COMMERCE - GENERAL 1998

Private firms find aid for small business 'unwelcome burden' BD 5/1/98 30)

Patrick Wadula

GOVERNMENT requires private sector assistance in implementing immediate and practical steps to develop SA's small-, medium- and micro-enterprises (SMMEs) if it is to achieve its economic goals, says a recent survey.

However, international market research company Tinrac found that most private companies considered the process an unwelcome burden and were not taking "practical measures" to benefit the economy

as a whole.

chairman Bobby Tinrac Fourie said government was making progress in achieving the aims set out in its microeconomic plan pertaining to small, medium- and microenterprises. However, the involvement of big business was critical to the advancement of small businesses, particularly

in the area of exports.

The private sector had to rid itself of its "rats and mice" approach to small businesses or its own future would fade along

with the economy.
"SA will not be able to achieve its economic goals and

its macroeconomic policy is likely to fail if empowerment efforts are concentrated on macro industries," Fourie said.

Research indicated that it was critical for SA to develop an industrial strategy to enable small businesses to become competitive within the global market. "This strategy relies on the participation of the private sector, which would be required to initiate the process by supplying small businesses with export contracts as an entry into this market.

"This strategy could be re-ferred to as the piggyback initiative', which is vital to small businesses being able to sus-

tain themselves over the long term in an increasingly competitive market.

Fourie said some parastatals, such as Denel, were taking the process seriously and had achieved success in empowering small companies, so government should not have to make excuses for using its parastatals in this way.

Financing small business initiatives remained a problem, but government was making progress in this area and banking group Absa showed an understanding of the needs of

small business.

The firms that took part in the survey suggested the formation of an accreditation board to monitor, assess and evaluate the training given to emerging entrepreneurs.

Fourie said Nedlac would be best suited to take the lead in the development of such a board.

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countrywide on

seminars o

Labour Relations Act.

Shareen Singh

kaanse Handelsinstituut and the National African Federated Chamber of Commerce (Nafoce), which represents black business, edged closer last, year and efforts are being made to "gel" the relationship.

Institute executive director Jacobe Villiers said a merger of the diverse organisations "could not be BUSINESS organisations the Afri-

precluded sometime in the future". However, at this stage "we are independent organisations and work

is needed before we can start talktrust and move to a point where we ing of a merger. We need to build see the necessity of a merger."

Nafcoc and the Afrikaanse Hana company last February which the organisations use as a vehicle to delsinstituut (AHI) agreed in Sep-They subsequently established advance their relationship through tember 1996 to form a partnership. joint projects.

AHI and Nafcoc members had formed several joint venture businesses, some in the process of being financed, while others were at a discussion phase, De Villiers said. He said the relationship be-tween the AHI and Nafcoc had advanced significantly and last year

> past year, the two organisations ran more than 30 joint training De Villiers said that, over the

the the two organisations sent a joint level to start participating in joint delegation to the labour portfolio projects. A few such meetings had uled to committee to represent their comparate place successfully. De mon position on the Basic Condi-A further 10 were scheduled to take place in the coming weeks. The International Labour Organisation had granted just more than R300 000 to fund the seminars.

that certain measures were needed to "gel their relationship", De Vil-liers said. "This can be done only if tions of Employment Act.
The organisations decided at a conference in September last year we have better communication and an honest approach."

Nafcoc and the AHI resolved to low their members at grassroots hold joint provincial councils to al-

Villiers said.

mitted to training at all levels of Both organisations were combusiness and held a workshop three months ago with academics and representatives from the trade and industry department, the Small Business Development Corporation and Dutch organisations involved in training.

A training strategy was being formulated.

Jash snags hobble small irms in contracts race

Lenders reluctant to back tender bids since July last year, both tender documents, which we the contract had

BUSINESS EDITOR

government contract work is slowly opening up to small businesses, but a lack of finance is still a serious obstacle, say experts. The huge market for

Joseph Matolengwe of the Cape Fown Job Creation Centre and ment of Trade and Industry of tender advice centres across the country had helped small business enter the market, said Chantal Hendricks of the Busi-The creation by the Departness Opportunities Network.

a network of tender advice cenorganisations have been part of tres charged with helping small business compete for government contracts.

bridging finance for the small

business tendering for a job."

Mr Matolengwe said not only

hope will be simplified further.

But the main problem is still

Mr Matolengwe, about 80% of The Job Creation Centre had helped small businesses put through about 300 tenders, said them for repair and renovation work. But only five of the tenders had been successful.

"There are still snags in the prising, and we think we will see "This slow start is not sursuccess stories this year.

the contract had been

businesses had completed the gramme – most of them seeking Ms Hendricks said about 100 BON tender training procontracts of less than R20 000, for which tenders were not neces sary, she said

ion among small businesses but there's still a lot of frustra-"There are success stories, that are not getting the work."

able and they can seldom pro-

vide security

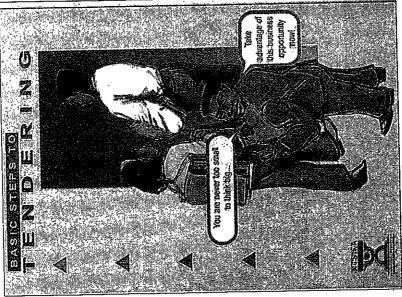
tions were still reluctant to lend

banks but also service organisa

o small business. "Small con-

tractors are thought to be unreli

ment policy was an obstacle to Uncertainty about provincial and local government procuresmall business, she said. nesses to tender at "suicidal" prices, only to find themselves unable to repay a bank loan once He said a lack of experience sometimes prompted small busi



Tender attention: small businesses can find out how to tender for government contracts from advice centres in the city

Meeting over rent dispute

By Shadrack Mashalaba

A MEETING to resolve the dispute over the non-payment of rent at the Small Business Development Corporation's industrial unit in Sebokeng will be held today at the Tower Hive in Industria, Johannesburg.

The meeting follows a successful court application at Vanderbijlpark which was filed by the SBDC against the tenants last October, many of whom are members of the Gauteng Province Industrial Parks Association (Gapipa).

The meeting will be attended by representatives from the SBDC,

Gapipa and the Gauteng Provincial Small Business Council.

When the application was filed the Sebokeng tenants were owing SBDC about R140 000 in rental arrears.

SBDC's head of property in Gauteng Central Region Jan van der Walt said an agreement was reached last year that tenants would start paying. Van der Walt said the SBDC was disappointed that the tenants had not performed.

"In the previous two months there have been no payments forthcoming. We only received about five percent of the total payments," Van der Walt said.

IN BRIEF

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PRETORIA — Gauteng safety and security MEC Jessie Duarte has called for a private sector code of conduct in which top earners have to open their financial records to public scrutiny. Stephané Bothitiz

in government as we have to declare our income. The detection of fraud in tives guilty of fraudulent action should be published in a bid to combat whiteterday, she said the names of execucolfar crime. "It is easy to detect fraud At a panel discussion on crime yes-

the private sector is always a fluke."
• Duarte said she had first raised the organised business two years ago, but had now taken it up with Business Against Crime. issue with

Gauteng Safety and Security MEC Jessie Duarte and provincial police commissioner Sharma Maharaj at a news conference yesterday.

warte calls for

anyone, except the receiver, where they suddenly obtained R1m from. They can also buy property and other Duarte said the financial records of that information was protected by legislation. "They do not have to explain to op executives were open to scruting only by the receiver of revenue and assets without having to explain.

caught in a fraudulent act, they are not fired, but merely asked to resign. They are free to move on to another company to continue their criminal activities." "When many of these executives are

On the release of stockbroker GregBlank from prison after having served sa. a term for fraud, Duarte said the media

f private Sector transparence from the possibility of black being ashamed of his act, the rotten and listing executives guilty of fraudulent being ashamed of his act, the rotten and conduct had been raised.

SA was very high and crime would not be stopped while members of the public . Duarte said tolerance for crime remained dispassionate onlookers.

Business Against Crime GM Dayid Clephane described Duarte's callsto open financial records to the publica right to privacy and the public's righ business executives is a philosophita "a drastic move", and warned that balance should be struck between records. "Whether to open records. to have insight into criminals' financ issue and does not fall within framework of our organisation."

Belinda Anderson

THE private sector responded yester-day with scepticism to Gauteng safety and security MEC Jessie Duarte's call for the earnings of top executives to be open to public scrutiny in a bid to re-duce white collar crime.

She proposed a code of conduct for the private sector requiring top earn-

the proposed a code of conduct for the private sector requiring top earn-ers to disclose their financial records. Council of SA Banks spokesman Lincoln Mali said Duarte should be supported in her efforts to combat business-related crime. Ever, he said her focus on the private sector was "inappropriate" given that shareholders', rather than taxpayers', money was at stake.

stake.
"Our policy is not to disclose our top people's earnings," said a Standard Bank spokesman.
First National Bank's Mick Ellingham declined to comment, calling the issue "tricky". Anglo American and De Beers also declined to comment.

Comment: Page 7

te's plan met with scepticism

Belinda Anderson

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Comment: Page 7

NUM rejects black empowerment deal

By Shadrack Mashalaba

BLACK-led mining group African Rainbow Minerals and Exploration Company (ARM) has bought six shafts from Vaal Reefs Exploration Mining Company, a division of Anglo American, for R40 million.

The purchase by ARM includes Shafts One, Three, Four, Five, Six and Seven, and excludes all major equipment and winders. ARM will also purchase Anglo's contract mining company, Naledi Mining Services, for R1,8 million.

National Union of Mineworkers president Mr James Motlatsi said his union rejected the deal in its entirety.

"Anglo American is running away from its social responsibility. We have been briefed that the deal is a black empowerment initiative, however, we will be watching with a critical eye as the process unfolds," said Motlatsi.

In terms of the deal Shaft Two will only be sold to ARM with effect from the date on which ARM obtains the required mining and operations authorisation from the Department of Mineral and Energy Affairs.

The merger of four Eastern Cape economic parastatals into the East Cape Development Corporation will continue despite a string of hired and fired interim boards and fraud investigations.

Since March 1994 the provincial government's economic affairs department has gone through four

boards of directors

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Doards of directors.

The most recently appointed are a high profile trio consisting of Transkei presidential project team chairman Pepi Silinga, Border-Kei chamber of business CEO Peter Miles and senior economic affairs department staffer Simon Monyeni.

The three will oversee the end of fraud and corruption investigations, and appoint a CEO so the staff structure and appointments for the East Cape Development Corporation can be finalised.

At present, staff of the Transkei Development Corporation, Ciskei People's Development Bank, Transkei Small Industries Development Organisation and Ciskei Small Business Corporation are working independently, and will have to apply for posts in the new organisation.

In 1994 the four boards of directors were merged, and in 1996 a transitional board was set up, with Campbell Bomela as CEO. That board was replaced in the middle of last year, and members left without signing or verifying the 1996/97 annual report which had glaring irregularities. The next board was given a five-year term, and tasked to oversee the final

mergers of the former homeland development agencies into a self-funding organisation.

Last year the merger process, with a February 1998 deadline, was halted when investigations by the special investigating unit of the Heath commis into mismanagement reached a peak.

Economic affairs spokesman Kulile Radu said those investigations included a R22m Malaysian investment deal which went wrong, unspecified com-plaints against board members and probes into irregular perks for Bomela, including monthly allowances of more than R13 000. However, Radu said the probes were not into Bomela as an individual, but into the organisation as a whole. — ECN.

Body to monitor black empowerment efforts

BLACK business organisations plan to scrutinise black economic empowerment deals and assist in drafting a programme ensuring the full participation

of emerging businesses in SA's economy.

Black Management Forum acting MD Jimmy Manyi said a strategic workshop next month would pave the way for a commission on black economic empowerment.

The commission would work with other black business organisations under umbrella body Black Business Council, he said. Included in the council were the National African Federated Chamber of Commerce (Nafcoc), Foundation for African Business and Consumer Services (Fabcos) and other black professional bodies.

Manyi said the commission would investigate the role played by both the private and public sectors in implementing black empowerment deals and develop a clear definition of black economic empowerment.

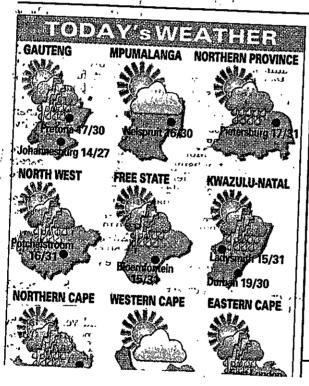
"We want the term to mean real empowerment and not just a deal for a black business group that

won't succeed in the long term," he said.

A code of ethics and a disciplinary code for black executives aimed at eliminating corruption and mismanagement would also be published this year

Nafcoc recently called for a national stakeholders' conference between government, established business and small enterprises.

Fabcos executive director David Moshapalo said it would focus on assisting blacks to move into the manufacturing sector. Other areas of focus would include tourism, information technology and the construction industry.



ip to boost SMI mentation of the LBSC programme.

WITH THIS week's formalised partnership between Ntsika Enterprise Promotion Agency and the Local Business Service Centre Association (LBSCA), support for SMME growth in South Africa entered a new phase.

Whereas Ntsika seeks to create an entrepreneurial business culture in SA, the partnership with LBSC adds meaning and makes a substantial contribution to

the concept of local economic empowerment.

Established by the Department of Trade and Industry some two year's ago, Ntsika has accredited 26 small business centres and provided R1,2 million in aid to 40 business other service providers for this financial year.

In the interests of developing the LBSC network further, Ntsika

a grant of R64 000 for start-up and op-

erational costs: 1/2 development di ... vision head Sifiso Ndwandwe said they have been involved in a process of strategic planning for the imple-

17.

This process involved the development of a five-year strategy and has been informed by the lessons learnt in the pilot phase of the programme.

"This strategy for accrediting new service providers will be tested in this round of accreditation that has already started and ends in March,' Ndwandwe said.

According to the strategy, qualifying service providers should for-

application ward forms to the provincial SMME desk then would who pass them to Ntsika for evaluation and short-listing. Once short-listed, organisational assessment and a panel presentation will be done in each province to further asses the organisation.

It is said the objective of this process is to accredit 30 new LBSCs nationally by the end of this financial year. This will mean that by the end of March

has also awarded 1998, SMMEs will the newly formed LBSC Association have access to 56 accredited LBSCs a grant of R64 000 for start-up and on a condition and a condition and a condition and a condition are conditional and a condition and a condition are conditional and a condition and a conditional and a condition are conditional and a conditional and

and 40 approved service providers. CEO for Nisika Kate Moloto says to date Nisika has already funded 66 service providers.

The next round of accreditation will take place in September.



LOCAL EMPOWERMENT... Ntsika's CEO, Kate Moloto.

More job losses feared in mo retailing indus

Lucia Mutikani

THE depressed motor retailing industry had shed about 5 000 jobs nationwide in the past two years and at least 60 franchised dealerships had folded, Mc-Carthy Motor Holdings CEO Brand Pretorius said at the weekend.

Further job losses and closures were expected as the industry braced for a tough trading period, par-

ticularly during the first half of this year.

The industry had experienced a rapid decrease in the number of monthly vehicle sales, a situation which worsened last November when sales plummeted by almost a third compared to the same month last year. The poor sales have been blamed on high interest rates and the sluggish macroeconomy.

In the past two years the number of franchised dealers had decreased from 1 420 to 1 360. Pretorius said it was expected to fall to 1 200 by 2000.

"The first development driving fundamental change is the motor industry development plan, which was launched in September 1995," he said. "Due to the sharp reduction in protective tariffs we have seen an explosion in the number of suppliers now competing for market share in a fairly stagnant new vehicle market."

Pretorius said many franchised dealers were struggling to adjust to the competitive environment

brought about by the development plan.

"Due to the price reductions and an abundance of special offers and discounts, profit margins on new vehicles have dramatically declined. An aggravating factor is the swing towards buying low-priced entry level cars where margins are limited," he said.

He said significant price reductions in the entry level market had also dented used car profit. Because of the high stock levels, interest was absorbing a ma-

jor percentage of retained profit on new vehicles.

Profit margins in the after sales area are declining too in the quest to offer customers better value. All these factors place severe pressure on motor dealers. Motor dealers have leaned down their expense structures. To reduce their dependence on new vehicle profits, many have branched out into synergistic business activities such as financial services, accessory fitment and panel shops.'

He said it was most likely the balance of power in the motor industry would shift more towards the retailers. "Some manufacturers are already becoming concerned about the influence of the major retailers and this may prompt them to investigate alternative methods of distributing and servicing their vehicles.

Pretorius said dealers would have to get used to lower levels of new vehicle stock on floors because the high interest rates made inventory holding costs prohibitive for both dealers and manufacturers

"A much leaner distribution system will be an inevitable consequence. Internationally the trend strong towards customer-driven vehicle production.

ncils helpless while illegal businesses mushroom

Too few municipal officials means there is no policing of the by-laws on enterprises set up in homes

By ARMA COX

Lat an alarming rate with some 300 reported cases - numbers which authorities suspect are just hannesburg are mushrooming "Hegal businesses in Greater Jo the tip of the iceberg.

and opening businesses wherever eral inability and lack of capacity within the councils to deal with And, because there is a total breakdown in law enforcement in most local councils, people are flouting town planning legislation they choose, knowing there is a genthese issues.

is getting out of hand. They claim that illegal businesses are proliferesidential neighbourhoods, and are causing health and fire risks as rating everywhere, including on sidewalks and in private homes in Local councils are extremely concerned, and fear that the matter

councils, such as the Northern fill enforcement posts, and some claim, in the declining numbers of straints, the councils are unable to There is evidence of this, they Because of severe financial conwell as devaluation of properties. town planning applications.

council, does not have one enforcement officer for a 343 000sq km area. The result of this is that greater

Enforcement posts cannot be filled

ting service infrastructure and local authorities are being deprived demands are being placed on exissubstantial finances in the way engineering services.

The illegal uses attract other

problems, among them that surrounding land owners use the situising effect on planning frameworks and in the physical deteriomechanism to stop this practice is a court interdict, which costs in the ration of properties. The only ation as justification to similarly break the law, which has a destabil region of R25 000 per application.

follow up the matter to ensure it This often gets dragged through the courts for months and even if the council wins, there is no staff to does not happen again.

In the Northern council, where there are 150 reported illegal uses, who, until recently, were using their there are only eight town planners own cars for council business.

During the past six months, a without permission, said head of ting impatient and going ahead backlog of 100 applications has accumulated, resulting in people get-

Sfaw $2\sigma/1/98$ urban planning Tiaan Ehlers.

it was difficult to bring the first The Western council has 1700 advertising, Kobus Theunissen said reported cases with only one enforcement officer. Manager, outdoor world and the third world together

"We are in a situation of limbo which is difficult, and we do not have enough manpower to bring the situation under control," he said.

Soweto area two officers has only

The Southern council has the worst problem, with 3 427 cases and only two law enforcement officers.

Jameel Chand said Soweto has a big problem with illegal businesses Communications

R

ficers, which was not sufficient, he There are only two enforcement of-

ported cases of illegal land use and The Eastern council has 2 000 rehas three enforcement officers.

Many of the problems come hundreds of illegal car repair and panel beating businesses have opened on sidewalks and in homes. from the eastern area of Malvern, Troyeville and Jeppe areas where

Metro traffic department, which is nesses in public areas, said it was The Greater Johannesburg supposed to police illegal businot in "enforcement mode".

Mackay said traffic officers had blitzed Hillbrow earlier this year but were now doing ěducation work Chief superintendent Conel with street traders

He said the situation was being monitored and would be re-evalu-

By Wilson Ramothata

MICRO and small business enterprises will receive a major boost in the form of loans from the Volunteers in Technical Assistance-Micro-Enterprise Support Project (Vits-MSP), financed by the United States Agency for International Development (Usaid) to make their working capital loans grow.

Vita-MSP will grant minimum loans of R5 000 and a maximum of R50 000 to the applicants.

All applicants to the loan programme must have been in the same business for two years or more in order to provide information for their growth.

Project director Simon Aphane told Sowetan Business yesterday that historically disadvantaged micro and very small enterprises were still experiencing problems in getting loans to finance their businesses.

"The commercial banks; including the Small Business Development Corporation, are reluctant to make business loans of less than R50 000 because they claim that these loans were not profitable for their organisations," said Aphane.

Aphane said the Vita-MSP was targeting growing businesses because they provide potential to create jobs as they grow into the small and medium sized enterprises.

According to him the Vita-MSP has already established links with several intermediaries, such as small businesses from the private, public and nongovernmental organisation sectors and affirmative procurement divisions of large corporations and government departments.

Most of the project activities were concentrated in Gauteng and were now_spreading to Mpumalanga, Northern Province and North West.

"This project is run on sound business principles so that it ultimately becomes self-sustainable. One can look at the current democratic government's approach to community development projects – it emphasises project self-sustainability," he said.

Aphane said the loan scheme would help historically disadvantaged businesses to join the mainstream economy of the country.

For more information contact project—director Mr Simon Aphane at (011) 315-8831, fax (011) 315-8835.

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project to help sma sinesses raise ca

Patrick Wadula

US-BASED international consulting and investment banking firm Eccles Associates yesterday launched its Equity Access Systems (Easy) project to assist small, medium and microenter-prises with raising venture capital and

loan financing.

The initiative, which is jointly funded by the US Agency for International Development (USAid) and Eccles, will support new business ventures and expansions.

Eccles MD Radika Weddle said the goal of the project was to facilitate access to capital for historically disadvantaged people and enterprises.

"These groups often lack the dealmaking experience and assets traditionally required for financing by the SA banking sector," she said. Weddle said under the Easy project,

investment advisory firms sought out and assisted small businesses in acquiring venture capital and loans to start a business.

Investment advisory firms also assist in buying a business or expand-

ing already existing ones.
"The investment advisory assist small businesses to develop innovative proposals and guide them through the steps of obtaining equity

or debt financing, or both," she said. .d Easy had brought in financing amounting to R10m to help four firms

in SA in the past 12 months.

Recently, with the assistance of the Easy project, Prime Office Furniture Group was bought by a group of en-

trepreneurs led by Tshepo Mahloele.

Durban-based Paper Converting

Specialists received funding from Fu ture Bank to finance the expansion of its paper converting and cutting business.

USAid mission director Aaron Williams said it was also providing assistance to firms which were seeking to market their products internationally.

- The Easy team consists of a consortium which is managed by Eccles and includes Africa Project Development. Facility, Abt Associates SA, Citibank, Deloitte & Touche, Labat Anderson SA, Msele Nedventures and Tambourine Technologies.

ess col Government policy

A's TOP executives are taking an increasingly pessimistic and critical view of government economic policy, suggesting that closer co-operation ahead of the job summit later this year will be difficult.

Unisa's Bureau for Market Research among the top 100 JSE listed companies also shows that the country's leading executives are relatively optimistic about economic prospects this year.

prospects this year.
They are forecasting growth of 2.6%, average inflation and rand exchange rates of 8.1% and R5.03/\$US respectively, and a decline in prime rate to 18% by the end of the year.

10% by the end of the year. Their feelings about the polittical situation are evident in responses to government business policies.

While the business community is still widely behind the growth, employment and redistribution strategy, 92% of those questioned believe government is missing the targets set out. More worryingly, two-thirds of executives detect a "new racialism" in government decisions. Increasingly, policies entrenching race consciousness and "selectionalism" are being formulated.

ECONOMIC SURVEY

By SVEN LUNSCHE

Needless to say, the executives see little progress on the anti-crime front, with a majority arguing "it will lead to large disinvestment".

Trade and investment policies are also being criticised. According to the survey, the executives do not foresee that SA's six-year tax holiday for new manufacturing investment will attract large volumes of foreign and local capital, or

that the proposed SADC common market will yield many benefits to them.

Through Nedlac, business, government and labour are trying to seek consensus on the agenda for the government's job summit later this year.

However, the executives' responses to questions about labour policy suggest that attitudes are unlikely to soften. More than three-quarters believe that the Basic Conditions of Employment Act will have a detrimental effect on job

growth, a claim contested by labour and government.
The government this week

The government this week made some concessions to business by postponing the promulgation of the Act to allow for an assessment of its impact on small businesses.

Despite the recent market volatility the executives re-

Despite the recent market volatility the executives remain optimistic about the performance of JSE equities.

For 1998 they expect the industrial index to improve by 10%, boosting the overall index to a 9% growth rate.

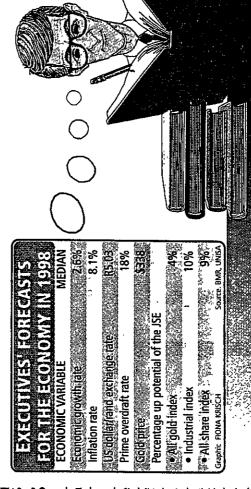
The gold index is forecast to rise 4% as the executives expect the gold price to firm to \$338—a \$40 rise on its current low levels.

The business sector's overall optimism on the economy is not shared by Sanlam Asset Management economist Jac Laubscher. In his economic and investment preview for 1998, Laubscher says he expects the economy to grow by a mere 1.6% this year. This forecast is at the lower end of expectations by most private-sector economists.

Laubscher ascribes the projected poor performance to a continued slump in consumer spending, especially over the next six months. Gross domestic expenditure is forecast to improve by a mere 1.8% over the year.

However, Laubscher says spending will pick up in 1999, with GDE expected to improve by 48. This in turn will boost the economy by 3%.

the economy by 3%.
Laubscher is very bullish on inflation, expecting an average and year-end rate of 6%, with the rate declining below 5% in mid-year. The lower rate will allow the Reserve Bank to cut prime by one percentage point in the first quarter and by another point around mid-year.



Technical assistance planned for SMEs

By Shadrack Mashalaba

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ECCLES Associates says it will help 18 small and medium enterprises (SMEs) to raise capital in a bid to support new business eventures and expansions. Eccles will also guide SMEs on loan financing.

This was said by Eccles Associate managing director Radika Wolfe during an official launch of Equity Access Systems (Easy) project – a vehicle to speed up the capital raising and loan financing for the SMEs – last week.

The Easy project, a three-year initiative which started a year ago, is jointly funded by the United States Agency for International Development (Usaid) and a consortium led by Eccles Associates.

Wolfe says the objective of his company is to provide those SMEs which were not given the opportunity with transactionspecific technical assistance designed to bring their businesses to the "bankable" stage.

Since the launch of Easy project, 10 small companies have benefited, she says.

She says through their team of technical expertise, Easy project has managed to make SMEs attractive candidates for equity investment and/or loan financing. A total of R23 million has been raised to assist their operations," she says.

Some of the businesses that have benefited through the scheme include those involved in the furniture, ice cream and paper factory business.

"The consortium's focus is on SMEs which employ between two to 200 people, with financing needs from R450 000 to R45 million."

Eccles associates says assistance on transactions falling outside their parameters will also be considered.

Eccles Associates consortium members are ABT Associates; Citibank SA; the Africa Project Development Facility (APDF); Deloitte & Touche; Labat Anderson SA; Msele Nedventures; MSGM Masuku-Jeena and Tambourine Technologies.

According to Eccles Associates, a team of experts has been established to work with the companies that are being subsidised and give advice on the selection of financing sources.

The team will also identify the business requirements needed to establish a competitive and viable venture and provide technical and managerial assistance.

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Industry bosses express confidence

SA CAPTAINS of industry and commerce have expressed confidence in the country's political future, predicting a growth rate of 2,6% for calendar 1998.

A survey of executives from the top 100 industrial companies on the Johannesburg Stock Exchange, conducted by the University of South Africa's Bureau of Market Research, predicted an average inflation rate of 8,1%.

The survey showed the respondents to be concerned over potential damage to the economy arising from the El Niño phenomenon, the international banking crisis and the fall of the rand against the dollar, which they expected to average R5,03 to the dollar this year.

"The time has come for politicians and economists to put their heads together and devise means of curbing the wild swings that are fast becoming a feature of financial markets, and of insulating the world economy from damaging consequences," the report on the survey said.

Among other indicators, the business executives predicted that the prime overdraft rate would drop to 18% by the end of the year, that SA's balance of payments situation would improve, and that net gold and other foreign reserves would rise.

Foreign investment in the country was expected to increase in response to improved business and socionalities on timism

ciopolitical optimism.

The Bureau of Market Research said despite pointers to a bullish economy, most of the executives interviewed — 92% — believed government was behind the targets it had set itself in the Growth Employment and Redistribution (Gear) strategy.

And, more than three quarters of the executives were convinced that the Basic Conditions of Employment Bill would have a detrimental effect on employment.—Sapa.

for more than half or work

Developers 'ignore small business needs' CT (MR) 27/1/98 He said one result had been

Johannesburg — Little was being done to accommodate the small, medium and micro-enterprises (SMMEs) in the service and information technology (IT) sectors, Andrew Bradford, a director of Bradford McCormack & Associates, a property consultancy, said recently.

"The service and IT sectors are the fastest-growing in the world, and increasingly characterised by the outsourcing of specific projects, administration, research and consultancy work to SMMEs," he said.

Bradford said there was a large drop in the amount of corporate office space required by large service or IT organisations, but South African developers and landlords had been slow

ers and landlords had been slow to offer appropriate workspace or flexible lease options to task teams, professional practices and consultants.

the conversion of residential properties, but another, often more cost-effective option, was for SMMEs to make use of business centres, including those that offered special office access package for new businesses such as a personalised telephone answering service, the use of a mailing address and pay-as-you-need access to offices, conference rooms, and secretarial and computer services.

"Bradford said the main advantage of such centres was that they allowed SMMEs to create an instant corporate image without large capital outlay and administrative staff. "Leases are usually very short-term, which means an expanding company is not locked-in to unsuitable space," he said.

He said SMMEs that required less than 100m² of office space should consider the business centre option.

Mpumalanga sma isiness c

By Shadrack Mashalaba

WHEN the new executive council of the Mpumalanga Provincial Small Business Council (PSBC) takes office after its second annual general meeting, the body will be faced with the challenge to ensure small business involvement in development projects.

Mpumalanga PSBC chairman Steve Skhosana says to date there has been resistance from big business against involving small business in the multibillion rand Maputo Development Corridor.

The provincial council will hold its second AGM at the Midway Inn

(Middelburg) on February 18 at 9am.

The meeting will be opened by Mpumalanga MEC for economic affairs Jacob Mabena.

Skhosana said the government was not doing much to ensure small business success.

Skhosana also said that a new strategy needed to be developed to convince funders to help the small business they still regard as a risk factor.

At the gathering, a new 15-member council will be elected to replace the current structure.

The Mpumalanga PSBC was formed in November 1995 together with other PSBCs in other ء أسد

provinces. Organisations involved in their formation include the National African Chamber of Commerce and Industries, South African Chamber of Business, African Council of Hawkers and Informal Business and other organised business organisations.

The objectives of the PSBC are to unite and integrate the small, medium and micro enterprises (SMMEs) sector at both local and provincial level; represent the diverse interest of the SMME sector at both local and provincial level.

For more information on the meeting contact (0135) 656-2980 or 656-5595.

WZI BIONE MENTION CONTROLL IN THE SHIP OF THE PART OF

Khimalo, attending the conference and has ana saga of bad relationships and bad partnerships"

one the world's top 100 Tead-

ers of the future" at the Davos

ground-breaking black em-which it was expected he powerment deal.

Would be ousted as chairman But on Wednesday little the share price during the last over year from when it, was

Lourho also dented confi- on a pile of eash. malo's management skills.

differently, "perhaps

Khumalo said "important

the way people normally meant, but we were treated differently, he said. " Twouldn't call it racism because it had a black chair man and black shareholders'

"People were baying to see the collapse of Mzi Khumalo and JCL when imost mining shares are trading at a massive discount at the moment." SA is the cheapest place to do business

Source EIU

South Africa I

RICHARD STOVIN-BRADFORD

BANKING EDITOR

Johannesburg — South Africa emerged as the least expensive country in which to do business in a new 27-country index compiled by the Economist Intelligence Unit (EIU) last week.

Germany ranked as the most expensive country in the index, because of its high basic wages. But South Africa beat most emerging markets, including Indonesia, India, Russia and Brazil to come out cheapest.

The Economist's index measured the relative costs of doing business in 27 countries. It compiled the index using data relating to wages, costs for expatriate staff, air travel, subsistence, corporation taxes, perceived corruption levels, office and industrial rents, and road transport.

Wage costs in developed countries generally ensured higher overall costs in the ranking, though the other costs measured were not necessarily higher than those in countries with lessdeveloped economies.

However, Rudolph Gouws, the group economist at Rand Merchant Bank, said South Africa's ranking was probably because "it's cheapest to do business where there's the least demand".

The index was prepared before last year's southeast Asian currencies collapsed, so the business costs in Singapore, Thailand, Malaysia and Indonesia are now lower

Gouws said South Africa's rating in the index was positive, but it more probably reflected the fact that South Africa was not a top destination for businessmen.

Kevin Lings, a senior econo-

mist at Nedcor, said when considering doing business in a country one could not look only at the costs in the index. "But if we're as cost-effective as the index suggests, why aren't we attracting more foreign direct investment?"

South Africa was ranked the "seventh most competitive" country in Africa by the World Economic Forum and Harvard University at the Davos gathering of international business and government leaders in the Swiss Alps at the weekend.

But local economists questioned the conclusions of Jeffrey Sachs of Harvard University, who prepared the report, and doubted whether the South African business perceptions were really representative when compared with the more "gungho" declarations from other African businessmen.

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Corruption ranked the biggest

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Simon Barber

ous labour regulations are seen by SA en-trepreneurs as the most serious govern-ment-related constraints on doing busi-ness in the country, followed by high taxes and crime, according to a survey released this week by the International Finance Corporation, the World Bank's private in-WASHINGTON — Corruption and oner vestment arm.

to primarily local companies around the world. There were 3 685 replies from 62 countries. A third of the responses came The survey, "How businesses see government", is based on questionnaires sent from African businessmen.

Respondents were given a list of insti-tutional "obstacles" to business and asked

countries on a scale of one, nonexistent, to six, existentially prohibitive. The results were tabulated by 22 regional subgroups, with SA paired with Mauritius as "midto rate the seriousness of each in their dle-income Africa"

Overall, businessmen from northeastern Europe (the UK and Ireland) felt fleast harassed" by their governments, while those from northwestern South America (Colombia, Ecuador and Ven-

zuela) were the most dissatisfied.
Ranked in descending order of happiness, respondents from SA and Maurifius came in 12th, one place behind western central Africa (Côte d'Ivoire, Ghana and Togo), and just head of western Africa (Guinea, Guinea Bissau and Senegal). Southern Africa (Madagascar, Malawi,

corruption a score of four or higher on the complaint scale, and 53% gave it a five or six. Seventy-three percent said labour relations warranted a four or worse, and 55% gave it a five or six.

High taxes and burdensome tax regulations earned the next highest average score — 4,3 — from the SA/Mauritius sample, closely followed by crime and Mozambique and Zimbabwe) placed a disgrantled 22nd.
Rating individual "obstacles" on the one-to-six scale, firms from SA and Mauritius (with SA views statistically dominant) reserved their worst marks — the average was about 4,5 — for corruption and labour relations. More than 75% gave

theff. Other "obstacles" respondents rated, such as trade regulations, access to

finance, foreign currency restrictions, invalles to starting a new business, and adequacy of infrastructure, received scores between three and four. Terror-

ism" caused the least concern, with an average rating of 2,4.

Corruption ranked among the top three "obstacles" for entrepreneurs in all African groups, but in no other African group was there nearly as much group about labour regulations. "Middle-income Africa" complaints on that score were the

second-loudest worldwide, with only respondents is the Colombia, Ecuador and Venezuela group unhappier.
Interestingly, though, grumbles about regulation appeared to be strongly correlated to the prosperity of the grumblers. Respondents from the North American

and European groups (excluding the UK and Ireland) were also among those who claimed to be most put upon by regulations, while entrepreneurs in the former Soviet republics were the least troubled. "Possibly," the authors of the survey noted, "the reason is that transition economies are still busy building the institutions that control and enforce these

kind of regulations."

kind of regulations."

In Kenya, Tanzania, Uganda and Zambia, the top worries, in descending order, were: taxes, corruption, infrastructure and access to finance. Madagascar, and access to finance. Malawi, Mozambique and Zimbabwe were concerned about inflation, crime and theft, corruption and infrastructure. The top worry for Guinea, Guinea Bissau and Senegal was corruption.

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Joint venture aims to

By Sowetan Business Reporter

EMERGING business in Soweto could benefit from a joint business project, the Business Growth Project (BGP), aimed at assisting their development.

The project is a joint initiative of the Eskom small business unit, Ministry of Labour and Ubuntu Edunet.

It is expected to start on February 23 at the Eskom offices in Diepkloof, Soweto.

Speaking to Sowetan Business, project coordinator Jeanette Berthold said the project would provide an opportunity for up-and-coming entrepreneurs

to improve their bookkeeping and business skills.

It will be offered for 32 days from 8.30am to 4pm.

The content of the course will include recording of money, sales and purchasing journals, how to prepare a business plan, posting to ledger, selling and buying rules.

"Our aim is to empower people and make them self reliant. Small business development is central to the general economic development of South Africa," said Berthold.

Ubuntu Edunet, a business training college, will offer the training. Since its launch last October it has trained

over 100 people. The Ministry of Labour is funding the project. Eskom small business department offers aftercare service advice.

The minimum requirements for the course is grade 10 and the individual must have started a small scale business already or be very serious about starting a business immediately after the course.

An evaluation course must be passed. In addition to training, speakers have also been lined up to speak on different topics during the course, Berthold said.

For more information contact Joseph Mashaba at (011) 938-8292.

FORUM

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JOB CREATION Don MacRobert and Get Ahead Foundation's micro-credit and business traiping is dealing unemployment a body-blow

Counting (30) (100) Angli Looking back MacRobott has A legacy to the nation: 50 000 jobs and

by the fact that MacRobert legal practice in on a lucrative order to make turned his back ew songs have been sung in praise of Don Mache is self-effacing when it comes to discussing the leading role he has played in the Get Ahead Robert, no doubt because

nesspeople that Get Ahead has Yet speak to the 50 000 busi placed on the road to success and

you will hear 50 000 songs sung tustily at high volume.

R34 million. The average recovery rate of the programme is a remarkable 30 percent, an extration has disbursed a total of ordinary figure when it is borne in mind that the loans are un-Ahead's stokvel micro-lending Since the inception of Get programme in 1984, the founda

the helm in the form of Juneas Lekgetha, Philip Ramakobya and endowed, not only with capital but with outstanding people at MacRobert formed Get Ahead in 1982, along with Colin Hall, who had just resigned from SA ities has shown that for every R500 it has lent out, one job is cre-ated. Thus, Get Ahead is creating or sustaining nearly 50 000 jobs a year, compared to the estimated annually in the formal sector of Analysis of Get Ahead's activ 15 000 to 19 000 jobs being created collateralised

"Colin lost his dad in the war, and we grew up together. So we've known each other well. It was Colin who said we had to get

This, then, is MacRobert's legacy to the nation, a legacy rendered all the more praiseworthy

blacks empowered. He suggested we start floating companies and getting the shares into black

chairman. MacRobert left patent attorneys Adams & Adams to help launch this programme. "It was a total flop," Mac-They launched Get Ahead Limited with Nthato Motiana as

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contribution to

personal job creation, enrepreneurship, black economic

and I had a long meeting with Desmond Tutu, who said we should instead actively help the Roberts readily acknowledges. "We were far too early, Motlana

> A week ago, MacRobert announced his retirement as a full-

empowerment and training.

At the meeting with Tutu. it Get Ahead Foundation, a nonwas decided to set up an entirely different entity with micro-credit the function. That was the start time executive of Get Ahead to 읦

"Not at all," he is quice to respond, "It's a new circle I remain

return to the practice of the

The wheel turning t...

in a non-executive capacity with Get Ahead, which I leave well

"We were first in "The concept was micro-cred it with peer group lending," say: As we began to reach out to the people, we realised there was this Africa to develop such a concept section 21 company MacRobert.

huge market. Today we operate 42 branches around the country, plus an office in Washington." Along the way, MacRobert split the company into two — micro-credit provider Get Ahead

lay pastor of St Francis Angliwith St Alban's College's Outreach programme, and has been vent after its SABC grant was withdrawn. At age 58, Mac-Robert still runs half nstrumental in keeping the Na tional Symphony Orchestra sol Financial Services, which aims Development, which provides business and technical training. "Get Ahead Financial Services to become a fully fledged bank in the near future, and Get Ahead

lenges, new excitement "For the past 14 years I've Nathan will present new chalbeen a Rip van Winkel. I've been marathons, "slowly MacRobert proudly proclaims.
"We're creating the type of employment which feeds, houses and is lending millions of rands and is literally sustaining 60 000 Jobs. It has become the biggest job creator the whole of South Africa, clothes families.

MacRobert's role at Edward

will tell you this reduces crime. (Meyer) Kahn will tell you that the solution to his problem is jobs, jobs and more jobs." (Judge Richard) Goldstone

which, until recently involved consulting for Get Ahead on a sent firm, Edward Nathan, on a "I have an exciting life," he says, understating a lifestyle troit on a Wednesday, for Invested on a Thursday and for his prelay, for General Motors of De-Monday, for Deloittes on a Tues-

"I shall no longer be doing the

work of a patent and trademark attorney, as I did at Adams & Adams. I am now involved in elec-

ogy has rocketed through the

changed at all during this period

ing a gap in the market.

tor of Adcock Ingram and of Wooltru's Makro and Dions; is a on the International Chamber of Commerce, Paris; is a direc-At the same time, he serves



He quotes the words of SA Express's Israel Skosana to illustrate this additional dimension. "You made me learn to swim. If ever I was empowered, it was because of your style of showing me the creation statistics.

government and high office but is pleased that they, in turn, have ropes and then standing back." MacRobert is saddened that he has lost innumerable people to empowered more people. "In short, I can humbly claim that I

> in the townships. This is where the Edward Nathan partners have been very clever in discover-

have helped a great many people to get ahead." And he believes Get Ahead hardly

go into the informal sector. That is where Get Ahead is, always has been and always will be." pean Union no additional jobs have been created in the formal sector in the past two years. Accordingly, people are starting to biggest job creator. In the Euro-Micro-credit is the world's

> "I am entering the deep end of what's going to happen in the fu-ture of the commercial world.

New laws will be made; a new com-

mercial law practice will develop.

PHOTO JOHN WOODROOF SEIF-EFFACING Don MacRobert, the co-founder of the Get Ahead Foundation

By Shadrack Mashalaba

A GERMAN consortium bidding to secure the contract to supply the South African Navy with four new corvettes has issued an invitation to small, medium and micro enterprises (SMMEs) to take part in its tender bid.

The company, German Frigate Consortium (GFC), said it would set aside a substantial amount of contract work for SMMEs' development in the country.

The small businesses which stand to benefit include those involved in areas such as electronics, outfitting, metal, piping and construction.

GFC's invitation to small businesses follows an announcement by the Government last week that it and counter-trade - creating wealth would select a winning bidder to supply it with more than R12 billion worth of arms by July.

in The acquisition programme covers the purchasing of four corvettes. four submarines, six maritime helicopters, 48 fighter aircraft, 60 utility helicopters and 108 tanks.

Generating Jobs

4 4. 7 GFC project manager Sven Moeller said its countertrade and investment package was capable of generating up to 4 000 jobs - "in effect, recovering the entire cost of the ships".

