprises envisages the establishment of two statutory agencies, the National Small Business Council and the Ntsika Enterprise Promotions Agency.

Committee chairman Rob Davies said while the Ntsika agency would not itself provide finance to small enterprises, it would operate as a wholesale support agency for small businesses.

The legislation also authorises the trade and industry department to issue guidelines to create the conditions for government support for small business.

The committee yesterday heard evidence from the Micro Business Chamber which argued that the Ntsika agency was unnecessary.

According to Lawrence Mavundla, head of African Hawkers and Informal Businesses, a Micro Business Chamber member, the agency did not satisfy the needs of chamber members, mainly the need for capital.

Mavundla said that from its inception — it is currently a non-statutory body — the agency had simply provided referrals and advice, without helping individual entrepreneurs with their real needs.

The body should provide actual assistance to emerging entrepreneurs such as business loans, training, counselling and mentorship rather than being a referral point, he said.

He complained that submissions of micro-business representatives had been ignored at "endless workshops" which were "feeding schemes" for those attending.

The committee went some way to incorporating the points made by the chamber, giving priority to the delivery functions of the council in the legislation and making it clear that research would be a secondary function.

Cosatu argued at the hearings that guidelines issued by the minister should not be interpreted as mandatory directives. The guidelines should not be capable of overriding other legislation on, for example, working conditions and health standards.

Cosatu said in deciding on the guidelines, provision should be made for trade unions to be consulted.

The committee accommodated some of Cosatu's submissions, proposing the inclusion of procedures for consultation with "small business organisations, trade unions and other organisations".

Davies said the short hearings on the Bill were not ideal. However, as transformation legislation, it was of a high priority.

Attorneys hit out at motor fund

Linda Ensor BD 29/10/96

CAPE TOWN — Attorneys were just one voice in opposition to the Multilateral Motor Vehicle Fund's (MMF) proposals for a new form of vehicle insurance, Johannesburg Attorneys' Association chairman Ronald Bobroff said yesterday.

Commenting on critical statements made against attorneys by MMF CE Willem Swanepoel Bobroff said almost the entire spectrum of SA business had condemned the draft white paper by the MMF.

Swanepoel said attorneys contributed to the fund's R7,35bn liabilities by charging exorbitant fees. Bobroff said attorneys could not simply charge what they wished but were bound by set fees.

Province jubilant over finances

BD 29/10/96

BISHO — Nearly 80% of Eastern Cape municipalities are in financial difficulties and a national government investigative team is looking at corruption and incompetence in the province, but yesterday the provincial finance department patted itself on the back.

Finance MEC Shepherd Mayatula told the Eastern Cape legislature that: "It is good to stand at this podium when we are in charge of finances and give a clean bill of health, especially if you look at where we are coming from."

Members of the provincial finance and expenditure standing committee also congratulated the department on its work.

Mayatula told the legislature that perceptions of the province as "the worst" should be dispelled by "the statistics". He admitted that R31m in cheques had been stolen, but said because of security measures only R326 000 of this was cashed.

He said it was difficult for cheque theft to occur in Gauteng where direct bank transfers were the usual method of payment. Finance standing committee chairman Siphiwo Mazosiwe said 80% of Bisho's creditors had now provided banking details so electronic transfers could take place.

Meanwhile, staff from provincial director-general Thozamile Botha's office said they were compiling a report emanating from a visit by national public servants and British and Swedish experts. The team was sent to the Eastern Cape by the Cabinet to prevent the province spinning out of financial control.

Deputy President Thabo Mbeki, Finance Minister Trevor Manuel, Public Services Minister Zola Skweyiya and others have also visited the province this year and expressed concern at its image of corruption and incompetence. — Ecna.

■ STOP PRESS

Investors make

Creation of new businesses 'is best empowerment strategy'

BD 30/10/96 (30)

THE creation of new, small and medium-sized businesses, with the necessary support from government and big business, is the most viable way of empowering black property practitioners, says former Thebe Properties MD Zwelakhe Mankazana.

Mankazana, who runs his own property consultancy business, Rixaka Property Services, told the African Congress of Shopping Centres this week that such schemes exposed black management directly to the forces of the market place.

They ensured also that black practitioners had "a definite focus and (an) ability to develop specific skills".

In his paper titled Black Empowerment in Retail Property Development, Mankazana was critical of past attempts at black empowerment which had "more to do with image than empowerment", he said.

Their success had been limited also by misconceptions such as the belief that SA's political transition to democratic governance meant that everyone was now equal and there was, therefore, no need for strategies aimed at empowerment.

"That is the attitude that has spawned the misnomer, 'previously disadvantaged'.

"The reality is that SA cannot become normal overnight."

However, this did not mean there were no positive attitudes or serious attempts to aid the cause of black economic empowerment within the property industry, and different models had already been pursued. These included increasing black participation in the established property sector through affirmative action.

New features included the establishment of black control over property investment companies, the creation of large joint ventures and the acquisition of established companies.

"However, it has not transpired that this new ownership or control has meant a change in the way these entities do their business.

"It is unlikely such change will take place as long as existing management remains in place and does not 'unlearn' some old habits and practices."

Mankazana was critical of some larger fashion retailers who, despite having a largely black client base, seemed to favour existing CBDs over townships as venues for their stores.

Developers had to put aside past stereotypes when assessing the risk factors associated with developing in the townships. He conceded there were problems, but said these were transitory and could be overcome.

"How can we continue to justify to black people, whose savings make up a very large slice of the funds that institutions invest in property, that their areas are too risky?" he asked.

Shabalala says SA's economic survival depends on empowerment

Blacks 'must own privatised entities'

(30) CT(BR) 1/11/96

Mpho Mantjiu

Johannesburg — South Africa's economic survival depended on the government empowering black people through the restructuring of state enterprises, Sipho Shabalala, the director-general of the department of public enterprises, said at the Black Management Forum's workshop yesterday.

Shabalala said the government needed to be more specific on the extent of government ownership of the privatised entities' equity, which should not be less than 60 percent.

He said it was crucial that a specific amount of money be earmarked to assist black people, including those employed by the state, to participate in equity ownership of privatised entities.

The money should come from government fiscus, donors, aid agencies and transfer of government shares, including those under the Independent Development Corporation.

Shabalala said the government should be more specific in its macroeconomic restructuring. He said a specific percentage of money put aside for advisers and consultants should be made available to black professionals. This should not be less than 50 percent.

The deregulation and unbundling of conglomerates for the removal of entry and exit barriers in different market structures should be specified and be targeted for blacks in measurable ways.

New training to benefit locals

Sowetan 5/11/96 (30)

The final tier of the programme will have an advanced diploma in world business strategy

By Isaac Moledi

LOCAL COMPANIES ARE TO BENEFIT from a new international trade training and consultancy service launched to enable them to understand international trade trends.

The International Trade Institute of Southern Africa (ITISA), a training programme launched by two former officials of the South African Foreign Trade Organisation (Safto), Rose Blatch and Ali Parry, is aimed at helping local companies get to grips with what is happening in the "ever-changing rules of international trade".

Training programme

The pair say their 25 years of experience in managing and developing import and export training and education courses to international standards at the Safto's Institute of Export will help in advancing the training programme.

Both say they have been instrumental in introducing to the South African business community internationally-recognised qualifications.

The training covers areas such as freight clearing and forwarding, imports and exports. The courses being offered are structured in such a way that they comply with local and international accreditation criteria.

These include short training and several year-long distance education programmes which build on each other.

Parry believes that the lowering of trade barriers by the government, new rules and regulations governing trade and the business of imports, exports and freight services pose serious challenges for South African businesses.

"Foreign exchange is volatile and will become even more so once all exchange controls are relaxed," she argues.

Markets in Southern African Development Community (SADC) and the rest of Africa also present new business opportunities, Parry adds.

"What we will be offering is a comprehensive and in-depth educational programme which will enable an individual to advance through various competency levels in his or her chosen field of international trade.