According to GFC, the corvette

contract has huge implications for SMMEs in industrial participation that can flow widely into the South African economy, particularly to small local suppliers.

Other components of the GFC's package, said Moeller, are directed specifically at meeting objectives of the RDP.

These include an initial amount of R19 million to set up a low-cost housing scheme capable of providing 20 000 specifically-designed prefabricated housing units in the first year of operation.

For more information on the offer contact Moeller at (011) 626-3370.

witt.

New loan fund for SMMEs launched

By Shadrack Mashalaba

GUARANTEE Fund of Africa, a division of African Consumer Council (Acoco). has launched a new loan fund with a reported revenue base of about R4 million to assist small businesses that cannot obtain loans from banks.

Speaking during the fund launch in Johannesburg yesterday, Acoco deputy president Eldridge Mathebula said the birth of the project came as a result of a plea from the council's small, medium and micro enterpris-

es (SMMEs) to establish a fund of their own.

Mathebula said members felt that because with the formal conventional institutions' reluctance and sometimes unwillingness to financing them, they decided to form their own fund.

He said the fund would be available to members, irrespective of the nature of their business.

"If the operation is viable there will be no need not to grant a loan. We have lined up a good management team," said Mathebula.

Commenting on Acoco's initial "cam-

paign" to fight the unfair blacklisting of people by credit bureaus, he said the campaign had not been abolished.

He dismissed suggestions that the campaign had failed.

Guarantee Fund of Africa loans will range from R3 000 to R50 000.

Mathebula said any loan above R50 000 would be arranged with the financial institutions (which he could not disclose) which his organisation was working with.

Formed in 1992, Acoco claims a membership of more than 27 000 countrywide.

New fund for small business loans

MPHO MANTJIU

keen to put that into plactice."

Monde Tabata, the chief executive of the National Small Business Council, said owners of small businesses felt that Khula, the finance agency set up by the medium department of trade and industry,

had failed to reach the intended beneficiaries.

The size of loans available from the Guarantee Fund of Africa ranged from R3 000 to R50 000, Mathebula said.

"Anything above that (limit) would be referred to leading co-financing, business-orientated organisations," he added.

He said the fund aimed to assist about 2 000 business opportunities this year.

The fund would be administered by experienced local and foreign managers with relevant expertise, he said.

Ricky Majette, a US expert on retail finance who is part of the team to set up operations, said: "There are similar projects in Latin America and India where people do this for themselves. My role would be to provide technical advice and training."

Zakheni/Ikageng, a support structure, would help with drawing up detailed business plans and providing advice on business ideas, Mathebula said. He said a bank would be established next year to serve members of the council.

"If women in Bangladesh could stand up and unite in establishing their own bank 15 years ago to mobilise their own finance, what will stop the black community today from doing the same?" he asked.

Johannesburg — The Africa Consumer Council had launched the Guarantee Fund of Africa, a financial scheme which would provide loans to small, medium and micro enterprises (SMMEs) previously ignored by formal financial institutions, Eldridge Mathebula, the chairman of the fund, said yesterday.

The fund is owned and controlled by the investment arm of the Africa Consumer Council, an economic empowerment group whose 50 000 members throughout the country are automatic shareholders in the fund.

Mathebula said: "Banks in most cases require applicants to provide guarantees to secure a loan, which becomes a problem for small business."

He said although banks had agreed in theory to provide financial assistance to SMMEs, in reality "financial institutions were not

'If women in

Bangladesh

can establish

their own bank,

what stops us

from doing it?'

Fund to provide

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Patrick Wadula 198 THE African Consumer Council economic empowerment group is to provide small-business loans to its members through its investment vehicle, Guarantee
Fund of Africa.
Council deputy president El-

dridge Mathebula said yesterday the loans were intended for council members and shareholders who owned or wanted to set up viable and sustainable small businesses.

Loans financed by the

scheme would range between R3 000 and R50 000.

The fund planned to finance at least 2 000 viable propositions this year.

Guarantee Fund of Africa—owned and controlled by the council's members and shareholders — would scrutinise every loan application.
"Not all businesses will be

provided with finance, only those that are extremely viable," Mathebula said.

Eligible businesses would include cafes, supermarkets and tuck shops; transportation, trucking (no taxis), franching, and co-operative businesses.

In rural areas the fund would concentrate on businesses specialising in import and export, and subcontracting to gov-

ernment and the public sector.

Mathebula called upon applicants to submit a detailed business plan.

Those that did not have a plan would be provided with this service by the council's Zakheni-Ikageng business division, he said.

Medium-sized business proposals would be considered on the basis of the fund assuming a majority shareholding in a joint venture operation with the entrepreneur.

R4bn to assist small businesses

'A new

relationship will

be brokered

boost micro

with banks to

sector lending

NCABA HLOPHE

Johannesburg — The National Empowerment Fund (NEF), which would have an estimated final seed capital of more than R4 billion, would be phased in this year to help small businesses, Phumzile Mlambo-Ngcuka, the deputy trade and industry minister, said yesterday.

She said the fund would be created through a bill to be put into effect before the end of the year to complement a broad upliftment programme for the small-, micro- and medium-enterprises sector (SMME).

The fund will provide equity finance for the sector and operate the same way as Johnnic's Ikageng and M-Net's Phuthuma share schemes.

The fund is to be created with

proceeds from a privatisation programme involving more than five state-controlled enterprises: Airports Company of South Africa (Acsa), Aventura Resorts,

South African Airways (SAA), Alexkor diamond mine and South African Forests Company (Safcol), which are all at different stages of privatisation.

The privatisation of two other parastatals — Telkom and Sun Air — has been concluded.

Mlambo-Ngcuka said the programme for the year included access to markets, finance, and legal and non-financial support for the sector.

The department would clean

out residual problems with the tendering and procurement process, which continued to stifle the development of the SMME sector.

"We are in the process of setting procurement targets for each government department and (are selecting) an ombudsman to monitor the programme," she said. "We will increase the tendering advice centres from the current 11 to 30 this year to expand

our reach."

Mlambo-Ngcuka said a new relationship would be brokered with banks this year to boost more lending to the micro sector, and new financing instruments would be created for franchise and tender opportunities.

The department would also intensify the penetration of Khula Enterprise Finance, the financing institution which disbursed more than R22 million in loans and R99 million in credit guarantees to over 700 entrepreneurs last year.

A team of 15 experts has been set up to look into legislation that is hamstringing the development of the sector.

"Such laws as the Usury Act, Banking Act, Insurance Act and the credit bureau will be reviewed to ascertain their impact in blocking the sector," she said.

She said the programme would be underpinned by a new relationship with local governments which had been brokered in last year's National Small Business Conference.

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bour law 'ma



workers, small businesses worry about the new labour laws. YAZEED FAKIER reports THOUGH THEY SUPPORT better treatment of

■ MPLOYERS in small business I like those in the computer in its present form, they may be forced to scale down their operafindustry fear that if the latest labour legislation is implemented

most affected if the provisions of the Basic Conditions of Employ-Small business stands to be ment Act, passed last year but still awaiting enactment, are applied as Among changes that have boss-

es in small businesses worried that they will have higher wage bills and less to keep their businesses

 Working time, which stands at 46 hours a week, will be reduced to 45 hours a week and may be fur-

 Overtime maximum, where hours a week remains, but the the present three hours a day, agreement lapses after a year. her reduced to 40 hours.

• Payment, which increases from one-and-a-third of the wage to one-and-a-half for overtime

normal wages for overtime worked, plus granting an employee at least 30 minutes time off on full There is no provision presently, but the new law requires the paymen pay for every hour of overtime Time off in lieu of payment

Alternatively, an employee may be granted at least 90 minutes paid time off for each hour of overtime

while stimulation of job growth is effect of it, once applied, would be that they could be forced to cut Employers say it is ironic that one of the aims of the new law, the

One such employer is Mr Alex Anderson, of Computer Connex

the business, shed the employees and operate as a consultancy. In

my business, it will be easier to do just that, because the legislation

because the legislation

It may force me to scale down

will present more hassles, especially if you have people looking over your shoulder all the time (a reference to the appointment of up to 2 000 labour inspectors who will police the workplace to ensure "Even further — it will discouremployers comply

leave the government with its age people from starting small ousinesses. And where will that macro-economic plan?"

If one of the aims was to discourage night work and overtime to encourage the creation of more 'In a competitive market, 11 lobs, he said: "In my opinion, may have just the opposite effect.

employers are being forced to pay more all of a sudden, your wage bill

margin of the business will go into those employees — then where will there be room to employ more will be increased.
"At the end of the day the profit

ions in Buitenkant Street. He is the

WORRIED: Alex Anderson

owner of the oldest established black-owned computer PC retaile and wholesaler in the Western

Anderson said the competition in many industries was so tough that enforcing certain regulations would have the end result of causing the very people who were eco-nomically disempowered to suffer.

> Cape. His business is the only one of "the original bunch" that started out 13 years ago, he says with no

development with social justice, he said: "If you increase people's salaries with regard to overtime, it Commenting on the intention of the act to balance economic doesn't allow you as an employer

> country to escape conscription to the army he decided to try his

well and when his boss skipped

hand as his own boss — a tough

call in a hostile, then-white-domi

nated industry

He learnt the trade quickly and

the room to take on more people.
"In the case of my business there will be little or no money left in the kitty."

Anderson had his break. But if

the stipulations of the Basic Conditions of Employment Act are enact

ed, the business he so painstaking-ly built up in a harsh environment

Rather than encouraging him to expand his business by taking

over the years may go bust.

on more employees, as the legisla

tion appears to advocate, Anderson says this is exactly what will not

payment over retrenchment because "at least there will be food earning the present "time-and-a-third" would probably choose such He ventured that employees on the table

"These things will have to be thought through properly because there are so many implications that can develop from one deci-

sions, but the practicality at ground level is another story. "It's one thing to make deci-

one who in the end is most affected by those decisions, the one who The than in the street is the

feels the pinch.
"He or she is the one who will — not management — as soon as staff cuts are implemented, even though these workers are the ones suffer because they're the first to go who form the engines of many

themselves in the open market because they don't have skills. These are the people who should also be brought into the consulta-They then find it tough to sell

ment, desktop publishing entrepre-neur Ms Beryl Kerr (featured Despite having won a R3-mil. lion printing contract with Parlia yesterday) is also concerned about the new law.

Employment Act would put the She says the Basic Conditions of squeeze on her 12-person opera

She does, however, support the manner in which the legislation tries to improve conditions for workplace have been given scant employees whose rights in the regard in the past.

of changes because, as black peo-ple, we've always been treated as would welcome those kinds second-class citizens.

maternity and paternity stipula-tions or the scaling down of workthat people are not forced to work from 7am to 7pm, which was hap-pening before and probably is still ing hours because I think it's good "I see nothing wrong with the happening in some quarters.

are being paid fairly and given a proper lunchtime. As an employbecause employees now have It's also good that employees er, though, it's very difficult many more rights which they are entitled to, and which they

should have had a lorg time ago.
"But if you are on the other side of the fence, you begin to think: 'How am I going to cope



PICTURES: YAZEED FAKIER INDUSTRY THREATY Small businesses in the computer industry may face a battering if the new Basic Conditions of Employment Act comes into force in its present form. Employees such as technician Ricardo Tregonning will face major changes in working conditions.

with this? How am I going to get through this?" She said the 45-hour working

week, with increased remuneration for overtime worked, would have and even more so if one of her 'severe financial implications"

female employees fell pregnant and she had to employ another person for a limited four-month

"With the bigger companies you can rotate staff and it doesn't affect them as it does us, because in a smaller company everybody does just about everything. "We are going to have to either train somebody or get somebody with the same skills for four

months only, because you'd have

from the outside, possibly at a higher rate. To keep the job open I'd have to get them on a contract or temporary basis — and those people (placement agencies) do demand a higher remuneration." "So I'd have to get somebody



Empowerment fund set to kick off with R2bn

BD 24/a/98

Robyn Chalmers

GOVERNMENT's long-delayed national empowerment fund is set to kick off in September with up to R2bn in assets from the partial privatisation of entities such as Telkom, Sun Air and the Airports Company.

Public enterprises minister Stella Sigcau is close to finalising legislation setting up the fund, which is designed to give previously disadvantaged communities a tangible stake in mainstream business.

A steering committee advising Sigcau proposed that a predetermined percentage—about 10%—of each privatised parastatal be sold into the fund. Units in the fund would be offered to trade unions, small black-guned businesses and rural communities at a examination of the private sector portfolio managers.

by private sector portfolio managers.
Public enterprises spokesman Wandile. Zote said yesterday government had invited applications from market research consultants to the fund's steering committee. "We hope to have legislation on the fund before Parliament in the coming months."

A steering committee member said the fund would be structured in three separate trusts. The biggest would be an investment trust holding most of the fund's portfolio, Seed capital would come from government, and it would also rely on investment returns.

The second element would be a joint venture between government and the Independent Development Trust. It would acquire equity holdings in small and medium-sized enterprises held by

disadvantaged communities.

The third leg would offer equity stakes in restructured parastatals to black-controlled companies. Cash raised for this "warehouse fund" would be transferred to the bigger investment fund.

Ways for cash-strapped South Africans to participate in the fund are being examined. They may include low-interest loans, interest-free salary advances and delayed payments.

Government is also setting up an employee shareholder option programme which has been negotiated with trade unions. Sigcau said last year that employees of privatised parastatals would have the right to buy shares worth R10 000 in their companies at a discount.

panies at a discount.

Trade and Industry Minister Alec Erwin said recently the empowerment fund aimed to raise more than R4bn over the next few years for the promotion of small and medium-sized businesses. He said at least R1bn would be transferred into the fund this year, but government officials said this could be higher. Much depended on the amount received for the initial 20% stake of the Airports Company which is up for sale.

Zote said the fund would buy at a discount an allocated percentage of shares from each parastatal.

Without discounts a 10% stake in Telkom would total R1,8bn; a 15% stake in Sun Air would amount to R7,5m and 10% of the Airports Company was expected to bring in a minimum of R200m. Other parastatals up for sale this year include holiday resort company Aventura, the SA Forestry Company and SA Airways.

Management forum leads call for commission

THASO LESHILO

Black empowerment is set to be closely supervised in be closely supervised in process has lost direction, been hijacked for personal gain and is being deliberately sabotaged.

Spurred by Mzi Khumalo's

Spurred by M21 Khumalo's tribulations at JCI, the Black Management Forum (BMF) is spearheading a move by black businessmen and professionals to set up a commission on black economic empowerment. They want to bring order to what Phinda Madi, an author and entrepreneur, calls "an open frontier where everybody does whatever he likes and calls it black empowerment".

The BMF is leading the process on behalf of the Black Business Council, a lobby that incorporates the National African Federated Chamber of Commerce and Industry, the Foundation of African Business and Consumer Services (Fabcos) and several other professional and business bodies.

Even the government seems

Evén the government seems unimpressed by the shenanigans of some so-called proponents of black empowerment.

Mac Maharaj, the minister of transport, accuses many in the black empowerment fraternity of ingratitude. He points out that they do not hesitate to accuse the government of failing to advance black empowerment while they have multimillion-rand businesses made possible by the government — through its favourable procurement and today reliable.

procurement and tender policies.

He says others are guilty of a "fish-and-chips mentality". They do not share information about the government's tender and procurement policies in an attempt to prevent others from benefiting — like the corner-shop owner who would not tell others how he acquired his licence to avoid competition.

licence to avoid competition. In Madi's view, the present black economic empowerment



drive occurs in an "ideological vacuum" because of the chasm between pre-liberation socialism and post-liberation capitalism.

The idea of a commission was adopted at the BMF's annual general meeting in November. The group met again this month to decide the commission's composition.

Jimmy Manyl, the BMF's managing director, says: "There is still no real black empowerment in this country. People are being used for expediency. People are fed up with being used in this hype called black empowerment."

He says the commission, which will comprise black businessmen, professionals, academics, the labour movement and politicians, will formulate a philosophical base for black empowerment.

Manyi says the commission, expected to be in place by the end of April, will draw up a blueprint of the criteria that every black empowerment exercise should satisfy — in terms of equity, control, management expertise and the quality of assets.

"All the criteria have to be

satisfied. You may satisfy the first three but if the assets are of a poor quality, you are just wasting your time and there will be no real black economic empowerment," Manyi says.

He says it is imperative the philosophical basis of black empowerment be a correct one. "We need to understand that South Africa has a unique apartheid background which impoverished black people — both materially and psychologically."

"On the psychological level, blacks have problems with one another. For example, black managers experience more problems with black subordinates than white subordinates." Manyi says.

"Also, blacks do not support black business. If a white person opens a shop in Soweto, it will be supported. But if a black person opens a shop in Sandton, it will be forced to close within a month because even blacks won't support it."

David Moshapalo, the executive director of Fabcos, says: "Let's look whether we can come up with a philosophy for black economic empowerment that everybody will understand. It is time for us to define things so we fully understand what is expected of us."

He says real black economic empowerment should lead to job creation and the development of the community, rather than instant wealth for a few elites

"No deal must be seen in isolation. The whole thing is not only a personal matter. Although profit is definitely the motive, there are other things such as training, absorbing new graduates and skills development which have to be considered," Moshapalo says.

sidered," Moshapalo says.
Black economic empowerment should be about redressing the imbalances between blacks and whites caused by apartheid, Manyi says. The process must be time-bound and, where necessary, include a skills transfer programme to ensure that blacks, who were deprived of education and management skills, are equipped to handle economic opportunities.

"The agenda has to be a black agenda. The process must be directed and focused to ensure that black people are actually empowered. There is no room for expediency and hidden agendas," he says.

Most importantly, Manyi says, any black empowerment exercise must have a trickle-down effect and benefit the community. "We have an obligation to uplift and share with others. If not so, then it is not black economic empowerment."

But this is not to criticise those black entrepreneurs who enrich themselves. "We don't want to discourage people from becoming millionaires. That, however, should happen under any other name but that of black economic empowerment. Black empowerment attracts the obligation to benefit others. It is a very emotional term which creates hope among people," he says.

people," he says.

Manyl does not agree a separate law must be passed to regulate the process. He sees the Employment Equity Bill as a crucial intervention by the state in the promotion of black empowerment.

He says the BMF wants the bill's definition of equity to be broadened to include share ownership in companies.

ship in companies.

"The bill is a fundamental tool of transformation. If we are to avoid what happened in Zimbabwe, the law must quickly see the light of day Otherwise, this country is under serious threat of revolt because of the high percentage of have-nots," Manyi says.

He says equity must be defined to include more than just a company's management profile but must also reflect the level of black and employee share ownership.

Likewise, Madi wants the government to be strict when evaluating companies that claim to promote black empowerment in an attempt to win government tenders. "Every allegation that a company makes that it has black partners and managers must be supported by documents to prove its claim," Madi says.



Cosmetics project creates 16 000 jobs

AVROY Shlain Cosmetics' R1 million investment in selling its products directly to black townships has created more than 16 000 job opportunities, the company has said.

said.

Skills and training opportunities have also been transferred to emerging black women entrepreneurs, says the company's sales manager, Zuko Tofile.

Avroy, which Tofile says is South Africa's largest direct marketing company for cosmetics and skin care products, also wants to franchise its boutiques to local entrepreneurs.

Tofile says the primary aim of the project is to recruit and train consultants who will then promote the products on their

So far more than 16 000 people are involved in selling Avroy's products throughout the country.

Tofile says because of the difficulty in finding premises to operate a business in the townships, his company converts containers to use for boutique franchises.

"The first container of that nature was set up in Soweto and the business notion has spread like wildfire to Tembisa, Alexandra, Katlehong, Vosloorus and Benoni," says Tofile.

"Many women in townships have suffered some sort of abuse. On occasion this abuse results from financial dependence.

"That is why our company is giving women the opportunity to make money and be independent," he says.

Sowetan 24 and be independent," he says.

Young business leaders forge links to reverse pessimism about SA's future

By XOLISA VAPI

minded young South Africans on a street in Braamfontein to give birth to Young Business South Africa (YBSA) which aims to mobilise the young organisation of its kind in the It took a chat between two like As the first professional business leaders of tomorrow

country, the YBSA aims to get African involved in constructive community and nation-building. every working young South

The 10 founding members believe that young professionyoung professionals are more pronounced at the workplace als do not know one another due to the realities of this country's history Differences among

that way we can show the world that we can build business conracism are often used as an excuse for the lack of progress.

Lance Williams of the Union Bank of Switzerland,

based in Sandton, said YBSA ing the pessimism that countwould go a long way in revers-

officer Lizwi Mtumtum ex-"Through networking, I can pressed hope that YBSA would less young people had towards South Africa's future.

young people could participate where affirmative action and pick up a phone and contact a move from bething to some thing by establishing a network of activities through which and demonstrate their commitment to South Africa. friend for business advice Inverse the negativism for which fidence among ourselves and re-

Membership of YBSA is open to all professionals aged 20 to 35 years. For more information, call Mtumtum at 083 765 0819.

this country is renowned," Fleming Martin executive

Williams said.

SBDC invests R35,5m in small businesses

Shareen Singh

THE Small Business Development Corporation (SBDC) has invested R35,5m in small and medium enterprises (SMEs) in 98 deals during February alone, the corporation said yesterday.

SBDC assists SMEs through equity participation in their business ventures and through loan schemes. The bulk of the amount invested in February went to the tourism industry and related activities.

The corporation invested R22,4m in 83 deals for the same period last year. MD Jo Schwenke said the increase was related to the corporation's new business strategy. The SBDC decided in 1996 to become a private equity capital financier to small and medium businesses, a move from its previous role as

a money lending organisation.
Schwenke said the February figure was in line with SBDC's 1999 financial year end projection of investments of about R350m.

He said the SBDC would consider changing its name at its annual general meeting in August to elevate its profile as a private equity company. "People still see us as a corporation which provides funds for very small businesses. They mistake small with micro. We invest in formal sector businesses with a turnover of up to R100m a year."

The SBDC had provided 30% of its total equity capital investments in the current financial year to black businesses. This figure would increase to 36% in the coming year. "Equity finance for black business was a competitive arena. There are several other players and there is no shortage of capital there." Schwenke said

ital there," Schwenke said.

He said investment in the tourism industry was commercially viable and helped job creation. The tourism industry in SA was thinly spread and presented a good opportunity for profits

sented a good opportunity for profits.

The SBDC's investments in the tourism sector included restaurants, guest houses, bed and breakfast establishments, tour operators, curio manufacturers and retailers, hiking and riding clubs and food vendors.

Investment in hotels took up 41% of the R35,5m and bed and breakfast establishments took up 40%.

Last month, which was a shorter month owing to the year end break, the SBDC invested R21m in about 42 deals.

R1-bn tollroad project to benefit small business

Business Reporter

SMALL businesses are expected to benefit from the construction of the R1 billion N4 tollroad scheduled to begin in Mpumalanga next month, marking the first phase of the Maputo Corridor development.

Mpumalanga economic affairs chief director Coleman Nyati said the international Trans Africa Concessions (TRAC) consortium, which was awarded the contract, had allocated R33 million of the equity in the tollroad project to a black empowerment consortium.

Although the consortium is having difficulties raising the finance, the province has convinced the Commonwealth Development Corporation to hold the equity on behalf of the consortium until it has raised sufficient funds.

The TRAC has also awarded R150 million in sub-contracts to small, medium and micro enterprises.

"To aid these emerging contractors, the TRAC is also setting up two training centres along the N4 to train people in the specialised skills necessary to keep construction standards at an international level," Nyati said.

The training centres will be established in Machadodorp and Matsulu.

Nyati said the construction of the toll road was a result of almost three years of intense political and financial lobbying by the South African and Mozambican governments.

The 30-year contract is expected to save the state at least R2 billion in road maintenance costs.

Although the new toll road will largely follow the route of the existing N4 from Middelburg to Komatipoort, a significant detour has

been proposed through the Schoemanskloof, as well as the construction of 21km of new road near Malelane.

In Mozambique the tollroad will require the construction of 70km of new road between Moamba, roughly 40km from Komatipoort, to Maputo.

The Mpumalanga government has yet to finalise the two proposed tollgates planned for the province. It has encountered resistance from business and taxi organisations to a gate between Witbank and Middelburg.

The Malelane council has also expressed concern about plans to locate the second tollgate near the town, which serves as the business centre of the former KaNgwane homeland.

The council is scheduled to meet Mpumalanga Premier Mathews Phosa on Friday to resolve the issue.

Campaign to start small business database

A DATABASE of small businesses in Soweto will soon be available if a campaign of the Johannesburg Chamber of Commerce and Industry (JCCI) and the Soweto Hardware Owners Association (Shoa) to compile it succeeds.

The database, a who's who of the sprawling township, according to JEGI coordinator Seipati Mrwebi, will help with the development and enhancement of contacts between

small and big businesses.

Mrwebi said there were many small businesses that were competent but their whereabouts was unknown.

The database would assist in tracing capable entrepreneurs, since projects such as post offices and many others will soon be undertaken throughout Soweto.

Businesses wanting to be listed on the database do not necessarily have to be registered companies. They may be informal businesses or formal small contractors who have expertise in various fields, including carpentry, building construction, electricity, cleaning, sewing, garden services and catering.

For more information, or if you are interested being listed on the database, contact Mrwebi at JCCI on (011) 726-5300 or Nonhlanhla of Shoa at (011) 982-1366. – Sowetan Business Reporter.

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Spaza shops play big role in SA economy – survey

By Sowetan Business Reporter

SOUTH Africa's informal micro retailers constitute almost one quarter of total retail sales, according to the University of South Africa's Bureau of Market Research (BMR).

However, total sales of micro retailers are almost one and a half times larger than the combined turnover of the big three retail groups in South Africa, Shoprite-Checkers/OK, Pick 'n Pay and Spar.

The chainstores had turnovers of about R16 billion, R10 billion and R6 billion in 1997 respectively.

The findings are from a survey of spazas in Tembisa conducted by BMR which focused on how micro retailers persist and even grow under conditions in which formal sector businesses are hard-pressed to survive.

It said approximately 70 percent of black micro businesses are concentrated in commerce and trade. Of particular importance in this regard are spaza shops, defined as small retail home enterprises engaged in the trading of consumer goods.

BMR said of the estimated 970 spazas in Tembisa, 576 or almost 60 percent, are located in the formal residential areas, amounting to a density

of approximately one spaza per 47 stands.

The survey says 367 spazas in the informal areas constitute a higher density of one spaza per 37 stands. The spazas on hostel sites represent only 2,8 percent of the total number of spazas in Tembisa.

It also found that products such as cool drinks, bread, beer, paraffin, cigarettes and mealie meal have the highest turnover.

It says this confirms that products traded in spaza shops are largely those satisfying people's daily and emergency consumer needs and those that are available in small quantities.

Start-up capital

Because of their smaller size, the majority of spaza shops are established with start-up capital of less than R1 500.

In the formal residential areas more than one third of the spazas started with R400 or less.

The survey found that although spazas are survivalist enterprises, empirical evidence shows spazas becoming not only a permanent phenomenon on the South African economic scene, but are also becoming more sophisticated and more closely linked to the rest of the economy.

Raising the capacity of the self-employed

RESEARCH by the publication Findings has found that the high level of poverty combined with slow economic growth in the formal sector has forced a large part of the population into alternative forms of employment in Africa.

Findings found that many people in African countries are resorting to self-employment and informal activities. The publication says the challenge in Africa is the establishment of of capacity in the financial sector, drawing lessons from international experience in the micro and small enterprise sector.

This, it adds, could be aided by by a diversified financial sector capable of meeting the full range of demands for financial services.

In an underdeveloped region, raising the capacity of the self-employed and rural poor to sustain the economic activities essential to their survival, is equally important.

According to Findings, the deepening problem of access to finance and poverty alleviation, has prompted the World Bank Africa to adopt a strategy to increase access to financial services by small enterprises and lowincome households by addressing areas such as:

● Fundamental issues – these can be tackled by focusing on policy regulation, regulatory framework and legal aspects to allow the development of innovative financial institutions and instruments:

● Innovative approaches – lending and other products that the World Bank can use to increase access to financial services; and

● Institution building — exposure to and training the best practices and standards of performance that banks and microfinance institutions need to expand their outreach and develop sustainable operations; support for capacity building.

The Findings report, while acknowledging that common principles apply to developing financial systems that serve the majority of African populations and businesses that lack access to banking services, says the strategy differentiates between the financial and development needs of micro-enterprises, small and medium scale enterprises (SME's) and rural households.

Under microfinance development, the Findings report identifies the very small savings and credit transactions of generally low-income households, especially for micro-enterprises, which include self-employment and firms with less than five to 10 workers.

Findings found that these activities typically generate little growth of paid employment but do alleviate the severe unemployment that threatens the survival of the poor.

Under the SME finance development, the publication says the SME sector represent "firms" with 50 to 100 workers. These differ from micro-enterprises in that they require long-term investment capital as well as short-term working capital.

Findings says the World Bank potentially has an important role to play in facilitating dialogue with commercial banks to encourage them to expand their small business portfolios in exchange for project assistance to implement promising mechanisms such as credit scoring, leasing instruments and portfolio guarantees.

On the rural financial markets, it says, while numerous aspects of developing rural financial services correspond to microfinance, particularly problems in rural areas such as seasonality of savings and high delivery costs.

The report advocates a regulatory framework that will facilitate the emergence of a wide range of financial intermediaries, including village-based activities outside the legal framework.

It also highlights capacity building and the introduction of innovative pilot programmes to improve the sustainability of rural financial institutions by mobilising and intermediating savings within rural communities and to protect against risks associated with agriculture-based economy.



under faster effort to clean up corruption Small firms are goind

Fawu 'making progress'

under at an accelerating rate and says Credit Guarantee economist interest rate cuts are essential to revive the flagging economy, BUSINESS EDITOR / 3 / 98 ACT (C/3 / 98 Small businesses are going

Governor Chris Stals to lower interest rates by at least two percentage Last year, the number of liquidafying the pressure on Reserve Bank ions of companies and close corporations jumped 15%, he said, intensipoints this year.

Closures of smaller businesses sory liquidations of small businesses went up nearly 15% and volunrose fastest, said Mr Doig. Compulreflecting businesses' lack of confi tary liquidations more than 55% dence in the future.

Even more businesses and people are likely to go under this year, and a bold interest rate move by the Reserve Bank is essential

corruption," said "Following a Mr Malepe.

Allied Workers' Union says it is

that were fraudulently stolen

Johannesburg - The Food and

has employed a pria Fawu conference, the leaderto bring some resolution to the mandate given at vate investigator a press conference yesterday the tion of a splinter group last month. He said that in the past few weeks Fawu president Peter Malepe told ruption which had caused the formaunion was also cleaning up the cor making significant progress in recovering thousands of rands

He said the investigations had been extended to all levels. in the union."

mation of the splinter group, the SA

regarding events leading to the for-Food and Allied Workers' Union, on "Many questions have been asked as to where Fawu stands in relation

to this grouping and to certain problems within the union, like fraud and

there had been public concern

issues of corruption and fraud with-

Mr Malepe said although the splinter union claimed to have left his union because of fraud and corruption, Fawu only became aware of the breakaway during the launch on

The union is revising financial systems to correct loopholes in managerial and the system.

the end of last year it had started revising its managerial and financial was ineffective, but said that towards systems to correct loopholes.

could have been averted if those involved had been a little patient tions of corruption within the union, "The formation of Safawu, which was largely premised on the allegawith processes which we have put in

Splinter union formed after fraud alleged already had startand had made sig-

Fawu was pleased with the inves-

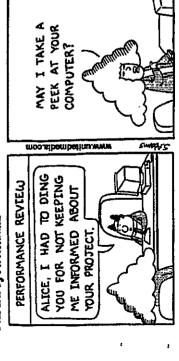
tigations and had broadened the ncluding previous fraud cases scope of the investigator nationally, ed investigating the allegations ledged that its Fawu acknowprevious system of income control nificant progress.

The cases were incomplete police as well as the lack of follow-up because of a lack of co-operation with by a former Fawu official, said Mr totalling R500 000.

Fawu secretary-general Mandla Gxanyana said that at the moment sibility of meeting Safawu, but did his union had not discussed the posnot rule out a future meeting.

He said Safawu was trying to bership, but the majority of the more recruit mainly among Fawu memthan 131 000 members had remained loyal to the union. – Sapa

)||BERT by Scott Adams



Harare - Zimbabwe's THAT NOW. WELL, IT'S LATE FOR A LITTLE MESSAGES. THOUSAND YOU HAVE CAREAD TWELVE

gress of Trade Unions, said: "We genuinely seek a solu-Gibson Sibanda, president of the Zimbabwe Conafter claiming success in offered to negotiate with labour movement has Mugabe's governmen the President Robert this week's national

Unions call for Mugabe talks

Harare - Zimbabwe's tion to the pressing economi- 78 Commerce and industry Mr Sibanda, claiming a the stayaway, said: "The have realised they need to work nationally to counteract the 90% average support rate in effects of price increases tion in economic decisionic issues through participaworkers finally and higher taxes."

appeals by the government still despite repeated ground to a virtual stand for a return to work.

Sibanda said the unions ing tomorrow to assess the The ZCTU said it would not set any ultimatums. Mr situation and then consult would hold a special meet ts members. – Sapa-AFP

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INVESTOR... Dr Oscar Dhlomo, chairman of Dynamo Investments.

LACK-CONTROLLED firms now account for 6 percent or R66,7 billion of the Johannesburg Stock Exchange's market capitalisation

In an unprecedented flurry of activity over the past quarter, another 10 listed firms could be considered to be black-controlled firms – taking the total of black-controlled firms on the JSE to 28. According to BusinessMap, a business information organisation, performances are mixed and the larger firms are still managing to comprehensively

movement occured when Umbono was removed from the list after its sale to mainly white investors. Of note is that in the year up to October last year, there was no growth in the number of black. outperform the JSE, but there are more failures. controlled firms listed on the JSE. The only

Dynamo bought 89,3 percent of Europe SA Investment Corporation. Kagiso Trust investments (KTI) restructured its media interests into Kagiso Media Limited (formely Publico). Molope Foods, AM Molola, African Merchant Bank, African Harvest, the SA Empowerment Fund and Infiniti listed.

A black-led consortium has taken what could soon be 65 percent of Bremmill. But the most dramatic deal, and the third largest black empowerment deal f Since October last year, however, Oscar Dhlomo's

ever, was the sale of information technology group PQ Holdings by Persetel Q Data. The National IT Acquisition Consortium (Nitac), which is led by Real Africa, agcuired 50 percent plus one share of PQ Africa for a total R2,15 billion.

PQ Holdings is now the largest black-controlled firm in terms of market capitalisation (R12,4

buy 87 percent of Anglovaal Insurance Holdings and relist the company as African Vulture Investment Equity. billion), overtaking long-standing leader Metropolitan (R12,2 billion), in which Nail is increasing its stake

firms on JSE are 'mixec

mances of 28

taleover of 68 percent of Publico. KTI bought a 53,7 percent stake in Publico for R201,5 million while KTFs radio partners bought a 15 percent stake.

O African Harvest, established in
August 1997, is a increased Publico's market capitalisation to more than R375 million through the reverse-A closer look at the new black entrants on the JSE shows: ☐ Kagiso Trust Investments reported that of the then 17 black.
Controlled companies listed on the
JSE, 11 had a better p/e rating than
their sector average compared to only
two in September 1995, and 10 had
seen their share price outperform the
JSE All-Share Index. Of the 28 black. 50 percent. BusinessMap says all this activity

makes comparison difficult. In October last year the organisation

from 34,9 percent to just over

controlled firms on compared as it is too soon after their have a lower share price than at Moola and Molope the JSE, six still meaningful Of those six, only isting to be cannot be

Smpowerment

Vational

Corporation

NEC) and

company between the

investment

venture

50-50 joint

failures among black controlled firms seriously poor perfornances and listing. Interestingly, for the first time in a long time, there are now some

African Merchant Bank

services group

Coronation

indirectly linked to the JCI flasco. The list of falling prices is headed by Salfite (68 percent down), Notrest (48 percent), JCI (47 percent) and Norbake (44 percent). deals on the cards are the purchase of There are now four black-controlled R1,8 billion by a consortium chaired by Peter Vundla's Pamodzi. Midland Molefe Investments announced it will industrial holdings firms, three in food and three in stores. Two further firms in the insurance sector, four 100 percent of Foodcorp for

53 percent held by New Africa Investments (Nail), which increased its stake from 48 percent.

□ Dynamo Investments bought 89, 3 percent in industrial stores Europe SA investment Corporation for R7, 5 million. The firm is now capitalised at R139 million (89 percent is thus valued at R124 million). Holdings (AMB)Was listed in November with 1, 25 million ordinary shares and 11, 25 million preferential shares. AMB ☐ The SA Empowerment Fund formely DLJ Pleiade, is now eight are at a lower price than a year ago, of which four are directly or

managed by Coronation Asset
Management, listed in November
with three unions and the NEC owning 86 percent

Outsourcing gaining ground in SA as firms grasp benefits SA companies have only recently begun outsourcing their

noncore businesses to specialists, although the practice has long been accepted internationally, writes Nicola Jenvey

OUTSOURCING can offer significant opportunities for new local business ventures. Noncore activities — cleaning, catering, information technology (IT), recruitment, delivery or transport—are increasingly being put out to tender on a contract basis, affording management the time to concentrate on activities which directly affect the bottom line.

Business consultant Richard Bosworth says outsourcing reduces overhead costs while removing from the company those operations not adding value to customers. The outsourcer also brings into the organisation added value in its speciality by being in touch with the latest technological expertise and advances.

In the current business environment of conglomerate unbundling and black economic empowerment, outsourcing provides significant opportunities for new small and medium-scale business developments.

The MD of Molope Foods' food division, Richard Grantham, says only 10% of SA services are outsourced, compared with 90% in Canada.

However, tighter margins and international competition are forcing local companies to consider the most productive way to deal with noncore activities.

A black empowerment company listed in November, Molope was formed by the amalgamation of service specialists and is active in food production, industrial catering, bakery, hostel management services and mine vamping and cleaning.

Recently the group reported a 206% growth in attributable income to R30m in the first six months of operations, prompting chairman Cyril Ramaphosa to say the group was "fast becoming a significant player in the economy, as business increasingly

outsourced noncore activities".
Société Générale Frankel Pollak analyst Winston Monale says medium and largescale corporations tend to outsource their IT needs, leaving significant — but unspeci-

fied — growth opportunities for the likes of Persetel Q Data and Dimension Data.

He says outsourcing IT — a field where skilled personnel are in short supply internationally and dramatic technological advances are frequent — is the logical move for most companies. The risks associated with IT fraud and corruption are assumed by computer specialists and their scarce skills are utilised to the economy's longterm benefit.

Fedics CEO Peter Quinn says only 27% of public-sector food services are catered externally and there is a gradual move towards outsourcing among state hospitals, schools and the SA National Defence Force.

However, outsourcing is a form of privatisation, and Bosworth warns that, especially within government and parastatals, the opportunity to supply the service must be offered initially to those already employed in-house for that function.

Last week's deal between the fleet management and fuel card operation Wesbank First Auto and the national transport department highlighted government's intention to outsource various responsibilities.

In a three-year contract worth R750m yearly, Transport Minister Mac Maharaj awarded the First National Bank division

the maintenance of government's fleet. Bosworth says trade unions should seeoutsourcing as an opportunity for development of small as well as medium-scale businesses. Jobs can be realigned across a wider base of employers and activities rather than lost to the economy.

R600m in empowerment deals

BUSINESS EDITOR

Johannesburg — Liberty Life, the country's third largest life assurer, and Murray & Roberts, the construction company, announced black empowerment deals worth R600 million yester-

Liberty Asset Management has formed a joint venture asset management company with Kagiso Trust Investments (KTI), the empowerment company, called Kagiso Asset Management.

Roy Andersen, the chief executive of the Liberty group, said Liberty Asset Management would transfer R500 million to the new entity for management.

Later yesterday, Murray & Roberts announced it had sold its controlling stake in six construction products companies to Kgapa Ya Dikgapa Holdings (KYD), an empowerment group led by entrepreneur George Msibi. The businesses have a net



DEAL-MAKERS Eric Molobi of Kagiso and Roy Andersen of the Liberty group unveiled their joint plan yesterday PHOTO JOHN WOODROOF

asset value of R100 million.

Andersen said Liberty needed the joint venture with KTI to help it tap into new business from pension and trade union funds.

Eric Molobi, the executive chairman of KTI and Kagiso Asset Management, said KTI needed Liberty's expertise to make it a significant player in asset management.

Kagiso Asset Management

will start operations next month. The parties have invested R3 million in the new company.

Msibi said the six companies Murray & Roberts sold to KYD would be merged into one business called KYD Steelwood Africa. Murray & Roberts would retain a 25 percent stake, KYD 30 percent, FirstCorp Capital Investors 25 percent and management 20 percent.

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Scheme to boost small someton 10/3/98 businesses

Innovative initiative will be funded by the European Union

By Isaac Moledi

RST National Bank (FNB) and Khula Enterprise Finance are launching a new financing scheme today at Gallagher Estate to make about R17 million available to small and medium enterprises.

The Small Business Creation Scheme, an innovative initiative announced in Johannesburg last week, will be funded by the European Union.

A trust comprising representatives of Khula and FNB has been formed to control and monitor the scheme's activities. The trust will also report to the European Union on progress.

FNB has been given the task of managing the scheme's day-to-day administration, while FNB, Wesbank and FBC Futurebank will be participating banks.

The scheme incorporates a collateralreplacement indemnity fund and a technical assistance fund.

"The technical assistance element enables the aspirant entrepreneur to access funding for business planning, as well as feasibility studies and capacity support," says FNB spokesman Philip van den Heever.

He adds that it allows for the entrepreneur to be trained in how to run his business.

"To ensure commitment towards the project, a contribution towards the cost of these various forms of support will nonetheless be required from the candidate," says Van den Heever.

The indemnity fund has been created to ensure that viable and sustainable businesses – in view of their importance to the economy – are not prevented from being launched because of a lack of collateral security.

"The fund is thus designed to act as a

surrogate for the collateral that would normally be required by a financial institution."

However, the bank is only partially protected from loss, ensuring that its loan criteria remain judicious.

The basic fund amounts to R17 million. However, the gearing effect will ensure that this figure generates millions of rands in loans and thousands of jobs.

Khula managing director Sizwe Tati says: "The multiplier effect on the economy and Gear will be significant. It is anticipated that loan sizes will range from as low as R50 000 up to R1 million.

"The scheme is designed to encourage value-adding enterprises such as manufacturing, which create valuable employment opportunities."

To qualify for the scheme, the applicant will have to show that his business proposal is viable and sustainable in the long term.

The entrepreneur must also have the capabilities, experience, and expertise to run the business successfully.

Lending standards

"Lending standards are not being reduced in any way – the aim is to enhance access to collateral and other allied support mechanisms," says Tati.

He says applicants should preferably, "but not exclusively", be from a disadvantaged background and qualifying businesses should be profit oriented, independently owned and economically viable.

Businesses should be located in South Africa, with a sales turnover not exceeding R10 million and a staff of less than 200 people.

For more information contact Khula's Sizwe Tati at (011) 807-8464 or FNB's Philip van den Heever at (011) 371-8604.

Human trials with Virodene carried out in Portuga

PRETORIA — Human trials were conducted in Portugal late last year using the purported anti-AIDS drug. Virodene P058, which had been banned in SA, the company holding the Virodene patent rights admitted yesterday.

Cryopreservation Technologies manager Hugo Snyckers said the company could not say whether the tests had been terminated. "What they do there is their own business," he said.

A foreign news agency reported on Monday the Portuguese health minister had ordered an investigation into newspaper reports that a clinic was illegally testing Virodene on AIDS patients re

cruited through the Internet.
The ministry said the drug was illegal in Portugal, and anyone using it would be punished.

Surviers said he did not know whether
the Portuguese tests were linked to trials
conducted by a Portuguese firm, which lind a co-development agreement with a
Cryopreservation Technologies.
In terms of the agreement, both companies were entitled to conduct tests with peach other's patented drugs, and had to report back on their findings.
One of the SA researchers who deeloped Virodene, Olga Visser, is a shareholder in the Portuguese company, which

is named after her. Snyckers said he did not know if the drug was illegal in Por-tugal, and Clinica Olga Visser had in-formed them that this was not the case.

Styckers expressed concern that human trials might have been conducted illicity. If the tests were done without the appropriate supervision, the results will be of nouse to us, he said. The Portuguese company had com

piled reports based on the trials, and the results had been positive, he said. The SA Medicines Control Council has to date four times denied the researchers permission to do human trials using Virodene.

Council chairman Prof Peter Folb said

last month the researchers needed to make several corrections to their submis- to sion, which included some faulty scientiff is formulations, problems with the purity of the drug and the way it was produced. They must work on all the things that make Vivodene unsafe and not snitable for human use, he said. They must give substitute the spood reasons why Vivodene would work in HIV-positive patients. In 1996 Visser and Preturia University cardiothoracic surgeons Prof Dirk du Plessis and Dr. Callie Landauer aaked the incapinet for HIV-landauer aaked the incapinet

search into Virodene.
At the time they claimed preliminary

patient trails suggested a possible breakthrough in the fight against AIDS. However, a committee probing the methods
used by the three said no evidence was
found that Virodene could inhibit HIV.
The joint Pretoria University and
Gauteng health department committee

cepted scientific procedures when testing the drug on 11 patients. said the researchers had contravened ac-

Earlier this month, the Democratic Party released documents which it said indicated the African National Congress was promised a 6% stake in Cryopreser-vation Technologies. Both parties al-legedly involved denied this.—Sapa.

Negotiators point to

sought to allay fears over continuing differences on sticky trade-related is-sues after the conclusion of another round of talks yesterday.

Addressing a joint news conference in Pretoria yesterday, the two sides emphasised the degree of agreement achieved in five days of negotiations. They also expressed guarded optimism that the mid-year deadline for the conclusion of the falks — set by political figures — could still be met despite limited progress in the latest round.

Interviewed later yesterday, EU chief negotiator Philippe Souhestre said he had hoped more progress would be made during this round, which dealt with trade-related issues.

He said the two sides were still far apart on the "big-five" subjects — competition, antidumping, countervailing and safeguard measures, and govern-

Soubestre said apart from being in-terested in free trade, the EU was also keen to see fair trade based on agreed rules on trade-related issues.

Elite Links, SA's ambassador, who is leading the Pretoria delegation, said relative progress had been made on antidumping, countervaling and safeguard measures. The difficulties in the other issues stemmed, in part, from lack of policy, such as in competition law, and clear disagreement, as in the case of government procurement. Links also countered perceptions

also countered perceptions

with sensitive items. SA also under-took to address the EUs concerns on the standstill clause.

The clauses, which raised concerns in Brussels, forbade negotiating part-ners from raising trade barriers during talks. Links said the concern was the result of a migunderstanding and that consensus had been reached.

To resolve the issue, SA has

To resolve the issue, SA has promised to define more precisely just more than 400 items which will be exempted from this clause.

Pretoria's call for a derogation, or special permission to adjust its tariffs during the negotiation period, is attributable to the current tariff restrucbe among one of the most complex in the world. The derogation will also provide turing process involving the simplifi-cation of its tariff book — considered to

government with the opportunity to move away from import controls to the introduction of tariffs. Tariff duties are considered more transparent than quantifative restrictions. Soubestre also emphasised areas of agreement, such as aid co-operation.

Although emphasising progress made during the past week, Soubestre called on negotiators to begin working line agreed to by commissioner João de Deus Pinheiro and Trade and Industry Minister Alec Erwin. at once in a bid to meet the June dead saying a framework had been agreed.

EU chief negotiator Philippe Soubestre, left, addressing reporters at a briefing on trade-related negotiations with SA. SA's ambassador to the EU, Eltie Links, right, listens.

Talks to be held on R2bn empowerment fund

THE National Small Business Council plans to meet with both to public enterprise and deputy trade and industry ministers to discuss the government's R2bn National Empowerment Fund to be launched this year.

CEO Monde Tabata said yes-

terday the council was seeking an

isters to discuss the role of the council in ensuring the success of

the growing entrepreneurial cul-ture in the country which has thus far been hamstrung by limited access to finance, "he said. The fund, financed with procertainly provide much-needed impetus to fund

vatisation programme, was aimed at assisting previously disadvantaged entrepreneurs and communities particularly in the development of small business.

Meanwhile, North West Provincial Small Business Coun-cil chairman Ari Kgomongwe was elected a member of the Small

gotiations on subleases.

Soekor 'needs

Enda Ensor | 9 | 9 8 CAPE TOWN — Dedi-cated legislation to gov-Soekor MD Joggie legislation,

policy, Heuser said the which oil and gas exploration was undertaken ernment's green paper on minerals and mining hearing of the mineral and energy affairs portfolio committee on govplex and con-At a parliamentar *comy

fusing for the investor

Heuser said the green paper did not recognise the differences in oil and gas exploration and pro-duction, or Soekor's positween the state and investors. It did not indi-cate whether and how Soekor's existing rights and those of subleases tion as a facilitator

Soekor was responsi-ble for subleasing SA's offshore acreage and the pacopardise its current ne Heuser feared

proposed that its main OP26 lease be extended and broadened.

& Black business embraces the budget

Marion Edmunds

inister of Finance Trevor Manuel's copy of the 1998/ 1999 budget speech was a prize attraction this week at a lavish banquet for South Africa's top black businesspeople who gathered to toast Manuel and the country's foremost black entrepreneur, Cyril Ramaphosa. The document — which included

some gentle tax cuts for the richest of the rich — was auctioned to the highest bidder, National Empowerment Corporation chair Mashudu Ramano, for R60 000, while Ramaphosa delivered the keynote address on black empowerment.

The occasion, organised to raise funds for the African National Congress, served to underline yet again the support the ANC-led government enjoys from black business, the so-

called "patriotic bourgeoisle". While the ANC's alliance partner, the Congress of South African Trade Unions, poured scorn on the budget, black businesspeople embraced the government's spending plans, back-ing Manuel's hardline stance on fiscal discipline, his strategy to limit social spending and his determination to stick to the principles of the growth, employment and redistribution strategy.

Former Gauteng premier Tokyo Sexwale — now an international diamond businessman — says Manuel's budget is "very positive", particularly as it encourages foreign investment.

The continued tight fiscal controls are a good thing as the foreign investment community is very care ful about how a government handles its own funds. However, at the same time, the budget is seen to be peoplesensitive with no increase of value-

added tax (VAT)." Sexwale says the government's plan to tax the demutualisation of Sanlam and Old Mutual is a "clever move", because it means it has ammunition for the Presidential Jobs

Summit later this year. Moss Mashishi, CEO of Moribo Leisure Limited, says he believes black business will be comfortable with Manuel's budget. "I am generally satisfied with the budget. Manuel had a difficult task in that he had to handle competing demands, but he achieved a credible and sustainable budget. It's a tough budget, but it is far better to go hard on fiscal discipline and I am quite satisfied that this is the route the country needs to go.

"The greater provision for education, policing and health is good, as well as the reduction of taxes for lower income earners. His tax on petrol is a major problem and it may reduce gains of the lower income groups."

Mashishi says he backs the demu-tualisation tax. "It is fair, currently given the imperatives of the government, because the root of the matter is that we do not have enough money and South Africa, both corporate and personal, is taxed to the hilt, so how do you get more? We certainly do not need more VAT because the cost on individuals is already high," he said.

Maurice Radebe, a prominent black businessman in the oil sector, believes Manuel could have done more for black empowerment. "It's a sad omission that the budget does not highlight the issue of black empowerment and is not promoting empowerment actively."

However, Mustaq Bray, chair of



Spreading the word: Parliamentarians take note of Trever Manuel's budget. Photograph: Rodger Bosch/Iafrika

Brimstone Investment Corporation Limited, says he believes the government is doing enough to promote black business, and it was up to this sector to seize the opportunities the climate for black empowerment

"Its not a bad budget considering that the government is serious about expenditure, especially now that they have a three-year plan. I grew up with Manuel in the Western Cape and he is doing a great job, with his whole team. The International Monetary Fund has recognised him as one of the best finance ministers in Africa."

Bray was supportive of Manuel's moves to crack down on tax evasion and corruption in government.

Ayanda Bam, executive chair of Kuyasa Mining, was also supportive of the budget, citing Manuel's determination to clamp down on tax dodgers as particularly admirable. He also praised Manuel for presiding over



FOCUS ON SMALL BUSINESSES

Free enterprise legislation set to be passed

GOVERNMENT FUNDS, including those derived from the sale of state assets, will go to take free enterprise 'to the people'. **DONWALD PRESSLY** reports.

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EGISLATION to bring free enterprise "to the people" through the promotion of small business is set to pass through the parliamentary processes shortly.

A bill to set up a national empowerment fund is expected to be fined-tuned before it is put to the Cabinet in the next two weeks.

It will then be presented to Parliament, where it will be subject to public hearings in the trade and industry portfolio committee headed by ANC MP Dr Rob Davies.

According to trade and industry department spokesperson Mr Kanyo Gqulu, negotiations are being conducted by Trade and Industry Minister Alec Erwin, Posts and Telecommunications Minister Jay Naidoo and Deputy President Thabo Mbeki on how the fund will help small business development.

It is expected to include "a telecommunications element", but more details will be announced later.

The fund will be set up in terms of the National Empowerment Fund Bill, Trade and Industry officials emphasised that this would be distinct from another "job-creating" fund referred to by Finance Minister Trevor Manuel.

That fund, the Umsobomvu Fund, was described in last week's Budget by Manuel as "one instrument" that the government would offer at the presidential jobs summit expected to be held later this year.

Finance department and trade and industry funds will be used to promote job creation in different ways.

Gqulu said the aim of the trade and industry legislation was to provide economic and social upliftment among the disadvantaged. It will include an "equity element" which will help the disadvantaged with start-up finance.

The fund, which will function on a commercial basis, will receive much of its funding from the sale of state assets.

This was to ensure that the process primarily benefits the poor. Among the assets scheduled to be privatised is the South African Airways.

Savings from the community, however, will also be encouraged through an equity fund as well as a unit trust fund — to be called the Lefa Trust.

The Trade and Industry department with provincial departments of economic affairs, trade and industry will help to educate the poor about saving.

The fund will be used to set up micro-, small- and medium-sized enterprises. — Parliamentary Bureau

businesses on ickstart for small

Stav 1713/98

Legislation to bring free enterprise 'to the people' is almost ready to go before Parliament g

Naidoo and Deputy Presi-Cane flow and to be Nation and Denite Design

how the fund will assist dent Thabo Mbeki on just small business develop-"a telecommunications element", but more details will be announced later. free enterprise "to the people" through the ness is set to go through the egislation to bring promotion of small busiparliamentary processes

fore it is put before the Cab. A bill to set up a national empowerment fund is exinet in the next couple of pected to be fine-tuned be-

apply, officials emphasised,

that people would have to

provide detailed business plans and prove they had the skills to kickstart new

While details of what

loans – or subsidies – would

The bill will then be presented to Parliament where it will be subject to public nearings in the trade and industry portfolio committee headed by ANC MP Dr Rob Davies.

It is likely that it will be

businesses.

Business Development Cor-

poration.

administered by the Small

ing March last year, the

In the financial year end-

SBDC granted loans to the

value of R243-million.

Altogether, a total of

43% of these loans went to

manufacturing concerns, 43% to retail commercial

According to trade and being conducted by Trade spokesman Kanyo Gqulu, negotiations are at present and Industry Minister Alec department Erwin, Posts and Telecomindustry

concerns and 14% to ser-The new fund will be set vice sector businesses.

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"job-creating" fund referred to by Finance Minister Trevor Manuel.

That fund, the Umget by Manuel as "one sobomvu Fund, was described in last week's Budinstrument" that Government was offering at the

presidential jobs summit expected to be held later

and Old Mutual at the date It will gain its seed capital from a charge to be levied at the rate of 2,5% on the free reserves of Sanlam of their demutualisation.

Both finance department and trade and industry funds will in different ways promote job creation.

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The trade and industry department, with the assis tance of provincial departments of economic affairs, trade and industry, will be assisting in educating the poor in "a culture of sav

ing". The fund will be aimed at setting up micro, small and medium-sized enterprises. Micro enterprises ploying up to six people, are defined as those emsmall enterprises employ medium-sized enterprises from seven to 20 people and employ from 20 to 50 people.

Soweto gears for mall feve

Shopping mall development in the townships is about to undergo a revival – thanks to Richard Maponya, reports **Charlene Smith**

hopping mall developments have, in the past, failed in townships because they were targeted at a race-group rather than people, says township retail guru Richard Maponya.

That is set to change, he believes.

In May, the Maponya Group will, with Wooltru, begin building a huge R170-million shopping centre in Soweto.

The shopping centre, to cover 40 000m²—around the size of Eastgate Mall — will open its doors toward the end of 1999 in Pimville.

Situated on a 25ha triangle of ground, it is on the Old Potch road, one of the primary arterials into Soweto, and is close to the Baragwanath taxi ranks, and a rail station.

It is already almost completely let with stores that include Woolworths, Checkers, OK Bazaars and Edgars.

Maponya says it will also

Maponya says it will also accommodate "eight to 10 cinemas, and a limited number of office premises".

Maponya first began business in the early 1950s delivering milk to households in Soweto. He survived endless barriers constructed by the apartheid government to prevent black people owning and running businesses in white South Africa.

He has survived endless hardships to retain the millions he has earned as the baron of retail management in Soweto. He says that shopping centres which were opened in townships in the 1990s, with the removal of

government-imposed trading restrictions, failed because they were targeted "at a black market. People are people.

"The differences that are important in retail are the socio-economic circumstances of shoppers. The Dobsonville shopping centre, as an example, is quiet, because the stores carry a limited range of stock. People say we'd rather take our taxi and go to the city or suburban shopping centres where we will have

greater choice."
Probably no one has Maponya's range and

no one has Maponya's range and
years of experience with township retail, and it has certainly been an ongoing slog.

He built the first bottle stores in Soweto in the early 1980s after the government began removing restrictions on the consumption of alcohol by black people when it was forced to sell its bottle stores, which were the only ones al-

lowed in townships. As a result, they came under concerted attack by political activists in 1976 and 1977 who not only burnt them but imposed boycotts.

Maponya now owns four bottle stores, which, he says, are doing miserable business along with the entire liquor retail industry, which is in the doldrums.

He attacks the existing system which allows beer and liquor manufacturers to act as distribution agents too. "They have cut out the middlemen and limited the potential for smaller outlets to negotiate prices. No one can



On the ball: Retail guru Richard Maponya has weathered the storms of economic apartheid

compete — not the shebeen owners, not the bottle store outlets, no one. Our margins are squeezed too tightly."

He says manufacturers selling direct to consumers, and acting as distributors, have cut

M + G20 - 2b/9/98

shebeens by around 60%.

"The government has said it will introduce legislation to stop these monopolistic practices, but while we wait, traders are going out of

He opened the first supermarket in Soweto, across from Dube station and now owns two supermarkets, both of which are in the process of being revamped to become part of the Spar franchise group.

Maponya says that violence between hostel dwellers and residents in the run-up to the 1994 elections had a devastating impact on husiness

"My stores were doing turnover of around R2-million a month each before the violence, and plummeted to around R500 000 a month during unrest, and have marginally lifted to around R600 000 to R700 000 a month now."

Maponya opened the first petrol station in Soweto in Meadowlands in the early 1970s, and not long after was awarded the first General Motors franchise in Soweto.

However, that bit the dust with the pressure of sanctions forcing General Motors to pull out of South Africa. Maponya then began a BMW franchise which fell away as inflation rose and household incomes in Soweto came under pressure.

But, Maponya says it is becoming easier to do business in Soweto and other townships because of greater political stability and better and more visible policing. "At one stage delivery vehicles were regularly hijacked, but that rarely seems to happen anymore."

Maponya, who has also applied for a casino licence in Soweto, believes the potential of township retail has yet to be touched. "I still say it is virgin land — there is a lot of development potential depending on attitudes of those who want to enter that market."

Labour costs of new act, 'bad news for small business'

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The cost impediments imposed by many of the provisions of the Basic Conditions of Employment Act would make small businesses uncompetitive and possibly cause many of them to close down or avoid the law, the Small Business Project, a consultancy, said yesterday.

Compared with existing costs of employment, the provisions for cutting working hours from 46 hours or more to 45 hours, the new rates for overtime from timeand-a-third to time-and-a-half, increased family leave and double pay for Sunday work raised labour costs by between 32 percent and 55 percent.

The consultancy said an inquiry into the effect of the act on small enterprises should at least make legislative concessions for the small, medium and micro enterprises sector.

Keith Herrmann, a spokesman for the consultancy, said the labour department had commissioned Ntsika Enterprises to conduct the inquiry. Herrmann said Nisika had already begun its work and would be working with a Dutch group.

He said Tito Mboweni, the labour minister, had appointed a task team to review the impact study, make recommendations on whether and how the law should be changed, what sectoral determinations should include and what variations should be made.

A spokesman for the department said phase one of the act—which included chapters 6, 8 and 9 on child and forced labour, earnings threshold for working time, sectoral determinations for non-

bargaining council sectors and the Employment Conditions Commission, which replaces the old Wage Board — had been promulgated last Saturday.

The department said the rest of the act would be promulgated between September and October this year.

A case study by the consultancy on the operational viability of a small, food retail franchise showed that annual labour costs under the new act would increase markedly from those under the provisions of the old act.



New forum to represent

NEW organisation was launched this week to a promote e commerce in SA. electronic

The Electronic Commerce Association of SA (Ecasa) aims to help commercial, industrial and government organisations improve their efficiency through the use of e-commerce.

The term embraces a variety of transactions such as consumer Internet shopping using online credit-card payments and business-tobusiness transactions including ordering goods, issuing invoices, customer services and electronic-fund transfers.

Ecasa will act as the official mouthpiece for the industry and shape future developments.

The association will also liaise with government and regulatory diaft legislation affecting e-commerce to create a secure and trusted environment in which e-

commerce will be able to flourish. Ecasa was first mooted in January by the Information Technology Association (ITA), a body which formulates strategies for the information technology industry. An ITA offshoot, the SA Value Added Network Services Association (SAVA), already covered e-com-merce, but members believed that a special body was needed to guide this

growing technology.

Michael Lamb, the chairman of the association's task force, said Ecasa would act as a national forum for ecommerce and represent SA's interests internationally. Lamb called on companies involved in technology to encourage their best employees to work on e-commerce initiatives for the benefit of the country. Together they could enhance SA's competitiveness, he said.

Estimates for the potential growth of e-commerce ranged from the boldly optimistic to the ridiculous, said Caroline de Cock of the information-leconomics department at Deloitte & Touche. "A few interesting figures ishow an average 60% annual growth



LAMB

rate and a predicted revenue of \$6,6bn in the year 2000," she said.

Of the 400-million projected Internet users by 2000, 60-million would be regular users of e-commerce, she said.

The greatest growth potential lay in transactions, business-to-business said De Cock. However, growth would depend on affordable and widespread access to the Internet and a favourable regulatory framework. Technical and legal security systems were needed.

Potential members include e-commerce users, software houses, Internet service providers, value added network providers and financial institutions.

The forum will offer advice and practical assistance with technology news, the interpretation of industrial legislation, business documentation and recovery of payments.

Members will also have Ecasa's backing for arbitration in client/con-

tractor or labour disputes. Working groups will look at legal issues, data protection and privacy, the introduction of training and the creation of a virtual chamber of commerce. Joint business forum set to kick off next month

Shareen Singh THE SA Business Forum, a jointly owned nonprofit company started by the Afrikaanse Handelsinstituut (AHI) and black business organisation Nafcoc, is due to start operating by part month

to start operating by next month.
AHI executive director Jacob de Villiers said yesterday the forum was in the process of appointing two full time employees. R500 000 had been raised to kick-start the forum. Funding had come from businesses, institutions, the AHI and Nafcoc members as well as outside sponsors.

Forum chairman Joe Hlongwane said yesterday it would concentrate primarily on education and training initiatives to enhance business and management skills, co-ordinating funding for projects and helping

graduates find jobs.

The fulltime head of the forum, who would be appointed soon, was white, but a black understudy would be appointed to allow a transfer of skills. This would also ensure that both Nafcoc's and the AHI's

perspectives were represented.

Villiers said the forum would not start business ventures on its own as that would mean competing with Nafcoc and AHI members. However, the relationship between the two would strengthen their ca-

pacity and bring their individual members together.

They had co-operated on initiatives, including training on the Labour Relations Act and the Basic Conditions of Employment Act, and had adopted common positions at the National, Economic, Development and Labour Council on a number of issues.

REGIONAL SHOPPING CENTRES

Developers ignore writing on the wall

ADELE SHEVEL

Retail spending is declining and sales at national retail groups have been disappointing as consumer debt mounts. Yet multimillion rand shopping centres are being built as if there is no tomorrow.

Only regional centres have bucked the trend of subdued retail rentals. Research by the NPL Group, a market research company, reports there has been a major shift in buying patterns away from mega-shopping. The group says specialists are returning as consumers become more discerning.

Mall of Africa, one of the three multibillion rand shopping centre developments proposed for Midrand, withdrew its application recently, based largely on doubts over whether there was a market to sustain a development of that nature.

But Allan Wallace, a director of the Broll Property Group, says growth in this market can be sustained. Regional shopping centres have been the one form of property investment which has shown good returns, despite low retail spending figures. He says centres that do not refurbish will suffer.

Marc Wainer, a property consultant, says the financial results posted recently by the big national retailers show their businesses are no longer growing at previous levels. Growth is now closer to 5 percent or 6 percent a year.

He says the companies also face rising wage bills, increased water and electricity charges, and higher municipal rates. These rises could be as high as 15 percent a year. "The big national retailers may be able to factor increases of that order into their budgets. (But) the chances are that the smaller retailer operating on business growth of 5 percent to 6 percent annually cannot do so," Wainer says.

Entertainment complexes are being developed on larger scales. Los Angelesbased Leora Raikin, of Strategic Property Research, says that if executed properly, entertainment centres can draw crowds and generate above-average sales



and foot traffic. Internationally, entertainment is viewed as a solution to many old and dated centres.

But the consumer market in the US is somewhat different to that in South Africa. Unemployment levels are low and the economy is growing rapidly in the US. South Africa has not met economic growth forecasts and unemployment digs away at every aspect of life.

Yet the growth in the number of shopping centres continues locally. Monex's Century City outside Cape Town is one of three "intelligent cities" being built internationally.

Monex says the other two are Putrajaya, the proposed new capital of Malaysia, and Caracas in Venezuela.

Century City will use information technology (IT) and telecommunications to manage the city and to link those living and working there.

It will provide access to IT-based services, such as electronic commerce, virtual office and high-speed telecommunications, to the outside world. The retail component will comprise over R1 billion worth of development. Monex says the advantage of an intelligent city is that the infrastructure is designed to be shared, making it cheaper and more efficient for businesses, and increasing their productivity and profitability.

The Magic Company is to roll out 15

Interactive Entertainment Arenas nationally over the next three years. The first, a 2000m² complex, opened in December in Alberton, Gauteng. The company expects to attract over 250 000 visitors by the end of the year. The US concept comprises an attraction unique to each venue, such as cosmic bowling, an indoor lake or a climbing wall, supplemented by the latest in interactive simulators, games, machines, DSTVs, food halls and dance music.

TO STATE OF THE PARTY.

Ryden International, the property consultants, will launch Stocks & Stocks' Centurion Value World next month. It has a strong leisure component and has development rights up to 90 000m². Ryden is working on another four value centres, covering from 21 000m² to 30 000m² each.

Reports indicate that subdued outlook for retail rentals will persist until the pressures on disposable income and spending capacity wear off.

Economists are expecting two interest rate cuts, which could improve consumer spending. Some say that the differential between higher wage increases and declining inflation will lead to greater amounts of disposable income.

Depending on future economic activity and which way interest rates fly, retailers could be hard pressed to grow turnover above the inflation rate.

Or open for business.

The spirit to lead the way to job creation and prosperit

A study shows that developing entrepreneurship could be the answer in poorer regions, writes QUENTIN WRAY

STUDY done in the former Transkel has shown that it can cost as little as R846 to created and that, with property and the property and the property and that with property and the ate a job and that, with proper development of entrepreneurship, small, micro and medium enterprises (SMMEs) can cre-ate jobs and wealth.

Professor Darma Mahadea, the acting head of economics at the University of Transkel, says economic growth of only 1.7% has strengthened the need for informal sector entrepreneurship. He points out that this is for many South Africans the only available ve-hicle for employment and economic development. His study of 80 small and mi-

cro light-manufacturing firms in the former Transkei found in the former Transkel found that the entrepreneurial spirit is "very active" among small businesses and that most self-employed entrepreneurs will prefer to remain in business even if they are offered jobs in the formal sector.

Mahadea's study surveyed businesses in four urban areas

businesses in four urban areas of the former Transkel — Um-tata, Butterworth-Idutywa, Enand Qumbu-Mount

He says it was shown clearly that expansion is being hampered by lack of access to capital through formal channels.

Of the people surveyed,

"Although 81% of the respondents had a savings or a current account, none of them had a loan from the bank. How-ever, 46% of the subjects had

ever, 46% of the subjects had loans from the Transkel Small Industries Development Organisation (Transido) to buy raw materials or machinery." The size of the Transido loans ranged from R300 to R30 000, the average being R2 223. Transido is now part of the Eastern Cape Development Authority (Ecda).

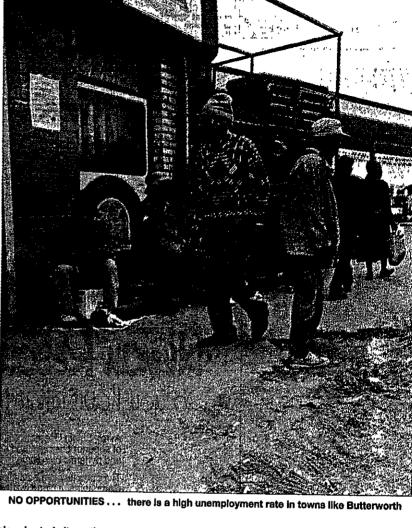
Some businesses cost as much as R45 000 to establish

much as R45 000 to establish although others cost as little as R70. The average start-up cost was R3 247. Mahadea found that the "job creation cost" in the region was R846 per job for a sewing business but more than R2 000 for metal and woodwork enterprises. Mahadea says SMMEs in the

area have an average monthly turnover of between R500 and R25 000 (on average R5 097). About 20% of the firms were

"mere survivalists", with the value added being less than the poverty line, assumed by him to be R500. These businesses were therefore unlikely to create jobs.

Mahadea says 62.5% of the businesses surveyed em-



ployed, including the en-trepreneur, between one and six people with only 3.6% employing more than nine.

For sustainable jobs to be created, SMMEs need to improve technology, competi-tiveness, efficiency and prod-uct range, he says. Labour incentives should be seen as temporary and be linked to "productivity improvement and outward expansion of

Mahadea says SMMEs in the

region tend to share the following characteristics: ease of eninto the markets, reliance on indigenous and easily ob-tainable resources, family ownership of enterprises, labour intensive and adapted technology, skills acquired outside of the school system and markets that are unregulated and competitive.

Mahadea says of the en-trepreneurs surveyed, 85% were "keen to continue with their current line of manufacturing activity even if they were offered alternative paid employment" and that 56% had plans to expand and therefore

employ more labour.
He found that the average entrepreneur in the Transkei was 43 years old, had about five years migratory work ex-perience outside the Transkel. perience outside the Transkei, seven years' formal education (21% had between standards 2 and 5) and one year of practical or apprenticeship training. — ECN business.

FRSONAL FINANCE

Budget proposal will increase tax burden on small businesses et (BR)1/4/98

Tackling Tex The Government announced in its 1995 Budget that it agreed with the Katz Commission that there is a need to reduce the "compliance burden and cash-flow constraint of small enterprises

It was said that one of the ways to do this would be to allow small businesses to be taxed on a cash-flow basis.

to you, if your Closed Corpora-tion or company is a small enterprise, was that your working cap-ital requirements would have been eased because the business What this would have meant

and would deduct expenses only when it had paid them.

From a cash flow, and survival point of view, the benefits of this are obvious.

for tax purposes, you wouldn't have to account for income and it would also have meant that, expenditure on the accrual basis.

search would need to be done to define a small enterprise, it also said that amendments to the In-Although the 1995 budget review book said that further recome Tax Act would be made to provide for relief in that year.

The recommendations

DEBORAH TICKLE

would have been taxed on income only when it received the cash

ties to reconcile turnover and ex-penses for income tax purposes with turnover and VAT input taxes for expenses reflected on VAT returns. than R25 milion could already pay VAT output tax and claim VAT input taxes on a cash basis seemed to be sound, and under VAT legislation businesses with (or "payments basis" as it is called in the Act). taxable supplies for a year of less

prises to experience the promised relief. But legislation passed in 1935 did not contain anything reliting to the cash basis. Nor did legislation passed in 1996 and 1997. breath, to see the legislation come out, and for small enter-So we all waited, with bated If seemed therefore that it should be fairly simple to put the legislation together—surely businesses paying VAT on the basis of cash received, and claiming VAT on the basis of the basis of VAT paid to suppliers, would be the logical choice for the cash basis for income tax. This system would also make

This year the budget proposals include a recommendation

□ Determine the total amount

availability of the VAT payments basis be restricted to natural persons, bodies comprising solely natural persons and local authorcontrary to the 1995 proposals, the recommendation is that the

So if your company or CC currently pays VAT on the payments basis, when the change is legislated, you will have to do the folmove further away from the cash

in order to make the changeover easier, I suggest you start looking now at your accounting system to If this change will affect you,

Determine the iotal amount you owe creditors who have charged VAT, but whom you have not yet paid, and claim the input

☐ If you would like any questions on tax of a general native answered for publication write to Deborah lixtle, Personal Finance, P 0 Box 56, Cape Town, or e-mail perfin@th.independent.to.za

VAT on an invoice basis, and also that on the changeover date, you will be able to obtain the right information to pay and claim the correct VAT.

it easy for the Revenue authori-

that relates to the cash basis, but

This means that this year we

of outstanding debts which relate to invoices on which VAT is re-flected, and pay over the VAT relating to those debts;

make sure it can account for the

☐ Deborah Tickle is a tax partner at the accounting firm KPMG

istrative and working capital bur-den of small enterprises, this will Far from reducing the adminclearly increase it.

ack owners

Ernst & Young Review of Merg-AST year was a record ic empowerment, according to the 1997 vear for black economer and Acquisition Activity.

lished black economic empowerment transactions with a to-tal value of R8.3-billion in 1997 here were a record 52 pubagainst 45 deals valued at R7 billion in 1996.

deals announced understates But the value and number of the true extent of black economic empowerment activity

result of a few large transactions, notably the R2.6-billion acquisition of 35% of Johnnic as many deals go unreported. Black economic empowerment was given a massive boost in 1995 and 1996 as a ican Corporation and De Beers lion sale of 34.9% of JCI to African Mining oy the National Empowerment Consortium, and the R2.9-bil-Group (AMG) by Anglo Amer-Consolidated Mines. Saflife and

During 1997 the largest economic empowerment transaction was the R4.3-billion acqui

sition by PQ Africa of the African businesses of Persetel and O-Data.

Black empowerment groups publishing, information techwere active in the financial sertourism and hotels nology and transport sectors. vices

Last year, as in 1996, there panies, backed by members, as was a more earnest attempt to broaden the black ownership base. One notable trend was the continued emergence of trade union investment comdeal makers and investors.

ပ္ပံ nomic interest in Metropolitan chant Bank (AMB) subsidiary ing in some of the pioneers of empowerment. New Africa Investments Limited (Nail), for Life and listed its African Mer-There is evidence of maturon the JSE in November 1997 example, increased its

Group and Dagbreek Trust, in a

deal valued at R200-million;

Company (MIC) sold its 60% interest in Royal Food Services

□ Mineworkers Investmen

to JSE-listed Řebhold, in which

MIC will acquire a 20% stake;

years ago with capital of R5-million," the review says. "By February 1998 it was valued on the JSE at about R3-billion." outstanding success story, having been launched three 'In this context AMB is an

of growing Another sign

maturity among black empowmillion rights issue by Real Africa Holdings in 1997 — a erment groups was the R403 third more than the R300-mil

the JSE, though their beneficial of the market capitalisation of believed to control about 10% lion originally planned. Black chip companies ownership is about 4%.

control is shifting towards the political centre of gravity," it "The speed and scale of demonstrates ment, though slow for some, the extent to which economic empower economic says in the review. nevertheless black

agement of Zenex Oil of the RI.4-billion turnover a year

Zenex Oil group for R400-mil

lion — the acquisition by Kagiso Trust Investment Company of joint control of the voting pool of the Perskor Group, together with the Rembrandt

> transactions in future, particularly where borrowings are disintegration of JCI and the resignation of Mzi Khumalo from both JCI and Capital Alliance in a cloud of controversy could retard enthusiasm for black economic empowerment used as collateral against com-"On a more sombre note, the large-scale and highly geared modity-producing, assets.

Among some of the more no table black economic empow

trols a R1-billion fund

try's largest funeral operator, Private Equity Fund entered into a partnership with the coun-HŤ Group, for R200-million;

☐ The formation of PQ Africa, controlled by Real

erment deals of 1997 were:

Africa, in a deal valued at R4.3billion is the largest information technology acquisition yet

by a black economic empow-

erment group;

☐ The acquisition by Worldwide Africa Investment Holdwide Africa Investment Standard Corporate and Merchant Bank and the man-

ings,

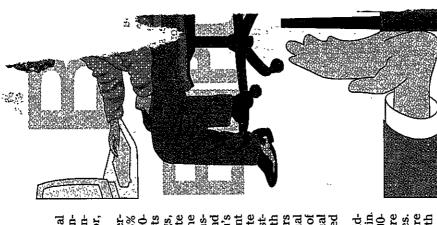
health care provider in the country. Included in the trans-Workers Union, the National □ Several black empowermillion. Netcare, following its merger with Clinic Holdings, became the largest private action were the SA Medical and Dental Practitioners, Cosatu's Company and Cosatu affiliate Union of Metal Workers of ment groups acquired a 28% interest in Netcare for R200 Kopana ka Matla Investmeni investment companies invest on behalf of the South African Railways and Harbours South Africa and the National **Education and Hospital Allied** Workers Union; and

million after failing to acquire ings acquired a 5% share in Shoprite Checkers for R200-Uhuru also has a joint venture industry with □ Uhuru Investment Hold OK Bazaars from SA Breweries Maxiprest called Afrityre

Empowerment

□ National

Corporation (NEC) and Coronation Holdings formed a jointly controlled company, African Harvest Holdings, which con-



NSBC plans to aid small business

By Shadrack Mashalaba

THE National Small Business Council (NSBC) starts its three-day national conference today to formulate strategies geared towards the success of small businesses.

The conference, to be held at the World Trade Centre in Kempton Park, is the first national gathering of its kind to involve small towns that have been identified by the NSBC to take part in its Enterprise Development for Growth and Equity (Edge) programme.

Main thrust

The main thrust of the conference will also be aimed at bringing together representatives of the steering committees of the 40 towns taking part in the Edge programme.

Organisers say the gathering will be an ideal forum to share practical information with representatives of small towns on how to start small business development in their areas.

Various local and international speakers will be presenting practical information and strategies to help in the success of the Edge.

NSBC chief executive Monde Tabata said the conference would not be "one of those talking sessions. We aim to give small businesses practical advice and hands-on approach when dealing with problems".

Tabata said they have since submitted a proposal to the United Nations Development Programme for financial

Financial injection

This follows the Department of Trade and Industry's financial injection in the organisation's coffers early last year.

Edge, unveiled by the DTI Minister Alec Erwin last year, seeks to promote and advance small business as the creator of opportunities and wealth.

The NSBC's Edge programme will be done in conjunction with provincial and local government authorities, chambers of commerce, small business organisations and associations.

The council's initiative will include the promotion of an enabling legal and regulatory environment for sound business development and mobilise small business to be able to identify new economic and employment opportunities. Forum for Soweto business

Patrick Wadula 9/4/98

SEVERAL Soweto business organisations and associations met yesterday to set up the Soweto Business Forum, which would look at addressing the economic development of the greater Soweto area.

development of the greater Soweto area.

At the forum meeting in Soweto yesterday, local provincial government director for economic empowerment Kgomotso Mohlala said organisations should each have a unified voice before scaling agriculture. each have a unified voice before seeking assistance

from any government department.

She said the Gauteng government had 60 incentive schemes through which the forum could benefit. These included exporting incentives, trade missions to other countries and incentives for being in the manufacturing business.

The forum has elected an interim committee to

assist each member organisation draw up specific needs which will be incorporated in the forum's strategic document.

The document will be used to lobby for financial and other service-related assistance from both the public and private sectors.

The forum was represented by the Soweto Builders' Association, Soweto Chamber of Commerce, Orlando Business Chamber, Dobsonville Business Chamber and the Coloured Association, among others. The next forum meeting is scheduled for April 22 for April 23.

SMMEs pivotal to Pan

ITH PROPER development of entrepreneurs, small, micro and medium enterprises (SMMEs) can be a powerful agent for job and wealth creation, acting head of economics at the University of Transkei (Unitra) Professor Darma Mahadea revealed in a study.

His study of 80 small and micro light-manufacturing firms in the former Transkei found that the entrepreneurial spirit is "very active" among small firms in South Africa and that most self-employed entrepreneurs would continue to remain in business even if they were offered jobs in the formal sector.

Mahadea's surveyed firms in four urban areas of the Transkei - Umtata, Butterworth-Idutywa, Engcobo and Qumbu-Mount Frere.

His research revealed that lack of access to capital by entrepreneurs, who often did not have collateral, is hampering expansion and the creation

About 77,5 percent of surveyed

ventures claimed that their with had been hampered by a lack of access to finance.

Mahadea said: "Although 81 percent of the respondents had a savings or a current account, none had a loan from the bank. However, 46 percent of the businesses had some financial assistance from the Transkei Small Industries Development Organisation (Transido) to buy raw materials or machinery."

The size of the Transido loans ranged from R300 to R30 000, the average being R2 223. Transido is now part of the Eastern Cape Development Authority (Ecda).

According to Mahadea, some firms had cost as much as R45 000 to establish. He found that the "job creation cost" in the region was R846 a job for a sewing business but was over R2 000 for metal and woodwork enterprises.

had an average monthly turnover of about R5 097 with value-added ranging from R275 to R13 500 a month.

He said about 20 percent of the firms were "mere survivalists" with value-added being less than the poverty datum line - assumed to be R500. These businesses were unlikely to create employment growth, he said.

Mahadea said 62,5 percent of the firms surveyed employed, including the entrepreneur, between one and six people with only 3,6 percent of the firms employing more than nine people.

He criticised supply side incentives for job creation such as transfer payments to employers, saying that these were an added burden to taxpayers who are "already overburdened by a painfully heavy rate of income and "indirect tax".

Mahadea said that for sustainable iobs to be created SMMEs needed to improve technology, competitiveness, efficiency and product range.

Labour incentives, he said, should Mahadea said SMMEs in the area, sonly be seen as temporary and had to be linked to "productivity improvement and outward expansion of firms".

'Business failures

increased 12% 30 ABOUT 1 650 SA businesses failed in the last six months of 1997 as increasthe last six months of 1997 as increasingly competitive imports, high interest rates and fraud took their toll, a domestic underwriter said yesterday.

The figure was 12% higher than the 1.470 failures in the same period of 1996, said Credit Guarantee's executive director Mike Truter.

The highest business failure rate that is on record was in the second half

that is on record was in the second half of 1994, when as many as 1 743 businesses crashed.

"High interest rates, an almost stagnant economy and increasing com-

stagnant economy and increasing competition from imports have taken a heavy toll on the domestic business sector,"Truter said.

"There are some pretty desperate people out there and this is being reflected in both the high number of business foilures as well as the rising inness failures as well as the rising incidence of fraud," he said.

Of these claims, 35% were fraudu-

lent, he said.

Payouts made by Credit Guarantee — which is a leading supplier of domestic and export credit insurance as well as reinsurance — totalled a record R97m for the nine months to March this year.
This was compared to a total of

R66,4m for the corresponding period in

the previous year.

Truter said that the worst affected sectors were poultry, clothing and tex-

tiles.—Reuter.

Proprietors sometimes go to 'great lengths to defraud creditors'

Fraud plays 'key role' in SA business failures

THABO LESHILO

BUSINESS EDITOR

Johannesburg — Fraud played an alarmingly big role in South Africa's soaring business failures, Mike Truter, the managing director of Credit Guarantee, said yesterday

"There is growing evidence of business owners going to great lengths to defraud their creditors," said Truter. Although exact figures were not available, "fraud appears to be a more important factor in the failures than in the past", he said.

Credit Guarantee supplies domestic and export credit insurance and reinsurance to companies. Truter said the company paid R97 million in claims during the nine months to March this year, its highest payout in 45 years. Claims over the same period the previous year totalled R66,4 million.

He said 1 650 companies collapsed in the second half of 1997, 12 percent more than the previous year.

"This is bad news for the country's employment figures, which can ill-afford to be swelled by business failures ... However, the recent reduction in interest rates, together with a further reduction expected later in the year and the forthcoming demutualisations, should ease the plight of cash-strapped businesses and provide a long-awaited boost to consumer spending."

Truter said fraud was behind the two largest domestic claims paid by the company this year. Both were the subject of legal action. One of them involved a businessmen discounting a fictitious debtors' book to a factoring company for R15 million.

The most common fraudulent acts involved businessmen running huge credits they were unable to pay, causing creditors untold misery. The typical guilty parties owned companies with limited proprietary status.

"High interest rates, an almost stagnant economy and increasing competition from imports have taken their toll on the domestic business sector. There are some pretty desperate people out there. This is being reflected in both the high number of business failures and the rising incidence of fraud," said Truter.

Last month Buster Carlson, the security consultant to sugar group Tongaat-Hulett and a member of the Business Against Crime initiative, warned that the country was beginning to lose the battle against commercial crime.

Bart Henderson, a forensic auditor and lecturer, says the commercial branch of the police reported 27 252 cases involving R7,3 billion between January and June 1996. Unlisted but not unreconised

M 16 4 98 30

THE growing importance of nonlisted Customers — delivery of high value with

THE growing importance of nonlisted companies to the SA economy reflects a global trend towards smaller, more ag-ile and more entrepreneurial business es, said Troy Dyer, convener of the judging panel for this year's SA Non-Listed Company Award.