"All programmes will be developed to international standards," says Blatch.

Short lecture-based classroom courses on importing, exporting and freight forwarding are running in Gauteng from now to December. The organisers intend making the course run four times a year in Gauteng and twice a year in KwaZulu-Natal beginning next year.

The course is expected to expand to other provinces and neighbouring countries.

The institute expects to broaden its scope to include part of a four-tiered distance learning programme – a one-year course leading to a Certificate in International Trade.

This will be followed by an individual choice to specialise in any of the fields of imports, exports or forwarding and clearing by undertaking an Advanced Certificate and then a Diploma programme in the chosen field.

The final tier of the programme will consist of an Advanced Diploma in Global Business Strategy.

Accreditation will be done by an International Association of Trade Training Organisation (IATTO), an association with a membership of more than 40 organisations worldwide.

For more information phone Parry or Blatch at (011) 268 0036

NE

MICRO BUSINESS *Rich people are getting richer, says chamber president*

Black empowerment 'a sham'

CT(BR) 6/11/96 (30)

JAMES LAMONT
INDUSTRIAL EDITOR

HAWKER POWER *Lawrence Mavundla of the Micro Business Chamber*
PHOTO JOHN WOODROOF

Johannesburg — Black empowerment initiatives in South Africa were only serving to enrich a small group of about 300 black people, Lawrence Mavundla, the president of the Micro Business Chamber, said yesterday.

Speaking at the chamber's launch, Mavundla said that private business in South Africa was "taking people who are already rich and making them richer" in the name of black empowerment. He said business had targeted a small group of black people with whom it was prepared to do business.

"When people talk about self-enrichment, they call it black economic empowerment. Self-enrichment will get this country nowhere," he said. "This is the same thing that happened under the Afrikaner (National Party) government."

He said that the transfer of shareholding — like the R2,7 billion sale of Johnnic assets to the National Empowerment Consortium — did little to create new jobs or new wealth.

Mavundla said the development of micro enterprise was an electoral commitment of the government and a key means to wealth creation in underprivileged communities. Support of micro business was the base to allow poor people to enter the mainstream of the economy.

"If the government fails to attend to the needs of the micro sector, its claim to be a legitimate force of liberation will be exposed as a lie. This could spell disaster for the government," he said.

Obstacles to the growth of small business were obstructive legislation, limited access to training, and finance, he said. "We have had the new government for three years but we are still sitting in workshops about loans. We don't have the loans."

Sizeka van Rensburg, the marketing manager of the Ntsika Enterprise Promotion Agency, an arm of the trade and industry department, appealed to the banking sector to be creative in supplying entrepreneurs with capital.

She said the department, through its Ntsika and Khula agencies and new legislation, was handling the needs of small business and revised tendering policies by public sector companies like Transnet would create greater opportunities.

She agreed that the information available to the micro sector was "not good enough to empower them".

The Micro Business Chamber, which numbers hawkers and shebeen owners among its members, seeks to raise the profile of the sector and contribute to its regulation.

Index established to monitor entrepreneurial performance

BD 6/11/96 (30)

Shareen Singh

A RESEARCH initiative to monitor entrepreneurial performance — a company's willingness to encourage creativity and flexibility, and support risk — was launched by the University of Cape Town's Graduate School of Business yesterday.

The entrepreneurial performance index will measure the performance of companies and guide managers in developing strategies to promote entrepreneurship within their organisations. Industry standards will be formulated to assist managers in assessing their companies.

Prof Mike Morris, who is spearheading the initiative, said empirical evidence showed entrepreneurship was closely associated with higher levels of company performance.

Competitive advantage was not simply about cutting costs, higher quality or better service. It was about adaptability, flexibility, speed, aggressiveness and innovation. Entrepreneurship was concerned with change in this direction.

Companies which took part in the performance index, for a fee, would be questioned on issues such as concepts of innovation, calculated risk-taking and taking the initiative. The focus would be on, among other things, new ways of doing business.

Fund to give blacks a foot in the door

(30) Star 6/11/96

By Bongiwe Mlangeni

An empowerment fund, the brainchild of the Trade and Industry Ministry, will give emerging black businesspeople a shot in the arm, said Deputy Minister Phumzile Mlambo-Ngcuka this week.

She said that the fund would give blacks the muscle to control their own big companies or start new business initiatives.

Speaking at the International Linkage Conference for Female Entrepreneurs from the Southern Africa Development Communities region, Mlambo-Ngcuka said more black people had to engage in big business ventures that would strengthen the economy of the country.

"We need more black people to be owners of companies and be able to buy more Johnnics," she said.

The fund was only one of various schemes being explored by the department to boost small and medium enterprise and encourage productivity, she said.

The two-day conference, organised by the Konrad Adenauer Foundation, assisted southern African women entrepreneurs to expand and form business partnerships in the region.

Delegates from Zambia, Tanzania, Namibia, Botswana and Lesotho also took part in the discussions.

Catherine Mwanamwambu, a millionaire from Zambia, stressed the importance of trading with neighbouring and overseas countries.

She said one way women could "hold the flame of their countries' economies" was to move into fields that had not been explored.

"We need to be innovative and not move to businesses that already exist. We need to move into virgin business territories."

Mwanamwambu also encouraged the participation of women in decision-making. She said their absence from these positions "dwarfed" women's productivity levels.

New AHI head says SA must harness resources

BD 8/11/96 (30)

John Dludlu

SA HAD to harness all of its resources to enhance the global competitiveness of its firms, the newly elected president of the Afrikaanse Handelsinstituut (AHI), Theo van Wyk, said yesterday.

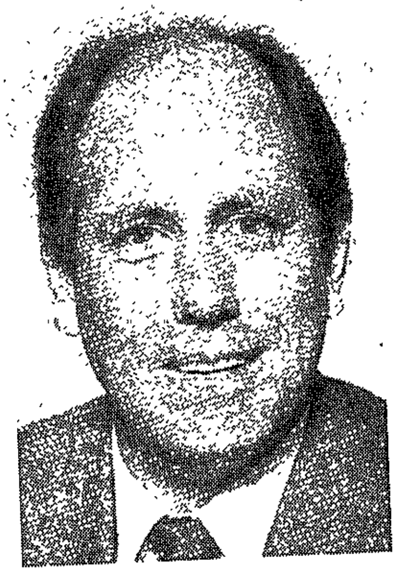
Van Wyk, who succeeded Mof Terreblanche, said the country had a huge reservoir of untapped potential, especially its human resources. Optimal use of this skills base could propel the country into global competitiveness, which was a key challenge facing SA.

He supported strategies such as affirmative action, which were aimed at unlocking the full potential of previously disadvantaged South Africans.

"The ultimate objective is to unlock the full potential of each and every South African".

The AHI, which lobbies government on behalf of its members, believed economic growth was important in addressing social problems. "We must grow out of our problems, we can't shrink out of them," he said.

However, Van Wyk, an executive director at the Rembrandt Group for the past six years, said growth should be widely distributed in SA if social stability was to be achieved. The 6% growth target set by government for the turn of the century was achievable.



VAN WYK

The AHI, one of the oldest business organisations in SA, has given its backing to government's macroeconomic growth, employment and redistribution strategy.

Talking about the debate on competition policy, he said discussions should be based on the need to improve global competitiveness. "Our performance in international markets will be measured solely on merit."

He said he did not believe competition law should be used to achieve social goals.

While the AHI believed it was crucial for the business community to speak with a single voice, the organisation preferred to retain its independence at this stage. "The AHI is reaching out, we must break down the artificial barriers of the past."

Ongoing discussions were being held with other business groupings, including the SA Chamber of Business and the National African Federated Chambers of Commerce.

Van Wyk, a lawyer by training, has held several key positions, including those of registrar of financial institutions and a member of the Competition Board.

Blacks set to eclipse Afrikaners

EMPOWERMENT

By SVEN LUNSCHE

BLACK control of companies listed on the Johannesburg Stock Exchange is set to match, or even outpace, Afrikaner ownership.