The contest, which is now in its 13th year, is sponsored jointly by Business Day, Arthur Andersen and the Wits Business School.

Dyer, director of the school's centre for entrepreneurship, said the shift has been driven by developments in information and communications.

The new technologies associated with the information age have dramatically changed the strategic choices of these companies. They allow special-isation and smaller volumes without the loss of the scale-based efficiencies associated with the industrial age.

Dyer says the judges will look at "critical dimensions of performance" related to the needs of the following

key stakeholders:

□ Financiers and investors — the financial performance of the company, combined with the strategic development of competitive advantages to secure future performance.

products and services, combined with management operations to maintain and improve performance.

☐ Employees and the community — demonstrated commitment to development programmes which make a significant positive contribution to the quality of life of people in the company and in the community.

☐ Aspiring entrepreneurs — best practice examples of entrepreneurial cul-ture, initiative and performance which others can emulate.

Dyer said the choice of the winner would be based on evidence of "sustainable superior performance" in terms of these factors, with financial performance being the "bottom line".

His fellow judges are Russell Loubser, executive president of the Johannesburg Stock Exchange, Peter Vundla, executive chairman of advertising agency Herdbuoys McCann-Erickson, Sydney Frankel, CEO of stockbrokers Société Générale Frankel Pollak, and Joan Joffe, group executive of last year's winners, Vodacom.

For further information please contact Ruth Grobler (011-328-3197) or Nadine Caine (011-328-3523).

Left by with the result of the property of Johannesburg's brightest thinkers on economics, lwas both impressed and clinically depressed — impressed by the calibre of people at the intellectual rock face of the business community, and depressed that there is still no meeting of minds between this community and Deputy President Thabo Mbeki. Two years ago Mbeki despated over business's "disiliteress" in transformation. "How community," he community in this community in this comporate community in this comporate to the rebuilding of

country . . to South Africa?"

Last December President Nel-son Mandela sald much the same thing. By the reckoning of these two men, therefore, business has not moved on since 1994.

They see it starting with a mind-set. South Africa is going through a phase in which not only the ANC but the whole country becomes a "troad church". Everyone's shoulder should be to the wheel. Lafer they may go their separate ways, but now the

tron law of transformation is that unless they all swim together they will all sink together.

Only when seen against this approach does the ANC's incessant onslaught on its crutics become explicable, if not supportable, if explains Mandela's extraordinary statement last December that South Africa is not yet a stable democracy and that opposition groups are reactionary, dangerous and opportunist" when they claim a democratic obligation merely to discredit the rulling party, so that they may gain power after the next elections.

has become a imperative.

This applies as much to the press and business leaders as to press and business leaders as to proposition politicians. Labour with ideas, but as they point has been read the same lesson, out — business is not monolithe by "Mandela, but with Jittle" it. There is no such thing as a business is emploited. opposition groups exist. Mandala's speed explained with the ANC was asking for this universal right to be suspended in the new South Africa — agreement on overriding national objectives

Usually, this is exactly why

However anticable relations and the feet anticable relations.

The exception—and on this circums might be between the business businessmen are unantimous—of world and, say, the Flance or is that the biggest Hassise in Carade and Industry_departe, their lives is labour, organised comments, it is with Mbeld that the "and unorganised, its the single doctoning compact must be most important deterrent to made. It is in Mbeld's expanding business expansion and job Redepartment—the "important exection, Many companies are inwelled presidency," as some commen-shedding jobs to make their the tators put it — that the black products more competitive, unif-Camelot is gathering and, if Camelot is not convinced, the standoff with business will

making towards transformation to prevent 'vace nots' (Mbeki) and an "explosion" (Mandela)? Businessmen are not clear, and they suspect the government is not clear either The onus has been put on them to come up What input should business be

ords of amelot Mbeki's USINESS Idilas ST $fg/\mu/gg$ (30) Corporate SA would heed the eludes

table on transformation if it could find government's call to join the round the way, writes STANLEY UYS

shedding jobs to make their to products more competitive.

Businessmen I spoke to found
it difficult to read Mbekt. The customary description of him is that he is "enignate". After a lifebeing enigmatic can be a plus for one politician and a minus for another. The public, at its whim, may decide that behind an me of writing about politicians, still do not understand how

神経 一大

A member of the group contributed the perceptive view that in the AVIC took power a decade or into two too late. Its victory untwo too late. Its victory untwo too late. Its victory untwo took and "explosion of democ. but seashed an "explosion of democ. but that pushed expectations. It hat pushed expectations. eaders are saying, a member of he group ventured, is that South Virtica is not ready yet for the dea of a loyal opposition. being may b tainly is vis to come out, or, equally, that the exterior may conceal a Machiavelli incarnate — that those telltate humps in a political scene path are the bodies of garrotted rivals.

One way of reading Mbekt, of course, its to look at what he does. He is the custodian of the does. He study sermon from the ANC mount which, however unfulfilled yet, is steering South Africa in the right direction. Also, there are solid people in the cabinet, and if they survive the cabinet, and if they survive the cabinet, and if they survive the second of the doer ease it. It can be writtened, too, that Mbekd has

too nigh But this event colp. Me cided with the new globalisation, as which imposes strict constraints mon the kind of state spending conneeded to provide instant is not yet a stable democracy and that, despite the Bill of Rights, some democratic practices need to be suspended for the time The concept that South Africa

he newly If the ANC enfranchised masses. If the ANC had taken over in 1984, the group member remarked wryly, it would have been less subject to the new orthodoxy of fiscal dis-cipline, even if this then resulted in the country galloping towards inflation and other abysses. y be scary but it cer-visionary What ANC

communicative with groups.

A member of the group said

The group also discussed business's difficulties in opening with Wheld's office Mbeki, they agreed, was best in one-to-one meetings. He became less

Mbeki seemed to feel he could reach a basis of frust with some individuals but that when groups "walk out of his door they cheat

The group coalesced on the point that labour "inflexibility" was at the core of South Africa's When Gear was launched in ne last year, analysts generally ok the view that most of its t stuck to its principles, there would be no slaughter on the markets. That, too, has proved to be the case. In passing, a jets were unrealistic — and, eed, that has proved to be the e. But they felt that, provided member of our group reminded us that Gear was "a doctrine

for stability, not growth"

Trevor Manuel, for example, a year before national electrions, to reduce the budget deficit and warn of public service cuts, Fiscal considerations, therefore, would be the determining ones. uld protect Gear's integrity. It as "heroic" of Finance Minister monetary. In these sectors

A member of our group representing a major organisation put it this way. We are currently selzed of this issue in an attempt to find answers which would be considered appropriate for the

We have to find these answers."
It is a long hard ahead, though.
Business is still in the foothills
while the black camelot is on a
peak, still out of reach.

already hooded eyes transformation, and versus socialism, or the shutters come about capitalism down over his Talk to Mbeki question the meaning of

economic problems, that it was the main disincentive to foreign direct investment. The Cosatu-led unions, particularly, are acpeing deterred by "poor produc-ivity, restrictive labour legislacused of pushing wages up to un

tion and low economic growth.
The group added that Labour
Minister Tito Mboweni may already have dealt the economy a
"mortal" blow with his "livepack," of existing and pending
labour legislation (Labour Relations Act, Basel Conditions of
Employment, Equity, and so

was pointless, the group ed, to engage Mbeki in ide-cal debate. Talk to him t capitalism versus socialfrom businessmen is specific proposals on what they are ready to do to promote growth ters come down over his alread hooded eyes. What Mbeki want and. was pointless, r question the transformation", a

Yer ideology intrudes at most levels and, if ideological differences are to be excluded from debate, does this mean dialogue can proceed no further? Not necn become "active partici nts" in transformation withou getting entangled in ideology.

I came away from our discusg for those areas wher Mandela's words) the seems. Business to use

inficant sections of it, really want to bond with the ANC on the country's economic problems. sions strongly impressed that the business community, or sigtimes in which we find ourselves.
The standard response of 'corporate responsibility' is evidently no longer adequate to meet



Thirty-five students graduated from the Foundation for Entrepreneurship Development in Johannesburg on Friday. Pensioner Alfred Oliphant, 71, left, received his diploma in garment making.

Pictures: ROBERT BOTHA

Entrepreneur body to develop sm dents to operate their own manufacturing boutique or enter a pro-

Patrick Wadula

THE Foundation for Entrepreneurship Development, a nongovernmental organisation which assists disadvantaged people with technical and management skills in the clothing and textile indus-try, plans to develop sustainable small and medium enterprises from this year. Foundation

secretary Rose Morta said at the weekend the organisation, formed in 1985, was helping people who had little or no formal education to develop skills in garment making.

Morta said in future there would be an emphasis on extended training to enable graduate studuction incubator.

She called on established businesses and state-owned enterprises to assist in creating job opportunities for graduates through provision of contracts for making company, school, or public service clothing or uniforms.

Justice not easy source solution solutions for small business

By Isaac Moledi

USTICE for small business is essentially maccessible, costly and prohibitively time-consuming, Free Market Foundation (FMF) executive director Leon Louw says in his new publication on access to justice for small business.

The booklet, called *Justice*, is the first in a series called "Laws Affecting Small Business", prepared by FMF, and published by the Friedrich-Naumann-Stiftung.

According to Louw, most of the laws and regulations that affect small business were designed during apartheid era to keep black South Africans out of business or prevent them from expanding their enterprises.

A particular problem for black business people under apartheid was the extensive discretionary authority given to the civil service. Civil servants, he says, had the power to grant or deny business licences and access to business premises.

Even though trading licence requirements have with few exceptions been abolished, Louw says there are still hundreds of laws and bureaucratic practices at all levels of government that act as barriers to entry, as well as countless oppressive compliance laws.

"Continuing compliance costs represent an additional financial burden to small businesses and are often a factor in business failures."

Official statistics

Although it is difficult to quantify the harm these laws and regulations do to small business since the causes of bank-ruptcies are seldom documented, Louw says this lack of official statistics is the reason why the causes of failures have not received enough attention from policy makers.

"The result is that far too often laws are written without adequate consideration for the high costs they impose on small enterprises."

Louw says not all of the laws that have now been enacted for the development of small businesses are intended, as the apartheid laws were, to keep people out of business or to ensure that their businesses remain small. But he argues that they have had the same effect.

"In any case, laws should be judged by their consequences rather than by their intentions.

"Since the greatest share of the future business growth in this country will be in the hands of small entrepreneurs, Government must ensure that no statutory constraints, intended or unintended, are placed on small business growth."

For many years experts in the legal profession, in the judiciary and in the business community have been calling for reforms to make access to justice a reality. "Important progressive steps have been taken to benefit consumers and private citizens, but to date nothing has been done to ameliorate the plight of small business," Louw says.

Small entrepreneurs

He also argues that a situation where monetary jurisdiction of the small claims court is less than R3 000 is denying other small entrepreneurs with between R7 000 to R25 000 access to these courts.

"The next step up the judicial ladder is the magistrate's court. There, however, small businesses will be required to hire lawyers to argue the case, and their costs may well exceed the amount in dispute," says Louw.

"One of the primary function of Government is to act as an adjudicator in disputes between its citizens by providing courts that are accessible to all."

He said legislation along the lines of the Regulatory Flexibility Act (RAF) of 1980 combined with the Small Business Regulatory Enforcement Fairness Act of 1996 of the United States should be adopted in South Africa in order to minimise the economic impact of legislation on small business by subjecting the law-making process to judicial review.

"In the US, for instance, the 1980 RAF requires federal agencies to take steps to collect input from small entities on regulations and to determine whether a rule is expected to have a significant economic impact on a substantial number of small entities," says Louw.

More information can be obtained about the book from Free Market Foundation at (011) 884 0270.

One of the primary functions of government is to act as an adjudicator in disputes

USAid presents last small firms project

WASHINGTON — The US Agency for International Development (USAid) is offering up to R10m to anyone with a sustainable plan for developing partnerships between "historically disadvantaged" small and medium-sized business in SA and corporate America.

and corporate America.

USAid says this will be its last project to promote black entrepreneurs in SA.

Proposals, which may be submitted by US and SA non-

profits, must be in by May 29 and should call for setting up offices in both countries.

USAid said it was not interested in paying for "any long-term expatriate advisers" in SA.

Bidders will be judged on the number and value of deals they can convincingly claim they will be able to arrange between black-owned SA firms and "US and other large corporations" based outside SA.

The SA firms to be targeted for assistance must have no more that 200 employees,

turnover of less than R25m and no more than R5m in assets excluding fixed property. The idea is to help them obtain contracts, direct investment, distributorships and export orders.

Proposals need to include "capacity-building activities" such as "assisting firms and associations in preparing and presenting policy positions to public and private sector policy makers". Bidders will be expected to come up with at least R2,5m from other sources and demonstrate they can continue

operating after USAid shuts down its SA private-sector development programme in 2001.

Certain transactions are not to be supported by this project, for example, anything having to do with abortion, military, police and surveillance equipment, nuclear technology, "weather modification", pesticides or fertiliser. USAid's money cannot be used to promote agricultural exports from SA if they compete with US exports, or to back any venture if it causes jobs to be lost in the US.

Midnight strikes for SA's Cinderella sect et (Por) 29 4 198

Keth Herrmannis

nce upon a time, in a fairy-tale land far, far away, lived Cinderella and her three ugly sisters.

and her three ugly sisters.

In the South African version of this fairy tale our Cinderella is that fledgling sector of the economy known as the small, medium and microenterprise (SMIME) sector. The three ugly sisters are big business, the union movement and an apartheid economic legacy that together have left the Cinderella sector on the periphery

of the economy, and search of the economy, and search of the birth of the fairy godmother (our new government) waved her magic wand and produced a White Paper on Small Business Promotion. The Cinderella sector anticipated that this move would transform her from a poor country girl to a charming, elegant princess.

Now, the Prince of econom-

Now, the Prince of economic growth, job creation and black economic empowerment was to host a grand charity ball known as the Growth, Economic and Redistribution (Gear) strategy.

Cinderella and her three Cinderella and her three ugly sisters were all invited—all equally important guests at the grand banquet, which was to make a significant contribution to achieving the projected growth rate of 6 percent a year and 400 000 jobs a year by 2000.

But Cinderella's ugly sisters were jealous of the special attention showered on their sibling. They forbade her from going to the ball and relegated her to menial tasks in the retail

and informal sectors.

The fairy godmother, taking pity on this castaway sector of the economy, waved her magic wand.

purple of the cold pumple of the cold pumple of the cold pumple of the cold purple of the cold purple of the cold purple of the cold purple of the cold pumple of the

The carriage was powered by six white stallons, each representing the elements of a new SMME support framework: providing access to finance, access to information and advice, access to markets and tenders, access to physical infrastructure, access to appropriate technology, and the creation of an enabling legal framework.

an enabling regar namework.

The horses were harnessed together under the provisions of the National Small Business Act. They represented our fairy godmother's commitment to small business development.

The broader vision was

aptly captured by President Nelson Mandela at the first National Conference on Small Business, when he said: "All these developments provide a platform for the launch of a national movement for the expansion of small enterprises in South Africa ... To succeed, it must harness the entrepreneurial energies of all our people."

The Cinderella sector was finally received by the Prince and lauded for her importance in the economic revival of a stagnant, low-growth economy.

But just as the clock struck midnight for Cinderella in the

stagnant, low-growth economy.

But just as the clock struck
midnight for Cinderella in the
fairy tale, so too has the magic
spell of our fairy godmother
worn off.

horn our Just as Cinderella found herself clothed again in plain and simple rags, so too has the SMIME sector been abandoned by the Gear strategy.

The gilded carriage and stunning stallions of small business support have been reduced to an old pumpkin and

t scampering mice. Small enterprises are as destitute now as before — a marginalised and wretched participant in the broader mainstream economy.

The striking of the midnight hour for the SMME sector is also found in the establishment of lethargic and bureaucratic delivery structures. Many of these have been tainted by corruption, inept management and non-delivery.

It's as if Cinderella has lost one of her magic shoes. Programme support, supposedly provided by the department of trade and industry (D/TI), has not materialised. And the Prince, although distraught by the loss of his princess, has not yet been galvanised into action.

Almost three years after our fairy godmother first waved her magic wand, we have reached a point where an assessment must be made. We need to understand where support for the Cinderella sector will come from.

The need for an assessment is further emphasised by the slow-rising crescendo of murmuring about our fairy godmother's lack of delivery, expressed by the stakeholders that constitute this sector.

In determining the prospects for the SMME sector in 1998, the reality of the here-and-now means that a fairy-tale ending may not materialse — that the Prince may not reunite the magic shoe of programme support from the DTI with Cinderella-type SMMEs.

..And a wave of the magic wand by our fairy godmother will not wash away the sense of disillusionment.

The state of affairs sketched in this fairy tale analogy provides us, as key stakeholders in promoting SMMEs, with an opportunity to ensure that the sector can realise its potential, fulfil the expectations so vividly described in all the many policy documents, and live out the bold vision of creating more jobs and more economic wealth for all.

We all need to unite in a new patriotism to achieve the goal of creating a new society. For SMMEs in our country, this means holding the fairy godmother to account and having the courage to make the shoe of DYI delivery fit the waiting foot of the Cinderella

☐ Keith Herrmannis is a project leader of Legal and Economic Research at the Small Business Project

Community business centre opened in Alex shareen singh?

Yesterday, the parties formally launched the third Community Economic Development Centre opened in the past two years, in Alexandra near Sandton. The first centre was started in Cala in the Transkei with R2m from the Reconstruction and Development Programme's Presidential Projects Fund, followed by a second one in Lekoa Vaal.

Sanco Investment Holdings chairman Moses Mayekiso said 54 centres would be established throughout the country over five years. He said the centres offered business advice, training and helped entrepreneurs identify businesses as well as access finance and markets. The centres worked closely with institutions such as the government-funded small business development agency Ntsika, which organised training and some funding.

Nokia Telecommunications business development manager Johan Ahlbäch said his company supported the three centres to the amount of R300m. "We believe it is an interesting concept which has potential to be successful and duplicated countrywide. Sanco's project proposal was "very professional and had a clear focus on what they want to achieve", Ahlbäch said.

Nokia's support took the form of computer and telecommunications equipment.

The company may support the development of other centres, depending on how it performs in SA and the success of the three centres.

KOT 48 Nafcoc accuses a 'busy' govt of a lack (2/5/98 nicola Jenvey premier Ben Ngubane arrived chairman, made the effort to at the tend and hear the cries and de-

tional Industrial Chamber, the industrial arm of the National African Federated Chamber of Commerce (Nafcoc), accused government yesterday of lack of interest in small, medium and microenterprises.

Evidence of this, the chamber said, was the absence of members of Parliament and public servants at its annual conference.

The accusation was made after neither Labour Minister
Tito Moowen nor his representative appeared for a designated address. KwaZulu-Natal

guest speaker slot. Ngubane's excuse was that "government was very busy" and he had been attending the poverty hearings in Maritzburg. Small Business Develop

mands of small businesses.

ment Corporation senior GM Adhir Singh said had it been an ence or one organised by one of SA Chamber of Business conferthe large corporations, government officials would have been "climbing over each other" to get

requirements, Nafcoc CEO establishment of small business banks which were better suited to helping new business development than the large financial institutions. He said small business was not a small version of

> Northern Province provincial MP and provincial trade and inon the guest list. Instead only Sheila Sithole, portfolio committee

big business and therefore had different needs. With the National Stokvel Association, Nafcoc was urging government and financial institutions to consider community banks. Industrial chamber president Joe Mogodi said: "The chamber has been lobbying about issues which touch too

Machaba said access to finance was the main element hindering small business growth and under the centralised loan approval system. the experience of a local branch manager carried no weight. close to government's electoral heart, hence their absence." However, the chamber's voice would be heard, Mogodi said.
Addressing small business.

ness could no longer blame apartheid. The success of enrepreneurs in SA today came Mandisa Maepa said black busifrom their own hard work and Session chairman commitment.

Fund plans to empower 300 000 blacks

Linda Ensor

CAPE TOWN — The National Empowerment Fund plans to create 300 000 investors in the first year of its operation by assisting blacks to participate in privatisation.

The fund, expected to start operations in November, will buy shares in privatised utilities from government at a discount of between 10% and 20% to resell to blacks. This will result in greater public participation in the equity market, as happened in the UK where participation rose from about 5% before privatisation to 36%.

Disclosing details of the fund for the first time, members of the interdepartmental steering committee overseeing its establishment told Parliament's standing committee on finance yesterday that it would start out with 10% of Telkom shares, 15% of Sun Air and 10% of the Airports Company. Their market value was estimated at R2bn.

Programme director Sango Ntsaluba said government had agreed to allow deferred payments, possibly in the form of lay-bys, to ensure a broader spread of share ownership.

To limit the dangers of fronting and the enrichment of the few which had bedevilled Malaysia's privatisation exercise, a three- to five-year restriction period would be placed on the sale in a secondary market of shares bought by blacks from the fund.

Shares, could be redeemed during this period only with the fund on presentation of the original share certificate with identification. Also, purchasers would have to sign an affidavit that they were not fronting for someone else and, if fronting was discovered, the shares would be forfeited.

Ntsaluba said the National Empowerment Fund Trust would be the holding company under which would fall the Lefa Investment Trust, the Portfolio Management Trust and the Equity Management Trust, with their own board of trustees and own target markets. Alternatively a second tier, the NEF Corporation, could be inserted to interact with the private sector.

The Lefa Trust, an investment trust, would build up a diversified investment portfolio of listed and unlisted shares in restructured parastatals. It would sell affordably priced shares to black individual unitholders.

The Portfolio Management Trust would buy assets in state enterprises from the fund and the private sector and resell them to small black groups such as stokyels or consortiums. It could also buy into the consoftiums.

The Equity Management Trust would be a venture capital company tasked with fast-tracking the creation of small and medium-sized enterprises. Initially it would have R100m in start-up capital from the IDC and R100m from government. HSBC consultant Mxolisi Mbetse said 20% could be set aside for women and 20% for people with disabilities.

To assure it functions effectively, the fund will be exempt from legislation stipulating that state assets can not be disposed of without going out to tender; preventing government from transferring shares to the fund; requiring it to furnish security to the Master of the Supreme Court; and requiring the payment of certain levies.



Business service centres probed

CLIVE SAWYER

POLITICAL CORRESPONDEN

Western Cape Trade and Industry Minister Hennie Bester has ordered an audit of local business service centres run by Ntsika Enterprise Promotion Agency, saying they are not doing their job of assisting new businesses.

The agency, sponsored by the national Department of Trade and Industry, provided start-up capital of up to R150 000 to local business service centres, Mr Bester said yesterday in his maiden speech in the National Council of Provinces.

Speaking in the policy debate on trade and industry, Mr Bester said the province was conducting a strict audit of the eight local business service centresrun by the Ntsika Enterprise Promotion Agency.

Many of these were not providing

Part of the reason was they flan not brought together the main players to ensure the success of the business service centres.

ness service centres.
He urged Ntsika to involve small business, larger and established business enterprises and local government in their efforts.

Only then would they be competent to provide the services required by prospective entrepreneurs, including advice on how to set up a business, draw up a business plan, check on cashflows and produce income statements, Mr Bester said.

With unemployment running at disturbingly high levels, national and provincial government should focus on a supportive environment for small business.

This required finance, training and professional services, and opportunities for entrepreneurs.

Neither Khula Enterprise Finance nor the private sector had yet been successful in bridging the gap between those who needed R2 000 and those who needed R50 000.

Mr Bester said the SA Council of Banks, with Khula, was devising a product aimed at this market.

Project to aid SASSMAII Chtchprises

Solution

Sol the Retail I - which which which access to increase of increase of the project of the provide said yester micro-enterprises with A all to Blow of the price of the control of the price of the control of the cont Particular entries ventated for said since the nra. Jones busines owners. Ject was disines owners. As launched production had been disbursed. And the standard of the standa short, and medium term between to established took ankable in all took and deemed unbankable foot look foot loo month, he said.

Aphane said.

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R500 was entrepre each the programme has Atous of the property of the provided programme with the property of the provided programme with the provided programme with the provided property of the provided pr include a supermarket, a crèche a petrol station office we sort of the petrol station are sort of the setting sponse we sort of refrom we aspirage setting
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What price black empowerment deals?

that the politics of business would come to hold meaning literally. Ramaphosa was talking of the THEN Cyril Rama-phosa joined the cor-porate world two years ago. he said: "I was in the business of politics, now I'm entering the politics of business..." Little did the Johnnic chairman know non-executive

challenge to create "economic equilibrium". But he spent most of last week dealing with tensions within the National Empower-ment Consortium (NEC), the broad-based black empowerment group he led in the deal to buy Johnnic from Anglo American in October 1996. Since then, the NEC's diverse members, includ-ing trade unions, women's investnesses, have become more frac-tious as their different agendas ment companies and black busi

NEC could crumble, raising questions about the viability of such broad-based structures in black empowerment deals. Ramaphosa determined not to permit that, the NEC collapses it will be a blow to black economic empower-ment. I do not want to see Johnnic and outside interests compete. There has been talk that the down the same route as JCI

tion. His efforts may achieve some coherence, in the NEC for a while. But the question remains whether managing differences thriftent a broad, consortium, whose union and biginess members have equal he will succeed in bringing some harmony to the NEC. Indeed, he has managed to draw together more divergent groups when the up to the first democratic elections and the drafting of the constitu-Ramaphosa is confident that stakes were higher. as in the run

voting power but are in growing competition with one another, is

sustainable in the long run.
And as the NEC members squabble among themselves and with management, Johnnic's share price continues to take a beating. The stock lost more than

Johnnic. In hindsight, Anglo may have to accept, as many NEC members have done off the record, that the NEC formula was a mistake. It was a test case and perhaps a noble idea at the time, but 10% this month.
This is not what Anglo American had in mind when it made SA's first two significant black empowerment deals with JCI and it has shown in practice to be cumbersome and unworkable.
Some in the NEC now say that

them. One went so far as to say:

"Anglo probably thought, give them enough rope and let them hang themselves."

There has been much finger Anglo foisted the structure upon

pointing in the past few weeks as summering tensions came to a head when New Africa Invest-ments (Nail), of which Ramaphosa

is a deputy chairman, proposed to merge with Johnnic.

The proposal involved buying out shareholders in the consortium with Nail N shares and giving the NEC union block, together with other union shareholders outside the NEC, joint control through a voting pool. A number of

Johnnic shares for cash topped with a premium. Nonetheless, they were keen to explore the Nail proposal. However, once labour rejected it, apparently unhappy about sharing control with nonthe NEC's business members would have opted to sell their

about sharing control with non-NEC union shareholders, the NEC's business segment believed there was no point in negotiating further as they would be outvoied. Initial responses by some NEC members to the Nail proposal may not have been commercially driven but based on a view that Nailwas trying to bully its less powerful counterparts into submission and swallowing their Johnnic interests. Some even suggested they had no idea of a proposed Nail/Johnnic merger and were being informed by the media.

Since Nail's failed attempts to merge the two groups, IT firm Didata and media and entertainment group Primedia have also ment group Primedia have also

considered entering the fray.
The market sees Johnnic as an unfocused group and questions have been raised about the lack of direction and absence of a clear strategy. Some are blaming John-

ue. It appears that little has been accomplished since then. Johnnic CE Vaughn Bray dissince the group met to discuss the way forward and how to restruc-ture to enhance shareholder val-Fourteen months have passed

agrees. There were no definite decisions taken, but several options One was the unbundling of TML, delisting the media group and were discussed at the meeting

delisting the media group and buying out Omnicor minorities.
Furthermore, Bray says management spent a lot of time preparing for its unsuccessful Midrand Casno bid, developing Johnnic properties, disposing of Johnnic's interest in CNA, unbundling Johnnic's food group Premier and buying the property group Gallagher Estates, which, in hindsight, was not a good deal but at the time provided a basis for the casino application.

Johnnic management is of the view that the group should become a focused infortament entity, which would mean disposing of non-core assets, including SA Breweries in which it holds a 13% stake and joint control with Liberty Holdings. The infortament idea had been discussed with institutions and would receive their stitutions and would receive their

backing, according to Bray.
"A key factor in our decision in doing a deal, whether with Didata or any other interested party, is control. If there is no black control

we will not support it."

Bray would not be drawn on the tensions in the NEC. Suffice to say that there was a long period of learning and, making decisions took longer.

It may be unfair to blame management for inaction when there

The National Empowerment Consortium has proved to be too cumbersome to be a

successful model for future black empowerment deals, writes **Shareen Singh**

man Don Ncube once said: BD 14 | 5 | 48
are shareholders and a board.
Questions should be asked about
the role of the Johnnic board, which has 10 members elected by the NEC and six by Anglo. Ramaphosa's primary responsibility is to Nail, and other board members elected by the NEC are

rection, management operates the company and shareholders appoint board members. Inefficient managements get fired and also involved in outside interests. In the normal course of business, boards give guidance and dimanagements get boards are replaced.

tween these constituents appears to be fudged. The NEC members with their different perceptions about the direction of Johnnic have played an unusually active role. This is a problem inherent in the architecture of Johnnic's own-In Johnnic, the relationship be-

they argue. On these issues there is consensus in the NEC. However, incoherence and endless hagare still tied to a collective approach, saying they have to take an active interest in ensuring that broader goals of affirmative action and economic equity are met. It is not just about the bottom line, ership and voting structure. Some in the NEC's union block

"Obviously Nail is not happy flict of inferest still prevails.

fing over how to enhance share—port something he may not believed holder value could defeat the goal. is the way Johnnic should go? "ni Running a large corporation as "Fithe question, is whether many non-governmental organi. Ramaphosa can help steer Jolith that their proposal was rejected so how can we expect Cyril to sul nic's restructuring while re-ring deputy chairman of Nail. Running a large corporation as 1 1 17the 1 question. 15 many non-governmental organi- Ramaphosa can help as sations were run in the 1970s and nic's restructuring while 1980s may not be the best way of 1 ing deputy chairman of h

portunity to join big corporation.

But some have still not matured the harsh realities of business.

Real Africa Investments chaiff civic organisations made the controlled tentions choice of engaging in the corporate world and black enf IM running a business. Unions and trepreneurs have seized the op

the nation to participate." Ferhaps this is a lesson for Johnnic and JOL It is unlikely that future black empowerment deals will fellow the NEC formula. an't bring the nation to a deal You do the deal first and then get the nation to participate." Per

There is still hope for Johnnië.
The NEC structure's lifespansië until 2000, after which the voting pool collapses. Until then it is the responsibility of all the NEC constituents, the Johnnic board and management to find a way off working together. The infotairs ment strategy would need the sulf port of the NEC as well as file nd a way off The infotaire Johnnic board.

One unresolved issue "is Ramaphosa's future role. He is unlikely to back the infotainment failed attempts to merge the fwd groups and create an infotaiff ment division as one of its three strategy as it conflicts with Nail main businesses.

Although Ramaphosa recused himself from the process over the Nail/Johnnic merger proposable some of his counterparts say a coffe

'Unbankable' entrepreneurs get aid

THABO LESHILO

ಚಿತ್ರ BUSINESS EDITOR

Johannesburg — A new microbusiness financing project targeted at unbankable entrepreneurs was launched yesterday in Soweto.

The Vita/MSP programme is run by Volunteers in Technical Assistance (Vita), a non-profit micro-business retail financing institution.

The programme started operating in October last year with R15,5 million from the US Agency for International Development (USaid).

It was recently awarded R3,5 million by Khula Enterprise Finance, the government's small-business financing agency.

Simon Aphane, the project director of Vita/MSP, said the programme had lent R2,4 million to 120 micro businesses since it had begun operating last October.

The size of loans ranged from R5 000 to R50 000. The interest rate is 23,5 percent. Aphane said the repayment rate was 98 percent.

He said the programme disbursed about R300 000 in loans every week, and planned increase the amount to R1 million a week. Existing clients include creche owners, a supplier of office consumable goods and a filling station owner.

Aaron Williams, the USaid mission director, said the programme's repayment rate augured well for its sustainability and showed how disadvantaged entrepreneurs were determined to succeed.

He said USaid would consider making more money available to the Vita/MSP programme.

The evaluation criteria specifically require that applicants be unable to raise loans from commercial banks and have growing businesses which are at least two years old.

The programme is currently available only in Gauteng, North West and Northern Provinces and Mpumalanga.

SBDC shuts down tenant

By Joshua Raboroko

HE SMALL Business Development Corporation Limited a finance lending institution as set to crack the whip on rent defaulters on its properties in Soweto.

This follows Wednesday's closure of the giant Makhetha Supermarket in Jabulani by the sheriff of the court.

Sowetan Business has learned that Balfour Makhetha, owner of the supermarket, had his business closed down because of arrears amounting to R100 000.

The closure of the supermarket will lead to the retrenchment of about 13 workers.

Speaking after the closure of his business, Makhetha said his contract to occupy the SBDC premises expired in 1992. He tried to renew it but in vain.

As a result, he said, it was difficult for him to continue to pay rent.

Makhetha said he later applied to the SBDC to refinance the business so that he could pay his rent — but this was also refused.

He said the SBDC went ahead and evicted him from premises he had occupied for more than 10 years, despite protracted negotiations with the help of the Soweto Chamber of Commerce and other leading business people to rescue the business.

The accused certain officials in the SBDC of being racist when dealing with black clients. The SADC denied the accusations.

Makhetha said he was given until the end of the month to remove his stock from the premises.

SBDC assistant property investment general manager Jan van der Walt said the council was owed more than R300 000 in rental arears by several small and mediumsized enterprises in Soweto. Makhetha, was the first to be punished.

Makhetha had persistently refused to pay his arrears despite warnings from the council. He was warned that the council would be forced to attach his property.

Van der Walt said other businesses were in arrears with their rentals but they had made arrangements to pay. JCCI initiates project to uplift small businesses

By Shadrack Mashalaba

EMERGING entrepreneurs in Gauteng stand to benefit from an outreach mentorship programme that has been developed by the Johannesburg Chamber of Commerce and Industry (JCCI).

The programme aims to contribute to the advancement of small, medium and micro enterprises (SMMEs) by recruiting retired business people and other volunteers to share their experience and expertise with emerging entrepreneurs.

The programme is expected to start in July, JCCI chief executive Marius de Jager said.

De Jager said a number of retired business people have expressed their enthusiasm about the programme.

The programme, devised and proposed by JCCI vice president Angie Makwetla, will contribute to the establishment of a vibrant SMME sector in Gauteng and create more job opportunities in the province, De Jager said.

Up and running

Once up and running, De Jager said, the programme is also expected to contribute to the enhancement of black economic empowerment.

Although the aim is to target groups from the disadvantaged back-

grounds, other interested parties are also welcome to take part.

A workshop to finalise the programme's details has been arranged by ICCl and interest groups such as the Ministry of Finance and the provinces' SMME desks will also participate.

Meanwhile, a JCCI delegation which left the country more than a week ago for Gabon and Cameroon is expected back on Friday.

The mission left to establish trade ties with their Gabonese and Cameroonian counterparts.

The visit to the oil rich Gabon was at the invitation of president Omar Bongo.

RLIAMENT & POLITICS

More state tenders go to black business

JOVIAL RANTAO PARLIAMENTARY BUREAU

BLACK contractors, previously denied access to lucrative state tenders, have started to access state contracts valued at millions of rands, it has been disclosed in Parliament.

- Public Works Minister Jeff Radebe said as a direct result of the government's affirmative action procurement policies, black contractors have been awarded prime slices of 11 construction tenders valued at R283.4 million.

Radebe also announced that the cabinet has approved the amendment of joint venture specifications to ensure that 90% of future national projects, 25% of local

produced by parastatals were awarded to . previously marginalised contractors.

He said the change to the specifications was brought about by the realisation that although the participation of black contractors had increased to about 44 % of all public works projects, there had been a negligible increase in participation at prime contractor level, especially in the project category above R2m.

"We're determined to use procurement systems as a way to fulfil the constitutional obligations we have to work for the reversal of previous discrimination. These new projects will be in Western Cape, Gauteng, Free State, KwaZulu-Natal and Eastern Cape.

Projects in Gauteng include one of

government projects and 15% of projects R43m to build the Constitutional Court and one of R17,5m to build Magistrate's Courts in Northern Pretoria and Atteridgeville. Also, R23m will be spent on new detention barracks at Thaba Tshwane and R22m on a new training hangar at the SANDF's Centurion School of Logistics.

Frojects in Cape Town include the build ing of new Magistrate's Court buildings in Kuils River and Blue Downs (R15m), extra buildings for civil courts and judges' chambers (R11m) and a building for the Magistrate's Court in Khayelitsha (R18,4m).

In Durban, R19m will be spent to build new headquarters and facilities for the South African National Defence and R13m for the building of a workshop at the Durban Air Force Base.

Sartu apology to Madiba

SOUTH Africa's rugby administrators will apologise to President Mandela today for dragging him to court to justify an executive decision.

Louis Luyt — who last week quit as South African Rugby Football Union (Sarfu) president and who has refused to apologise — will not be among them.

The delegation is expected to include Sarfu chief executive Rian Oberholzer and the four black members who resigned in disgust after an initial refusal by Luyt to step down, but who were later co-opted back onto the execu-

The meeting at the president's Cape Town office, Tuynhuys, follows a decision by Sarfu's executive to send a delegation to apologise for his court appearance in

The union, then headed by Luyt, challenged Mandela's decision to appoint a commission of inquiry into its running of the sport.

Judge William de Villiers, who ordered that Mandela had to give oral evidence in support of his action, later ruled in Sarfu's favour. - Sapa



JEFF RADEBE:

The Public Works Minister gave the low down on his department.

FILE PICTURE



Theta is 'formalising the informal industry'

The Theta group's success in the small loans market is not due to any one person, MD Leon Kirkinis tells senior assistant editor **Michael Acott**

A MEETING with Leon Kirkinis turns into a discussion with the other three executive directors whom he insists run the Theta group as a team.

The four of them are part of a R3,8bn deal with New Africa Investments (Nail) aimed at bringing into being a new financial services leader focused on the low-

income black market.

They all have titles — Kirkinis is MD, Gordon Schachat is executive deputy chairman and Chris Wood and Nkululeko Sowazi are executive directors — but they prefer to describe themselves as managing shareholders.

They insist, too, that the whole team is not there — chairman Geoff Snelgar and the owner-managers running the companies which make small loans to people unable to obtain credit from banks and other financial institutions.

Microlending has proved to be a highly profitable business, both for the companies and for Theta's directors, even Sowazi who joined in June after heading the Mort-

gage Indemnity Fund.

All are multimillionaires on paper and have seen their net worth shoot up with Theta's share price. Since listing last September, the share has gone from just under 700c to 2 600c.

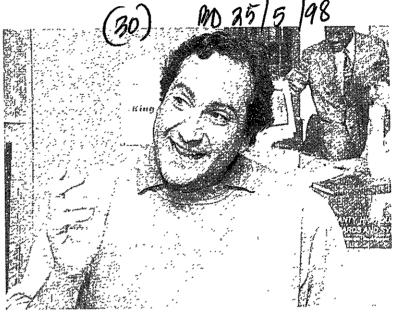
The takeover by Nail will add a new dimension to Theta's operations through Nail's interests in African Bank and insurer Metropolitan Life.

Profitable as the business is, Kirkinis and his partners deny strongly that they are in it solely for the money. They are empowering people, they say, by providing credit to a huge market regarded as too risky by large financial institutions. They speak with passion about upliftment, about building a better country and about the entrepreneurs in the companies in which Theta invests.

Microlending refers to loans below R6 000 where the regulations and interest rate ceilings specified by the Usury Act do not apply. Theta's companies — principally Altfin, King Finance and Unity Finance — lend amounts of between R500 and R6 000 for periods ranging from one month to two years.

The rates of interest are higher than bank loans. A Deutsche Morgan Grenfell analysis says the effective rates charged by King and Altfin exceed 40%, but that the loans are so small that customers do not find repayments excessive.

Theta expects interest charged to come down as competition in the market increases, and as the



KIRKINIS

Nail deal lowers its cost of capital.

While the loans are unsecured, Huysamer Stals says that bad debts as a percentage of assets are lower than the banking industry average.

The secret is that Theta does not lend to anybody. Borrowers must have a job, and the employer must agree to repayments by payroll deduction. There is compulsory insurance which covers the loan against death or retrenchment.

"We are witnessing a revolution in the way our financial ser-

vices are set up, the way they are delivered and to whom they are delivered," Kirkinis says.

The aim is to address the needs of black people for personal and educational loans, housing finance, and ultimately health services and funeral insurance.

He says Theta is backing the entrepreneurs who respond best to this change. "How do you channel capital

"How do you channel capital from its traditional sources to where you believe it can best be employed to uplift and create new models for the country? You can only do that if you create sustainable avenues and those who do it are gifted people who spot a gap and create business around it."

Wood says there are misperceptions about the market in which Theta operates.

"People think poor is high risk and rich is low risk. They think black is high risk and white is low risk. Nothing could be further from the truth."

Schachat describes it as the difference between perceived and

real risk.

"We have investment grade books that compare with NBS and banks like that. Our bad debts are 1%. We are formalising the informal industry."

Sowazi says Theta is channelling money from institutions to areas of social and economic development where it is needed.

opment where it is needed.

Asked if loans come at a high cost to the borrower, he says the price is appropriate to the risk.

"The fact of the matter is that demand for these products is huge and outstrips supply."

Providing credit to those who can afford it but were previously denied it enables state resources

to be concentrated on the poorest of the poor, he said.

Asked whether Theta exploits the poor, Kirkinis says institutional investors had raised the issue and had been satisfied by visits to lending branches approving 15 000 applications a month.

Why should a man who has worked for Transnet for 17 years not qualify for a loan, he asks.

This is the basis of his longterm vision — a financial institution offering competitive and costeffective services to the majority of the population.



NEWS

EQUITY Ramaphosa heads new commission to guide the process

Empowerment forum set up

THABO LESHILO

BUSINESS EDITOR

Johannesburg — Cyril Ramaphosa would head a commission on black economic empowerment with a view to guiding the process amid concerns that the concept had lost direction, been hijacked for personal gain and deliberately sabotaged, it emerged yesterday.

Ramaphosa, the deputy chairman of New Africa Investment Limited and chairman of industrial group Johnnic, was elected to head the commission at a two-day workshop at Kyalami at the weekend.

The commission consists of 20 eminent black academics, professionals and business-

Gavin Peterse from the Black Management Forum (BMF) is the first deputy chairman, and Gwen Ramok-



AT THE HELM Cyril Ramaphosa hopes to restore direction to black economic empowerment PHOTO JOHN WOODROOF

gopa, a medical doctor, is the second deputy chairman.

Ramaphosa said the commission would formulate a philosophical base for black

empowerment. It would also draw up broad guidelines on "how, for instance, black people can take up ownership, control and management of companies in South Africa".

He said the commission would work with various government departments and also engage organs of civil society.

The BMF spearheaded the formation of the commission on behalf of the Black Business Council, the lobby group made up of 10 influential bodies including the National African Federated Chamber of Commerce and Industry, the Foundation of African Business and Consumer Services, and several professional organisations.

Important concerns that led to the need to give direction to the black empowerment process included the growing view that no real." black empowerment had taken place in South Africa.

Ramaphosa said a full programme would be released "later in June".

COMMENT & ANALYSIS

urvival lies in walking that extra mi

AROLD Screbro, senior executive director at Allied Electronics Corp.

Transcription of the first property in a lengthy piece titled Truth and Reconciliation,

Serebro rhapsodises: Regret and sorrow — sign posts of love

Must be compass to the world

above Education must remove the

aloud, That children now can love and So free democrats can shout

And show the world our coun-

healing glow Under the banner of — The To futures shimmering in

Serebro's rhyming couplets, carculated to Altron's employees and many outside the company, and provide the company, and recordination. However, they reflect one white man's recognition that doing business in SA is

at it used to be.

gone dizymy changes since the road to demoracy opened up in the early 1990s, and many executives and managers are still scruggling to adapt.

Fusiness has underestimated the external environment and the problems it creates, says Themis Eloff, CB of the National Business indicates (NBL), a group whose 1700 members seek to expand commerce and industry's contribution in housing, education and other areas business geoppe usually considerable business geoppe usually considerable business geoppe usually considerable business people usually considerable business business business business people usually considerable business busine

Lincoln Mail general manager for public policy at the Banking Council of SA, echoes Ginear among blacks at the insibility or will insurate to swim with the ide. You've got institutions that have centracity. Business organisations are not buying into government's role in transformation. Most sim-ply complain and are cynical, in-stead of building relationships."

national isolation has opened the door to a wider spectrum of foreign interests, including investors, non governmental organisations and aid dooms. Confronting issues not directly ited in the shopfloor or the bot-

rooted in the shopfloor or the bottom line is not a new experience
for white business in SA. Social responsibility codes devised for foregn investors in the late 70s and
80s heightened awareness of the
relevance to business of such issuch as a housing, transport and
community projects.
Some white business leaders began to involve themselves in activities that would have no place on a corporate agenda in many other countries. An example was the "beace committees" that mships in the early 1990s.
The advent of democracy in 34 has forced business into an irely new game. For a start, wace committees, that tirelessly to stabilise the

and from th most business people are on unfamiliar ground in their dealings
with the African National
Congress (ANC) government,
compared to the National Party.
The present government has
many more constituencies—from
unions to the rural poor—clamouring for its attention. At the
same time, the end of SA's inter-

1:1-

MAL

ELOFF

also opened now remues for these groups to make their voices heard, including the National Economic Development and Labour Council (Nedlac), parliamentary portfolio committees, provincial governments, and a less restrained media. "There are more points of access and leverage now, especially at provincial level, says Raymond Pargons, S.A. Chamber of Business donors. The advent of democracy has

chief executive.

On a personal lovel, white bussiness people have faced the dustrage of dealing with black ministers and card savenatts whose backgrounds and perspectives are very different from the old guard,

The SA Foundation, representing many of SAs biggest companies, drew especially beavy fire in 1996 for drawing up its "Growth for all" paper with little concern for the views of government.

MACOZOMA

The business milieu in SA has changed dramatically since the advent of democracy, while many managers are struggling to adapt, writes deputy editor Bernard Simon There is a truce, bull they good deal of soul-searching and trust seal other, says Eloif, NBI preparing submissions on their priorities for this year include improving the relationship between priorities for this year include improving the relationship between priorities for this year include improving the relationship between priorities for this year include improvement.

Similar cultural shocks have the office, where they are increasingly that white businessmen at the office, where they are increasingly they are in profile leaders as a Moscow, Frague, Cleveland and Leedes as a hum white leaders to arrange a series of the increasingly they are including Premier.

The whites, including Premier including and falling impartation, and deputy charman. Rick in the contraction, and deputy charman. Rick in the contraction of the contractor of the contractor

come housing, are among other issues challenging business to think beyond the bottom line.
Several business organisations and companies went through a Government's proposed jobs summit and "social plan", as well as banks' involvement in low-in-



PARSONS

bridges to SA's next head of state?
At a recent meeting, chaired by
Mbeki's director-general, Frank
Chikane, the group proposed A
joint initiative for the tourism
industry as away of creating jobs?
Organisations such as Busik.

Organisations such as Busi-organisations such as Busi-ness against Crime, with 250 ook-porate sponsors, and the NBI are evidence that at least some cap-erians of commerce and industry have recognised that they have wider responsibilities than push. ing up earnings per share. Some businesses have turned

Some businesses have turned to consultants to help then adjust. Demand is growing for the services of a proliferating array of "diversity" training programmely and "change consultants. Examples abound of individua ousinesses that have made a contribution towards the new SA from the oil company trucks tha delivered ballot papers for the 1994 elections, to the secondmen

nise public accounts.

Nevertheless, there is a pervitstve sense that business could ig
more. According to Eloff, the prevailing attitude after the 1994
election was: "Thank God it's entary committees scrut white leaders to arrange a series of informal meetings with their black counterparts late least year.

The whites, including Premier Group GE Doug Band and Angleivan wal deputy chairman. Rick in Meell, were deliberately drawn from a younger, supposedly more brush-mid-digeneration in Meanwhile, a joint black-white business group, spearheaded by Transnet MD Sahi Macozoma and Anglo American's Michael Spicer, among others, has put out feelers to Deputy Fresident Thabo Mbeki's office with the aim of building

ial services groups Abs of two auditors to hel

back to business as usual. Left's get on with making money.
Const-cuting and rationalisation have led some businesses the cut back philanthropic efforts. Few have stopped to consider the consider the consider the cut of worries that Anglo Americ Chairman's Fund, hitherto a ship of business involvemen the broader community, will

Parsons says many public con panies could make more effective use of annual reports to get the steam as the group decentralise

controlled business has some way to go — and could still use some help — before it feels fully at home in the new St. According to Parsons, "business as a whole can be on the right side of history — if the plays its cards sensibly." These ideas suggest that white

Gauteng opens offices to help small businesses

Patrick Wadula (30) anguve, Katlehong, vice to emerging contractors, and advice on ten-

Patrick Wadula (30)

GAUTENG finance, and economic affairs MEC Jabu Moleketi officially launched six regional of-fices in the province yes-terday to serve as information and advice centres for small, medium ánd microenterprises (SMMEs).

The centres in Sosh-

nesburg, Vaal and the West Rand were given a grant of R1,3m to assist with a variety of a of services.

These services included business advice for small businesses, consumer advice to the general public, housing and construction sector addering to help prospective tenderers.

Kgomotso Mohlala, Gauteng provincial di-rector for economic em-powerment, said service agreements were signed with various bodies that would provide a variety of services to the emerging businesses.

SA firms to get aid via USAid supported fund

THE Southern Africa Enterprise
Development Fund, a US venture
capital fund sponsored by the US Agency for International Develop-ment (USAid), has committed 50% of its \$100m fund in SA's small- and

medium-sized firms.

The fund invests in small- and medium-sized enterprises in SA, Botswana, Lesotho, Angola, Mozambique, Namibia, Malawi, Swaziland, Tanzania, Zambia and Zimbabwe.

Fund president Steven Weddle said yesterday the fund's investment commitment in SA was approximately R25m — 30% of its current portfolio. "More than 300 jobs will be created and returns exceeding 25% will be generated from SA

investments," he said.
Weddle said the strategic objective was to expand southern African business development and ownership through equity investment; loans, loan guarantees and techni-

cal assistance.

He said the fund provided assistance in financial services, agribusiness, food processing, leasing, health care, manufacturing industries, information technology, trans-

portation and the retail sectors.

The fund has pledged R80m in funding 17 small- and mediumsized firms based in certain southern African countries, with returns

on projects expected to exceed 25%.

Weddle said potential clients would be businesses with up to 150 employees and with financial needs ranging between R1,2m and R25m.

USAid mission director Aaron Williams said the fund's initiatives proved that venture capital techniques created jobs, while generating investment returns that attract füture foreign investment.

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war to exist

Row over NSBC chief after corruption probe

HABO MARASO (30)
BUSINESS REPORTER

A ROW has erupted over a report

A row has erupted over a report implicating National Small Business Council chief executive Monde Tabata in mismanagement and corruption.

The report, by a three-man commission handed to the council's governing body, recommended that Mr Tabata be suspended.

But one of the members of the commission, former Cape Chamber of Commerce and Industry president Ali Gierdien, told the Cape Argus he was not consulted when the report was compiled.

"I am not party to things in the report. I can only comment on Monde (Tabata) once the committee's report is finalised. At the moment that has not happened," he said!

"During my investigation I found some form of mismanagement but I can't blame anyone. The other two members of the committee must meet with me before the report is finalised." Mr Gierdien said.

The two other members are Johannesburg-based council officials Arius Kgomongwe and Churchill Mrasi.

The report accused Mr Tabata of mismanaging the council's funds. It said consultants were hired without tendering for services and people not

employed by the council travelled at the organisation's expense. Several offices of the council could not pay their rent because of lack of funds.

The Department of Trade and Industry, which is the council's main sportsor, is withholding funds until it finishes an audit of the council's 1997 budget.

In spite of the commission's recommendations, Mr Tabata has not been suspended. He has the support of two of the courcil's nine provincial branches, which have questioned the contents of the report.

Northern Province council chairman Arnold Phasha said the investigating commission did not have the skills to conduct a forensic investigation. He also accused the commission of bias.

"According to their terms of reference, the committee was also supposed to be investigating the chairman of the NSBC, not only Monde To me it seems like a personal vendetta is being carried out against Monde," he said.

"I also have had my problems with Monde, but despite that, he is a fine administrator." Mr Phasha added.

Kwazulu-Natal chairman Themba Ngcobo also defended Mr Tabata, saying he should not be condemned before the commission had even finished its work. There were flaws in the report and the commission had looked only at certain matters.

Managers to march against Pick 'n Pay and the CCM et (1912) 19/6/98 (##) (30

FRANK NXUMALO

LABOUR EDITOR

Johannesburg --- More than 1 000 Pick 'n Pay managers and supervisors will hold a march in Johannesburg today to protest against failures by the retail group and the Commission for Conciliation, Mediation and Arbitration (CCMA) to deal with their grievances.

The protesters, allied to the Joint Management Forum (Jamafo), have accused the CCMA of not being responsive and proactive in processing labour disputes referred to it. They said the commission had become "worse than the old industrial court".

Jamafo said the CCMA should have "passed the learning curve" by now. The new constitution guaranteed

workers the right to have their cases promptly heard and that the CCMA was "just not delivering", they said.

"This causes unnecessary hardships, especially on employees. We also know that employees get prompt attention when they approach the CCMA during threatened strike action.

"Individual employees sometimes have to wait for long periods while the CCMA deals with the gridlock caused mainly by lack of so-phistication. This is clearly unacceptable."

But Thandi Orleyn, the director of the CCMA, said she had not yet received a referral of the Jamafo case and that she viewed the planned action as "premature".

The forum also accused

Pick 'n Pay of racism. "We have done an in-depth study and found that people at Pick 'n Pay are still being paid according to the colour of their skin and gender," said Adrian van Dyk, a Jamafo spokesman.

He cited a case in one of the Pick 'n Pay hypermarkets in Johannesburg where they discovered that a white security officer was being paid R500 more than a male black officer who in turn was being paid R300 more than a black female security officer for equal work and experience.

Frans van der Walt, Pick 'n Pay's human resources director responded: "Jamafo's attack on Pick 'n Pay and the CCMA are a result of Jamafo's inability to recruit sufficient membership to warrant collective bargaining."

Empowerment group launches

Brimstone

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he old-style politics of the Western Cape have not deterred black business in the province from taking a step into the new economy.

Brimstone, a leading empowerment company, will launch on the Johannesburg Stock Exchange (JSE) next month. It is led by a cadre of comrades in business including former struggle bookkeeper Mustaq Brey and the founder of South newspaper Rashid Seria, and also by business luminaries

from the province like Patricia Gorvalla of the Gorvalla Group and Gaffoor Parker of Al-Amièn Foods.

Its impeccable po-'litical 'connections were evident at a meeting last week. At least three national Cabinet

ministers made it to the bash despite the World Cup kick-off.

Brimstone shunned the halls of power for its shareholder meeting, where it announced the JSE listing, and opted instead for the down-home feeling of the Good Hope Centre.

Products manufactured by companies in which the threeyear-old Brimstone has invested were on display for the shareholders — part of the company's philosophy to help ordinary shareholders understand exactly what their bucks have bought.

Brimstone is big on such "shareholder democracy", and sees this as a key part of its empowerment package.

Brey says the Brimstone Foundation will soon be set up to direct its social-responsibility effort.

"We're still capitalising the foundation and we're looking for somebody to run it." The foundation will provide bursaries,

and has already helped raise the money to send a Khayelitsha choir to a Welsh festival next month.

Brey, who was behind the creation of the country's first national black accounting practice - KMMT Brey - left last year to turn his attention to Brimstone full-time. Although that practice won big accounts and was pulling in the bucks, Brey's move was clever.

In three years, Brimstone's investment drive has seen it build its portfolio from one which started with a modest R3million to almost R400-million.

It is a highly acquisitive young company which has chosen an eclectic basket of investments which include everything from Nandos to the high-fashion retail chain LA Clothing and a Bapsfontein farm

called Greenworld, whose veggies are so superb that they are imported by Marks & Spencer in London.

The company began when it bought shares from Oceana Fisheries and started a fishing company called African Harvest. For the first time black shareholders were given a slice of the bounty of the seas.

Brimstone now plans to raise R20-million in various share offerings prior to its listing on July 8, and says it wants "to be profitable, empowering and to make a difference".

Brey says it has already been making a difference by introducing share-incentive schemes in many of the companies it has invested with, and by auditing labour policies to make sure they are in line with the law.

"If a company has a bad track record, we talk to management about improving things before we invest," Brey says.

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Pick 'n Pay management union to strike today. Pearl Sebolad (30) Gotiate on behalf of workers. Pick 'n Pay about the strike action.

Pearl Sebolad (30)

MORE than 2 500 upper management and supervisory staff at Pick 'n Pay would strike today to protest against the company's refusal to recognise or enter into negotiations with their union, the Joint Affirmative Management Forum, the union said yesterday.

Union spokesman Jacky Masuku blamed the Commission for Conciliation, Mediation and Arbitration for the strike, saying it had failed to set up a meeting between the union and Pick 'n Pay in order to establish whether the union had enough representation to ne-

gotiate on behalf of workers.

Masuku accused the commission of "shirking its legislative responsibility", saying that the strike could have been averted by its intervention.

Both Pick 'n Pay and the management union had agreed that the commission would be responsible for verifying the union's membership, as recommended by one of its commissioners at a mosting Manykussid meeting, Masuku said.

Numerous attempts to contact the commission were unsuccessful. "It's as if they are no longer there," Masuku said.

The union had already notified

The union said the striké was sparked by the company's refusal to engage in negotiations. Masuku said the refusal was a ploy by the company to avoid "the trauma of having its racist policies exposed and challenged".

Pick'n Pay MD Sean Summers strenuously denied the accusations levelled by the union and said the company was committed to its employees.

Summers said that only a "very small group was involved" in the

dispute.

The commission could not be reached for comment.

Small business council boss 'saddened' 190 1/7/98

Janet Parker

FORMER National Small Business Council chairman Monde Tabata said yesterday he was "saddened by the turn of events" that led to the trade and industry department's announcement this week that it would discontinue funding the council.

The department said it would cease funding after

financial mismanagement by two council senior executives. Findings by independent auditors appointed by the department said the council, apart from being insolvent, had been financially mismanaged.

Tabata's understanding of the situation after his initial meeting with the auditors was that the "financial mismanagement" referred not to a misappropriation of money, but to the council's internal financial control systems being "not up to scratch".

Tabata was appointed an executive director of gambling and leisure group Global Resorts at the beginning of the month, having previously been a nonexecutive director as well as a shareholder in the group. Global Resorts has won casino licences in Mpumalanga and Gauteng and has applied for a casino licence in KwaZulu-Natal.

Before a casino licence can be awarded, the relevant gaming board conducts probity investigations into all parties involved in the casino bid.

Global Resorts SA CE Ernie Joubert said the Gauteng Gambling and Betting Board's probe into Tabata was continuing and the group would take cog-

nisance of its findings.

Tabata said he had not yet seen the latest audit report, but was working on his own report which he would submit, together with a copy of the audit report, to the gaming board and the board of Global Resorts. He was well aware of the strict probity investigations surrounding involvement in the gaming industry, and would not have taken his position if he had had anything to hide.

Defying convention to change the corpora te landscape

change the corporate landscape The new chief director for business regulation in the trade and industry department has a lot on his plate. He talks to trade reporter **John Diudlu** about his change the corporate landscape

(30) 8037798plansto

ALISTAIR Ruiters, the chief director of the trade and industry department, tends to defy stereotypical views about members of law enforcement and regulatory agencies. Although he sometimes sports a nicely trimmed moustache—a defining characteristic of regulators—he is a softly spoken, behind-the-

scenes man with an unassuming personality.

As the man responsible for business regulation and consumer affairs at the department, Ruiters' job is essentially about law enforcement, albeit enforce-

In fact, very few people know that he was

gov-

d ernment's chief negotiator in the competition policy l negotiations which resulted in the publication of a recompetition bill a month ago.

Ruiters confesses to liking technical and policy areas. As chief director for small business promotion at the department, Ruiters dealt more with policy.

His passion for technical areas was evident throughout the competition policy debate, when he tried to get business and labour to focus on the substantive issues.

For example, he has dismissed business' concern that the ministerial review powers provided for in

y the bill could open the minister to bribery and coraption. "I want cogent reasons why the minister should not be give discretion," he said.

"Ministers are elected officials and by questioning discretion, are we questioning the very basis of our democracy?" he wondered aloud.

It He has charged that business' concerns about the "corruptibility" of the minister reflect the corporate sector's corrupt morality.

The fact that he likes working in technical and policy environments should not be interpreted as meaning that he dislikes the regulation aspect of his

fairs, usury laws and gambling laws—an Oxford graduate, is planning to planting on the map in the same way small business development.

Economic regulation and compliance with SA's corporate laws, which he has publicly dubbed a Cinderella function, will be a watchword in the depart-

ment over the coming months.

"The most important thing we have done in this country was trying to find an industrial policy and trying to find supply-side measures without realising that the compliance costs to business could negate all

Ruiters, formerly a ministerial advibusiness policy, has set aside 10 days to ness plan for the new competition pol Although government has budgeted for donors will also step in If the new competition institutions, Ruiters is hoping iser on small write a busiicy tribunal.

from this fairly sophisticated piece of legislation which, if effectively and fairly applied, will ensure that the SA corporate market is not sewn up, as happened in the 1970s, thanks to excess capital of legislation ed, will ensure id to benefit

pened in the 1970s, thanks to excess capital.

"Primarily this law is about efficiency, making SA's economy efficient. We believe those efficiencies should reflect the SA environment," he said, defending the bill's provisions on black economic empowerment and small business development.

"The law must reflect the fact that blacks are going to play a meaningful role in the SA economy...

You cannot put in colour-blind laws that repeat the patterns of the past."

in place by the end of the year. These include an overhaul of SA's body of corporate laws: the Companies Act; Close Corporation Act; new securities legislation; and bankruptcy law. However there are other priorities that need to be

committee on corporate law — chaired by Constitu-tional Court judge Richard Goldstone — Ruiters will unveil "guidelines or a proposed framework for cor-porate law reform in SA" at the National Economic, porate law reform in SA" at the N Development and Labour Council. The use of "struggla" "L-In two months, assisted by the stand ing advisory

nature of SA corporate law: who is The use of "struggle" phraseology, typified by terms such as "proposed" and "framework", highlights Ruiters' consensus-building approach to potentially divisive issues. More so in an area where (corporate) law reflect consensus it management and the debates (in the reform) extent does will be the

s between manage-ther reforms do?" orms have been in-orms from Gold-

job, he said.

Not only has he embraced his new portfolio of responsibilities—including the implementation of the new liquor bill, patents and copyrights, consumer afas he did with consumer af-but Ruiters,

that the compliance these other incentives for business.

"To a large extent, our economic laws have been accepted by a minority of the people."

To get greater compliance, costs needed to be cut, he said. This would contribute to the ultimate goal of the said. This would contribute to the ultimate and indirect the said.

improving the enforcement of economic regulation, a process which has been backed by Trade and Industry Minister Alec Erwin.

The danger is the creation of a two-tier system, one in which fewer companies operate in a regulated environment within the tax net, while the bulk are trading unregistered and flouting the country's laws. Over the past months, Ruiters has identified an inspectorate function in each of the areas and he is conducting a skills audit as part of a bid to improve compliance. Ruiters, j

foreign investors too star

"What we are doing now is really building on those amendments, but also asking ourselves, where does SA want to be in the next two years and what type of corporate law will support that economy?" he said of the coming review.

company in SA.

Before the year is out, he will also have released a In essence, this review will look at the legal framework and the ease of establishing and operating a company in SA.

white paper on consumer affairs. Steps have released a white paper on consumer affairs. Steps have already been taken to reshape Louise Tager's harmful business practices committee to ensure consumer protection from such practices as pyramid schemes in which thousands burn their fingers annually.

The changes will also widen the scope of the committee's work effectively to clamp down on all harmful practices, including onerous contracts.

Since shifting from small business, Ruiters has been stamping his personal authority on the new portfolio. He has changed the title from chief directorate of fair trade into consumer affairs and business regulation and has renamed job titles, removing the military-style ranks.

Officers are now called sectional heads (a tag that comes with more meaningful responsibility) and directors have become divisional managers.

The 33-year-old sees the chief directorate as a company of which he is a general manager.

"We are developing a project management approach," he responds to cynical suggestions that these are just symbolic changes.

However the real test of whether Ruiters is a slick businessman, a fierce and effective commit rem.

businessman, a fierce and effective economic regulator or an efficient technocrat will depend not only on the success he achieves in writing first world economic and corporate laws. It will also depend very much on the degree to which such laws are accepted by SA's population and whether the burden of doing



ood year for SA firms on UK list

Many other SA companies show huge rises in the list, including SA Broweries, which is ranked

Many other SA companies firms positions are little changed.

De Beers drops four slots to 18 and Rembrandt Controlling Inter-

Tim Cohen

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LONDON — It may have been a bad year for the rand and emerging markets in general, but it was a great year for SA companies, which now pepper Business Week magazine's list of the top 200 emerging market firms.

Anglo-American remains near the top of the list, which ranks companies by market value in dollars. It gained just one place to 11th. Close on Anglo's heels is Firstrand, the recently merged financial services group made up of First National Bank, Southern -!Life, Momentum Life and Rand Merchant Bank. At 13, Firstrand his the second-highest newcomer.

Russia's Gazprom heads the list, followed by Brazil's Telebras, and then the highest-ranked new-

comer, China Telecom.

ing SA Breweries, which is ranked 14th — up from 23rd last year. Computer firm Dimension Data is number 71, the Investec group is up from 155 to 80 and Orion

Selections is up from 153 to 104. Many of SA's financial institutions show strong gains, in part assisted by the figures being compiled shortly before the recent decline in the rand's value. Liberty Life jumps from 36 to 24, Standard Bank Investment is up to 31 from 55, Nedcor rose from 78 to 33 and Absa from 85 to 48.

The 1998/99 list also has, for the first time, two black-controlled companies. Jonnies Industrial comes in at 169 and Metropolitan Life, one of the highest new entries, is at 128.

Many of SA's bigger corporate

est moves from 166 to 162. Anglo American Platinum, up from 177 to 110, is the exception. The only notable decline is Sasol, which plunged from 32nd slot to 50th.

Business Week says the

1997/98 year is the year emerging markets adhered to only one law: Murphy's. Everything that could

go wrong did.

However, entries from Greece, Turkey, Israel, Jordan, Morocco, the Czech Republic and Hungary are on the top 200 list for the first

The list separates emerging market companies from developed market companies, even though the top 50 emerging market companies would fit comfortably into the world's top 1 000.

TITMS WILL be Effect of act on smal

Reneé Grawitzky

study conducted on behalf of he labour department has oyment Act would have only a imited effect on small business. THE Basic Conditions of Em-

nesses operating mainly in the Alowing comments by Labour, manufacturing sector found Minister Tito Mboweni, The Hat most companies did not minister said small known. perceive the act as having a neg-

about the dearth of new regucomplained ations and the lack of governpercentation ative effect.

The study also found that ew small business owners knew about the act and its provisions — the bulk of which are ected to come into effect latment assistance. er this year

The study by Jan Theron and Shane Godfrey was discussed

during a workshop at the recent

11th annual labour law confernation of hours, the paragraments, the national labour law confernation of hours, overtime law, a complement a broader investification of gation by the department into maternity leave, and the possible effects of the act on the possible effects of the act of the new act would be using comments by Labour ditions of employment.

The study was launched follimited in respect of the ten continued. Minister Tito Mboweni, The it Despite this, three standard mot minister said small businesses dards were viewed as possibly won ... small business.

views would be considered before the act came into effect.

their specific study sought to asveyed complied with existing Theron and Godfrey said panies, some of which were not ly 27 of the 49 companies sursess the effect of the key provi-sions of the act on small comcomplying with labour legisla-tion. The study showed that onlabour legislation.

10 key aspects of the legislation, The researchers focused on

ority of companies did not have er, this was largely because policies in this regard. Howevposed to the four months' unpaid maternity leave. The ma-

year. Several companies indicated that they would not comply with this provision, but many said they did not have a problem with the concept of they employed only men.
There was mixed reaction to
the three days' family responsibility leave. Some said there
would be significant cost impliwould demand three days a cations because all workers compassionate leave. having severe negative conse-quences. These included the

payment of overtime, family responsibility leave and mater-

showed

inconsistencies

many

companies' responses.

nity leave. The survey also

enterprises, was spearheading the overall study, which was cy, established by government to promote small and micromandated to look at a sample of 500 companies across all sectors The Ntsika Promotion Agen of the economy.

> In terms of overtime, em-ployers indicated they would reduce overall overtime but were unclear about the potential cost Most employers were opincreases of the new provisions.

Report urges job creation in small business.

Sello Mabotja

SMALL, micro- and medium-sized enterprises can alleviate SA's worsening, unemployment if the constraints which hamper their successful development are tackled seriously, says a report released by the University of SA's (Unisa's) Bureau of Market Research.

of Market Research.
The report says SA has an acute shortage of technical skills which has made the country perform badly when compared with other developing countries with similar resource bases. An education system that fails to address labour market needs is one of the reasons for this.

Both the formal and informal (those that are not registered with the tax authorities) small to medium-sized enterprises experience similar constraints. These include weak labour relations, poor customer relations, low pay, long working hours, small premises, non-paying debtors, lack of finance and crime.

The report says most owners of these businesses are willing to acquire business and management skills. It suggests government, private sector and training institutions explore ways to implement skills development programmes.

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Concept of council for small business will live on

ate effect. Audit investigations financial and interim board of directors we interim board of directors we interim board to wind down.

TRADE and Industry Deputy Minister Phumzile Mlambo-Ngcuka said on Friday that the department was not abandoning the concept of the National Small Business Council.

This was after Friday's announcement that the council's board was to resign with immedi-

administrative irregularities within the council.

Mlambo-Ngcuka said steps were being taken to transform the council into a statutory body, as prescribed by the National Small Business Act, from a nonprofitmaking organisation.
The trade and industry depart-

ment said at the weekend that an interim board of directors would be appointed to wind down all

outstanding matters.

Last week the department called for a meeting with national and provincial council members to discuss the way forward for the council following the decision by the department last month to discontinue funding the council.

Staff of bust NSBC fight for pay

CLIVE SAWYER

POLITICAL CORRESPONDENT

More than 30 staff of the National Small Business Council (NSBC), left without salaries after the body was found to be insolvent and riddled with alleged irregularities, are taking the Department of Trade and Industry to the Commission for Conciliation, Mediation and Arbitration (CCMA) to try to get their pay.

They have also approached the Public

Protector about alleged gross negligence by officials of the department in the management and control of the NSBC.

The department says it has great sympathy for staff left without salaries last month and respects their right to go to the CCMA, but says it has no responsibility to pay their salaries

The NSBC, set up in November 1995, was an independent Section 21 company. Although the Department of Trade and Industry had been a major funder, it was not responsible for paying employees' salaries. The department announced earlier that a forensic auditing investigation had found "serious financial and administrative irregularities" in the NSBC and that the body was insolvent.

A meeting between the department and NSBC council members resulted in the resignation of the board of directors and the appointment of an interim board to wind up the council's affairs.

No decision has been taken yet on which

ARG 15/7/98

To page 3

NSBC staff launch fight for their salaries

From page 1

of the projects supported by the NSBC will survive the body's demise.

The department has vowed to take criminal and civil action against anyone in the NSBC involved in the alleged financial irregularities.

Deputy Trade and Industry Minis-

ter Phumzile Mlambo-Ngcuka said at the time of the decision to close down the NSBC she was deeply perturbed by the fact that hard-working, innocent people had become victims.

Staff decided to go to the CCMA after they were not paid at the end of last month.

ist month. They claim that Allistair Ruiters, acting chief director of the Centre for Small Business Promotion, had said that the Department of Trade and Industry would pay the NSBC's core operational expenses like salaries, rent and ordinary telephones.

However, he told them on June 26 this was not the case, the staff said in a joint statement.

After seeking legal advice; the had declared a dispute.

Attempts at a negotiated settlement to stave off the CCMA hearing had failed.

The staff alleged department officials had acted in bad faith and failed to follow proper procedures affecting employees of the organisation.

OVER ALCOHOLD

Cardboard City residents face mass evictions Community fears plan for fence will force many to leave their shacks

people living at Cardboard City on the Foreshore could be forced to leave if a proposal to fence off the shack settlement is carried

A security fence around the shan-

ty town and a security guard to control access has been suggested by city manager Andrew Boraine to protect the community. Muggings in the area, which is a stone's throw from the V&A Waterfront, have been blamed on the community.

The community has in the past asked the municipality to provide

But since negotiations elarted, the squatter committee, said. "Since the community has mushroomed to media and the council started talking But there is concern that the council would allow only the original 90 squatters, 30 of whom have already moved out, to remain inside the

It is unclear whether newcomers will be allowed to stay but the com-mittee representing the squatters say Arthur Paul, chairman of the they have not been allowed to replace the names of the 30 who have left with others now living there. fence. Some years ago the group of 90 obtained a High Court order allowing them to stay until they were given other accommodation and they are negotiating with the municipality to move to Mitchell's Plain.

raised at a meeting with the municibality plain.

"There was a large access only rary fence which to people who rightfully belong access to people there," said Cape Town council exections to the committee deputy chairman paren," Mr. Mown. There was no

from the harbour area. Others were street children.

Mr Paul said that they had not been consulted about the proposed fence but the issue was expected to be

lot of 'nommers' (gangsters) coming here." Many of the new people came

The fence would be a temporary measure and there had been a resolution to settle the community in

rary fence which would give proper access to people living there but also root out criminals using the place as a haven," Mr Mowzer said.

There was no quick-fix solution and the council's aim was to address the crime problem in the area and uplift the lives of the community.

Govt asked to agree to employment subsidies

BD 16/7/98

Reneé Grawitzky

GOVERNMENT has been asked to discuss and debate its macroeconomic policy and to agree to the introduction of employment subsidies.

Community representatives made the request at the National Economic Development and Labour Council (Nedlac) as part of preparations for the presidential job summit at the end of this month or in August.

Government is pushing for the summit to be held at the end of this month. Other involved parties feel the present round of discussions should determine the date or that the event should take place in August.

Measures to deal with the marginalised informal sector of the economy and the rural poor were central to the community representatives' submission for the summit. Nedlac community convener Godfrey Jack said opportunities should be created to allow the informal sector to move into the formal sector of the economy as it had a huge potential to create jobs.

Jack's proposals include a call to amend the Small Business Enabling Act to cover the informal sector; calls for legislation to recognise and protect workers in the sector; the provision of skills to facilitate labour market mobility for these workers; and to make microcredit available.

Jack said government should revamp the social security system to provide benefits for workers in both sectors of the economy. It should intro-

duce measures also to alleviate and reduce rural poverty.

Jack said community representatives at Nedlac supported the introduction of an employment subsidy. This was supported also by labour. Community representatives said this would have the effect of reducing the cost to employers of hiring labour while not lowering wages and living standards.

Jack said economic incentives were needed to encourage employers to comply with job creation strategies. Employers could claim a tax credit for a given share of their wage bill if they employed unskilled workers.

The subsidy would encourage informal sector employers to come into the tax net as it would take the form of a tax credit, rather than a cash handout.

The subsidy could be paid for by new taxes. Consideration could be given to a tax on the employment of higher skilled workers or on fixed capital assets.

Jack said government's macroeconomic policy could not be the main driving force behind job creation. Macroeconomic policy, he said, should be moderately expansionist, rather than restrictive, to allow other reforms to take effect.

It is understood that community representatives, and possibly labour, might compromise and agree to a commitment from government that it would endorse a post-summit debate on the growth, employment and redistribution strategy (Gear) and its linking to job creation.

COMPANY NEWS

BUSINESS The new fund will target companies too small or lacking the track record for a JSE listing

SBDC says time is right for venture capital fund

VERA VON LIERES

ing the track record to list on the ness financing at the SBDC, said ness Development Corporation (SBDC) had launched a new venture capital fund which will tarthe general manager of busiget companies too small or lackstock exchange, Kees de Haan, Cape Town — The Small Busi-

potential which could not acate for companies with high The fund was also approprigrowth and exceptional profit cess debt finance. yesterday.

was equity finance invested in privately owned companies that showed potential for significant De Haan said venture capital

"The key is superior, aboveaverage growth," he said.

which had to a large degree progrowth of sectors such as the Jo Schwenke, the managing director of the SBDC, said venbillion-dollar industry offshore, vided the fuel for the explosive ture capital had become a multicomputer industry.

The new venture fund was

created in addition to the SBDC's existing products in areas including loan, risk and

has been to create a venture Schwenke said one of the goals of the SBDC since 1986 capital /private equity industry in South Africa.

"We had a slump, but in the the country's first democratic elections) the industry has last three to four years (since become vibrant," he said.

ciety and have identified 86 companies to invite to the "We are about to relaunch the South African Private Equity and Venture Capital Solaunch." he said.

goals and access to finance Benefits of a venture capital partner who shared the same investment included a business needed to start and grow a busi-

De Haan said the SBDC could offer money, expertise and skill to entrepreneurs.

"In turn, our criteria include solid entrepreneurs with vision who can see beyond the small



PHOTO ANDREW BROWN HELPING HAND Jo Schwenke, the managing director of the SBDC, celebrates the launch of a new SBDC venture capital fund

Business councils to find own funds

Patrick Wadula

PROVINCIAL small business councils would have to fend for themselves in arranging funding following the recent liquidation of the National Small Business Council, said Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka yesterday.

However, Mlambo-Ngcuka said the concept of promoting small business would be kept alive by the provincial bodies. "Provincial small business councils are needed to continue so that when we start another national body we don't have to begin from scratch in setting up provincial structures," she said.

Mlambo-Ngcuka said

Mlambo-Ngcuka said the provincial councils would be able to receive support, as well as other nonfinancial assistance, from all nine provincial government small, medium-sized and microenterprise desks.

Gauteng provincial business council chairman, Churchill Mrasi, said the national council was only a vehicle used to channel funding to small business councils to cover their administrative costs.

"We will be looking around for private sector funding, for we have to make sure we sustain ourselves."

Mrasi said the Enterprise Development for Growth and Equity programme run by the national council, giving local small business a competitive edge, would partially be taken over by the trade and industry department.

try department.

He said other programmes that were conducted by the provincial councils would continue to be run by the councils themselves

themselves 198

MICROLENDING (



IN SHYLOCK'S IMAGE NO MORE

Small loans without usury

The Registrar of Bahks plans to introduce regulatory changes to clean up microlending and improve its image. This could breathe new life into the industry.

Microlenders target low-income individuals, traditionally shunned by banks as high-risk borrowers. They fill the gap between informal money lenders and formal financial institutions.

The industry is valued at about R13bn but is still considered to be in its infancy.

Piet du Plessis, professor in the department of business management at the University of Stellenbosch, estimates that industry turnover increased by 280% between 1995 and 1997.

But its growth is hampered by ineffectual legislation that allows bad practices to flourish.

Association of Microlenders executive officer Flip du Plooy says the industry could be an asset to the SA economy if properly regulated.

The Registrar of Banks is proposing amendments to the Usury Act and the Banks Act that it believes will stimulate microlending while making it hard for loan sharks to operate.

The Usury Act is designed to protect borrowers from exorbitant interest rates by placing a ceiling on the rates lenders may charge; the Banks Act allows only banks to take deposits from the public.

These prohibitions have restricted the ability of lenders to provide funds to highrisk borrowers since, to compensate for a relatively high rate of default, lenders charge high interest.

Allowing microlenders to take deposits from the public will cut the cost of raising funds, thereby lowering the rates they charge on loans.

Proposals under discussion would allow microlenders registered with the Department of Trade & Industry to take deposits from the public of up to R30m.

These moves would increase the scope of microlending by raising the threshold at which the Usury Act applies to loans from R6 000 to R20 000.

The plan could also help stop the unpopular system of confiscating debtors' bank cards as a form of security.

Sibonelo Radebe

Khula helps small businesses to grow financial would be business person or one already in finance from these traditional financial more than these traditional financial financi

OLLY MOELA

fire in their bellies in most cases find that start-up funds are a stumbling block in their quest to start THOSE ambitious would be entrepreneurs with their businesses.

There are others who are already in business but find that start up funds prevent them expanding.
This common problem is one of collateral. This is money a financial institution will ask from a

business to put up-front as security.

insitutions means many people who have the will and initiative to start their businesses never

To alleviate this problem a finance company, Khula, has been established to address the

realise their goal

Sometimes you may have to give your bank guarantees to secure loans for the purchase of fixed assets like machines and the provision of working capital.

Collateral is thus the most important

requirement for those who have dreams of starting their own business, or those who have their own businesses and want to expand them.

banks are reluctant to help because the applicant normally institutions like fails to meet the In most cases bank's lending conventional

And a lack of

criteria.

but aids the growing network of outlets which fall in a category of business called Retail Financial improving access to finance for small, medium and micro enterprises (SMMEs). It does not lend directly to the SMME applicant Intermediaries (RFIs) which deal with the public. It is an independent, limited liability company, with its own board of directors. It is dedicated to problem of collateral. Khula, established in 1996, is a Department of In this arrangement the intermediaries are banks and non-governmental organisations Managing (NGOs) and provincial corporations. Trade and Industry (DTI) initiative.

developed a series of donors. In addition director Sizwe Tati overseas and local capitalised by the the company has said Khula is government, products.

creating sustainable targetshistorically R1 million. Khula These products small businesses. Tati said their businesses range are designed to disadvantaged assist RFIs in loans to small communities. from R100 to

nature are very high "The challenge for who start up businesses – those who by their very encourage people risk," said Tati Khula is to

Eskom goes for the small business of

become the latest champion of small business. And in the process Eskom has become one of the first prominent companies to heed Public Works Minister Jeff Radebe's call to corporate South Africa to provide a helping hand to small

business.
Eskom's helping hand for small business came in the form of a R30 million office complex in East Inndon – where small, black firms got a

This contracting method is a sure-fire way of This contracting method is a sure-fire way of protecting the fledgling black small business against the grants in the industry—by allowing than to tender on certain components of large

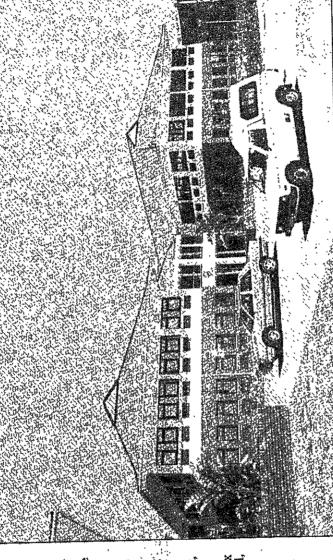
projects. As a result of this partnership between black, As a result of this partnership between black, small entrepreneurs and big contractors, skill small forms took holes.

transference took place. Eskom Properties Development Manager Alex Phakathi said they "would continue to use small,

medium and micro-enterprises".
This would help contribute towards "the creation of employment and wealth " for local

economic development, Phakathi said.
Radebe was fuil of praise for Eskom's effort, saying it was a laudable project that would ensure stability in the construction industry. 'It will stimulate economic growth and

international competitiveness.
"Providing a first culture of public and private partnership, co operation and innovation in the transformation, reconstruction and development of South Africa," said Radebe. I How small business gets into bed with the major players in Eskom's construction projects is open and fair, the utility company's insiders say.



POWER BLOCK... Erected by big construction firms – linking up with small businesses.

A public tender system is used and small businesses are invited for available jobs. Advertisements are also placed in different newspapers.

Short-listed small companies are then asked to submit their proposals. The criteria used in the

available.

evaluation of proposals include the understanding of the new engineering contract plus the capability to complete the contract. Unsuccessful development proposals are considered again – once other jobs become

Opportunity for SA firms

By Wilson Ramothata

SMALL, medium and micro enterprises (SMMEs) with export potential are invited to apply for participation on the Ministry of Trade and Industry trade mission to Canada from September 23.

The seven-day, high-powered trade mission, to be led by Trade and Industry Minister Alec Erwin, is aimed at exploring investment opportunities for South Africa in Canada.

The ministry said successful applicants would qualify for financial assistance under the Export Marketing and Investment Assistance (Emia) scheme.

The mission, timed to coincide with the state visit to Canada by President Nelson Mandela, will focus on encouraging Canadian companies to invest in South Africa.

The ministry said the mission would start with a one-day investment conference in Toronto aimed at promoting South Africa as an investment destination.

This will be followed by three days of individual appointments with

otential business partners.

Direct investment from Canada is growing steadily and some 60 Canadian companies now have a presence in South Africa, the ministry said in a statement.

According to the ministry, bilateral trade between the two countries, which now stands at R3 billion a year, has trebled since sanctions were lifted in 1994.

The principal exports to Canada in 1977, said the ministry, comprised raw materials and agricultural products, while South Africa imported mainly wheat and capital equipment.

Vast potential

However, the ministry said trade between the two countries was very small in international terms and there was thus vast potential for exploiting trade opportunities.

Any South African firms wishing to apply to participate in the mission should contact the ministry before July 31 or call Paul Pieterse at (012) 310-9345 or fax (012) 320-8157, e-mail Paul@dti.pwv.gov.za.

Deal str ducted the forensic investigation.

THABO LESHILO

BUSINESS EDITÖR

Johannesburg — The pay dispute between the department of trade and cil (NSBC) had been resolved, a department spokesman said yesterday.

The council members reported the department to the Commission for Conciliation, Mediation and Arbitration (CCMA) last week in an attempt to get the department to pay their salaries. They had not been paid since last month.

The complaint followed the department's decision to liquidate the NSBC, a section 21 company, because of alleged financial irregularities by

the company's management and because it was insolvent. The NSBC was established by the government in 1996. Two weeks ago, the department fired the company's five directors, industry and employees of the illass even though they were not implicated fated National Small Business Count win the alleged abuse of public funds and had requested the forensic investigation. The department has appointed two of its officials to run the NSBC's affairs. These are Alistair Ruiters, acting chief director of small business promotion, and Alroy Dirks, the director of the department's centre for small business promotion.

The department spokesman said the agreement reached last week provided that the disgruntled employees submit their wage claims to the Ernst & Young, the auditors who con-

"On verification (of their claims), the staff would be compensated," he said. He could not say how much money was involved.