This is the conclusion of an intriguing study by Robin McGregor of McGregor's Information Services and newly appointed director of the Competition Board.

Tracking the rise of Afrikaner capital over the past four decades, McGregor shows that a deal by Anglo American paved the way for a rise in Afrikaner control of JSE market capitalisation from 1% in 1959 to about 25% in the mid-1990s.

It took Afrikaner business about seven years to achieve 6% control, a level that black business has reached four years after first making a serious foray into the stock market.

At present, 17 black-owned companies are listed on the JSE, including Johnnic, which was recently acquired by the National Empowerment Consortium. McGregor assumes that the NEC's 34% entails full control of Johnnic, which is capitalised at over R7-billion. The deal was also facilitated by Anglo American.

McGregor writes: "The two acquisitions which changed the face of Afrikaner economic power were undoubtedly General Mining and Union Corporation."

In 1964 Anglo entered into a joint venture with Federale Mynbou — a mining company established in the 1950s by the two early Afrikaner powerhouses, Federale Volksbeleggings and insurance group Sanlam — to buy control of General Mining. Anglo later sold Fedmyn a further 1% to put Afrikaner control beyond doubt. McGregor emphasises that the Anglo deal had as much to do with business opportunism as with political foresight.

Ten years later, with Afrikaner control of the JSE still languishing around 7%, General Mining achieved its next coup — the acquisition of Union Corporation, a deal which took two years to finalise and meant beating off corporate giants such as Barlow Rand and Gold Fields of SA.

"The takeover was the beginning of the meteoric rise of Afrikaner economic power," says McGregor.

It was given significant impetus by the Rembrandt Group and its diversification into food, timber, steel and its considerable influence in Gold Fields. Latter-day exponents of Afrikaner entrepreneurial acumen are Bill Venter, with his technological empire, and Christo Wiese, who has developed large retail and financial holdings.

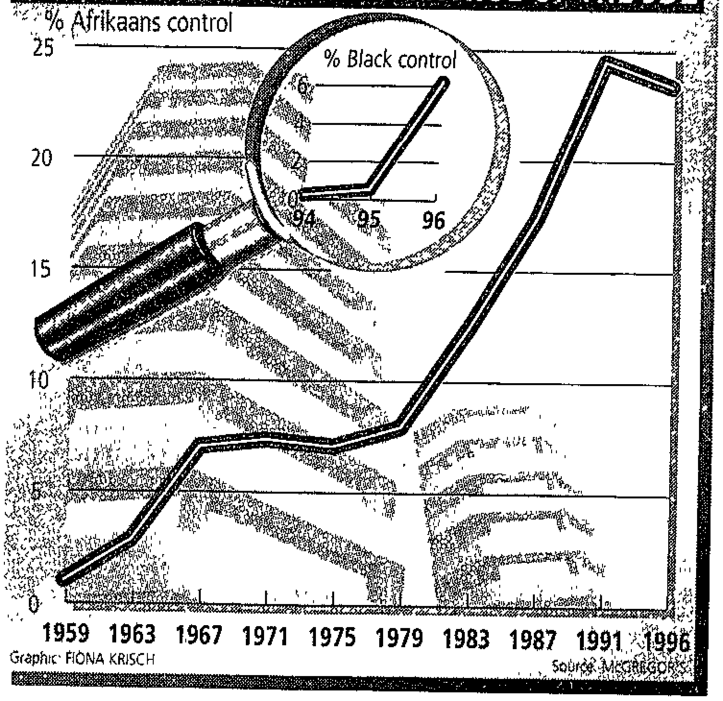
"The culture of the Afrikaner and his determination has led to his present eminent position, and the catalyst has been, to a large degree, Sanlam," says McGregor. He says: "Black businessmen are demonstrating the same determination. It is no surprise that the institution which has responded most readily to their request for financial aid was Sanlam.

"This is no coincidence. In its century of existence Sanlam has been through the same economic deprivation and exclusion as has been experienced by black South Africans under the former regime," writes McGregor.

Sanlam has been instrumental in financing the two largest black-owned companies — Dr Nthato Motlana's New Africa Investments Ltd and Don Ncube's Real African Investments Ltd.

"The black community is massive. The unions have moved a great deal of income from profits to wages. If a culture of savings is developed and those funds are channelled into an institution sympathetic to black empowerment, we may see JCI following Johnnic along the road to black control, and the current steep rise in black share of JSE companies continue to match or even beat that of the Afrikaner."

AFRIKAANS AND BLACK CONTROL OF THE JSE



Graphic: FIONA KRISCH

Source: McGREGOR'S

(30) 37 (BT) 10/11/96

Black, female and rich — a new elite bites off its share

Nozala Investments is a surprise package in the otherwise masculine NEC, writes SVEN LUNSCHE

ST(BT) 10|11|96 (30)

ONE of the surprise packages in the recent acquisition by the National Empowerment Corporation of 35% of Johnnic was a black-led women's investment group — Nozala Investments.

Hitherto unknown Nozala raised over R165-million for a 6,05% holding of the Johnnic stake. Nozala's chairperson, Salukazi Dakile-Hlongwane, was appointed as one of the NEC's 10 directors to the Johnnic board.

And, insists Dakile-Hlongwane, Nozala has escaped the stringent funding conditions imposed on other NEC members. "We will be making a good profit on our Johnnic investments," she says.

Founded early this year, the group initially wanted to attach itself to New Africa Investments Ltd, the most significant group in the NEC, but decided to establish itself as an independent consortium.

Yet the link with Nail is there for all to see and the group makes no attempt to conceal it. Merchant bank DLJ Pleiade, a subsidiary of Nail, is a 10% shareholder in Nozala and provides one director.

Dakile-Hlongwane says Nozala represents about 500 000 individuals, many of them women, through its shareholding structure.

Trade unions (Sactwu and Nactu) and other empowerment groupings own 24%, DLJ Pleiade 10%, institutions 15% (Sanlam, Southern Life and Absa), and the directors 51%. Directors and the empowerment groups bought into Nozala at a 90% discount, while the financial institutions paid R3-million for their 15% stake.

The list of directors reveals some surprises, including Vodacom group executive Joan Joffe, Eskom executive director Dawn Mokhobo, the former convenor of the Woman's Coalition Jean Ngubane and acting Supreme Court judge Navi Pillay. Dakile-Hlongwane is a senior manager at First National Bank.

"Our prime aim is to promote the economic empowerment of women in general and black women in particular," says Dakile-Hlongwane. "This will lead to attractive investment opportunities for the companies in our portfolio."