But Churchill Mrasi, an NSBC councillor and the chairman of the Gauteng Provincial Small Business Council, said the staff would be paid three months' salary. He said national and provincial councillors were owed money for attending NSBC meetings. They would also submit claims for payment against the company to the auditors.

Mrasi said some councillors had not been paid for meetings attended since last year. The were paid about R300 for provincial meetings and R400 for national meetings.

Empowerment groups deliver 298% return

Amanda Vermeulen

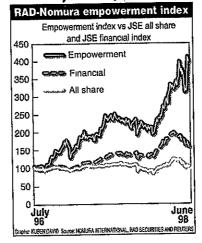
LISTED black empowerment companies have delivered an average return of 298% in the past two years compared with the Johannesburg Stock Exchange's (JSE) all share index performance of 2,4%, but their acquisition strategies could jeopardise future delivery of shareholder value, a recent report says.

The report, written by Real Africa Durolink Securities (RAD) and its research partners Nomura International, said there were 28 black-controlled companies on the

JSE with a market capitalisation of R66,7bn. This represents 6% of the total JSE market value.

It said empowerment companies were trading at a premium to the JSE. The premium is based on preferential access to growth areas in the economy and a focus on the financial services sector, which is trading on a price earnings ratio of between 20 and 30.

Some of the most prominent black-owned groups — such as Real Africa (Rail) and New Africa (Nail) — have significant interests in insurance and banking. Other targeted industries were informa-



tion technology and media.

However, the RAD-Nomura report warned that a potential source of difficulty was the new entrants' lack of focus in acquisition strategy.

"Empowerment companies appear to be buying up everything and anything which is up for sale.

"What is alarming is the diverse and unfocused nature of the portfolio spread of the new 'empowerment companies (and) there is a real danger that (they) could

start to look as unfocused as the white conglomerates of the 1970s and 1980s."

RAD-Nomura said a focused acquisition strategy was important if empowerment companies were to deliver value to shareholders, adding that "we are sceptical about the ability of these unfocused groups to enhance long-term...value".

The report also highlighted the funding of black empowerment deals. Black business had used equity to make acquisitions, creating internationally unpopular and complex structures, it said.

"As (empowerment) companies become more mature, it will be necessary for them to adopt more conventional ownership and group structures to retain investor confidence."

The report warned that with SA's high interest rate environment and low gross domestic product growth, it was likely that empowerment companies which had used debt funding could end up in serious financial difficulty.

The report said of the listed companies Rail, Nail and African Harvest were the "undoubted leaders of pack".

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Financial chaos at NSBC – minister

SIPHOKAZI MGUDLWA

The trouble-plagued National Small Business Council (NSBC) had violated tax laws, failed to stick to budgets and exceeded its travel expenses, Deputy Minister of Trade and Industry Phumzile Mlambo-Ngcuka has told a parliamentary briefing.

Mrs Mlambo-Ngcuka was yesterday explaining to parliament's portfolio committee on trade and industry her department's decision to sack five NSBC directors last month.

She said her department had appointed two of its officials to run the NSBC's affairs.

These were Alistair Ruiters, acting chief director of small business promotion, and Alroy Dirks, the director of the department's centre for small business promotion.

Mrs Mlambo-Ngcuka added that the NSBC had realised in December that it was in financial crisis.

The NSBC was established by the Government in 1996 to represent the interests of small business and to steer government policies towards promoting small businesses.

Allegations of financial irregularities, administrative mismanagement and falsification of financial reports surfaced earlier this year after a report of a committee established to probe the NSBC's affairs was leaked.

Mrs Mlambo-Ngcuka said her department was in the process of initiating discussions to appoint a body to handle some of the NSBC's activities. Discussions had already been held with the Germany-based Friedrich Ebert Stiftung.

Accounting firm Ernst & Young had been asked to probe the financial affairs of the NSBC.

"The Ernst & Young report also confirmed to the Department of Trade and Industry that the NSBC was insolvent in that it was unable to meet its commitments," said Mrs Mlambo-Ngcuka.

Committee members commented during the briefing that there was a need for public hearings to allow all those involved in the NSBC to have an opportunity to voice their views.

Jess counci vsuits loom over smal

Wyndham Hartley

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noney had been misappropriated by the National Small Business Council and criminal and civil charges could follow, CAPE TOWN — More than R3m of public trade and industry department officials said yesterday.

Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka, briefing Par-liament's trade and industry committee, said the council's crisis did not mean that

government initiatives to support small business were at an end.

Iblic Mlambo-Ngcuka stressed that the

used to promote small business. The council hit the headlines late last month council was only one of the mechanisms when it was announced that the department would stop funding it because of fi-

nancial irregularities.
Alroy Dirks, director of the centre for small business promotion at the department, said that at least R3m had been

risation of incorrect leave pay and the de-

R10m budget. More could be found among a the council's creditors.

The council's creditors.

The council, a registered section 21 company, erred by paying its directors travel, subsistence and other expenses when they were "not necessarily incurred in the execution of their duties". It also not contravened the Companies Act by granting CEO Monde Tabata a R130 000 loan.

Tax law was contravened by the author we

duction of incorrect amounts of tax. Travel expenses were overspent by about 353% in some cases, documents before the committee showed.

Turok said the "goings-on" at the council were "an outrage" and "an abuse of public money and the trust the country placed in African National Congress MP Ben

He said they should be punished as a warning to others similarly entrusted. Mlambo-Ngcuka said the task was to ${
m these}\ {
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conyene hearings of the small business find a way forward. It was agreed that committee chairman Rob Davies would rebuild the image of the council and to

working group as part of this initiative with the state of the state o be installed at the council so that more

Davies said that if the solution was to change the Small Business Promotion 4 Act, this would probably not be possible until after the election next year.

Officials, slammed for silence on NSBC crisis

LYNDA LOXTON

Cape Town—The department of trade and industry was yesterday rapped over the knuckles for keeping quiet for so long about the crisis in the now technically bankrupt National Small Busi-

ness Council (NSBC).

After a briefing on the collapse of the NSBC by Phumzile Mlambo-Ngcuka, the deputy minister, and Alroy Dirks, the chief director of small business promotion, members of the portfolio committee on trade and industry expressed outrage.

They blamed officials who had abused the trust placed on them and misappropriated funds

from the NSBC.

But, they said, the department should have kept the committee more closely informed about developments in the council as it was embarrassing to hear about all this from the newspapers. "If we do not know what is happening, we become fools," said one member of the portfolio committee.

They said it had become clear as far back as December last year that there were problems in the way the NSBC was being run, but the first committee members heard of it was in press reports during the winter recess.

In a bid to salvage the credibility of the troubled small business programme, the committee decided to hold public hearings on the way forward.

The committee also asked the department to ensure that a care-taker structure was put in place to ensure that the provincial small business programmes could continue.

They also wanted stricter controls to ensure that the misuse of funds did not recuc, while a "whistle-blowing" mechanism was introduced so that staff who noticed any irregularities could report them.

Dirks said the department was holding discussions with several donors about the possibility of refunding the NSBC, which was established in 1995 with an initial grant of R3 million. 60

cials of the National Small Business THE Department of Trade and Industry plans to replace corrupt offi-Council (NSBC).

By Kathryn Sturman

This reminds one of a 1989 Democratic Party election poster which referred to the then new leader the National Party as "'n nuwe jokkie op 'n dooie perd" (a new jockey on a dead horse).

gations of financial mismanagement began to surface and replacing the leadership would not resolve the For the NSBC was a non-starter from the beginning, long before alleinstitution's underlying faults.

The conception of the council is flawed by a failure to recognise that in terms of interests, motivation and personality, the entrepreneur and the bureaucrat are poles apart.

NSBC is very real. Despite being the The problem that spawned the most vital sector of the economy for job creation and growth, small business is often brushed aside in day-today politics.

exerted on Government by different lobby groups. The strength of a lobby Public policy decisions are influenced by the amount of pressure organisation than with its importance often has more to do with its level of to the economy.

atomised voices of small business an unmistakable advantage over the In the game of power politics, big business and organised labour have entrepreneurs and the unemployed.

The NSBC was the Government's

Was doomed to

attempt to address the difficulties it faced in communicating with widely dispersed small, medium and micro enterprises (SMMEs).

platform for SMIMEs to have a say in business associations and create a Its role was to coordinate the various SMME voices, strengthen small Government policy.

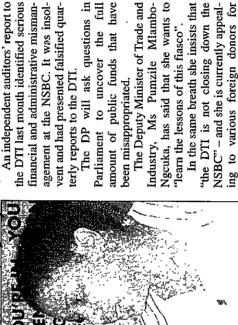
While the reasons for creating the council were laudable, the problem was that the structure belonged to the Government and not to SMMEs at

presumes to call itself "the big voice of small business" would be led by a One would have thought, for businessman or woman familiar with the challenges of starting and growexample, that an organisation that ng a small venture.

Instead chief executive officer Monde Tabata, a former Ciskei minister of foreign affairs, appears to be more au fait with banana republic accounting practices.

It took the DTI over R3 million of squandered taxpayers' money to realise its mistake.

staffed by government bureaucrats' ty of the NSBC since its inception in 1996, asking how a statutory body The DP has questioned the validi-



Deputy Minister of Trade and Industry Pumzile Mlambo-Ngcuka.

have a profoundly negative effect on admits. could possibly fulfil a mandate to "represent the interests of small busi-

Two years later this pseudo-small rupt and inept. It should be scrapped business lobby has proved both corimmediately.

Equity Bill and the Basic Conditions

hrough Parliament without so much

Employment Act, and pass

this sector's ability to grow and cre-

As a result, legislation which will

ate jobs, such as the Employment

as a whimper from the self-named "big voice of small business"

the Liquor Bill have also received no The DTI's Competition Bill and attention from the NSBC.

is a symptom of a wider malaise The corruption within the NSBC within the Government's national small business strategy.

The national strategy, which aimed to help entrepreneurs start businesses to create employment and growth, has instead helped corrupt bureaucrats enrich themselves at taxpayers' expense.

"support structures" - of which the By building a complex maze of NSBC was the least effective and the most ill-conceived - the Government has wasted scarce resources which could have boosted a vital sector of business at a time of massive unemployment and economic uncertainty.

Ξ.

It is pointless to try to rebuild the unworkable NSBC. Instead of allowness to be siphoned off by bloated Government policy should focus on lowering the tax burden and cutting through the legislaive red tape that is holding back ing precious resources for small busismall business. institutions,

funds to resuscitate the discredited

institution.

The NSBC has not properly represented small business. Its mandate to regarding legislation "never got off the ground", as Mlambo-Ngcuka

advocate the interests of SMMEs

To do this they will have to listen NSBC may prove an interesting start to the real small business voices, however diffused these may be. The public hearings to be organised by the parliamentary committee on trade and industry to decide the fate of the this new approach.

(The writer is a Democratic Party researcher.) Mustek, Numsa in empowerment deal

RENÉE BONORCHIS

Johannesburg — Mustek, the local computer assembler and distributor, said yesterday that Numsa Investment Company, the union investment arm, would acquire up to 20 percent of the company, becoming the biggest stakeholder after management.

The first 5 percent of the empowerment transaction was worth R35 million, said Mustek.

The deal was implemented in two tranches, with the first

tranche of 2,5 million Mustek shares acqiured by the Numsa Investment Company on July 15 and the balance of 1,835 million to be issued for cash. Sanlam will fund the deal, raising Mustek's net asset value by 6,5 percent.

Barry Pulford, the managing director of Lomberg Pulford & Company, the brokers for the deal, said there was no change in the earnings forecast.

"It is hard to quantify how Numsa (National Union of Metalworkers of South Africa) will add value to the deal ... but we expect significant value through Mustek's closer ties to government, unions and parastatals," he said.

David Kan, Mustek's chief executive, said: "Now we can easily identify black management for our company and we will also be able to attract more tenders from the government and parastatals."

Mustek shares closed unchanged at 950c yesterday on the

☐ Business Watch, Page 2

TRANSFORMATION Sabotaged professionals fighting back against efforts to hamstring their careers, says Macozoma

he Network seeks antidote to racism

er (MR)30/7/98

generation of Christianised in the 1840s. They are often They are rather like the first African leaders that emerged shot by both sides," Macozoma

BUSINESS EDITOR

THABO LESHILO

bond, considered itself "the

Johannesburg — The Network hitherto known as the African best antidote" to the enormous

problems facing black leaders

and professionals in the eco-

nomic arena, Saki Macozoma,

That generation of leaders was not accepted by colonial by its own people, he said. "It was an extremely frustrating society and was also rejected exercise."

ness leaders and professionals faced similar challenges: "We He said today's black busioperate in a society that believes profoundly that we can "If we disprove this prejunot run economic institutions.

Many black professionals

statal, said yesterday.

who make up less than

5 percent of senior manage ment — allege racist cam

paigns are being waged to ham-

the managing director of Transnet, the transport para-

individuals by any means dice, then it seems that the policy is to seek to destroy those necessary," Macozoma said. string their careers and sionals in the economic arena "Black leaders and profesexist in contested territory economic transformation.

to cripple and ensure failure,' Macozoma said. (\mathcal{H}) He said this was true at Transnet, and even parliament was being used to cast asperty of the parastatal's top black sions on the ability and integri

we cannot run Our society believes that institutions' economic "Ultimately of Tito (Mboweni, the transformation. future governor of the Reserve Bank) as we still feel it," will feel it as much Macozoma said. is challenge

managers - black and white media crusades are then — "take tendentious information to opposition parties, and "People are pilloried mounted against individuals. Disgruntled

ridiculed, sniped at, characters assassinated, employees agitated and policies and businesspractices are adopted in order

The Network was formed, lenges of transformation.'

He said The

Network was the

best way to deal with the chal-

was also "strategic, ubiquitous, supportive of members and flexible, analytical, reflective, easier to resource'

— it is to assist with the chal-He compared The Network to such voluntary bodies as country clubs and golf clubs. "Our focus is simply different

oping a blueprint for black among other reasons, to help the government in its effort to transform society. It was devel-

acteristics that

lenges. The charmade The Net-

Services, headed by Sello Members of the Network Luhabe, founder member of Women so Moroka, an advocate; Matodzi Management Advisory investment Portfolio; Kgomot economic empowerment. Wendy include

The Network, he said, did

not seek to substitute or supersede existing organisations and was not politically affiliated. It

included its loose

organisation — "with no letter-

heads or head office".

ate response to these problems

work an appropri

Rasethaba, an accountant; businessman Khehla Mthembu, and Peter Vundla, founder of Herdbuoys, the advertising Macozoma said The Network hailed Mboweni's appointment as promoting transformation in the economic arena.

only the invisible hand of the "That arena seeks to escape transformation by arguing that it is a private sphere in which market should operate.

ring to the continued existence "That invisible hand one voice I hear when I read in the financial journals a headline can accept, but I know whose that says 'Markets punish South African politics', referof the tripartite Alliance," said Macozoma

New Nafcoc president plans transformation

By Joshua Raboroko

NEWLY-ELECTED president of the National African Federated Chamber of Commerce (Nafcoc) Steve Skosana is to unveil new strategies for the business organisation at a meeting in Johannesburg today.

Skosana, who is a veteran businessman and former president of the Mpumalanga Chamber of Commerce, was elected Nafcoc president at the weekend for the next two years.

It is hoped that the organisation will undergo serious transformation during this period and work closely with other business organisations in the country.

It is already represented in Nedlac.

Surprise result

The election came as a surprise to most delegates after president Joe Hlongwane and his deputy Peter Rabali announced that they would not stand for election because "we want young blood to take charge of business".

Hiongwane, who has been president through many years of turmoil in the busings's fraternity, stepped down at the weekend meeting, saying he was in

favour of youth taking over Nafcoc's leadership.

Nafcoc wants to have a youth chamber that will advance the aspirations of young entrepreneurs.

With this in mind, a few students from universities and technikons have been invited by Nafcoc to brainstorming sessions.

Nafcoc chief executive officer Phillip Machaba said that Nafcoc's new president would announce major changes to the organisation, particularly during the period of transformation.

Dependency syndrome

Black business needed to get out of the dependency syndrome and play a role towards empowering poor communities as well as aim at being listed on the Johannesburg Stock Exchange.

He said Nafcoc would hold its 34th annual conference from September 6 to 9 at Sun City, near Rustenburg.

The theme of this year's conference is "Black Economic Empowerment – Is the Transition from Grassroots to the JSEs attainable – What are the solutions?" The conference will be officially opened by North West Premier Popo Molefe.

Real power is economic

Higher rates hit small businesses

By Isaac Moledi

MALL, medium and micro enterprises are feeling the pinch of high interest rates as the recent increases have pushed the cost of borrowing from local financial institutions beyond the reach of most of them.

Emerging farmers, manufacturers and most empowerment groups have not been spared from the problem.

Luke Doig, credit guarantee senior economist of the credit insurer which insures debtor books of most small businesses, said most SMMEs were facing insurmountable problems of cash flow and working capital.

The National African Farmers' Union (Nafu) chief executive Andrew Makenete said the lack of creditworthiness of most emerging businesses, particularly black farmers, was seriously impacting on their prospects because interest rate hikes had resulted in them paying rates above prime.

He also criticised the banks' interest

rate structure, saying "it was unfairly penalising emerging farmers and creating a heavy burden" for them to function.

"We know that most of the emerging black farmers have no credit history and this is being used by the banks to punish them. In the end it's their businesses that suffer most," he said.

Makenete said those who managed to secure loans had done so at a higher price and "now were finding it difficult to service those loans".

Profit from ventures

"The difficulty is that food prices have by and large remained relatively constant. And because black farmers have not been able to profit from their ventures, this has made it difficult to expand their businesses or invest in new equipment," he said.

He said Nafu was engaged in talks with the Land and Agricultural Bank to discuss these issues.

"There is a huge outcry out there because our members feel that the

Government is not doing enough and has no programme for black farmers. We say the Government has to intervene to address these problems," said Makenete.

Like in industry, Makenete called for the establishment of an empowerment fund to focus on issues affecting emerging farmers.

But analysts have argued that it was not only emerging farmers who faced these problems.

"The recent increases in interest rates have pushed the costs of borrowing from local institutions beyond the reach of most empowerment groups," they said.

The immediate grounds for a recovery, analysts said, were not yet on sight, adding that the rate will probably rise more before declining.

Doig said: "Businesses have to realise that as the economy is going through a slow-down, they have to take a pinch.

"But the government should send more positive messages to investors, particularly on privatisation."

Safé down the road' grows into

ARGUS CORRESPONDENT

convenience store was once the cafe were sold after normal retail hours. invariably high, but where essentials down the road, where prices were Johannesburg – Most people's idea of a

or to a host of others dispensing everything ern, brightly lit shops at local petrol stations, Today, consumers are flocking to mod-

> sants at all hours. from hot cappuccinos to freshly baked crois-

station forecourts by February this year, didn't exist in this country six years ago." tive of Metro Distribution Chain: "This is a and, says Nicky Williams, marketing execumassive expansion of a retail sector that There were 729 such stores open on petrol

Recognising the growth of the sector

internationally, all the major oil companies shopping outlets open outside traditional

with petrol stations are now operating venience stores.

Stores 4 Africa. says Jocelyn Daly, managing director of C sumer habits, and it won't stop there either This marks a changing trend in con-

an ever-increasing rate as the buying habits of consumers shift towards more accessible Ms Daly says: "The sector is growing at

of concentrated and easily accessible conveworking hours, offer

nience facilities." The increase in the forecourt and conve-

nience stores market can only benefit the Shoprite Checkers have made forays into ing on this winning wagon. Pick 'n Pay and Forecourt, C-store and Supermarket Africa. consumer, says Ian Gursen, director of the Supermarket chains now are also jump-

the market, recognising the potential of the

convenience store retail market. of the traditional supermarket, convenience stores and garage shops are carving out exhibit habits different from the big monththeir own niches. Their customers, too, Far from trying to break in on the market

at garage shops buy snacks and most shop ly supermarket shoppers. Most of the people (about 60%) who shop

only when other stores are closed

survey by Market Research Africa. anyway, filling up with petrol, according to a also use a garage shop when they are there, court stores because they are safer. Many ern consumer, and many say they use fore Safety is high on the agenda of the mod

and use these shops mostly in emergencies. R20 and buy snacks, fresh bread and milk Customers spend on average less than

spuesn

News

Nafcoc rejects empowerment minus control

THABO LESHILO

Johannesburg The National African Federated Chamber of Commerce and Industry (Nafcoc) still had its eye on acquiring a stake in the privatised Airports Company of South

Africa, David Mokoena, Nafcoc's general secretary, said yesterday.

But Mokoena told a press conference that Nafcoc still had serious misgivings about the Airports Company's empowerment deal, because it did not allow for meaningful black control.

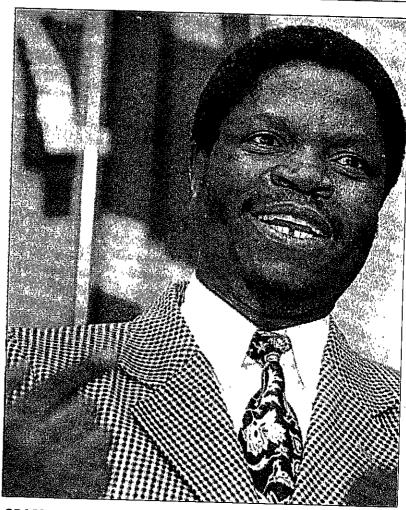
"The stake available to black groups is too expensive, making it difficult for any group to have a significant shareholding to give it a say in how the company is run," said Mokoena. "It will not lead to grass-roots empowerment."

Because of lack of funding, empowerment groups managed to buy only 4,2 percent of the 10 percent stake made available recently to these groups. The 10 percent stake is worth R400 million.

The government was expected to dispose of the remaining 5,8 percent by floating it, together with its 51 percent stake in Acsa, on the JSE within three years. However, it was still open to proposals from empowerment groups on the unsold stake.

Aeroporti di Roma has 20 percent of Acsa. Acsa management and employees hold 9 percent and the National Empowerment Fund has 10 percent.

Mokoena said Nafcoc had pulled out of the initial bidding because of misgivings about the lack of meaning-



GRASS-ROOTS POWER Steve Skhosana, the newly elected president of Nafcoc, says the organisation is committed to bringing black business, and especially small business, into the mainstream economy PHOIO SELWAN TAIL

ful participation and representation.

"A pure equity investment does not meet the requirements of real empowerment," he said.

However, DMG, the transaction adviser to Acsa on the privatisation, ruled out the possibility of the state changing the termsfor the sale of the 5,8 percent stake.

Steve Skhosana, Nafcoc's new president, committed his executive to putting Nafcoc at the forefront of the struggle to bringing black business into the mainstream economy.

He said Nafcoc would continue to lobby the government as well as local and international bodies to promote the development of small business.

Black businesses 'slow to join the formal sector'

BLACK businesses were not being brought into the mainstream of the economy as quickly as was expected, Steve Skhosana, the new president of the National African Federated Chamber of Commerce (Nafcoc), said yesterday.

He said Nafcoc would push aggressively for black business's entry into the economic mainstream.

Skhosana, who was presi-

Skhosana, who was president of the Mpumalanga Chamber of Commerce, replaces Joe Hlongwane for a two-year term of office after Hlongwane served two consecutive terms.

He said black businesses had themselves to blame for the delay in the integration of their businesses into the formal sec-

tor of the economy.
"Black people are still divided, due to the division that was imposed on them in the apartheid days and this is not helping when it comes to speak with a unified voice."

Skhosana said a unified voice would go a long way to provide guidance to government on policies relating to black businesses, which were mainly small, micro and medium-sized

enterprises.

He said the organisation planned to raise financial and nonfinancial resources internally for the sustainability of provincial and regional offices. These were expected to provide services to chamber members in their respective areas.

Medical Schemes Bill aims to end risk rating

Josey Ballenger 80 7

DRAFT legislation intended to stop medical aid schemes from discriminating against potential members on the basis of age, sex or state of health would have regulations to protect the schemes against opportunistic behaviour which could bankrupt the system, a health department consultant said yesterday.

The Medical Schemes Bill, which state law advisors are expected to certify for publication within two weeks, will outlaw discrimination on the basis of age, sex, past or present state of health, or claims

experience other than in special circumstances.

Department consultant Patrick Masobe told a Johannesburg forum that this would remove "risk ratnannesburg forum that this would remove "risk rating", whereby medical schemes charged different premiums based on age, gender and health status. The bill would impose "community rating" where the only premium criterion would be income.

Exceptions would be provided for in regulations to protect medical aid schemes "against opportunistic behaviour" where people joined schemes only once they became ill or developed a condition. The pro-

they became ill or developed a condition. The protections would include a waiting period for pre-existing conditions and premium penalties within de-

fined bands for late joiners.

A list of minimum benefits related to essential and cost-effective cover, a focus on hospital services and full cover for public hospital services, would be out-

lined in rules to be drafted by a working committee. Gerald Sweidan, the MD of Pharos Medical Plan who hosted the forum, said the bill's objectives were "very noble" but that the industry would have been more supportive if the bill had been part of a social health insurance bill, as originally envisioned.

Sweidan said the bill got "top marks" for governance because of its proposed requirements for trustees and accredited administrators, an independent dent audit committee, a council with "more teeth" to augment the current registrar and offences and penalties for fraud.

Small business 'a poor cousin'

and some banking institutions are still hesitant about identifying the small business sector as a potential business opportunity, Eskom small development business officer Jenny Rogers said yesterday. Speaking at the open-

ing of Eskom's second Small Business Exhibition at Nasrec, Rogers said it was difficult to entice established businesses to showcase their products and services.

Big companies saw the small business sector as being unable to contribute substantially to their bottomline profits.

The exhibition, housing 80 exhibitors, runs until tomorrow and is aimed at providing opportunities for black entrepreneurs to find affordable business ideas and solutions. It also caters for unemployed people who want to start their own businesses.

The exhibition focuson manufacturing business, agrobusiness and franchising as inroads for small business development.

Companies under black control account for more than 10% of the JSE's total value.

LEE-ANNE SMITH looks at the rapid rise of black business. Pictures: JEREMY GLYN

Empowerment giants flex their muscles

. Black

corporate

activity on the

JSE identifies

the industries

which are

attracting the

most attention'

alk to black entrepreneurs and they will tell you that although the first democratic elections brought immediate political emancipation, economic liberation will take decades to unfold.

Still, what began as a quiet revolution with small, but often successful, entrepreneurs operating on the fringes of the economy has taken a quantum leap forward as multimillion-rand black empowerment deals have stamped an indelible mark on the SA business land-scape.

These days most deals and tenders awarded have a black empowerment component, and empowerment enti-

ties, including women's and trade union groupings, have begun to carve out niches for themselves in virtually every sector of the economy.

According to strategic research and investment consultancy BusinessMap SA's 1997 Black Economic Empowerment Review, only around 20 empowerment deals took place in the first year of the new South Africa.

Today it is recording about 20 a month.

There has also been a rapid growth in the number of individuals and companies involved in transactions. BusinessMap's database lists more than 500 companies which have, or are, participating in major data

ipating in major deals.

BusinessMap, in its latest quarterly review of black influence on the JSE, identifies 68 black-influenced companies listed on the JSE with the value of the black interest worth R22-billion. (R145.6-billion is the total value of the firms in which they are invested). This compares with 48 identified in November 1997, with a total market cap of R67.7-billion.

"No matter how small the black interests are as a proportion of the JSE's total market cap, the black corporate activity on the JSE provides a useful barometer of black business activity, as well as identifies the major and new players and the industries which are attracting the most attention," says the review.

At the time of the review, 28 black-controlled, as opposed to black-influenced, firms on the JSE with a market cap of R67.8-billion accounted for around 5.6% of the JSE's total market cap.

This excluded Brimstone which had just been listed. (In September 1995 11 black-owned companies with a combined market cap of R4.6-billion were listed on the JSE).

The review also noted the beginnings of a trend of black companies restructuring initial investments to become re-focused.

Ernst & Young's 1997 Review of Merger and Acquisition Activity notes evidence of maturation of some of the black economic empowerment pioneers.

Nail increased its economic interest in Metropolitan Life and list-

ed its African Merchant Bank (AMB) subsidiary on the JSE in November 1997, moves which created substantial wealth for shareholders.

Another sign of maturity was the R403-million rights issue by Real Africa Holdings in 1997 — a third more than the R300-million originally planned.

"Black chip companies are now reckoned to control some 10% of the market capitalisation of the JSE, though their beneficial ownership might be lower," says Ernst & Young corporate finance partner Dave Thayser.

The review says the speed and scale of black empowerment, although frustratingly slow for some, nevertheless demonstrates the extent to which economic control is shifting towards the political centre of gravity.

Department of trade in hot water on NSBC et (BR) 13/8/98

LYNDA LOXTON

will deposition and

PARLIAMENTARY CORRESPONDENT

Cape Town — The department of trade, and industry might be summoned to appear before a parliamentary committee to explain its role in the recent collapse of the National Small Business Council (NSBC), it emerged yesterday.

Rob Davies, the trade and industry committee chairman, said after the committee's hearings on the troubles at NSBC, "we have to decide whether we want to hear further from the department on its role in terms of procedures of the Small Business Act".

It would also have to consider if it would accept the view given that either the existing council should be reinstated, or that "there were such profound financial matters and mismanagement, that there is no option but to liquidate the section 21 company.

"There is probably a consensus that a body performing the function of the NSBC is necessary, but what has been raised, as well as the financial mismanage-

ment, were also some questions of focus and tasks."

But it would be important not to lose the skills built up by staff at the council, "and so there does need to be an interim solution".

The role of the trade and industry department would also have to be examined, especially its relationship with the national and provincial small business councils and the committee.

"We will have to consider whether when the (council) was born, it was just left and not sufficiently supported," Davies said.

It had also been questioned whether the co-ording ion between the council and various other institutions supporting small business had not been at a high enough political level.

Sello Mahlo, the former chairman of the Northern Province provincial small business council, told the committee the relationship between the management and the council had been governed by suspicion, lack of respect, defiance and back-stabbing.

"Solid leadership was lacking on both sides."

Importain areas or importain areas or importain areas or itemsformation.

Transforment consultant and has a background in development work, human resource development and media. 漂 management will be sorely fested:

The Network high-liyers are generally not the kind of people who desire to be cast in bronze for inventions or spawning breakthrough ideas with one or two exceptions, their focus is doing not conceptualising but collectively they can but collectively they can important areas of contribute to leaps in important areas of

for example, those opportunities where the prize opportunities where the prize is big enough to share, bidding costs run into millions, and the ability to raise finance and effectively take over day-to-day management will be sorely fested. empowerment companies
So far, these companies
have found it difficult to pool
efforts in strategic instances

sense of business co-operation the club can co-operation the club can forge to balance the competitive pushing and shoving among black

offer valuable learnings about survival against tough odds. Another plus is the greater consciousness movement, who made the earlier trek from politics to business, can

than we care to admit. Members of the black

affirmative action models that

examine:

What are the advantages and disadvantages of different models of economic models of economic empowerment "deals". What patterns of financing and peneficiary involvement are identifiable, and what lessons are coming through?

What differentiates Can it, for example, help mould the Atrican Renaissance concept and make it more immediately applicable to key issues and sectors, transforming education, the immigration indigenous economy, public indigenous economy, public has a central Network focus ector culture and so on that a central Network focus blueprint for black economic will be to develop "a blueprint for black economic moing so, the Network will have to grasp more than a few nettles. It will need to examine: examine:

without them knowing it or make a problematic ideology acceptable and dominant.
The Network is much more modest and above board. The Network will be "loose", in Africa has raised fears among some observers, who fear the apartheid era.
But despite its name, the potential power of a murky group similar to the want to influence all facets of centralise power. It does not conspiracy to secretly Network, it is not a Broederbond of the ife, remote-control people professionals and businessmen in South get it right.

HE emergence of an elite club of black

interesting is a discussion of the ways in which such a group's existence may be controversial within the black such a group; this was indeed "news", but, if anything, such treatment of the story merely a body. white establishment viewed underlined the need for such More relevant and

There is the issue of balances in the community to which they distort power usually unaware of the extent Groups such as these are

The Network will have to deal with the fears of black professionals not linked to it.

associations?

underdog.
The Network is a good thing. It has downsides, but

women: if the Network is mainly a male club, what will be the impact on black

If the body, as part of its defence of the transformation vision, seeks to influence deployment of top black

for power with those of solidarity formations of the

associated with an alliance

It combines qualities

conversation with the the rest and, we hope, remain in Saki Macozoma, transparent he words of Network leader

community.

group — then known as the Africanbond — just did not the good reasons for its existence outweigh those. The early reporting on the

Will their marginality be

The focus was on how the

Network work with or ignore organisations such as the Black Management Forum and the black business empowerment? Will the organisations that share the goal of black economic Network's impact be on open-membership black lessened or increased? And what will be the

challenges of — and to managers facing the will be checking to see how their interests are dealt with. but black women, I'm sure, features women in leadership women? The Network

One may also ask: how will non-Gauteng based black business leaders be affected

gatekeeper role. Those feel robbed of a fair chance to land those plum positions—will soon make their skills, it could end up in the unconnected to it — and who

disgruntlement known.
Nevertheless, the Network has wide support, especially for its role of mutual support

implementing transformation. Black opinion-making

sectors generally hail the Network. So do some in the white community — such is building a vision. Will it help A major issue is whether the Network can contribute to create and renew the vision transformation. the concern about the faltering pace of needed for transformation

BRAIN

Businessmen want nonracial body Reneé Grawitzky (30) M 17/3/98 Come source soid the main issue of th

THE co-operation between black and white business leaders which led to last week's announcement of a R1bn business trust aimed at creating jobs, had led to a growing realisation of the need for a unified, nonracial business organisation, business sources said at the weekend.

They said a cohesive business organisation could engage with government and parties in southern Africa.

Informal, exploratory talks between white and black leaders to examine the creation of the new organisation had

One source said the main issue remained the creation of a new organi-sation out of the existing myriad of employer and sectoral organisations.

The main aim was to ensure the successful establishment of the trust. The

cessful establishment of the trust. The feeling was "let's get this on the road" and then investigate the possibility of a nonracial body, a source said.

Sources said although the Black Business Council had some concerns about white business, they believed that forming one body was important.

Comment: Page 11

large.

Sapa

CRIME was undoubtedly the most serious wimpediment to South Africa's growth prospects, affecting 40 percent of goods-transit operations, South African Chamber of (Sacob) president Business Humphrey Khoza said on Friday.

"There is simply no doubt about it - crime pays in South Africa," he said during the second annual congress of the Gauteng Association of Chamber of Commerce and Industry (Gacci) in Krugersdorp last week. last week.

increasing in general because ordinary South Africans were taking more precautions.

He said South Africa was still a long way from the stage when crime would not be a constraint on business and investment.

It was likely that the private sector would increasingly be called upon to assist provincial govern-



t week.

South African Chamber of
Khoza said that crime was not
Business president Humphrey Khoza. PIC: ANTONIO MUCHAVE

ment o structures in building.

He warned that transformation needed to be completed first before creating new institutions.

He said Sacob and the chamber movement should become more representative of the population at

A demographically representative chamber movement would play a more vital role in building unity towards the development of South Africa.

Apart from the immediate issues that business has to address, the chamber movement will also help to consolidate democracy and economic transformation."

New law

المئلة المقور الميقج

Addressing the same gathering on the Competition Bill, chief director for business regulations and consumer services in the Department of Trade and Industry Dr Allistair Ruiters said the new law, which will come into effect in October, was faimed at formulating a holistic approach on how businesses should operate.

He said once in operation, the new law would support and protect businesses, while at the same time opening new opportunities for small business.

EMPOWERMENT DEALS

Nothing for nothing is still a good rule

CHARLOTTE MATHEWS

oney is rarely mentioned when black empowerment deals are announced, giving rise to general suspicion that empowerment groups receive gifts of shares in listed companies for purely public relations reasons.

The confusion is not surprising, since the structuring of the deals is complex. The main financier behind the deal is invisible to the public. Often the fliaticing separates ownership from voting rights. But no one gets anything for free.

A corporate finance specialist at a major investment bank explains that most of the empowerment deals do not require any money up front from the black consortium.

A special purpose vehicle (bankers call it an SPV) is created with a limited lifespan, generally-three to five years. The SPV holds the shares being acquired in, let us call it, Listed Company X.

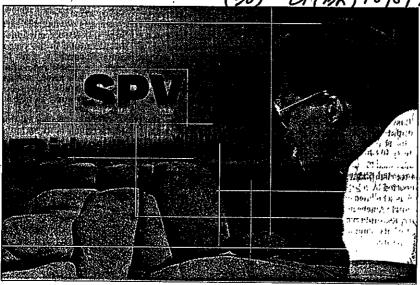
The cash to buy Listed Company X's shares will be supplied by an institution such as Sanlam or Old Mutual, or a bank.

Listed Company X's shares will then be owned by the SPV, which in turn will have as its ordinary shareholders the black empowerment group. This structure gives the black consortium voting powers over the chunk of Listed Company X shares.

The financing institution will hold preference shares in the SPV, either serviced from Listed Company X's dividends, or accumulated over the life of the SPV.

Often there is an "equity upside" for the institution in the deal, which means that any profit at the end of the lifespan of the SPV will be split between the institution and the black empowerment group.

On the other hand, if the



value of Listed Company X's shares fall below the value of the debt, the black empowerment group can walk away empty handed: no shares, but no debt either. The financing institution takes the knock.

For the listed company, black empowerment deals promise to bring in a new market — for example, the opportunity to sell to union members or government departments — or new contacts, particularly with influence in government circles.

For the black empowerment group, these structures offer the opportunity to acquire the shares of a listed group, often at a discount of up to 10 percent, hopefully make changes to the attitude and business operations of the listed company and make a profit if the company's share price flourishes.

A corporate financier says deals between information technology companies and black consortiums in the last few years tend to be the most successful because of the enormous appreciation in some of those share prices.

The real question is what motivates the funding institution — the Sanlams and Old Mutuals—other than the rather intangible hope of ingratiating themselves with those close to the ruling party.

Nomhle Canca, the director of Wiphold, the women's empowerment group, says the role that empowerment groups fill as far as the institutions are concerned is that they get access to tightly held stocks and/or a favourable entry price in well performing stocks to which the institutions otherwise would not be able to get exposure.

Understanding that role means that empowerment groups should know when to say "no" if the favourable conditions for the transaction do not exist. It is wiser to resist apparently tempting deals that do not

achieve a return above the return that investors could otherwise obtain on the JSE.

The earliest deals where Wiphold used SPVs were in buying into Bidvest and later into Smart Centre (which was consolidated into listed Retall Apparel Group last November).

Canca says the SPV structure is ideal since it offers the empowerment group upside, but no downside if the listed company fails to perform.

Even where Wiphold, now four years old with its own cash resources, is able to pay cash for deals, it still finds it useful to structure some of its investment risk into partly cash and partly variations on the SPV model, to manage its downside.

But with plans to list the group, possibly early next year, management considers it inappropriate for Wiphold to be involved in long-term debt repayments. It is in the process of restructuring its SPVs.

Mustaq Brey, the chairman of Brimstone Investment Corporation, says the only one of Brimstone's deals that used a special-purpose vehicle was its first: it bought into Oceana Fishing by paying R3 million upfront and borrowing the other R4,5 million — an extremely successful strategy.

The deal was done at about R2,62 a share and Octish's share price is currently around R6. Brimstone has serviced the debt every six months. The R4,5 million capital amount outstanding will be repaid, at the termination of the SPV in November this year, from cash, not by selling Octish shares.

Subsequently, Brimstone has raised funds through public offers, one last November and a second for its listing on the JSE in July. It now pays eash for its acquisitions, sometimes up front, sometimes over a period of several years.

Brimstone's objectives in entering into these deals is to buy into companies where it feels it can make a difference or where it looks like a good deal for Brimstone shareholders. The company's broad objective is to encourage a culture of saving in the country.

It may look easier for black empowerment groups to get shares and financing for those shares than it would be for any other potential investor. But there are specific reasons why that is the case.

For black empowerment groups, getting the shares is only the first step.

Transforming entrenched ways of doing business, or creating shareholder wealth in a volatile market, may be much harder to achieve, but there are many examples of black empowerment groups that have done so.

SA's first empowerment share scheme reaches end

SA AND M-Net's first black empowerment share scheme; Phuthuma, launched three years ago to encourage the previously disadvantaged to participate in share ownership; comes to an end on September 8.

Phuthuma board chairman Kgomotso Morôka yesterday called on shareholders to settle the 90% balance owed on or before the closure date.

Shareholders had the option of either paying the balance in full or selling some of their shares to pay the outstanding amount.

the outstanding amount.

This would enable them to own M-Net and Su-

persport linked shares.

Moroka said the three-year share scheme which was 35% oversubscribed with almost 8 000 people applying for 28-million shares, would allow the shareholders to receive their first dividends from M-Net and Supersport in

March next year.

"This is an exciting period for us because people will now have the opportunity of owning part of a dynamic company," she said

ny," she said.

Moroka said the trustees were confident shareholders would take the opportunity to hold onto their M-Net and Supersport linked shares and view them as long-

term investments.

The overwhelming response received for the first Phuthuma share scheme prompted Phuthuma's board earlier this year to acquire a further 10% stake in M-Net and Supersport under a different scheme called Phuthuma Futhi, Moroka said.

ka said.

Both schemes would allow previously disadvantaged people to hold a total of 20% of M-Net Supersport.

Locked-out workers picket Stuttafords str (cm) 23/8/10 (30) WORKERS picketed Stuttafords branches in Tygerberg and Claremont yesterday in protest against a lockout

imposed on union members, JANET HEARD reports.
The lockout, which affects Stuttafords nationwide, is

the first in the retail sector under the new Labour Relations Act.

Stuttafords imposed the lockout on Thursday following a dispute over pay increases with the SA Clothing and Textile Workers' Union and the SA Commercial, Catering and Allied Workers' Union. The company has called on staff to work an extra Saturday each month and has offered a monthly raise of R140. Workers want R260 more if they agree to the extra hours.

Sactivu's retail bargaining co-ordinator, Richard Kawie, said the union would apply on Tuesday for an interdict against the lockout. The lockout affects nine stores countrywide and 700 workers, 160 of whom are in the Western Cape.

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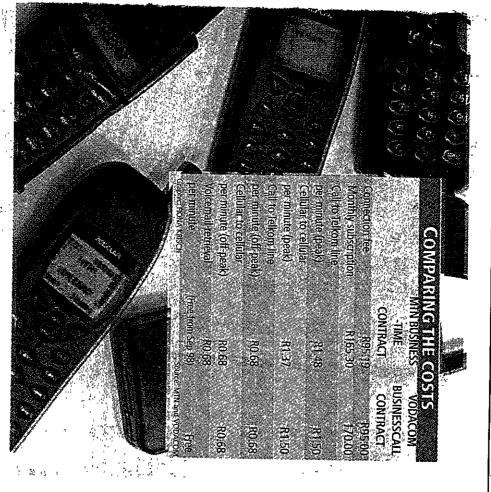
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mic deal raises stakes

Sunday Times Business Times August 23 1998

boost this week when industrial BLACK empowerment in the celular industry received a surprise

almost R2-billion. had bought 18.5% of Cable & Wireless's 25% interest in MTN for

dominated" industry. was once seen as a "whiteempowerment groups, will more than level the playing fields in what awarded to licences which are expected to be the two new cellular network This development, along with black economic

marked for a foreign investor and the unexpected move will signifiment stake in the network. cantly boost the black empower-C&W's stake in MTN was ear-

of 5% of the SBC Communications' stake to black empowerment groups. The other 1.5% was expowerment groups had been allo-cated a 3.5% shareholding in the network. This was part of the sale month by MTN that six black em-It follows the announcement last

corporation Johnnic announced it powerment Fund. pected to go to the National Em-

The announcement concluded the R1.6-billion sale of SBC's 15.5% in MTN.

Existing MTN shareholders bought the remaining 10.5% for about R1.2-billion, bringing M-Cell's shareholding to 34.7%, Transnet's to 23.45% and Naftel's

because Telkom had a 50% holding in rival network Vodacom. Malaysia in May last year. This was interest in Telkom with Telekom in MTN when it acquired a 30% holding to 11.76%.
SBC was advised to sell its stake

within a year. believe Johnnic's announcement, and the possible offer of the balance of the C&W stake to existing shareholders, could be in preparation for the network's listing Telecommunications analysts

cellular licences. dermine the purpose of additional powerment component could un-But analysts feel the black em-

The third and fourth cellular licences are seen as providing for

spread empowerment. communications Regulatory Au-"empowerment networks".
The South African icences are an opportunity to says the additional Tele

stake to become involved in the SA who were interested in the MTN They will also offer an oppor-

Telia of Sweden, Portugal Teleamong the foreign players eyeing the MTN stake. com and Telecom Italia were

month. Vula Communications has erment groups, who are finalising land as a partner and the Commu-nication Workers' Union is beleved to be in talks with Telecom reportedly secured Sonera of Fintheir shareholding ahead of the been negotiated with the empow-Foreign partnerships have also

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EWS DIC

after study uncovers gross mismanagement

Alec Erwin, the trade and industry minister, admitted yesterday that his department had given the now-liquidated National Small Business Council (NSBC) too

much latitude and too little direction.

"Maybe we stood back a too far ... maybe we should have intervened earlier, but that was not the intention of the original NSBC Act," he told the portfolio committee on trade and industry at its public hearings on the collapse of the

He said a forensic study had revealed "serious mismanagement", misuse of public funds and possibly even fraud. If necessary, legal action would be taken to

recover missing funds.

over missing runds. "In future we must ensure that the board members fully understand their responsibilities and duties, and ensure that the chief executive officers carry out their responsibilities with integrity and honesty," Erwin said. "When the department first tried to intervene, it was misled, but "as soon as we saw public money leaving from the system, we stopped that cold.

"We are not stopping our support for small and medium enterprises," he said. A discussion document was being prepared, and new ideas on the way for-

ward should begin to emerge by the end of September.

Philmzile Mlambo Ngcuka, the deputy minster, said she had been holding discussions with organised business groups into setting up what they believed should be a "lean" organisation. — Lynda Loxton, Cape Town

Help for small businesses (30)

By Sowetan Business Reporter

SEVERAL topical issues relating to small business, including how emerging businesses could have access to formal businesses for opportunities, are on the agenda of tomorrow's Eastern Gauteng Services Council (EGSC's) workshop in Germiston.

The workshop, titled the "EGSC Local Economic Awareness Campaign: Access to finance Workshop and Exhibition", will include an exhibition and will be held at the RSC Building, corner of Cross and Roses streets.

All issues relating to small business will be discussed – how to assist them

to access "formal" businesses; money lending schemes; building their capacity to access finance from financial institutions and developing strong networks of small business money lenders and borrowers.

Various business leaders, provincial and local government representatives are expected to present papers.

The Government's Khula Enterprise finance representatives, Industrial Development Corporation, Development Bank of Southern Africa, Independent Development Trust and Small Business Development Corporation Limited are expected to speak during the proceedings.

EGSC local economic development planner Sello Mokoena emphasised that access to finance and networking were major problems affecting small business and the workshop would assist to solve them.

He said the purpose of the workshop would be to introduce and promote goods and services provided by the small, medium and micro enterprises (SMME) sector in the Eastern Gauteng region.

It will also provide SMMEs with possible agents and outlets and also help them with how to foster pride in goods and services they provide in the Eastern Gauteng region.

Real power is economic

Tenants, SBDC to sower as 18/98 (30) try to fix dispute

Shadrack Mashalaba

HIGH level meeting is to be held on Monday in Pretoria to resolve the long-standing dispute between the Small Business Development Corporation (SBDC) and tenants at its industrial parks.

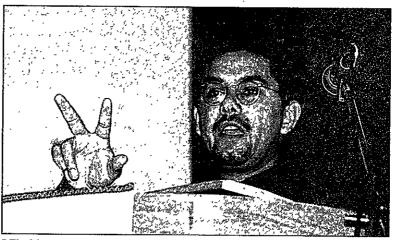
The Ministry of Trade and Industry will host the meeting, which is expected to be attended by the director general Zav Rustomjee and the chief director of business regulations and consumer services Alistair Ruiters, with representatives from the SBDC and the Gauteng Province Industrial Parks Association (Gapipa).

The meeting comes in the wake of evictions carried out by the SBDC at the Orlando Industrial Unit in Soweto this week.

Jan van der Walt, SBDC head of property in the Gauteng Central Region, told *Sowetan* that a court sheriff was about to evict 10 tenants when violence broke out. The police were called to quell the situation,

The Soweto Chamber of Commerce and Industry became the first eviction casualty. The chamber owed R27 500, Van der Walt said.

Tenants in other industrial units



DTI chief director Alistair Ruiters who will meet Gapipa and SBDC representatives to resolve the rent dispute. PIC: ANTONIO MUCHAVE

who had not paid were also facing eviction, he added. Some of the Industrial Parks managed by the SDBC in Gauteng are in Sebokeng, Pennyville, Vosloorus, Emdeni and Greater Pretoria.

Tenants in SBDC-managed parks owe more than R1,5 million, Van der Walt said.

Gapipa chairman Puso Rampai argued that tenants were promised ownership of the parks and were no longer prepared to rent. "We are ready to buy

the properties," he said.

Rampai said they were still waiting for valuations to be made on the properties. The tenants group has opened what he called a "Gapipa special account" in which members will deposit their rentals until the parks' problems are resolved.

"I am hopeful that Monday's meeting will resolve the matter which has been dragging for so long," Rampai said. "Our members are angry at the intimidation tactics used by the SBDC."

State considers new funding for entrepreneurs A second-tier banking system is a possibility

A second-tier banking system is a possibility for emerging small and medium businesses, writes THABO KOBOKOANE

OVERNMENT is considering ways of stimulating access to capital for small and medium enterprises — a move that may lead to the creation of a second-tier banking system.

Deputy Minister of Trade and Industry Phumzile Mlambo-Ngcuka confirmed there are plans to stimulate further access to funds for entrepreneurs seeking funding from R50 000 upwards.

This "would have to be responsive to emerging markets needs". Ngcuka says she is holding discussions with the insurance sector for them to enter the market

There were no concrete proposals, but there could be new legislation.

The Usury Act is under review to possibly increase loans not subject to the usury rate from R6 000 to R50 000. This latest development comes at a time when the banking industry seems set to enter micro-enterprise industry with a joint venture "pilot" to provide loans of R10 000 to R50 000.

The Banking Council's position paper on small, medium and micro-enterprises raises this possibility, and calls for the establishment of a new class of cooperative venture to support the broader needs of micro and very small enterprises.

"Only if the capabilities of non-governmental organisations, public sector bodies such as Khula Enterprise and Ntsika and the big four banks are mobilised and effectively integrated to provide this support can we hope for the necessary progress," the paper points out.

It warns, however, that the role of the big four banks can only be "to perform the mechanical function".

There are many players providing finance to micro-enterprises, but commercial banks have not made significant inroads into this market.

The pilot project, details of which are not provided in the paper, will be the first in which commercial banks have raised the prospects of providing finance to micro-enterprises.

"We should understand that any micro and very small enterprises initiative is essentially about the creation of employment and not the creation of jobs. "Moreover, the vast majority of that

"Moreover, the vast majority of that employment is likely to be at subsistence level," the document says.

The provision of capital to SMME's, in particular to small enterprises, remains one of the critical challenges facing a transitional economy such as that of South Africa. With unemployment running in excess of 30%, the sector is expected to play a leading role in the creation of new jobs.

The document seeks to differentiate between small and medium enterprises, and micro and very small enterprises. The distinguishing factor is that small and medium enterprises are creators of jobs, while micro and very small enterprises have much to do with employment at the subsistence level.

"The differences are important, and we must work out how best to support both sectors," the report says.

The new development will further boost the sector, which has suffered a blow with the government's decision to close the National Small Business Council due to financial mismanagement by two senior executives.

The department of trade and industry has said it will liquidate the council and take civil and criminal action against anyone implicated in the misappropriation of council money following the findings of by an independent auditors.

According to Mlambo-Ngcuka, the closure is "unfortunate, but unavoidable". There is, she says, a need for an interim structure until another institution can be formed.

'Business needs to develop its voice'

Reneé Grawitzky

ORGANISED business faced a major challenge to rationalise and consolidate to ensure it developed an effective voice, Anglovaal's public affairs director Nick Segal said at the weekend.

Segal, appointed director of the Graduate School of Business at the University of Cape Town last week, said it was crucial in the current transition period for business to develop an effective voice, as it

had to be part of the policy process.

Business had to consolidate its many fragmented

institutional structures.

The changing sociopolitical environment and globalisation had contributed to the complexity of the current business environment, he said. Business could not ignore these developments and had to begin to listen more attentively to other parties.

Decades of protection and isolation because of sanctions had resulted in SA being a backwater, and there had been few incentives for businessmen to be internationally competitive. "Apartheid allowed management to become autocratic," he said.

The job of management should increasingly become "externally orientated", he said. In the workplace, managers had to learn to manage culturally diverse environments.

Segal said he hoped his diverse background would be of benefit to the university. Through the work of the graduate school, he looked forward to deepening the appreciation of managers to the complex dynamics in which they operated.

Since returning to SA in 1992 Segal has played a role in the National Economic, Development and Labour Council, was a member of the presidential labour market commission and of the newly constituted national council on higher education and president of the Chamber of Mines.

Focus on entrepreneurship

By Shadrack Mashalaba

AFRICA's largest international franchising and business opportunities exhibition – Biz '98 – starts this Thursday at Gallagher Estate in Midrand.

The four-day exhibition, aimed at setting budding entrepreneurs going in their quest to become self-employed, will offer loads of business and franchising opportunities, say the organisers.

More than 200 exhibitors will be showcasing their wares and visitors will be exposed to various franchises, business opportunities, investments and distributorships.

The organisers say the exhibition — which is in its sixth successful year — will attract a record number of visitors this year.

Among the franchising opportunities will be big names in the fields of home delivery.

Tyre fitment, fast food, personalised products, auto glass, computer, coffeebar, bread, security, personalised story books, ceramic tiles, will also be repre-

sented at the exhibition.

Others will be in industries such as do it yourself kitchen cupboards, doughnuts, health clinics, cleaning, education, sports, sports pubs, vehicle servicing, video entertainment, postal services and business planning.

Various highly profitable agencies are also up for grabs in industries such as costume jewellery, radiant barrier coatings, coin operated machines, multi-abrasive blasting systems, car care products, direct selling cosmetics, insurance, sorghum beer brewing, security, biltong, rubberising, sweet vending and many more.

The balance of the exhibitors include lending institutions, training establishments, business publications, franchising consultants, communication skills training and life improvement.

Biz Marketing managing director Mike Anderson says: "The central focus of Biz '98 is to aggressively promote entrepreneurship and encourage new businesses and self-employment.

"Small and medium enterprises are acknowledged as one of the most effective means of economic empowerment, as well as being the foundation of real wealth and job creation in a developing society.

"We aim to open up a whole new world of opportunities for South Africans who have the drive and determination to work for themselves and facilitate their own destinies."

Meanwhile, Absa Bank says it will sponsor a series of workshops linked to Biz '98 in the country's major cities.

An Absa workshop will be held from September 3 to 5 at Gallagher Estate in Midrand.

The Durban workshop will be held at the Hilton Hotel on October 27, while the Cape Town one will be held at Mount Nelson on October 29.

Experts in the fields of franchising and small business will cover a diversity of issues such as how to start and run a business.

For further information about the exhibition, please contact Heidi Warricker at Biz Marketing at (011) 789-4230. For workshops contact Tish Troskie on (011) 789-4862.

IBM to assist small business

By Isaac Moledi

IN its commitment to support and foster the economic development of black South Africans, IBM South Africa has launched the Andisa Business Partner Programme — a black empowerment initiative aimed at attracting business in key local markets

Andisa, an Nguni word meaning to "add on", or bringing people together in a unified team, will also assist with the building of the local black community's IT capacity, thereby enhancing economic growth.

The programme, launched officially yesterday, forms part of IBM's commitment to business partners throughout the world, says IBM SA.

The Andisa programme offers two levels of participation between IBM and black-owned IT companies.

The first group to qualify for entrylevel status in the Andisa programme are micro-enterprises or small businesses that are in the early stages of building critical mass in terms of infrastructure, specialist skills, and other competencies. The second to qualify will be those companies who meet criteria that establish their ability to address key market segments or specific business opportunities based on a well-established infrastructure or core competencies that are aligned with any of the IBM solutions.

"Andisa Business Alliance Partners are regarded by IBM SA as companies capable of operating successfully in the market as resellers of IBM products, particularly those sourced out of distribution such as desktop PCs, ThinkPads, printers, storage, networking hardware and desktop software.

"Andisa Business Alliance will also demonstrate the potential or willingness to explore business opportunities that demand higher levels of technical competence based on an extended range of IBM services and solutions," the company said in a statement.

Staff of nominated partners will be offered training, access to the company's facilities and equipment, executive mentoring, credit facilitation, joint marketing and capacity building.

Banks to finance small businesses
Patrick Wadula
AT LEAST three banks

are involved in talks with insurance companies with a view to setting up joint venture pilot projects to provide fi-nancial support to micro-

enterprises.

The Banking Council, which released a position paper on small, medium and microenterprises last week, declined to name the banks involved but said banks involved but said discussions were at an advanced stage and the launch of the projects was envisaged for the end of this month.

There were plans from the banks involved to set up pilot projects in Gauteng and the West-

ern Cape.

The project was aimed at addressing the needs for loans of between R10 000 and R50 000 to be used as start-up capital or for expanding existing business activities.

Mentorship would be provided in compiling business plans and nego-tiating with landlords.

Small business boosted by trust

Patrick Wadula

THE Technical Business and Development Trust, a corporate venture, has assisted in the establishment of 200 small, medium and micro enterprises in the past year.

Shell SA public regionals manager Brian

Shell SA public regionals manager Brian Sokutil said yesterday the trust, with joint trustees from companies such as Shell SA, SA Breweries, Hoechst SA, BMW, Transnet and international chemical manufacturing firm Degussa, helped to create entrepreneurs out of reentrepreneurs out of recent graduates and unemployed people. He said emerging en-

trepreneurs from disadvantaged communities needed basic skills to ensure the survival of their businesses. "Job creation programmes are an essential cornerstone of the country's economic growth," he said.

Trust manager
Patrick Mampone said
the trust provided individualised programmes
to assist entrepreneurs with developing business plans, capacity building and linkages with other entrepreneurs and big business.

Mampone said member companies commit-ted R50 000 a year but this was not adequate.

SA NEWS DIGEST

Trade unions lock horns with Edgars over wage freeze

The South African Commercial and Catering Workers Union (Saccawu) and the Federal Council of Retail and Allied Workers. (Federow) on Friday threatened to embark on a full-blown strike unless the Edgars Group of stores lifted a wage freeze for the 1998-99 financial year. Hundreds of Saccawu members picketed Edgars stores throughout Johannesburg on Friday Edgars reportedly posted a 28 percent loss for the financial year ending in March.

But the unions said they had hard evidence that the group had made a R417 million profit in the last financial year. Saccawu is demanding a R240 monthly increase across the board. Nigel Unwing the human resources director of Edgars, said the wage freeze increases applied to every group employee, including top management. — Frank Nxumalo, Johannesburg

Exemptions proposed to boost SMMEs

FRANK NXUMALO

LABOUR EDITOR

Sun City — The Reserve Bank, the department of trade and industry and the Land Bank were designing measures to enable commercial banks to collaborate with non-governmental organisations (NGOs) which had expertise in supporting small businesses and the Bank to regulate informal financial services, Timothy Thahane, the deputy governor of the Reserve Bank, said yesterday.

Proposed amendments included exempting non-bank institutions from the Bank Act requirements, which would allow the retail institutions to accept wholesale deposits for onlending to small, medium and microenterprises (SMMEs).

Other suggestions included exempting them from the lending transaction limits specified in the Usury Act.

Thahane said the Reserve Bank hoped these measures would not only protect borrowers and wholesale depositors but also encourage the development of the SMME sector.

Speaking at the 34th Nafcoc annual conference, he said: "To convert ideas into bankable projects requires special training; some NGOs have developed these capabilities.

"Commercial banks may wish to form strategic alliances with such NGOs to deliver financial services to small, medium and microenterprises."

Thahane said an example of such a collaboration was the

Women's Development Bank, which had trained women in Mpumalanga and the Northern Province in saving, lending and project financing.

"These communities have achieved a loan repayment rate of up to 9,8 percent. There are (many) such examples, I am sure," he said.

A 1995 World Bank survey found that between 50 and 75 percent of employment was created by the informal sector and microfinance. The sector also accounted for up to 50 percent of gross domestic product.

Despite the significance of these findings, they had largely been ignored by many policymakers and commercial banks; the latter were often very reluctant to finance small concerns.

Banks believed SMMEs were

risky because they did not have stable, viable businesses and lacked traditional collateral.

Many small loans were also far more costly to process and monitor relative to the fewer, big loans to corporate clients.

SMME businessmen also often lacked the skills, business records and education levels needed to coax loans from banks.

This meant SMME loans came from formal banks wanting collateral; non-banks providing developmental credit and distress lending; small loan shops collecting instalments via ATM cards; informal credit groups like stokvels, credit unions and financial co-operatives with limited regulation; and money lenders with no regulation lending at extortionate rates.

Organised black business urged to discuss role in SA's economy

FRANK NXUMALO

Sun City — Organised black business was challenged yesterday to convene a summit of its leaders to review its relevance to the economy.

'Black

dead'

business must

take over the

economy, or

the country is

Khehla Mthembu, the chairman of Sun International, said yesterday at the 34th annual conference of the National Federated African Chamber of Commerce and Industry (Nafcoc) he was confident a role for black business "will

clearly emerge" at such a summit.

He said organised black business had to develop an entrepreneurial spirit, create hope and "reclaim its historical leadership position and pronounce on correct

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progressive and nation-building empowerment processes".

He said Nafcoc needed to strengthen its secretariate to include such elements as research, economic planning, lobbying and

related matters.

"The whole notion of depending on elected officials is archaic and unnecessarily bureaucratic.

"Organised black business (needs) to market itself aggressively to an extent that any black business leader who is not associated with it

should be seen as not representing black people."

Mthembu's call for a black business summit was welcomed by Steve Skosana, the incoming president of Nafcoc. Skosana said Nafcoc had had exploratory meetings with other black business organisations and would push for the matter of black business relevance to be included in the agenda of the Black Business Council indaba next month.

"We hope the meeting of the Black Business Council will be able to take a resolution on black business leadership, create a coherent strategy in terms of black economic empowerment and revive the spirit of black business people.... Black business must take over the economy of this country, otherwise the country is dead," Skosana said.

He said Nafcoc was involved in charity through Nafhold, its holding company, with shares valued at over R48 million. Nafhold had sealed 10 empowerment deals, including 10 percent in Johnnic, 25 percent in Tsogo Sun, and shares in Midi-TV, Monyaka, three casinos and other companies.

Nafcoc pledges 'black index'

Patrick Wadula

THE National African Federated Chamber of Commerce (Nafcoc) resolved yesterday to produce a black business confidence index on the final day of its 34th annual conference.

The move followed criticisms by Deputy President Thabo Mbeki that the SA Chamber of Business business confidence index did not measure black

business confidence in SA.

Other resolutions taken at the conference in Sun City included the appointment of a capacity building committee to raise money to develop the organisation's skills capacity in human development administration, policy

and business strategy.

Mbeki said Nafcoc needed to develop its ability to participate in policy for-mulation at national level.

He said the organisation needed the capacity to assist its members develop and expand their businesses through skills transfer and training.

98A black economic empowerment committee would also be appointed to report on the quantity, nature and extent of the empowerment transactions concluded by the chamber's members, and the degree to which black business equity, management and board control had been achieved.

The Nafcoc council also resolved to engage its provincial, regional branch and sectoral leaders in conducting extensive and ongoing membership campaigns to restore, promote and expand Nafcoc membership in the business

community.

The chamber's decision to initiate and develop ties with business chambers in the Southern African Development Community was also in response to a suggestion by Mbeki during the conference.

Among other issues, the council would also review the constitution to clearly define the role of Nafcoc's Women's Forum as one of its specialised groupings.

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By Mzwakhe Hlangani Labour Reporter

THE "cash-strapped" Edgars retail group has been hit by nationwide demonstrations involving 5 000 employees since August, culminating in brief work stoppages, group communications manager Mr Nigel Anwin said yesterday.

"During protest actions customers were believe the company's predicament, Anwin often barred and intimidated from shopping said. by jeering demonstrators, which adversely affected business operations," he said.

Anwin was responding to South African agement was disappointed by the Commercial Catering and Allied Workers shown by union representatives. Union (Saccawu) and Federal Council of Retailers and Allied Workers Union (Fedcaw)

allegations that the group had pleaded poverty and failed to offer any wage increases to its employees while it had posted a reasonable profit for the financial year.

retrenched this year in a bid to turn the financial situation around. The unions had also been invited to inspect the audited financial statements, but refused and chose not to

Union officials have walked out of the talks several times, he said, adding that management was disappointed by the immaturity

Fedcaw spokesman Nat Ketlele charged that the company was not prepared to allocate

money for workers' increases, while it spent more than R300 million in refurbishing some of its stores.

Saccawu spokesman Pitso Tshukudu said At least 2 000 employees had been the wage freeze would have further negative effect on employees' salaries and increases in interest rates would impact severely on their spending power.

• The employee lockout at Stuttafords chain store has been resolved after Saccawu agreed to a R140 a month increase and 40hour working week with one extra Saturday shift a month. Tshukudu said workers resumed their duties yesterday.

Striking Saccawu members at Smarts Centre and Bee Gees were locked out after a wage dispute.

Nafcoc to assume more important role in future

By Sowetan Business Reporter

THE National African Federated Chamber of Commerce and Industry (Nafcoc) conference held in Sun City last week opened a new chapter for the chamber.

Nafcoc has committed itself to play a more visible role as it enters the 20th century.

The chamber has for years been playing second fiddle to other chambers such as South African Chamber of Commerce (Sacob) and Afrikaansehandelsinstituut (AHI). During the conference a number of issues were discussed.

These included the progress made in regard to black empowerment. Questions on whether the process was delivering on a broader scale or whether it was becoming a vehicle for the enrichment of a few people were examined.

To demonstrate its intention to play a meaningful role, Nafcoc has committed itself to be visible in the shaping of South Africa's evolving and broader economic policy issues.

At its conference last week, the organisation took a number of resolutions that include:

● The appointment of a capacity-building committee whose function will be, among other issues, to raise finance to develop human resources, administration, policy advocacy and

business capacity within Nafcoc;

● The capacity-building committee will report at every council meeting on its progress and success in order for council to monitor the degree and extent of its progress;

● Provincial, regional, branch and sectoral leaders of Nafcoc will conduct an extensive and ongoing membership campaign to bring back, encourage and expand the chamber's membership in the business community;

● The council will appoint a black economic empowerment committee to report to the next Nafcoc convention on the quantity, nature and extent of empowerment transactions concluded, and the degree to which black equity control, management control, and board control has been achieved;

● Nafcoc's council will review the Constitution to define clearly the role of the Women's Forum as one of the specialised groupings;

● The executive of Nafcoc will initiate and develop ties with those black business chambers and organisations in the southern African Development Community with which Nafcoc does not currently have links.

● The executive has also been tasked to produce a black business confidence index.



Nafcoc president Steve Skhosana who was officially introduced at the organisation's conference last week. PIC: JOE MOLEFE

Empowerment bill's rush curbed by Cosatu, SAIRR

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — Strong opposition to efforts to rush the National Empowerment Fund Bill through parliament this week emerged yesterday.

Cosatu, the largest union grouping, and the South African Institute of Race Relations (SAIRR) said they feared the bill would simply benefit a small black elite. Cosatu also objected to the fact that it had not yet been discussed under the National Framework Agreement.

The portfolio committee on trade and industry agreed to hold back on any decision about the bill until later this week, after it had been discussed by Cosatu's executive committee.

But it was clear that committee members were unhappy about many aspects of the bill, which they said was very loosely worded and imprecise about several issues. Neil Coleman, of the Cosatu parliamentary office, said in a letter to the committee that it was a "significant shortcoming" that the bill had not been tabled at "the relevant consultative structures provided for in terms of the National Framework Agreement in the restructuring of state assets".

He said this was important because it would ensure priority to wider social issues such as job creation and equitable service delivery, "rather than benefiting a small elite who already own businesses and shares in enterprises".

Jean Redpath, the SAIRR's parliamentary analyst, said the institute was opposed to any legislation that "apportions the benevolence of the state on the basis of race alone".

She said shares in state assets should be made available to those "below a defined income or asset level, irrespective of their race". It was unlikely the fund would benefit the very poor, she said.

Up to 90% of liquor outlets in SA could be unregulated

Wyndham Hartley

CAPE TOWN — As much as 90% of the retail liquor outlets in the country could be unregulated or illegal at present, Ajay Sooklal of the trade industry department told the parliamentary trade and industry committee yesterday.

The was briefing the committee on the Liquor Bill,

Annum He was briefing the committee on the Liquor Bill, anwhich has begun its passage through parliament.

All The department had stuck to its guns and would all ask parliament to sanction its request for a three-tier preside or retail liquor. Licences to manufacture, whole-makes or retail liquor. Licences should not be held in admore than one tier except under special circumstances, he said.

Just One of the bill's aims was to bring all liquor dealtreers under government regulation. Retail outlets such swas taverns and shebeens numbered up to 250 000, ar and between 75% and 90% of them were unregulated.

After 437 submissions some clauses in the bill had by been changed. The rigid insistence that licences softened, so that manufacturers could sell to the rest tail trade under certain circumstances. The original idea of a liquor levy had also been dropped.

the desired inder certain circumstances. The original di idea of a liquor levy had also been dropped.

W. Sooklal said the industry was monopolistic and dominated by one or two firms. This was a barrier to a new entrants and particularly foreign investment.

Gallagher Estate accused of racism

Gallagher Estate management was accused of racism yesterday for allegedly ordering its security personnel to set police dogs on toyi toying black workers. The workers were demanding their severance pay by the Federal Commercial and Retail Workers Thion: FEDCRWID. (30)

ing their severance pay by the Federal Commercial and Retail Workers Union (FEDCRWU).

Duncan Mamogome, the union spokeshan, said security, cleaning, theatre, banqueting and switchboard operations had been totally outsourced, leaving a total of 115 workers without work. Mamogome said workers were toyi-toying because they had not received the retrenchment packages they had been promised by management 11/1/1999

Mamogome said although the union understood that the company was restructuring, not a single white worker had been affected. A management spokesman said "there was no truth" in the allegations and refused to comment any further. — Frank Nxumalo, Johannesburg

NEWS

Ntsika finally releases maiden annual report

THABO LESHILO

Johannesburg — Ntsika Enterprise Promotion Agency (Ntsika), the government agency formed in 1995 to provide nonfinancial support for small, medium and micro enterprise (SMME) development, has finally released its much-awaited maiden annual report. The final report for the year to March had been available from July.

Kate Moloto, Ntsika's chief executive, blamed the delay in releasing the report on numerous problems experienced at Ntsika, including fraud and financial mismanagement under the previous management.

"The report has been available in draft form from January 1997. The department of trade and industry knew what the figures were, hence there was no alarm," said Moloto.

alarm," said Moloto.

June Mkhwanazi, her predecessor, resigned in December 1996 after the Swazi government, her previous employer, lodged fraud allegations against her. She held the post only a month.

Moloto joined the section 21, non-profit-making company in May last year. The new board started operating in April 1997.

The annual report shows that Ntsika received R40 million (R3 million), of which R35,8 million was from the department of trade and industry during the period under review.

The agency spent R20 million (R5,6 million), and retained income for the period was R20 million. There was an accumulated loss at the beginning of the year of R2,5 million.

The main activities for the year were establishing and accrediting 27 local business service centres, and funding 38 service providers and six small business institutes at universities.

The agency also designed the small manufacturing advisory centre programme, to be piloted at two centres in Durban and Port Elizabeth. It published a detailed booklet on procurement

guidelines for SMMEs seeking government business.

The report shows that 80 percent of black entrepreneurs were in survivalist enterprises, compared to just 10 percent of whites. Also, fewer less than 40 percent of black-owned enterprises had paid employees, compared with a little over 60 percent of white-owned enterprises.

"Compared with our both industrialised and developing countries, our SMMEs have performed poorly. A major reason is that the entrepreneurial potential of the majority of the population (black) has been severely constrained," says Mashudu Ramano, the agency's chairman. Jobs bill shock for small business

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — A ministerial task team had found that no amendments were needed to the Basic Conditions of Employment Bill to cater for the needs of small business, Shepherd Mdladlana, the labour minister, said yesterday.

But it had been decided that some flexibility be provided for firms employing under 10 people by issuing a ministerial determination allowing them to vary four conditions of employment.

These were: a maximum of 15 hours overtime a week; overtime pay of one and a third; 21 days' net leave including family responsibility leave; and averaging hours of work by agreement.

The act would go into effect on December 1 for the private sector and May 1 2000 for the public sector, Mdladlana said.

Duncan Innes, the executive director of Innes Labour Brief, said granting flexibility only to micro-firms was "a great disappointment" in the light of grow-



UNWAVERING Shepherd Mdladlana says small firms will get some leeway

ing evidence that international investors believed South Africa's labour market was too restrictive.

"This will do nothing to promote investment," he said, adding the concession had probably been granted because the department did not have the capacity to monitor very small firms.

The task team, from the Ntsika Enterprise Promotion Agency, found the act would have a signif-

icant impact on ganeral dealers, catering and accommodation, service stations, transport and security services.

These sectors would find it difficult to meet provisions on the regulation of working hours, overtime payment, pay for work on Sundays and night work.

Sectors affected to a lesser extent on these points would include cleaning and personal services such as undertakers.

The team found that maternity leave, family responsibility leave and notice of termination of employment would cause difficulties for all sectors.

Mdladlana said based on these findings, he had asked his department to create certainty on the issue of paid maternity leave before the act went into effect, and to amend the regulations and codes covering night work to meet the concerns of small business.

Referring to the belief the act would force many small business to close, Mdladlana said: "The reports (indicate) perceptions do not always concur with reality."

Act won't affect small firn

By Pamela Dube Political Reporter

of Employment Act will not have a devastating impact on small businesses. Onot be "significantly affected".

Releasing the results of an impact study by Ntsika Enterprises Promo-Oothe Act was consistent with interna-Mdladlana said it appeared that "cer tries on issues such as overtime pay tain provisions of the Act would affect only certain sectors".

Ntsika (a unit in the Ministry of Trade and Industry focusing on small business development), interviewed

783 businesses - 115 of which were in black areas.

The unit found that small busi-CONTRARY to assertions by the cap-nesses in catering and accommoda-tains of industry, the Basic Conditions tion, general dealers, service stations, transport and security services would

The survey also assessed whether and maternity leave, "the provisions of the Act are in line with the conditions in other countries"

Mdladlana said a ministerial task team was set up to review the results of the Ntsika survey. The team recommended no amendments be made to the Act and this had been accepted.

The new provisions will come into effect on December 1 for all but the public service, for whom the implementation date is May 1 2000.

The provisions include:

- Reduction in maximum working hours - from 46 to 45 in a week;
- Rate of overtime increase from 133 percent to 150 percent;
- Payment for working Sundays will be 1,5 times normal wage rate;
- Maternity leave increases to four months (but payment is not prescribed).

Empowerment Fund Bill stalls CT (MR) 18/9/98

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — The National Empowerment Fund Bill was put on hold again yesterday as worries continued about whether its mandate was too broad and that the financial controls over the new fund were not tight enough.

The portfolio committee on trade and industry refused to listen to appeals from department of trade and industry officials to finalise the bill once and for all. They said their concern did not only

stem from the fact that Cosatu had objected to the bill.

Cosatu, which last week opposed the bill because it had not been debated in Nedlac under the National Framework Agreement, vesterday again raised its concerns. It said although discussions on the bill had been held with Alec Erwin, the minister of trade and in-

dustry, the union confederation was still dissatisfied.

[?] Rob Davies, the committee chairman, said it had the option of either delaying final consideration on the bill until the week in November when parliament reconvened, or could caucus with political parties and make a decision before the ënd of the current session next week.

Department officials tried to persuade the committee to pass the bill and leave Cosatu and others to continue their discussions on it separately, but Davies and his committee members baulked.

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SBDC and tenants resolve industrial parks argument

THABO LESHILO

BUSINESS EDITOR

Johannesburg — The dispute between the Small Business Development Corporation (SBDC) and tenants at its industrial parks in Gauteng over ownership of the parks had been amicably resolved, the parties said yesterday.

The quarrel nearly flared into violence last month when the corporation tried to evict rent defaulters at the Orlando West Industrial Park in Soweto.

SBDC officials, accompanied by the sheriff of the court and police, were confronted by about 400 tenants and workers bent on stopping the evictions. A last-minute deal was struck to postpone the evictions and negotiate.

Puso Rampai, the chairman of the Gauteng Province Industrial Parks Association (Gapipa), said its members had stopped

their rent boycott and started paying after being urged to do so by the department of trade and industry.

The department holds the debentures in the 112 industrial parks across the country administered by the SBDC.

Gapipa urged members not to withhold rent from July to force the SBDC to hand over ownership of the units to them.

The organisation insists that the tenants were promised ownership after 10 years of unbroken tenancy. But Nazeem Martin, the general manager for properties at the SBDC, denied such a deal was ever made.

During the boycott, the rent money was paid into a special bank account.

Gapipa hoped the accumulated amount would be partial payment for the units in future, when it became clear they would

not be handed over free.

Rampai and Martin said their agreement provided that the residents would resume paying rent from this month while continuing discussions on the arrears.

"The payment of arrears has been put on ice at the moment and the agreement provides that nobody will be evicted because of them," said Rampai.

Martin said the SBDC would make arrangements with individual tenants to settle their arrears.

"Some owe more money than others and it is not fair to expect all the tenants to pay off arrears in the same time period and on the same instalments," he said.

He said the SBDC would propose ways of offsetting the debts, including incorporating the arrears into the purchase price of the units. Martin said the units would be sold to the tenants at a "fair market price".

Nafcoc's disarray underlined by poor turnout at meeting

Patrick Wadula

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ONE look at the National African Federated Chamber of Commerce (Nafcoc) after its recently ended annual conference at Sun City raises the question of the organisation's status quo—even after 34 years of its existence.

Many questions were raised at the conference, but that which could not pass unnoticed by SA Deputy President Thabo Mbeki was the appalling attendance at this year's conference, which took place between September 6 to 9.

Mbeki has attended several Nafcoc gatherings but this particular one astounded him in that the hall was half empty on the first day of the conference.

He posed a question as to whether this was because of "demobilisation", a trend that has affected many black organisations — be they business or political — since democratic elections in 1994. Could the shift be related to the noneffectiveness

Could the shift be related to the noneffectiveness and nondelivery of these organisations to their respective members? There is an urgent need to seriously review the benefits that members should be getting out of being associated with the various black business organisations.

Sun International chairman Khehla Mthembu said organised black business was generally in disarray. Like all SA institutions, it needed to transform itself in line with the developments in the country, but has not been successful so far.

Mthembu urged Nafcoc, along with its partners in the Black Business Council — including the Foundation for African Business and Consumer Services, (Fabcos), the Black Management Forum (BMF) and other black professional bodies — to convene a summit of leaders to review its relevance as organised black business in SA.

"A critical appraisal of the situation shows that nearly all major business developments or call them deals, took place outside organised business," he said. Organisations like Nafcoc were he said, turned into spectators in this fast paced game of deal making. "I would be very naïve to have expected Nafcoc to be involved in every deal, but my critical observation is that organised black business is not there to pronounce on the type of empowerment that is correct".

Mthembu said organised black business had to reclaim its historical leadership position, to pronounce on correct progressive and national building empowerment processes.

He said Nafcoc, Fabcos, BMF and similar organisations had a historical responsibility to vigorously guide the process of economic empowerment.

"The failure of these organisations to implement this mandate leaves the arena of black economic empowerment without radar, leaderless, parochial, reactionary and sometimes just downright retrogressive," he said.

Meanwhile, Mbeki said the conference could have been more valuable if only other black business people — especially those who run companies listed on the Johannesburg Stock Exchange — had been present at the conference.

The conference was a platform for Nafcoc members to air their views and in part learn from other black businessmen who command companies worth millions of rands on the JSE.

trepreneur is rewarded through the value he brings to others.

It is a concept closely linked to attitude and one which rests on two fundamental decisions. These

A time for turning compelling visions into

Encouraging entrepreneurship is the key to solving many of the country's problems, says Janssen Davies, managing director of Sage Life long to the conglomerates or glob-al institutions alone. It will belong to entrepreneurs — individuals millennium will not be-

who have the courage to dream

into reality.

tistical Service placed 4.5-million people out of work last year. That translates into 37% of the economically active population. The question is obviously what this figure is going to look like in 1998 where inflation and interest rates are still even higher and fewer jobs are being created? There is no doubt that the Reserve Bank will the earliest opportunity to stimu-late growth, and employment crehave to review interest rates at Statistics from the Central Sta In the midst of much doom and gloom about economic prospects, coupled with frightening statistics of qualified professionals leaving the country, it is often difficult to see beyond the gloom. and develop compelling visions, nity and match it to an idea, who can ultimately turn their dreams individuals who can see opportu-Leading economists predict the current economic crisis is here to sis has a tendency to feed on itself. Predictions place gross domestic stay for a while longer. Such a cri-

ual? One very encouraging light is the very positive attitude of SA's young people. A recent survey by Research Surveys shows 60% of ity for creating employment lie? With the state or with the individ-So where does the responsibilation must receive close attention. product growth at a mere 0,5%, with inflation rising up to 10%, exports remaining sluggish and policy implementation remaining patchy. The Russian-triggered firestorm will continue to devour

everything in its path and unemwill remain a major problem in the

71% could think of many good reasons to stay in the country and no

good reasons to leave.
These findings are supported by the newly released "SA Dream" by John Hunt and Reg Lascaris, which highlights some refreshing are beginning to emerge out of the new entrepreneurial trends which

current diversity.

Of a total of 700 young people interviewed the findings show:

□ 69% would rather work for themselves;

71% understood that achieving a goal meant taking risks; □87% believed that, hard work

would get them what they wanted in life, and S9% believed that competition would make them perform better. These young people dream of being entrepreneurs. They are full

far rather open a shop than loot

one. They represent the geography of hope for both our economy and our people. There is an emerging generation of strong entrepreneurs growing out of the diversity of the past — en-

versity of the past _____ own abilities for economic strepreneurs one can be proud of _____ own abilities for economic strepreneurs one can be proud of an enterpreneur needs to be redefined How does one define the clusive self firstly from the shackles of dequality of entrepreneurship? Is it something that can be defined accurately and measured in ad-1, vance? There does not appear to be

pendency—to move away from the thinking that someone or something has to support you. It also requires freedom from enti-tlement—to move away from the

thinking that something is owed to you. You need to move the locus of control within and not expect any form of entitlement — you

Quite simply — pay the price or must make it happen for yourself

employment of the self? Opportu-

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In fact the concept of entrepreneurship is often easier defined by noting what it is not. International guru Dan Sullivan states that it is all about creating any definitive answer.

simplicity out of complexity.

"An entrepreneur is one who something new," he says. An nity seeking or opportunity creating? Doing something specific? It is all of the above and much more—it defins a clear cut definition and at the end of the day does it really the end of the day, does it really

To prosper, SA must create a future with real pulling power — one which will draw people and top talent and optimise human po-tential. It is going to require courage, creativity, passion and

energy.

We have no choice but to promote entrepreneurship, to encourage it, to coach it and above all, to create space for it — space within our regulations and bureaucracy.

If we do not have sufficient courage to fuel it in both our organisations and lives, then at least we need to have the good sense to stand aside and do nothing to stifle it.

☐ This is an edited version of Davies' address at the launch of Wits Business School's Centre for Entrepreneurship last week.

'We're no longer just passengers

NOLITHA FAKUDE.

REGIONAL PRESIDENT, BMF WESTERN CAPE

1998 was an eventful year for all black professionals in the country as the Employment Equity Bill was the main topic of discussion in various boardrooms, talkshows, media as well as in Parliament.

From as early as January when the Department of Labour asked all stakeholders for input on the bill, a systematic onslaught came from all the "liberal" fronts of this country, thus showing their true colours.

Protestations came in various forms, including the old and tired debates of tokenism and dropping of standards, to eventually a desperate "reverse apartheid" outcry.

The good thing about this episode has been the fact that we definitely now know what white people still think and believe about black peo-

ple's capabilities.

We also know that the process of transformation within the corporate sector is not going to be an easy one.

Since 1994 Parliament has passed various pieces of legislation which sought to transform the South African society in various sectors.

The Department of Labour in particular pushed through a lot of groundbreaking legislation that has started the long process of transformation and change in the way business conducts itself in relation to its most precious asset—people.

The Employment Equity Bill is more about the future of business in this country than it is just about race, gender or disability.

For a country like ours to only depend on a small dwindling percentage of the population for skills, when the majority of the population is made to be only passengers, is being shortsighted.

The level of white professionals' emigration is cause enough for strategists to start thinking and come up with creative solutions.

Creativity has fiever been associated with governments anywhere in the world. However successful businesses have consistently had one common thread, is creativity.

The brain-drain cycle needs to be counteracted by an aggressive training and development programme, opening up of opportunities for more black-trained and qualified professionals, and open attitudes towards any process that is not from the old.

Let us use the past fund of experiences from

all people to nurture, grow and develop unique solutions for our future, South Africa's future, Africa's future.

The Employment Equity legislation is only but an enabler. It is a tool that will facilitate workplace transformation attitudes towards training and development, and most of all lead to equal opportunities for all in the true sense of the word.

The Black Management Forum has always maintained that affirmative action is just one of the many components towards reaching equity in the work place.

When we espoused the setting of targets using the "Basotho hat" method, ie developing and growing your own pool of future management within your organisation so as to eventually reach a stage where proportional representation will be exhibited in all categories of the organisation, only a handful of companies took that advice.

However, it has been proven that where organisations have followed the "Basotho Hat" method, positive results have been achieved. Today out of the companies that are rated high by the Breakwater Monitor on successful affirmative action programmes, more than 50% use this method.

The legislation enables all stakeholders in organisations to be represented during the organisation's equity plans drafting process.

This process will ensure that those equity plans are not only futuristic, but can be achieved as well.

Training and development will play a key role in ensuring that targets are met by fully qualified and able people.