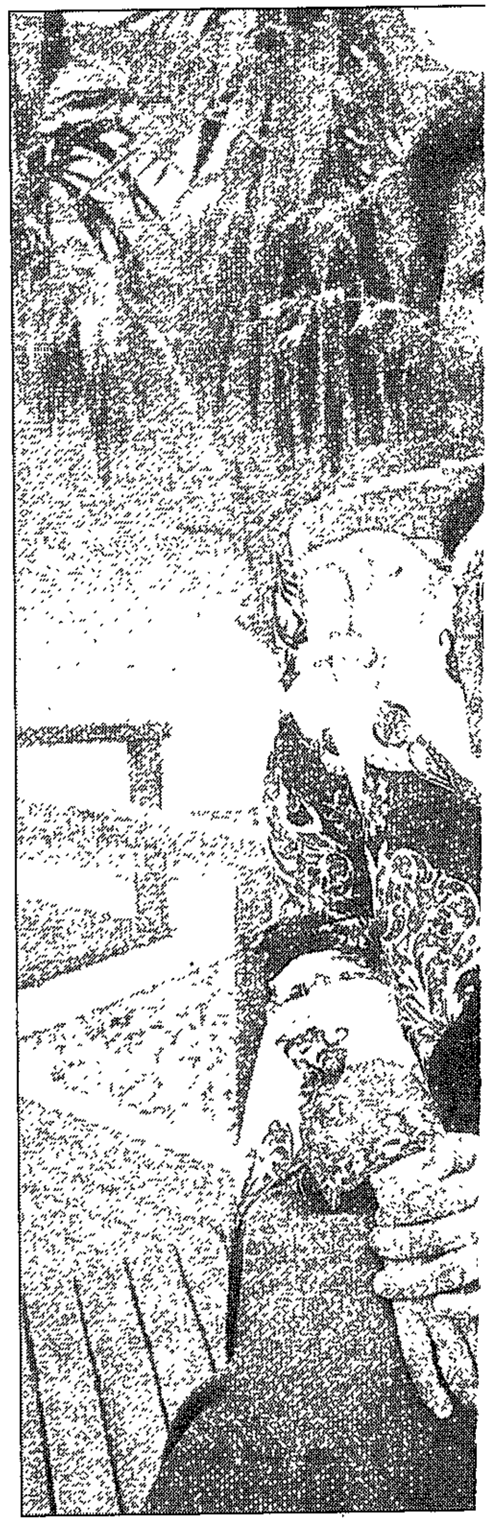
That portfolio is fairly small at present, comprising the Johnnic stake and 10% of the New Shelf Consortium, which was recently awarded the Radio Jacaranda licence. But a range of new ventures are imminent, says Natalie Fitz-Gerald, who represents DLJ Pleiade on the Nozala board. She says Nozala plans to utilise underlying Johnnic investments for its expansion plans into financial services, retail and the leisure industries.

'Our aim is to promote the economic empowerment of women in general and black women in particular'

Fitz-Gerald believes Nozala will also benefit from racial- and gender-progressive tendering and outsourcing by the public sector.

As with many other black business consortia, Nozala has yet to demonstrate just how wider empowerment will be facilitated through its various business deals. But the group has a number of innovative ideas and concepts. Through a proposed stake in a recruitment and training company, it hopes to train and develop the thousands of semi-skilled staff required for the casino, gambling and hospitality industry.

Furthermore, about 20% of the dividends earned by Nozala's directors and empowerment groups are channelled to the Nozala Trust. The Trust has aligned itself with the Start-Up fund, which has a good track record in financing micro-enterprises, particularly those run by women.



TANTALISING DEAL ... Salukazi

(30)

60,000 shebeens in SA

CT 14/11/96

THERE were 63 373 illegal shebeens and canteens in South Africa, Safety and Security Minister Mr Sydney Mufamadi said yesterday. More than 40%, 24 683, were located in Gauteng, while 3 988 illegal shebeens and 203 illegal canteens operated in the Western Cape between March 1995 and May 1996.

Course to suit SMMEs

(30) (~~179~~) Sowetan 19/11/96

By Isaac Moledi

BUSINESS Skills South Africa, a business course geared to developing the business skills of small business people, has turned the profits of thousands of individuals who have completed the course into real money benefits.

Job Aphane, manager of Plaza Meat Wholesalers at Kwaggafontein in KwaNdebele, completed the course in 1994 and is already reaping the benefits.

"It has considerably improved my ability to identify problems in business and how to solve them quickly.

Secondly, my business has improved financially," he says. Aphane describes the course as "straightforward" and practical.

"BSSA has certainly come to the rescue of small business people," he says, arguing that since any business needs to be updated daily, the practical approach to solution and business acumen of BSSA has come out as the right model.

Mpumalanga provincial small business committee chairman Stephens Skhosana says he benefited tremendously from what he calls "an MBA course".

Impressed

"The turnover in my business has increased and customer service has improved considerably," says the supermarket owner, who is also vice president of the KwaNdebele National Industrial Chamber.

"I was so impressed with the results and what they did for me and my business, that I decided to become a BSSA trainer to help others improve their businesses," he says.

BSSA was developed in Britain by auditing, accounting and financial services firm Coopers and Lybrand and brought to South Africa as a joint venture with the National Industrial Chamber.

KwaNdebele's only miller Johannes Mahlangu says he was battling to mill 40 bags of maize a week before he was introduced to the course.

After the course, he says, he emerged as a new businessman and his business is experiencing tremendous expansion.

"I have just installed a new roller mill that can produce 40 bags an hour," he says. "The biggest advantage is that the course taught me how to manage my stock," adds Mahlangu.

SA business joint ventures

AS PART of *Sowetan Business'* job market section, every Tuesday we publish information on potential joint ventures between local business and foreign companies.

The information is supplied by the Industrial Deve-lopment Investment Centre in Pretoria, a division of the Department of Trade and Industry.

This week's ventures are as follows:

- The United States' leading automobile plastic components producer which is currently supplying Ford, General Motors and Chrysler Corporations' passenger and light truck divisions is looking to establish a joint venture with a capable plastics manufacturers in Southern Africa.

  The company would like to meet with established companies involved in the automobile components sector or injection or blow moulding who wish to discuss joint venture opportunities.

- A Swedish company which manufactures doors for the marine, offshore and building industry, would like to have a licence agreement with a suitable South African company that would manufacture and market their products (doors).

- A French company is looking for an established pharmaceutical company regarding the manufacture of intra ocular lenses. They will bring the technology as well as the equipment required to manufacture 80 000 to 120 000 lenses a year to SA. The local company should contribute capital to the joint venture.

- The Belgian manufacturers of tokens for casinos, medals for sport awards and engraving wish to joint venture with local companies with similar backgrounds. The company will provide technology depending on the local company's requirement.

For more information on joint venture partnerships contact Fanie Gagiano of the IDIC at (012) 322 4523.

Black business flexes its corporate muscles

(30) ST (BT) 24/11/96

Blacks own almost 2% of the entire market capitalisation of the JSE. This indicates a healthy empowerment trend, writes THABO KOBOKOANE

THE race to make black economic empowerment a reality picked up speed this year — changing the SA media landscape and the market capitalisation of black companies on the JSE in the process

The National Empowerment Consortium acquired a 35% stake in the R8-billion industrial group Johnnic for R2,7-billion, and Kagiso Trust Investment is acquiring joint control of Perskor. These are arguably the largest black empowerment exercises to date.

Of course, questions will come: Was it empowerment or patronage? Was the price good or not? These will be spurred by the agreement that binds the consortium to consult with Anglo on major decisions, such as stripping assets. The fact is, however, that a deal has been struck.

The consortium, made up of at least 50 diverse black business groups, can increase its stake to 41%, the outstanding 6% dedicated to a retail fund for smaller investors. Anglo will be left with a 6,45% stake for five years and the consortium has the first option to buy the holding. Cyril Ramaphosa, the new chairman of the board, has indicated that the consortium would prefer to keep Anglo as a partner.

The acquisition, once complete, will see black business gain a 13,9% foothold in the R32,9-billion SA Breweries, 27,5% of Premier and outright control of Omni Media. Omni Media controls 91,3% of Times Media Limited, publishers of The Sunday Times, Financial Mail and Business Day, among other titles.

The deal between Perskor and Kagiso Trust Investment, the investment arm of the development agency Kagiso Trust, is a sign of the times — opponents of apartheid embracing a mainstream Afrikaner press group. The transaction is on hold following an injunction by minority shareholders, but is likely to go through with some amendments.

The deal will see Dagbreek Trust — which controls Perskor's holding company, Perskor Beleggings (Persbel), through 33 000 extraordinary shares — accede joint control to Kagiso and the Rembrandt Group. Kagiso will swop its lucrative publishing arm, Kagiso Publishers, for 6,63-million shares in Persbel or 16,3%.

Perskor's business interests include 23 regional newspaper titles. It publishes The Citizen and, through its subsidiary Republican Press, puts out magazines such as Thandi, Living and Loving, Essentials and Keur.

Excluding the Perskor transaction, the market capitalisation of JSE companies in which blacks hold significant investments, control or manage, stands at about R19-billion. With a market capitalisation of R1,3-billion, Kagiso's share of 16,3% of Persbel shares translates into about R211-million, pushing the market capitalisation to about R19,2-billion.

This represents only about 2% of the total market capitalisation of the JSE, estimated at more than R1-trillion, but it is a significant increase from about 1% early this year.

The impending sale of 47,7% of the R7-billion mining house Johannesburg Consolidated Investment Limited (JCI) will add a further R3-billion to the market capitalisation. It remains unlikely that the deal will be concluded this year, given the two years it took to conclude the Johnnic agreement.

Kagiso sold Liberty Life a 25% stake in Kagiso Trust Investment for R50-million, and made its debut in motoring through Kagiso Motors, a joint venture with Imperial Motor Holdings. Kagiso Motors has acquired a 50% stake in a Cargo Motors dealership in Auckland Park.

As part of the New Radio Consortium, Kagiso Trust Investment was awarded Radio Oranje and East Coast, two of the six SABC regional radio stations put up for sale.

Thebe Investment Corporation was fairly active, but in lukewarm deals. The group restructured its industrial division, Vuna Industrial Holdings, halted a planned acquisition of a 5% stake in the electronics group Altron, and formed a telecommunications company, Uthingo Communications, in its place.

Thebe's industrial division paid R54,4-million for a 20% stake in the pharmaceutical company Macmed Health Care and R50-million for a 10% stake in ICL Computers, with an option to increase the stake to 35% in five years. Vuna's information technology subsidiary, Bhekisizwe Computers, absorbed the ICL's public-service administration division and Vuna gained 20% of Cepad, an ICL subsidiary.

In July Thebe's financial division, Msele Financial Holdings, and First National Bank announced plans to create a banking group with a share capital of R160-million to follow the merger between Future Bank and Bophuthatswana Building Society with Citizen Bank. According to Thebe, this would create the biggest black-controlled banking group in South Africa, with an asset base of R1,2-billion.

Trade unions — led by the National Union of Mineworkers investment company, Mineworkers Investment Company — were also active in black empowerment. The company made its debut on the JSE through the listing of the Matbomo Group, a retail company it controls, this year. The other shareholder is the Charney group of companies.

In September the Mineworkers' Investment Company and the SA Clothing and Textiles Workers Union Investment Company, via its stake in Africa On Air, which includes Primedia, gained control of Highveld Stereo. The two union investment companies also formed a joint-venture company, the Amalgamated Union Investment Company, which took a 10% equity in motor group Motolink.

Earlier, the National Council of Trade Unions and the Foundation of African Business and Consumer Services teamed up with retired broker Ed Hern to create South Africa's first black stockbroking firm, Equisec.

The state's tentative steps in privatisation also boosted empowerment and the changing face of media in South Africa. The sale of the SABC regional radio stations went to consortiums with a majority of black shareholders, a result of the Independent Broadcasting Authority's guidelines for empowerment.

Dr Nthato Motlana's New Africa Investment was granted Radio Jacaranda as part of the Newshelf 71 consortium, comprising Nasionale Media and the European Development International. It also has the Sowetan newspaper.

Umoya Communication, a consortium comprising Thobeni and Fedlife, was granted Radio Algoa, while Crescent, which comprises a black consortium and First-Corp, was granted KFM.

Rand Merchant Bank sold its interest in Capital Alliance.

According to BusinessMap, Capital Alliance created a pyramid structure which effectively gave the Mzi Khumalo Consortium control of Amalgamated General Assurance Holdings. The Mzi Khumalo Consortium has 50% of the voting pool, Investec has 25% and individuals 2%.

BusinessMap also said the voting pool holds 51% of Saflife, which has 50% of Amalgamated General Assurance Holdings, which owns life assurer AGA Limited and wholesale bank National Discount House.

Wiseman Nkuhlu's Worldwide Africa Investment Holdings is quietly building a reputation as a top player in black empowerment. A few weeks before the Johnnic deal was concluded, it increased its stake in Plessey to 26% from 5%, giving it joint control of the electronics group.

According to BusinessMap, Worldwide Africa and Plessey created Worldwide African Construction — which targets joint ventures in telecommunications-infrastructure installation — with Worldwide Africa taking a 40% equity interest, Plessey 25% and a Japanese company, Marubeni, the remaining 15%. In April, Worldwide Africa paid R100-million for a 5% stake in Bidvest.

The 30 000-strong Women Investment Portfolio paid R46-million to Pepkor for a 10% stake in the retail chain Smart Centre in October. The portfolio was also part of the consortium that was awarded a license for Highveld Stereo.

The momentum for empowerment is likely to increase in the next few years, driven by privatisation and the 23 casino licenses. As in broadcasting, casino groups have been jostling to form consortiums acceptable to provincial gambling boards.

BLACK OWNED JSE COMPANIES

EQUITY NAME	MARKET CAPITALISATION – OCT 96
African Life Assurance	R1 381-m
Botswana Rst Ltd	R5-m
Carson Holdings	R196-m
Citizen Bank Holdings Ltd	R60-m
Corporate Africa Con Pref	R393-m
Corporate Africa Ltd	R239-m
Johnnies Industrial Corp	R8 273-m
Kilimanjaro Investments Ltd	R64-m
Metropolitan Life Ltd	R5 409-m
New Africa Investments Ltd	R1 296-m
Northern Bakeries Ltd	R48-m
Real Africa Holdings Ltd	R1 004-m
Real Africa Investments Ltd	R450-m
Umbono Investment Corporation Ltd 'N'	R50-m
Umbono Investment Corporation Ltd Ord	R1-m
Umbono Investment Corporation Ltd Pref	R5-m
Yabeng Investment Holding Company	R364-m

Graphic: FIONA KRISCH Source: JSE

FRONT-RUNNERS ... Wiseman Nkuhlu and Cyril Ramaphosa, leading the way for black entrepreneurs in South Africa

Labour group sets up training project

(479) (30)

Shareen Singh

BD 29/11/96

THE International Labour Organisation would train 360 South Africans to become supervisors in the small business sector as part of a programme started last November, the organisation's chief technical adviser, Arvind Nante, said yesterday.

The $1,3m programme — called Start and Improve Your Business — has trained 69 supervisors in the past year. A further 25 candidates would start the programme this Sunday.

The trainees, selected by small business organisations, would assist groups of entrepreneurs in starting and managing their own businesses. A second component of the programme was aimed at more established small businesses which planned to expand or improve business performance.

The organisation would leave the project in 1998 and hoped South Africans would continue the training. Nante said the 300 trainers would reach out to 15 000 entrepreneurs.

The programme was being run in 60 countries and the organisation had decided to establish the programme as past of its commitment to provide technical training to member countries.

Strange bedfellows in business

(30) (BM) M+G 29/11-5/12/96

The union between black and Afrikaans chambers of business is a natural step towards economic integration, reports Max Gebhardt

IT could be the most unlikely of marriages, both in terms of historical differences and future ambitions. Yet the Afrikaanse Handelsinstituut (AHI) and the National Federated Chamber of Commerce (Nafcoc) have agreed to begin working towards a single body representing business in South Africa.

This Partnership Initiative, as the tentative union is termed, is set to unite the efforts of South Africa's largest black and Afrikaans chambers of business in an attempt to "serve and promote the economic interests of their members and of South Africa".

The partnership is still at the honeymoon stage and like any newlyweds, they are extremely nervous at upsetting their new-found partners. Both chambers are reluctant to discuss specific success achieved so far. However, their members, they say, are already reaching out across the divide into successful joint partnerships.

The idea for the union was first mooted at a *bosberaad* [informal conference] earlier this year and the executive committees of both AHI and Nafcoc are hoping that by early next year a more formal arrangement can be finalised.

At present they are happily engaged in joint meetings to outline the future of the union in a "spirit of goodwill".

Although an unlikely wedlock, considering the diverse backgrounds the two chambers represent, they perhaps have more to learn from each other than any other two groupings in the South African economy.

Meeting of minds: Representatives of the AHI and Nafcoc at the recent bosberaad

Consider the example of Gencor — which was used as a vehicle to empower the Afrikaans people of South Africa by so-called English business — and the recently concluded sales of Johnnic and JCI by Anglo American to various black consortiums, realised in the name of black empowerment.

The union with Nafcoc, says AHI executive director Jacob de Villiers, was born almost naturally because of the urgent need to unleash the potential of the economy and the country's human resources.

"We knew, when the AHI started up in 1942, that we needed to help our members to gain access to information, capital and technology so that the Afrikaans community could become integrated into the business environment," De Villiers said.

A situation that is currently faced by Nafcoc's members and black business in general. By reaching out towards Nafcoc, De Villiers hopes that through the Partnership Initiative, AHI can impart some of its knowledge to Nafcoc.

"We knew that by reaching out to them and by helping them forward we would be helping the country forward," he said.

There is a strong need at present to help black business gain a measure of access to those resources, which they have been previously denied, says De Villiers, if we plan to develop a successful economy.

"The inequalities of the past placed a heavy burden on society, the economy and the individual. Black empowerment involves the need to do what is necessary to bring them into the economy as equal partners," he said.

De Villiers said AHI's strong membership and their integration into the formal business environment, along with the chamber's well developed *sakekamers* [business chambers], can contribute to the success of the venture.

Nafcoc executive director Phillip Machaba said at the initial meetings there were obvious apprehensions from both sides about the union.

"Barring the divergent backgrounds and objectives we might have had, there was a feeling that there is a need to concentrate on the areas of commonality that we both hold and move towards a sounder South African business environment," Machaba said.

One of those areas of "commonality" is to promote economic empowerment and entrepreneurial development at all levels and the sharing of mutual resources.

"The level of Nafcoc members' businesses is not at the same level of AHI; we hope through this exercise there can be a transfer of skills."

This is one of the many benefits that Nafcoc is hoping to gain from the Partnership Initiative.

The members of both AHI and Nafcoc have taken on board the new partnership with vigour, according to Machaba. Already he has received indications that members have begun making tentative contact with AHI members, though they are treating the initiative with a measure of caution until it has been more formally developed.

The deal, hope the two groups, will allow them to develop new capacity for both their members and their organisations. Future plans are to share resources for mutual benefit and develop joint policy and lobby for those policies together.

But they are not yet at the stage where either AHI or Nafcoc is willing to give up its respective individuality. On certain issues, such as land expropriation, there is bound to be an agreement to disagree.

"We will not sacrifice or compromise our position just for the sake of coming together," Machaba said. But this, he felt, will facilitate debate between the two organisations, although he stresses that it is not a panacea for the ills of the past — rather a move towards addressing those issues.

Sceptics have raised concerns about the AHI/Nafcoc Partnership Initiative. They doubt whether the two chambers have any hope of an effective merger and question the need for a union.

W Coast chamber gets official status

Sacob member from 1997

ARGT 2/12/96 (30)

ESANN DE KOCK
BUSINESS REPORTER

The West Coast Chamber of Trade and Industry will, from January 1 next year, be an official member of the South African Chamber of Business (Sacob).

This formal recognition is expected to silence at least some of the critics of the West Coast chamber.

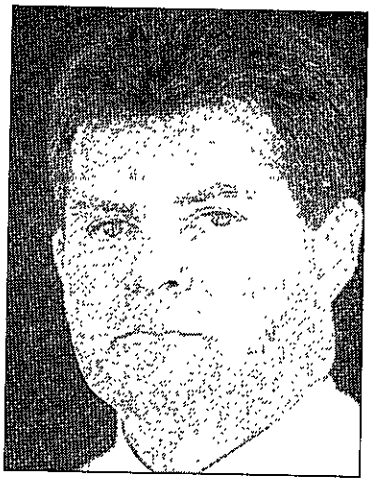
Chamber president Marc Moreau said in an interview that the chamber fulfilled a basic need in the Blouberg substructure.

He said the West Coast Chamber of Trade and Industry was formed eight months ago by people from other chambers such as Tygerberg and Cape Town who saw the need for a new chamber to represent business on the West Coast.

"Business from the Blouberg substructure to areas as far north as Saldanha and Vredenburg is connected via the West Coast and there was a real need to form a uniform body to bring in the more remote areas and to support their activities."

Mr Moreau said the Blouberg substructure, as one of the biggest expanding areas in the Western Cape, provided an opportunity for a local chamber to address business issues in the area.

Although there had been some resistance and criticism initially from some members of the Tygerberg Chamber and the Cape Town Chamber, Mr Moreau said he believed relationships had since improved.



Marc Moreau: 'strong role to play'

"Initially some members of the Tygerberg Chamber of Commerce and Industry believed the West Coast Chamber was head-hunting some of its members.

"We certainly have no intention of imposing on any Chamber. We believe the Cape Chamber of Commerce and Industry has a very strong role to play, especially in a regional context and we hope to work closely with that organisation."

Mr Moreau said some members of the West Coast Chamber had seen the need to also remain members of the Cape Chamber – depending on the size of the businesses.

"Our aim is to occupy ourselves with local issues. We are ethical in our policy and we hope that the good relationship we have with other chambers will improve from January 1 when our membership of Sacob becomes official."

Sacob spokesman Coen Nolte said the West Coast Chamber's application for membership was approved on the grounds that it had a clear vision of its role to develop and support business along the West Coast.

In the light of future development along this part of the coast, Mr Nolte said Sacob believed the chamber had an important role to play. Sacob-affilliated chambers did not simply focus on their own agendas but were united under the Western Cape Forum, which provided a venue for discussion on issues of mutual interest and concern.

Mr Moreau said that although the West Coast Chamber was still in its infancy, it looked forward to strong growth in 1997.

Just a little of the right help can put self-employed on path to success

'One-at-a-time' job creation is a new trend in small business development as enthusiastic amateurs offer start-up assistance to those with no alternative source of employment, write **Ian Clark** and **Gillian Godsell**

(30) BD 11/12/96

ONCE, small business was a career option, something you could choose to do if you did not want to be employed by someone else. For many in SA today, their only chance of working will be in a job they create for themselves.

Jobless whites tend to blame this on affirmative action. But while affirmative action is temporarily exacerbating the local situation for whites, the picture is the same worldwide. Throughout the western world, graduates are unemployed, corporations are down-sizing, and the public service offers no job security.

This is not necessarily bad news: research shows that South Africans with the right resources will end up richer if they take risks, and become entrepreneurs, than if they work for others. But what of those without the right resources of family, education and work experience, those who simply need some help to establish, not a beacon of entrepreneurial success, but a small business to sustain them and their families?

Increasingly, help is at hand from individuals equipped with enthusiasm and concern rather than business development skills. In churches, unemployed members of the congregation are being helped by other congregrants. Families are trying to establish businesses to sustain children or siblings.

Community activists with no formal financial skills, having only energy and commitment to offer, are assisting those with even fewer assets.

These amateur business supporters are set to play a unique and crucial role in SA small business development.

Who can such amateurs help? There is a category of people who will not be able to succeed entirely on their own, but will succeed with just a little of the right help. Those who can succeed on their own, go ahead and acquire access to appropriate resources without needing any intermediaries. Those who are entirely helpless will have to rely on assistance from institutions. It is in between these extremes that individual business supporters come into their own.

If they have neither sophisticated financial skills nor capital to offer, what can these amateurs do? They can provide information and psychological support.

Whether a business is large or minuscule, the business environment in which it must operate is harsh. It is easier to persevere if there is someone at hand to encourage a new approach when the old one does not work, to notice and praise success, and to help separate the ideas of business failure and personal failure. Enthusiasm is the asset sports supporters offer to their teams. Likewise, the enthusiastic encouragement of a business supporter might make the difference between giving up, in the face of difficulties, and persevering to success.

Affirmation of success is also important. SA has not traditionally been an enterprise-friendly society. Although this is changing slowly, there is a lingering view of independent business success as a poor second prize: not the same as professional success or a place at the top of the corporate or political heap. Constant affirmation is needed to counteract this.

Information is as important as support. Public discourse on business has revolved around political issues of policy and direction. User-friendly business information is not widely available. Analysis of practical factors contributing to business success and failure has seldom been part of the public discussion, or filtered down to potential small-scale proprietors. Particularly important is an understanding of markets and how to access them.

The business supporter can help to develop a habit of market awareness and critical thought. By constantly asking simple questions — "why do you think this business does well, why do you think that one failed, do you think these new ventures will succeed?" — the supporter can encourage a cause and effect mindset, in place of the often prevalent magical thinking patterns.

Magical thinking ascribes success to factors such as race or divine intervention, which are not under the control of the individual. Logical thinking replaces this determinist pattern with explanations such as the diligence of the business owner, the acceptability of goods to consumers, and the presence or absence of competition. These are factors which can be modified.

Logical thinking about business is most likely to take root when it is reinforced by a peer group. It is helpful that amateur business support is often offered within the context of a community or church or other group. One of the useful things a business supporter can do is explain the importance of resources other than money. A community may provide resources such as networks, forums for discussions on marketable ideas or reasons for failure, and a potential market.

The trend towards amateur business support is healthy for small business development and for the country. While there are only a few business development experts out there, there are many potential business supporters. While working one-on-one has the disadvantage that only a few people can be reached by each supporter, this is counteracted by having a single individual's success as sole goal of the interaction.

Too often, small business development projects have seen individual success as the means to one or other commendable end: economic growth, poverty alleviation, promotion of a black middle class. For the business supporter, what is important is this person's success at this time. Other good things may follow, but they will be by-products, not end goals.

The trend is healthy for the country, because it reflects a perception that government cannot help all needy citizens, and a willingness on the part of individuals to accept this responsibility.

□ *Clark and Godsell are lecturers at the Centre for Developing Business in the management faculty at Wits University.*

Small business agency boss quits amid theft allegations

(30) Star 18/12/96

The recently appointed chief executive officer of the government-established Ntsika Enterprise Promotion Agency, June Mkhwanazi, resigned yesterday following reports that she was wanted by the Swaziland police for alleged theft from the Swazi government six years ago.

Ntsika board chairman Mashudu Ramano announced Mkhwanazi's resignation at a press conference at the agency's offices in Pretoria.

Mkhwanazi, a former civil servant in Swaziland's Ministry of Natural Resources, did not attend the press briefing.

Reports that the Swaziland police had a warrant of arrest out for Mkhwanazi appeared barely two weeks after her appointment last month. Mkhwanazi later took leave to try to clear up the matter, which she described as a misunderstanding.

At yesterday's press briefing, Ramano said the Ntsika board had appointed a firm of attorneys to visit Swaziland and investigate the allegations against Mkhwanazi.

He said a senior official of the Ministry of Natural Resources had confirmed that the department had laid charges against Mkhwanazi.

"However, the investigating attorney was not able to obtain written confirmation or substantive evidence," Ramano said.

"Notwithstanding the unproved nature of the charges, Ms Mkhwanazi has agreed to stand down from the position with immediate effect."

Ramano said that in taking this decision, Mkhwanazi had placed the interests of Ntsika and the development of the small business sector first.

"The process of recruiting a new chief executive officer would begin immediately. "The same transparent and open procedure will be followed again, free of any external interference," Ramano said.

The board will carry out the duties of the chief executive until a new appointment is made. Ramano said Ntsika would not be deterred from its objectives by what he called a temporary setback.

Mkhwanazi was a partner in a business development and planning consultancy in Cape Town before being appointed chief executive of Ntsika.

She left Swaziland in 1990 while working as a senior planning officer with the Ministry of Natural Resources.

Shortly after she left, several reports appeared in the Times of Swaziland newspaper about the disappearance of government funds. Mkhwanazi was named in those reports by her married name, June Richards, as being wanted for questioning in connection with the matter. She did not return to her job in Swaziland.

Two weeks ago a senior Swazi police officer confirmed Mkhwanazi was wanted for alleged theft by false pretences and that a warrant of arrest was still out for her. The officer, who did not want his name used, said she was wanted for alleged misappropriation of more than R200 000 from the Ministry of Natural Resources.

"There is no question about it. The docket is quite clear. We do want her," he said, adding she would be arrested immediately if she were seen in Swaziland.

It could not be established whether Mkhwanazi returned to Swaziland in recent weeks to discuss the allegations with the Swazi authorities. – Sapa.

The Star | Wednesday December 18 1996

Executive quits over allegations of theft

(30)

Star 18/12/96

Ntsika boss wanted in Swaziland for misappropriation

June Mkhwanazi, recently-appointed chief executive of the government-established Ntsika Enterprise Promotion Agency, resigned yesterday following reports that she was wanted by the Swaziland police for theft from the Swazi government six years ago.

Ntsika board chairman Mashudu Ramano announced the resignation at the agency's offices in Pretoria. Mkhwanazi, a former civil servant in Swaziland's Ministry of Natural Resources, did not attend the press briefing.

Reports that the Swaziland police had a warrant of arrest out for Mkhwanazi appeared barely two weeks after her appointment in November. Mkhwanazi later took leave to try and clear up the matter, which she described as a misunderstanding.

At Tuesday's press briefing Ramano said the Ntsika board had appointed a firm of attorneys to visit Swaziland and investigate the allegations against Mkhwanazi.

He said a senior official of Swaziland's Ministry of Natural Resources had confirmed the department had laid charges against Mkhwanazi.

"However, the investigating attorney was not able to obtain written confirmation or substantive evidence," Ramano said.

"Notwithstanding the unproved nature of the charges, Ms Mkhwanazi has agreed to stand down from the position with immediate effect."

The process of recruiting a new chief executive officer would commence immediately. "The same transparent and open procedure will be followed again, free of any external interference," Ramano said.

The board will carry out the duties of the chief executive until a new appointment is made.

Ramano said Ntsika would not be deterred from its objectives by what he called a temporary setback.

Mkhwanazi was a partner in a business development and planning consultancy in Cape Town before being appointed chief executive of Ntsika.

She left Swaziland in 1990 while working as a senior planning officer with the Ministry of Natural Resources.

Shortly after she left several reports appeared in the Times of Swaziland newspaper about the disappearance of government funds.

Mkhwanazi was named in those reports by her married name, June Richards, as being wanted for questioning in connection with the incident.

Two weeks ago a senior Swazi police officer confirmed to Sapa that Mkhwanazi was wanted for alleged theft by false pretences and that a warrant of arrest was still out for her.

The officer, who did not want his name used, said she was wanted for alleged misappropriation of more than R200 000 from the Ministry of Natural Resources.

"There is no question about it. The docket is quite clear. We do want her," he said, adding that she would be immediately arrested if she were seen in Swaziland. – Sapa.

Alex chamber of commerce thrives

(30)

The main threat to established business was from the mushrooming informal sector

Star 10/12/96

By Anna Cox
Sandton Bureau

Against all odds, determined entrepreneurs in Alexandra, north of Johannesburg, have spent the past two decades slowly building their businesses.

During the past five years the Alexandra Chamber of Commerce (Alexcoc) has emerged as a central force representing business at all levels.

Led by pharmacist Makhensa Khuvutlu, the chamber has grown and, in the face of changing retailing in the area, established a sound footing for future business. However, the main threat to the established business sector has come from the mushrooming informal sector, says Khuvutlu.

There is a spaza shop on almost every street corner in the township.

"This has resulted in the formal sector remaining static in Alex. It presented us with a great challenge. But we realised that because of unemployment, this was a survival strategy and we had to find a way to co-exist.

"We pulled them in for talks and tried to work out a solution whereby they would not operate in direct competition in an area where there was a formal business supplying the same goods or services. We explained that in many circumstances, the spazas could be complementary to formal sector and both would benefit," he said.

Khuvutlu said the 24-member chamber realised years ago that in the light of economic transformation it had to accelerate its pace if it did not want to become a spectator in the business game.

About four years ago, the chamber formulated 12 basic principles and has slowly been working through them.

> **"We have acted as matchmakers"**

"Our main aim was to unite Alex business so the chamber could serve as a vehicle or facilitator for them. We wanted to access capital for black business and we invited banks which favoured black business to talk to us. This created an environment in which members could seize opportunities to start or expand their own businesses.

"We also invited the suppliers around us in the traditionally white areas to give us collective chamber discounts. The chamber also proved to be a forum through which members could avail themselves of the opportunity of interacting and going into joint ventures in the development of small, medium and macro enterprises. We have acted as matchmakers for sub-contractors and have linked up with other chambers to exchange ideas," he said.

The chamber was also used as a coalition for collective bargaining. It was involved in a stokvel and other financial schemes to assist members with liquidity, to consult with local authorities, to find harmony between taxi associations, different industries, hawkers and spazas, said Khuvutlu.

The chamber has organised various competitions for its members to improve their businesses. It has run a shop of the month competition to encourage better appearances, staff service, a business person of the year competition and a most promising business of the year competition.

"This has been done to instil a competitive spirit. We want to change the face of retail in Alex," he said.

He said the chamber wanted shops to have good appearances, polite and trained staff, and to provide a good service.

Other areas Alexcoc looked at were privatisation and tendering, franchising and international exchanges linking up with overseas chambers and trade fairs.

A ladies' chamber was started two years ago which runs its own programmes and stokvel. "This was started to empower women in business. It consists mainly of women who run small businesses.

"They work together, source materials and fabrics, and generally strive to improve their business. This has been one of our success stories," he said.

Ntsika boss resigns

(30) Sowetan 18/12/96

Controversy over missing R200 000

SA Press Association

THE recently-appointed chief executive officer of a Government-established small business promotion agency, Ms June Mkhwanazi, resigned yesterday amid reports that she is being sought by Swaziland police for alleged theft from the Swazi government six years ago.

Board chairman of Ntsika Enterprise Promotion Agency Mr Mashudu Ramano announced Mkhwanazi's resignation at a Press conference at the agency's offices in Pretoria.

Mkhwanazi, a former civil servant in Swaziland's ministry of natural resources, did not attend the Press briefing.

Reports that the Swaziland police had a warrant of arrest out for Mkhwanazi appeared barely two weeks after her appointment in November. Mkhwanazi later took leave to try to clear up the matter, which she described as a misunderstanding.

At yesterday's Press briefing Ramano said the Ntsika board had appointed a firm of attorneys to visit Swaziland and investigate the allegations against Mkhwanazi.

He said a senior official at Swaziland's ministry of natural resources had confirmed that the department had laid charges against Mkhwanazi.

"However, the investigating attorney was not able to obtain written confirmation or substantive evidence," Ramano said.

Not proved

"Notwithstanding the unproved nature of the charges, Ms Mkhwanazi has agreed to stand down from the position with immediate effect."

Ramano said that in taking this decision Mkhwanazi had placed the interests of Ntsika and the development of the small business sector first.

The process of recruiting a new chief executive officer would start immediately. "The same transparent procedure will be followed again, free of any external interference," Ramano said.

> 'Mkhwanazi is wanted for the alleged misappropriation of funds'

The board will carry out the duties of the chief executive officer until a new appointment is made. Ramano said Ntsika would not be deterred from its objectives by what he called a temporary setback.

Mkhwanazi was a partner in a business development and planning consultancy in Cape Town before being appointed chief executive of Ntsika.

She left Swaziland in 1990 while working as a senior planning officer with the ministry of natural resources.

Soon after she left several reports appeared in the *Times of Swaziland* newspaper about the disappearance of government funds.

Mkhwanazi was named in those reports by her married name, June Richards, as being wanted for questioning in connection with the incident. She did not return to her job in Swaziland.

Two weeks ago a senior Swazi police officer confirmed to *Sapa* that Mkhwanazi was wanted for alleged theft by false pretences and that a warrant of arrest was still out for her.

The officer, who did not want his name used, said she was wanted for alleged misappropriation of more than R200 000 from the ministry of natural resources.

"The docket is quite clear. We do want her," he said, adding that she would be arrested immediately if she were seen in Swaziland.

It could not be established if Mkhwanazi has returned to Swaziland in recent weeks to discuss the allegations with Swazi authorities.

June Mkhwanazi ... wanted in Swaziland.

Delays rob blacks of contracts

(30)

Nissen raps Cabinet

ARG 21/12/96

ALIDE DASNOIS
BUSINESS EDITOR

Black business is still not getting much of the R400-million in contracts put out to tender each year by the Western Cape government because the provincial cabinet is dragging its heels on a new tender policy.

Provincial Minister of Economic Affairs Chris Nissen has rapped fellow-ministers over the knuckles for failing to adopt the new tender policy guidelines announced by the central government in August.

'Since August not one black-owned business has won a provincial contract'

The state's new 10-point plan stipulates that the Tender Board must take into account not only the tender price but also the composition, by colour and gender, of the tendering company when awarding contracts.

The plan also calls for recognition for companies which promote the objectives of the Reconstruction and Development Programme (RDP).

In addition, government departments have been told to keep a register of small businesses and to approach them in turn for contracts worth less than R20 000.

Bigger contracts must be broken up so that smaller businesses can get a slice.

But none of this is happening yet in the Western Cape because the 10-point plan has not yet been approved by the provincial cabinet, in spite of recommendations by the provincial Tender Board.

Current Tender Board procedures favoured bigger and better-established businesses, Mr Nissen said. Since August not one black-owned business had won a provincial contract, he said.

His department – Economic Affairs and RDP – was trying to implement aspects of the 10-point plan by inviting black businesses to tender.

The RDP fynbos project, which had created 3 000 jobs, had empowered disadvantaged communities, Mr Nissen said. But other line departments were taking advantage of the policy vacuum to continue to give contracts in the old way.

"It is unacceptable that the provincial government continues to pursue tender procurement policies and procedures which further disadvantage the disadvantaged."

Present policy forced smaller businesses to under-quote and to pay workers less in a bid to compete with established companies, Mr Nissen said.

Major contracts which would be up for grabs if the policy was changed are believed to include the R56-million information technology contract, 70 percent of which has been awarded to one company, and the R89-million municipal infrastructure programmes, all of which have gone to big white-owned businesses.

A task team appointed by the provincial Tender Board, chaired by Tender Board deputy head Constance Isaacs, has recommended the application of the state plan. She could not be reached for comment yesterday.

(30)

Small business 'must speak out'

CT (BE) 2/9/96

By Stuart Rutherford

Durban — Small businessmen needed to air their concerns within employer federations if they wanted to defend themselves against larger companies and unions in the new legislative environment, Basil Smith, a director of Smith and Associates, said on Friday.

Speaking at a Business Opportunity Centre meeting in Durban, Smith said that in the past, small business's silence had meant there had been no particular regard given to this important sector by the new labour legislation.

"If you stay with the large herd, you are less likely to be eaten by the trade unions or the larger corporations than if you stay by yourself," he said.

Although small businesses could theoretically have an equal vote within federations, making representations was difficult since meetings were often held only in the bigger cities and small businessmen could not afford the time away.

In addition, the corporate sector was not eager to provide small businesses with much protection because the smaller companies were their competitors.

Smith urged small businessmen to communicate with their employees about the business and to realistically explore the new legislation.

"The law is there and it is in your interest to abide by the law, but the law is slothful in many ways. So if you are in a position lawfully to act unlawfully then do it."

He welcomed the introduction of disclosure of information in the new Labour Relations Act, and encouraged firms to make all their financial information available to unions and then hold them accountable for their subsequent actions.

He said in many cases small businesses had nothing to fear with disclosure since many union officials could not read a balance sheet.

"The union will also focus more on umbrella issues such as provident funds, medical aids and employment security, which will give the small businessman space to focus on productivity."