On the other hand we have professionals who are already in positions where they can and are able to deliver on their organisational plans.

Corporates need to be less conservative by allowing more black people to really manage their portfolios like their white counterparts and colleagues.

It is only through working and being exposed in a practical environment that black people can get the necessary experience.

Mentorship and coaching will obviously play an important part.

However, not all black people have to be trainees. This attitude reinforces the "passenger" mentality from both black and white.

The economy cannot afford and does not need passengers, and therefore no one needs to be turned into one.

We all need to earn our keep, for that is true

Edgars workers to go on strike sewelan 28/9/98

EMPLOYEES of the Edgars group of companies are set to go on a nationwide strike today to pressure their management to lift a proposed wage freeze for the 1998-99 financial year.

South African Commercial Catering and Allied Workers Union (Saccawu) assistant general secretary Herbert Mkhize said the industrial action was precipitated

by the "arrogance and intransigence" of the company towards the bargaining process.

The Edgars group has proposed the wage freeze, citing a fall in profits of 28 percent and the current economic hardships.

Saccawu said its intention to table a wage proposal of between 15 and 20 percent was torpedoed by the proposed freeze.

"Edgars has always been difficult to negotiate with and this stance has come as no surprise to us ... if the profits have fallen by 28 percent then what has happened to the other 72 percent?

"We are not dealing with a company that is in the red here," Mkhize told a media briefing in Johannesburg on Saturday.

He said a typical example of the company's intransigence was the R733 000 lawsuit it had slapped on the union on Friday evening for loss of carnings.

He said the union had explored all avenues at its disposal, including go-slows, picketing and mediation by the Commission for Conciliation, Mediation and Arbitration, but to no avail.

Mkhize said that, despite the lawsuit, his

members were going ahead with the strike today.

"We suspect there is a conspiracy by captains of the retail sector – using Edgars as a guinea pig – to hold back the advances made in the Labour Relations Act and we are contemplating the possibility of a sympathy strike as a union should the current efforts fail." – Sapa.

Edgars clarifies basis for suing union for R746 000

Dustin Chick

EDGARS yesterday denied weekend reports that it was suing the SA Commercial Catering and Allied Workers' Union (Saccawu) for R700m for loss of income as a result of an illegal strike by the union.

However the company said it was suing the union for R746 000 for losses incurred due to the running of a second shift at its distribution centre, after Saccawu members went on an illegal strike in an attempt to force the company to drop its wage freeze, Edgars human resources director Nigel Unwin said at the weekend.

The second shift has been in place

for the past month.

More than 10 000 company employees belonging to Saccawu are expected to embark on national strike action this morning in protest against the implementation of a wage freeze for the current financial year.

Unwin said the freeze was implemented in April because of a 28% drop in profit for the period to March and was accepted by all employees except those belonging to Saccawu. He said

1 500 people had been retrenched for the company to cut costs and improve its finances.

The union had not taken up an offer to appoint its own auditors to check the figures supplied by the company and had instead accused the company of lying. Unwin said.

Saccawu assistant general secretary Herbert Mkhize announced at the weekend that the union would go on strike to put pressure on the company to lift the wage freeze.

Mkhize said that the action was precipitated by Edgars's "arrogance and intransigence" shown towards the bar-

gaining process.

The union said its intention to table a proposed 15% to 20% wage increase was shot down by the introduction of the wage freeze. The union had explored all avenues, including go-slows, picketing and mediation by the Commission for Conciliation, Mediation and Arbitration, Mkhize said.

Meanwhile, the Food and Allied Workers' Union said at the weekend that its members at Dairy Belle would embark on an "indefinite" strike following a deadlock in wage talks.

The state of the s

Violence erupts as Edgars strikers protest

Several stores shut in standoff over wage freeze

STAFF REPORTER AND SAPA

P olice fired rubber bullets at striking workers outside Edgars' headquarters in Johannesburg yesterday when protesters began to throw stones at them on the first day of a wage-related strike called at branches throughout the country.

Police said one man was arrested for public violence and then also charged with armed robbery when he tried to grab a policeman's firearm.

The strike forced the clothing group to close some of its branches and subsidiaries yesterday, including its flagship store in central Johannesburg, where workers were toyi-toying and carrying sticks and stones.

Sixty strikers were arrested at the Cresta branch, said Piet Manjela, a shop steward coordinator in the SA Commercial, Catering and Allied Workers' Union (Saccawu). He said the landlord called police after complaints from other tenants.

Strikers were also arrested

at the Kempton Park branch, although there was confusion about the numbers involved.

One union official said 25 people were arrested, another said 55, but local police spokesperson Ina Middel said only seven people were arrested and were expected to be charged with intimidation, failure to comply with a court order and refusal to give their names to the police.

The workers went on strike to demand that Edgars lift a wage freeze announced for the 1998/1999 financial year after posting a 28% drop in profits in the last financial year. Workers said the remaining 72% profit was sufficient to warrant an above-inflation wage increase.

The group's subsidiaries include Jet, Cuthberts and ABC. Some branches of Cuthberts and Jet were also closed yesterday, including those in Eloff Street in central Johannesburg.

Edgars group human resources director Nigel Unwin said only 300 of the 8 000-strong workforce was on strike: "The other 94% have reported for work – and in most parts of the country it is business as usual.

"The major problem we have had is of striking workers attacking customers and staff who have ignored the strike; one of the strikers attacked a customer and was arrested." he said.

Unwin said the group had obtained a court order a few weeks ago against the unions, barring them from harassing customers or workers who refused to join the strike.

The Edgars group had also begun a R733 000 suit against the unions for loss of earnings at the group's distribution centre, he said.

Saccawu assistant general secretary Herbert Mkhize said Unwin's estimate of those on strike was inaccurate.

"About 3 000 workers took to the street today. Unwin forgot to add another zero to his 300 estimate. Shops were shut down and the strike is set to continue until management is prepared to come to the table with genuine proposals," Mkhize said.

Strikers force store closures

THE nationwide wage strike by members of the SA Commercial Catering and Allied Workers Union forced the Edgars group to close some of its branches and subsidiaries yesterday.

Edgars human resources director Nigel Unwin said the group closed its store in central Johannesburg, as well as the Cuthberts and Jet stores in Eloff Street.

"We have closed down our distribution centres in

"We have closed down our distribution centres in Johannesburg and Durban. We have also closed our mailing operation, Edmail," Unwin said.

The group said, only a handful of workers had participated in the strike – a claim denied by Saccawu.

The union and management also made conflicting statements on violence accompanying the strike.

Said Unwin: "About 300 out of the 8 000 workforce are on strike.

"The other 94 percent have reported for work, and in most of the provinces it is business as usual.

"There is no strike in KwaZulu-Natal, the Cape area, Northern Province and in North West. There is a little bit of it in the Free State, Witbank and Gauteng," he said.

"The major problem we have had thus far is of striking workers attacking customers and staff who have ignored the strike ... one of the strikers attacked a customer and was arrested."

Saccawu assistant general-secretary Herbert Mkhize claimed Unwin's statements were inaccurate.

"About 3 000 workers took to the streets today. Shops were shut down and the strike is set to continue until management is prepared to come to the table with genuine proposals," Mkhize said.

The workers are demanding that management lift a wage freeze for the 1998/99 financial year.

Citing a 28 percent drop in profits in the last financial year, the Edgars group said it would not grant any increases. – Sapa.

Taxing times for eheen owners

By Pamela Dube Political Reporter

MORE than 250 000 shebeen owners countrywide are unlicensed and therefore not paying tax, the National smooth passage through Parliament. Council of Provinces was told yesterday.

With the ratification of the Liquor Nate those in business.

Church groupings and other civil church groupings and other civil church groupings and other civil Bill, which was passed by the National Assembly last week, shebeens will be legalised and regulated, the NOCPO is creating immoral laws and social committee on economic and foreign affairs was told.

The Bill will also ensure that 250 black townships are brought within the tax bracket and pay their dues to the addressing the negative socio-eco-

According to Mr Ajay Sooklal of the Bill provides better regulatory 7 improvement of life and the promotion mechanism for the liquor industry which has an annual income of R10 bil

In addition to regulating the manufacturing, distribution and sale of

liquor, the proposed legislation attempts to facilitate the entry and empowerment of new people into the industry.

However, the Bill has not had a

The industry has accused the

denigration.

Speaking in Parliament last week before the adoption of the Bill, Trade 000 people running shebeens in the 3 and Industry Minister Alec Erwin argued that consciously nomic consequences of liquor abuse, the Department of Trade and Industry, Vance between the promotion and the Bill also intended finding a "balof economic development".

The NOCP is expected to ratify the Bill by this week, before it is taken back to the National Assembly for enactment.



'Small business to be revolutionised'

おv Shadrack Mashalaba

SOUTH African small business legal and regulatory environment will be revolutionised next year to facilitate small business promotion.

Speaking at a media briefing in Pretoria yesterday on the preliminary findings of an advisory board, Deputy Minister of Trade and Industry Phumzile Mlambo-Ngcuka said the board had been appointed by the ministry to come up with recommendations and guidelines to develop small business.

The National Small Business Regulatory Review (NSBRR), said Mlambo-Ngcuka, seeks to address the constraints reflected in the White Paper on the national strategy for the promotion and development of small business, so that inappropriate restrictive legislation and corresponding environments are often reviewed.

Mlambo-Ngcuka said the review was an ongoing process which from time to time had to be undertaken. She said the review was necessitated by similar initiatives in other countries particularly in Australia.

The latest initiative came after the Cabinet approved that the ministry undertakes the regulatory review and advise Government of the appropriate-

ness of legal and regulatory frameworks that impact on a small business development.

The areas under review are: business trade, by-laws and regulations, taxation, finance, labour, produrement, women and rural development, and property and land ownership.

A total of R1,2 million has been budgeted for the current financial year to be used by the advisory board.

Access to finance

"The advisory team is expected to supply its proposals early next year. The board will have powers to make recommendations and offer advice which will result in the repeal of existing legislation," she said.

Mlambo-Ngcuka said the board was not the National Small Business Council (NSBC) in disguise. "The NSBC will be revived and hopefully it will be operational by next year."

The board, said Mlambo-Ngcuka, would embark on a series of consultations nationally with all stakeholders involved in small business promotion.

Other issues that will receive the attention of the board include access to finance, risk insuring and developing new financial products with financial institutions to help small business.

on first day of Edgars says it has lost Relsom

The Johannesburg central branches of the Edgars group of companies lost more than R1,5 million in profit and damages on the first day of a national strike which began on Monday.

Human resources director Nigel Unwin said yesterday were lost on the first day to the company in profit for all CBD branches. He said it was not yet possible to quantify total losses. "The losses pertain to those between R500 000 and R750 000

A further R700 000 was lost "It was relatively quiet today but there have been reas a result of damages to Jet stores in the city centre, he said. although at a lower level."

Edgars was forced to close its West Street branch in Durban because of intimidation, The company said yesterday strikers began go-slows, picketing and ria, Benoni and Durban." olockades on August 14.

The group said yesterday that it had incurred up to B2-mil-

shops that we closed down. The rest of the stores were trading,

people were injured by rubber, frontational yesterday com-Johannesburg. Yesterday strikbullets in a tussle with police in ers sang, danced and posed for pared with Monday, when four photographs. tion in lost profit and an addiional shift at the Johannesburg Last Friday it instituted a R733 500 claim against the SA Commercial, Catering and Alied Workers' Union for the addistribution centre since then,

ditional costs of running the distribution centre, incurred because of the "unprotected"

ports of intimidation in Preto-

There was also a larger police presence at flashpoints.

> Labour action started when Edgars, citing a 28% drop in profit in the last financial year, refused to grant wage increases.

industrial action.

Twenty-five strikers were said to have been arrested at ring them from intimidating shoppers and workers who refuse to join the action.—Sapa Cresta, Randburg, on Monday for violating a court order bar-



CRITICAL LOOK Phumzile Mlambo-Ngcuka plans to review restrictive legislation that could threaten the entry, development and survival of small business PHOTO JOHN WOODROOF

Small business, big Also to be reviewed is the

THABO LESHILO

BUSINESS EDITOR

Pretoria — The department of trade and industry (DTI) has embarked on a bold initiative to review laws and regulations considered inimical to the development of small business. including the Labour Relations Act, the Employment Equity Bill and the Usury Act.

Phumzile Mlambo-Ngcuka. the deputy minister of trade and industry, unveiled the National Small Business Regulatory Review (NSBRR) process yesterday. She said the NSBRR sought to address the regulatory and legal constraints on the development of small business identified in the White Paper on the National Strategy for the Promotion and Development of Small Business.

"Inappropriate or unduly restrictive legislation and the corresponding regulatory environment are often viewed as critical to entry into the business sector and a threat to the survival, growth and development of small business," said the DTI in a statement.

controversial change in VAT accounting from a payment to invoice basis for small businesses. The change, instigated by the South African Revenue Service (SARS), requires all business owners to pay their VAT obligations upon issuing invoices to customers - before receiving payment.

Mlambo-Ngcuka conceded there was a contradiction between the DTI's goal of creating an enabling environment for the growth of small business and the change in VAT accounting by the finance department (under which SARS falls) in order to ease the flow of tax funds to the state.

She said an arrangement had since been made to have an official of the finance department work closely with the DTI to stop the two entities pursuing contradictory poli-

Mlambo-Ngcuka said the year-long review would cover business trade, by-laws, taxation, labour, finance, procurement, women and rural development. Property and land

ownership were also included. One of the main aims of the review was to increase lending to micro-enterprises. "We can't force banks to lend to the sector, but the finance task team will look at ways of increasing the number of lending institutions (suited for micro-lending)," said Mlambo-Ngcuka.

A task team would undertake the review for each the eight areas identified as problematic. An advisory board was appointed by Alec Erwin, the trade and industry minister, to oversee the process, manage and evaluate the activities of the eight task teams.

David Moshapalo, the executive director of the Foundation for African Business and Consumer Services (Fabcos), welcomed the review. "It's a very good development. It will look at all legislation which negatively affects small business." he said.

The process of simplifying the legal and regulatory framework for small business began in March and was expected to be completed in March next vear.

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Saccawu and Edgars still at odds

FRANK NXUMALO

Johannesburg — The South African Commercial, Catering and Allied Workers' Union (Saccawu) said yesterday it believed Edgars' financial situation and strategic plans did not justify a wage freeze for the period 1998 to 1999.

Edgars said it had incurred a loss of 28 percent in earnings and a 10 percent loss in market share. It had been forced to retrench 1500 workers since February as a result of its financial difficulties.

Nigel Unwin, the Edgars spokesman, accused the unions of turning down the company's offer of having its books inspected by union auditors.

Unwin said as a public company Edgars' financial situation was a matter of public knowledge and that "the only people who think we are deceiving them are Saccawu and Fedcrwu (Federated Commercial and Retail Workers' Union)".

Saccawu said Edgars was going for offshore investment, had set aside R3 billion for a stores renovation project and had "overstocked" from R980 million last year to R1,18 billion this year

Edgars could therefore not be "in the red at all", the union said.

Lee Modiga, the Saccawu national negotiations co-ordinator, said although Edgars had incurred a fall in profit margins, directors had been paid dividends for the financial year just ended.

Unwin said shareholders, not company directors, had been paid dividends. He confirmed the group had "overstocked" but that was written off as lost money.

He said it was "necessary" to have stores renovations because "if you don't renovate, you lose market share". He denied the group was going offshore.

He said Edgars was not in a position to grant wage increases as retrenchments would escalate.

Strike

THE Johannesburg central branches Edgars group of companies lost more than R1,5 million in profits and damages on the first-day of a national strike by employees.

.... Edgars group human resources director Mr Nigel Unwin said between R500 000 and R750 000 was lost on the first day to the company in profits for all CBD branches.

He said it was not yet possible to quan-

tify total losses.

"The losses pertain to those shops that we closed down. The rest are trading, although at a lower level," he said.

"We can only compare them to the figures attained the same time last year."

Intimidation

A further R700 000 was lost as a result of damages to Jet stores in the city centre, he

"It was relatively quiet today but there have been reports of intimidation in Pretoria, Benoni and Durban."

Unwin said Edgars had been forced to close its West Street branch in Durban because of intimidation.

Earlier yesterday the company said the strikers had started to go slow, picketing and blockading on August 14.

The group had incurred up to R2 million in lost profits and an additional shift at the Dollannesburg distribution centre, since-

then group, last Friday instituted a R733 500 claim against the South African Commercial, Catering and Allied Workers Union for the additional costs of running the distribution centre - incurred because of the "unprotected" industrial action. - Sapa.

Small business advisory organisation launched Patrick Wadula 80 30/9/98 THE National Small Business Regulatory Review, a hody aimed at addressing restrictive legislation and

body aimed at addressing restrictive legislation and constraints in the development of small business in SA, was launched by Deputy Trade and Industry
Minister Phumzile Mlambo-Ngcuka yesterday.
This follows cabinet approval for the trade and

industry department to advise government on laws

and regulations affecting small business.

Mlambo-Ngcuka said the regulatory review had set up an advisory board and task teams to focus on business, trade, by-laws and regulations, taxation, labour, finance, procurement, women and rural development, property and land ownership.

The advisory board has a budget of R1,2m and was

appointed by Trade and Industry Minister Alec Erwin. The board consist of representatives from the public and private sectors, trade unions, small business bodies, Khula Enterprise Finance and Ntsika

Promotion Agency.

The board would guide the new National Small
Business Council, expected to be up and running
early next year. The previous small business council was forced into liquidation in July after mismanagement and misappropriation of funds by its most se-

nior executives.

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Mlambo-Ngcuka said one of the issues the council failed to carry out as part of its mandate was to lobby government on policies affecting small business. "We feel the advisory board would be able to achieve this."

Mlambo-Ngcuka said the regulatory review had entered its second phase involving consultation with the task teams. They would hold workshops and public forums in the nine provinces.

Government expects the task teams to have rec-

ommendations ready by May.

Edgars outlets close as wage strike spreads

Pearl Sebolao

THE two-day strike by the SA Commercial, Catering and Allied Workers' Union (Saccawu) at Edgars Stores intensified yesterday, with more outlets closing as it spread to other parts of the country.

The fashion retailer's human resources director Nigel Unwin said the group's central Johannesburg branches suffered losses and damages amounting to R700 000 in profit when several stores were closed on the first day of the strike on Monday:

The figures for the financial losses arising out of yesterday's "temporary closure" of stores in Durban and Pretoria as a result of a high level of intimidation by strikers were not available, Unwin said.

He said Edgars outlets in the Johannesburg central business district — which includes Sales House, Jet, Cuthberts and Edgars — opened for business in the morning, but were later closed when intimidation by union members picketing in front of the stores got worse.

The union confirmed that workers in all the nine provinces had joined in the strike.

It denied allegations that its members were involved in any acts of intimidation.

Saccawu went on a full-blown national strike on Monday to protest against a wage freeze for this financial year. The union wants wage increases which range from 15% to 20%, while Edgars says it cannot afford the increases because of a 28% drop in profit.

The union has been involved in sporadic industrial action against the company since early August, resulting in disruptions and financial losses which could exacerbate the company's already tenuous financial position.

Edgars retrenched more than 1 000 workers earlier this year following the group's poor performance last year.

The group has also brought a R733 000 lawsuit against the union for the loss of earnings stemming from these actions.

Meanwhile, 32 union members who were arrested at the Cresta branch in Johannesburg on Monday appeared at the Randburg Magistrates Court yesterday. They were charged with violating a strike-rule court order.

The police have also opened a case of attempted robbery against a union member who tried to disarm a policeman in Edgardale on Monday.

Monday.

Edgars also indicated that it would bring an application against Saccawu for violating the order on picketing and strike rules which was issued by the Labour Courts three weeks ago.

This was despite "a number of cases" that Edgars had opened against individual employees who were involved in intimidation and criminal behaviour, Unwin said.

SA NEWS DIGEST

David Mokoena resigns after 'sour grapes' accusations

David Mokoena, the secretary-general of the National African Federated Chamber of Commerce and Industry (Nafcoc), has left the organisation acrimoniously Phillip Machaba, Nafcoc's chief executive officer, accused Mokoena yesterday of having made "damaging" allegations against Nafcoc to City Press, the Sunday newspaper.

muay newspaper. Machaba said Mokoena's allegations, including that Nafcoc had been mismanaged for the last two years, were being investigated by the organisation's lawyers. "We believe the secretary-general's behaviour reflects a sour-grapes syndrome following the withdrawal of his exorbitant salary and Nafcoc vehicle by the new president," said Machaba. Nafcoc's new

, president is Isaac Skosana.

resident is Isaac Skosana. Machaba said Nafcoc had discovered that Mokoena's position as president of the South African Liquor Traders' Association, a Nafcoc affiliate, had been unconstitutional. Mokoena declined to comment before the Nafcoc council meeting on Saturday: "It would be very naive to argue with the executive committee through the media before I speak to council." He said Nafcoc's announcement of his departure at a press conference yesterday was unconstitutional. He insisted he was still a member of Nafcoc until his resignation was accepted by the council: — Thabo Leshilo, Johannesburg

Nafcoc 'irregularities' plague executive

Patrick Wadula BD 2 10 98

EXECUTIVE members of the National African Federated Chamber of Commerce could be implicated in alleged financial irregularities and the unconstitutional election of the executive council that has led to the recent resignation of the organisation's general secretary, David Mokoena.

Nafcoc president Steven Skhosana said yesterday that the allegations would be discussed in an urgent coun-

cil meeting tomorrow.

Other issues to be raised included operational plans of the new executive and the organisation's budget.

Mokoena handed in his resignation after alleging that the organisation had been riddled with financial mismanagement for the past two years, coupled with an unconstitutionally elected executive and unconstitutional conduct by executive members.

"Maybe he (Mokoena) knows something that we others are not aware of because he was a signatory to the cheques written out by the organisation," Skhosana said.

Mokoena also alleged that there had been differences between himself and former president Joe Hlongwane.

"David has been part of the executive for the past four years, so he surely should know what he is talking about," said Skhosana.

He said Nafcoc's lawyers would be brought in to advise on the legalities

involved.

One Nafcoc member, who preferred to remain anonymous, said some of the allegations were discussed at Nafcoc's recent 34th annual conference, but certain executive members did not take It was claimed at the time that some of the executive members chosen for the new council board were not fully

paid up members.

Another allegation was that some executive members did not represent any constituency, region or sector in the economy as was the policy for electing someone to the Nafcoc board.

A disgruntled member said government was to blame for what was happening in Nafcoc. He said Nafcoc had lobbied government on issues such as taxation, but government up until now had done little to help black business.

He said Nafcoc was a lobbying body for black development, but when government came up with the National Small Business Council to represent small business at national level, "it became a duplication of roles".

US AIDS drug to be tested on SA subjects

Simon Barber

WASHINGTON — Government has given a US company approval to test the safety and efficacy of a potentially revolutionary new AIDS drug on 40 SA volunteers infected with the HIV virus.

Developed by San Diego-based Hollis-Eden Pharmaceuticals, the drug, which has not yet been approved for human trials by the US Food and Drug Administration (FDA), has been shown in laboratory testing to prevent replication of the AIDS virus.

The SA clinical trials are being conducted by the Medical University of SA and Clindepharm, which was SA's largest contract research organisation until it was acquired for \$18,6m last

September by Quintiles Transnational, a fast-growing US pharmaceutical testing firm based in North Carolina's research triangle.

The initial trials of the new drug, called HE2000, are expected to last three months. A second round using more than 80 HIV patients is planned.

Hollis-Eden president Terren Peizer said the company intended to seek FDA approval for clinical trials in the US before the end of the year

US before the end of the year.

The company calls HE2000 a "monotherapy", meaning that it should work independently of other drugs, unlike the current, extremely expensive "cocktails" which are prescribed in the US but are beyond the means of most in the developing world.

Patrick Prendergast, Hollis-Eden's founding scientist, said: "With the commencement of our clinical trials I envision the day is approaching when a cost-effective monotherapy will challenge the virus successfully".

The company believes HE2000 works by preventing cells infected with HIV from producing chemicals that act as the energy source for replication.

The SA trials are only using HIV-patients who have not taken any other anti-HIV drug. Peizer acknowledged that critics might say South Africans were being used as guinea pigs as it was easier to get studies approved in SA. "We do not view it that way because we plan to put HE2000 into US individuals."

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Special Pensions Board has not started its work vet

Five months after the announcement that the Special Pensions Board, which last sat in April would be functioning again

Melfare and Population

Welfare and Population

IVE months after the announcement that the Special Pensions Board, which last sat in April, would be functioning again, the Board has not started work.
This means thousands of people

who applied for special pensions after April have not yet received news about their applications.

People continue to phone Hotline

inquiring about when the Board will

Welfare and Population Development about the Board - but

no answer has been forthcoming.

The Department of Welfare simply say the Board will be announced soon. Meanwhile, thousands of needy people are waiting for their appications to be processed.

T USED to be fashionable to shop in the House of Edgars, where one was greeted by stylish cosmetic counters and the waft of designer perfumes. But behind the chrome and glass lies a host of problems which have left the national chain in crisis.

It has gone to war with its staff while battling with a

28 percent drop in profits.

This week more than 1 200 staff members, among the best-dressed employees in the clothing business, went on strike, causing the embattled company to lose

R1,5-million a day.

More than 100 members of the SA Commercial
Catering and Allied Workers' Union have been arrested, and four employees were injured when rubber bullets were fired during a police clash with angry strikers on Monday at the company's flagship store in Johannesburg's city centre.

Stores have been forced to close their doors to

protect customers as violence erupted in Gauteng and Durban.

About 33 workers from a branch at the Cresta mall, northern Johannesburg, were locked in a container for about five hours after a scuffle with police.

One of them, pregnant Orelia Molefe, has worked for Edgars for seven and a

half years.

She started as a security guard in the fitting rooms before becoming a sales assistant, earning a

monthly salary of R1 400.

This week she found herself thrown in prison in her fight for better

wages. She and 23 other women were locked up in a cell, with no toilets, meant for eight people while union and family members struggled to raise their bail of R40 000.

The landlords of shopping centres have gone to court for interdicts against striking workers, while Edgars has issued lock-out notices to the Federal Council of Retail and Work-Allied ers. By yester-

day, the battle was still being fought on the pavements outside barricaded shop and further strike action is threatened.

The strike was triggered by a wage freeze announced by the SA Breweries-controlled chains of Edgars, Sales House and Jet following a 28 percent drop in profits in the year to March.

The decline in profits signals troubled times for the store where shoppers can find everything from underwear and bed linen to cosmetics and sports shoes.

gone backwards. Customers are running away because of prices and a lack of fashionability.'

He said value retailers and specialist stores had grabbed a considerable share of the chain's market. "There is nothing special about Edgars anymore.

Vianello said results were made worse by the poor performance of Sales House and Jet stores.

Jet has made a profit only once since 1993, while Sales House, a chain aimed at black market for classic fashion, experienced an eight percent drop in sales in the past financial year as customers

moved into a more modern world.

Vianello said customers were moving away from what was seen as an outdated look.

The assistant general secretary of the SA Commercial Catering and Allied Workers' Union, Herbert Mkhize, said the union had demanded a 15 to 20

percent wage increase. acknowledged While the union Edgar's drop in profits of 28 percent, it wanted to negotiate on the remaining 72

perčént.

"If they can't afford real wage increases, let's talk about wage adjustments. Give us 10 percent now and let's look at the other five percent if there are improvements in the company's results."

Mkhize accused Edgars management

of colluding with the police. He said Cosatu branches would next week discuss taking solidarity action, and this could include blocking supplies to the chain.

'lf Edgars gets away with a wage freeze, it will set a bad precedent," he

Nigel Unwin, the company's human resources director, said the violence had been caused by 'thuggish people" who'd intimidated and abused staff and customers.

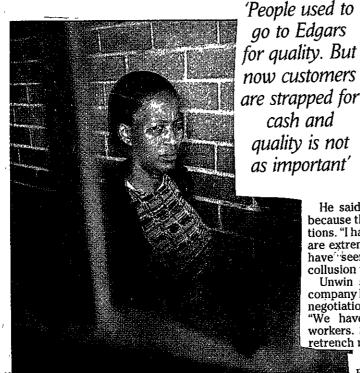
He said workers had been arrested because they had defied police instructions. "I have no sympathy for them. We are extremely unhappy about what we have seen. It is nonsense to allege collusion with the police.

Unwin said industrial action at the company had begun in August and wage negotiations had reached a stalemate. "We have already retrenched 1 500 workers. Should we give increases or

retrench more people?

The group's financial director, Mark Bower, said: "People used to go to Edgars for quality. But now customers are strapped for cash and quality is not as important. Frice is what drives people now.

He said sales had dropped from R8 835/m² in 1996 to R8 243/m² in 1998. The company was making changes and prices had been reduced to offer customers better value, he added.



Last Christmas, stock rumoured to be

Business analysts agree that a host of problems have left Edgars in a crisis.

The company, which introduced credit 70 years ago, has been hit hard by

worth R300-million went unsold.

rising interest rates. It al-

so faces tough competi-

tion from value stores like

Mr Price, which records

annual sales of R20 000

per square metre of shop

floor space compared with Edgars sales of R8 000/m², which is a measure of profitability.

PREGNANT AND IMPRISONED: Striking shop assistant Orelia
Molefe was thrown into jail Picture: BRETT ELOFF Molefe was thrown into jail

With a radical rethink the clothing needed, management chain's structure was revamped and about 1 500 people retrenched six months ago. It is hoped that the

new group managing di-rector, American Steve Ross, who took over two weeks ago, will be able to put the company back on track.

BOE Securities analyst Syd Vianello said the store had lost focus and sales had dropped dramatically since 1996. "Edgars styling and fashionability has

Striking workers clash with police as 87

IN THE BOARDROOM

OMPANIES in SA contin-ue to lag behind their

international counterparts of parts in embracing the spirit of best business practice despite proving to be obedient disciples of the King Report on Corporate Governance.

The finding is contained in KPMG's 1997/98 corporate governance survey, its third and the second since JSE-listed companies were required to state their level of compliance with King's

KPMG partner Sergio de Castro says the survey shows a sim-lar tread to the previous two, with gradual improvements in the level of disclosure.

"Structural issues were once again well reported while the disclosure of qualitative information regarding the internal processes and workings of companies is still lagging a long way behind."

In essence, SA companies are more than happy to adhere to minimum standards of compilance with the King report, but are making little headway in reveiling the finer details of the more sensitive and important business issues.

De Castro says one of the key reasons for this is the lack of shareholder activism in SA com-pared with other countries, but warns that the picture is likely to

formalising corporate gover-mance practices that go beyond the minimum level required by the King code and meet the lat-est international standards." For instance, SA firstitutions "SA companies should pre-empt an increase in shareholder activism by implementing and formalising corporate gover-

are not major proxy voters at company meetings, but there is a movement internationally to make voting obligatory and such trends are likely to seep through into SA's increasingly globalised

economy.

The areas in which disclosure is still lagging include policies, terms and conditions of directors' appointment and retirement, assessment of board performance, the manner in which directors' salaries are determined, disclosure of directors' emoluments, training of new di-rectors, the approach to risk management, and the imple-

liligently toe Ompanies [test



86/01/4 mentation of a cobe of ethics.

De Castro says much of the plack of qualitative compilance fear be attributed to a lack of the guidance from the King report and other international corpo-He says one of the biggest negatives in the survey was the limited information given about dirate governance codes.

rector's salaries — a specific King recommendation and one which is being sidestepped by nany companies.

"It was a disappointment. It is fairly easy to disclose and I can see legislation coming in and demanding that kind of information if it is not provided," he says.

companies surveyed included in their annual reports an adequate statement of compliance with the King report, 7% an inadequate statement and 2% no reference to corporate governance (down from 4%).

The report also shows that is \$\infty\$, top listed companies are their companies. But globalisation will also play arole as SA companies look for foreign listings and find themselves forced to comply with such requirements, as hap pened when Billiton floated in The research was based on the annual reports of the top 100 companies listed on the 35E (by market capitalisation) for the financial years ending between June 30 1997 and June 29 1998.

SA's top listed companies are making progress in some of the more obvious areas of good goverance, especially board composition. It shows that at least 84% of companies now have two or more non-executive directors from 17% previously, and that in over half (52%) of cases the chairman is a non-executive director—a six percentage opint improvement. Also encouraging

Because of changing market capitalisations, the top 100 are not the same as in previous

years, but the report does show how the biggest companies are doing in terms of disclosure. The report shows that 91% of

is that only 23% of chief executyres were also chairman, from
28% a year earlier.

But De Castro says board appointments need to be more
thoroughly investigated, withindustry knowledge and availability two key issues that need to
be addressed.

Assessment of board perfor-

mance is an area not covered by King but is increasingly being insisted upon by international

institutional investors.
The world's best example of institutional shareholder activism is CalPERS, the California Public Employees' Retirement

System. CalPERS is the largest public

19 00 91 ÷ F R 8 8 **8** 22 CORPORATE GOVERNANCE PRACTICES 1997/8 Top 100 SANDA . 001 08 the King Code?

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Vec. Vieto in minali report state the company. Does the Board have at least 2 non-Does the annual report state that the Yes with the manner of the channel o executive directors?

pension plan in the US and the third largest in the world, with assets totalling \$142-billion (R852-billion).
CalPEN has been one of the foremost governance activists for two decades and its efforts have helped to reshape the US and international boardroom.

It considers good corporate governance as a major driver of improved company perfor-mance and has the data to back

up the claim.

A Wilshire Associates study of the "CalFERS Effert" of corporate governance activities exampained the performance of 62 companies targeted by the fund over a five-year period.

Results indicated that while the stock of these companies trailed the Standard & Poor's 500 Index by 85% in the five-year period before Call'FIKS acted, the same stocks outperformed the index by 54.4% in the following five years, adding approximately \$150-million annually in additional returns to the fund. Call'FIKS can also claim to caller RS can also claim to have played a major role in the reshaping of corporate America in the early 1990s when a spate of the country's biggest compa-nes acted to oust ther (EDS; These included American Ex-press, Chrysler, General Motors, IBM, Kodak and Westinghouse. This boardroom revolution was

by King but is Assessment of is not covered being insisted *performance* increasingly international nd uodn investors board

widely attributed to sharehold-er activism, with CalPERS a sig-nificant catalyst.

The fund uses GM as a case in The fund uses GM as a case in Ponit, whose board of directors fired the CEO and restructured management when faced with a

downgrading of the corporation's credit ratio.

The company's stock rose
that very day, in contrast with
an overall drop in the market of
60 points.

Encouraged by the market's response, which halled it as a governance dividend", the GM board of directors went on to adopt a set of formal corporate

by the state of th

away from such lissues may soon have nowhere to turn given increasing peer group pressure, shareholder activism and the potential for fresh legislation. The great strides made inter-nationally in terms of corporate governance have still to be made locally, but De Castro says componies, parastials and gov-ernment departments that shy

Almost 250 workers arrested in Edgars strike, says union 100 b 10 28% fall in profit. The fall was followed 28% fall in profit. The fall was followed announcement, that Edgars'

ALMOST 250 members of the SA Commercial, Catering and Allied Workers' Union were arrested since the nationwide strike against Edgars shops started last week, union spokesman Pitso Tshukudu said yesterday.

He said 20 workers were still in

detention. This was disputed by police spokesman Martin Aylward who said only 80 workers were arrested between Monday and Friday last week.

By late yesterday, the union's lawyers were negotiating for the reunion's lease of two members arrested on Saturday outside the Johannesburg city centre branch of Edgars on charges of intimidation. Most of those arrested last week were charged with intimidation and contravening picketing rules.

Tshukudu said the arrests were the result of collaboration between the police and traffic officers who were harassing union members. He said the situațion was quiet yesterday despite reports that workers picketing outside the Johannesburg city centre shop asked customers not to enter.

The strike was prompted by Edgars' announcement of a wage freeze after a

by an announcement that Edgars' long-term domestic currency rating had been downgraded from A+ to A by

an international rating agency.
The union said about 7 500 workers were on strike at the Edgars group of shops, which includes Sales House, Jet and ABC. Tshukudu said the union had received a letter from Edgars' management requesting a meeting today. If the meeting goes ahead, it will be the first meeting of the two parties

since the start of the dispute.

Another Edgars union, the Independent Federal Council of Retail Workers announced yesterday that it would join the strike action.

Dustin Chick reports that Edgars Group human resources director Nigel Unwin said it was regrettable that no end to the strike appeared to be near.

Demands by the union for increases of between 15% and 20% came at a time when the firm was undergoing extensive restructuring to ensure its long-term success. The process had already involved the retrenchment of 1500 people with further retrenchments being avoided through the implementation of a wage freeze.

Edgars invites union to meet

EDGARS workers nationwide have been on strike for eight days, but the strike in the city has been quiet compared to the clashes and allegations of intimidation in Johannesburg.

Pitso Tshukudu, national spokesperson for the South African Commercial, Catering and Allied Workers' Union (Saccawu), said three of its members were arrested by police outside the Johannesburg city centre Edgars on Saturday.

He said two of its members were still in police custody by late yesterday and one had been released after being arrested for allegedly contravening picketing rules.

Meanwhile, representatives of workers and management may meet for the first time today to try to resolve the impasse.

The meeting was proposed by the Edgars Group management in a letter to the union yesterday.

Tshukudu said the union was still considering the invitation from Edgars to hold a meeting.

"We will give management a response today to set a date for the meeting and to thrash out the details," he said.

A second union, the Independent Federal Council of Retail Workers, (Fedcraw), gave notice of joining the nationwide Edgars strike over a wage freeze yesterday, said its spokesperson, Nat Ketlelo.

Ketlelo said his union gave management 48 hours' notice that its 2 500 members would join the strike started by Saccawu last Monday.

However, by late yesterday, Fed-

craw had not yet been invited to the meeting.

Edgars group human resources manager Nigel Unwin said all Edgars shops were open yesterday, but would close if trouble started.

The nationwide strike follows an announcement of a wage freeze by the Edgars group after suffering a 28% fall in profits and having its long-term domestic currency rating downgraded from A+ to A by an international rating agency.

Saccawu has proposed a 20% negotiable increase for its members employed at Edgars, Sales House, Jet Stores and their distributors, while Fedcraw is aiming for a R450 across-the-board increase and a minimum wage of R1 800 a month. — Staff Reporter, Sapa

Programme to help SMMEs

By Wilson Ramothata

ESKOM has embarked on a programme to empower small entrepreneurs to acquire business skills and help them with capacity-building programmes to start their own businesses.

The move is seen as Eskom's effort of develop a strong small, medium and micro enterprises (SMMEs) sector in South Africa.

Twenty small entrepreneurs in Gauteng have already benefited from this undertaking run by the electricity utility company in partnership with Tullis Laundries.

Eskom supports small entrepreneurs by offering them entrepreneurial capacity-building programmes and also facilitates access to funds through its supplier procurement policies.

Entrepreneurs are also provided with marketing support and after-care services.

The partnership between Eskom and Tullis to help entrepreneurs interested in opening their own establishments was struck at the end of the Eskom Small Business Development Opportunities Exhibition held at Nasrec in August.

Own bosses

Eskom SBD officer Godfrey Khuvutlu said: "Several people who visited the Tullis stall expressed interest in establishing their own enterprises and this prompted the two companies to embark on a skills training programme to help them become their own bosses."

Some of the entrepreneurs who have benefited from attending Eskom's

enfrepreneurial capacity-building and marketing skills programmes have established their own businesses.

The 14-nation Southern African Development Community (SADC) delegation will wind up its two-day visit to the United States in Minneapolis today.

The delegation, whose visit was to discuss trade and investment opportunities in the Southern African region, expects to meet a number of prospective investors at a conference in the US city.

The main objectives of the conference are to introduce American corporate executives from the Mid-west to investment and trade opportunities in Southern Africa and highlight other opportunities in a market (Africa) of some 190 million people.

BDC move to change nan

Patrick Wadula

poration (SBDC) has changed its name to Business Partners in a move to reposition THE Small Business Development Coritself and focus on formal small and medium-sized enterprises.

new financing and investment packages Business Partners, which has R1,3bn in shareholders' equity, has introduced

the name had been changed for reaby way of equity and related funding. Business Partners MD Jo Schwenke sons including the organisation's concen-

tration on financing and providing investment amounts ranging between R150 000 and R15m to small and medium enterprises. This meant the exclusion of micro our relationship with our clients. We are and informal funding — usually in the roinvestors who share in both the risk range of R10 000 to R50 000. "This has and reward of the businesses we finance," prises. This meant the exclusion of micro and informal funding — usually in the range of R10 000 to R50 000. "This has been left to nongovernmental organisaprise, and other microlending compa-nies, Schwenke said. tions, government's wholesale financing vehicle for small business, Khula Enter-

wrongly associated with a parastatal, a division of the Industrial Development He said the SBDC name was always

fices throughout the country, has invested R3,2bn in more than 60 000 businesses Schwenke said. The company, with a network of 28 ofin 17 years.

troduction of over-the-counter trading of its shares with the help of Standard Cor-Schwenke said that with the recent in-

perate & Merchant Bank, the company had managed to gain new shareholders, including the National Empowerment Corporation and the National African shareholders, including major SA corporations, with 80%, while government, through the trade and industry department, holds 20%. Government reduced its The company has more than 200 Federated Chamber of Commerce. shareholding from 50% in 1996.

tal was approved during the last financial—year to March this year. An amount of R243m investment capi-

R33,6m were approved since the intro-duction of the company's new products? such as Equity Partner, Risk Partner, Property Partner and Loan Partner. 65 equity projects In total,

into equity financing in the past financially year, the value of approvals was reduced by 7,25%, while the number of transacestions dropped by 62% to 1 015. al from the informal sector and its entry As a result of the company's withdraws

However the average value of finances ing for each client increased to R239 000 from R127 000.

Strikers may lose their jobs

By Mzwakhe Hlangani Labour Reporter

THE Edgars group of companies has warned that further retrenchments cannot be avoided if the disruptive strike by thousands of its workers is not resolved soon.

is not resolved soon.

Group human resources director Mr Nigel
Unwin said yesterday that the restructuring
process had entailed the retrenchment of more
than 1 500 employees so far. Further retrenchments had been averted by the adoption of a
wage freeze policy for all, and the current strike
threatened the effectiveness of this strategy, thus
"the jobs of thousands are in severe jeopardy".

He said realistic means of achieving the restructuring objectives without necessitating further large-scale retrenchments were in great danger as there was no sign of an end to the strike.

Unwin said 20 out of more than 70 stores were affected by the strike. "The South African Commercial, Catering and Allied Workers Union (Saccawu) has chosen an unfortunate and inappropriate time to make its demands while the group is not well placed to accede to these demands," he said.

The Federal Council of Retailers and Allied Workers Union (Fedcaw) yesterday threatened that its 2 500 members would go on strike in support of the Edgars strikers.

Fedcaw spokesman Mr Nat Ketlele said members from the Free State, Northern Province, Mpumalanga, North West and the Eastern Cape would embark on a strike to join Saccawu members.

Saccawu is demanding increases ranging between 15 and 20 percent, while Fedcaw wants a R450 a month increase for their members.

Meanwhile, a report by the South African Chamber of Business has revealed that an upsurge in strikes in the third quarter of this year had swelled the number of work days lost to 1,85 million man days in September.

Edgars wage war ends after seven days of talks

Taryn Lamberti 9/10/98

A SIX-week strike by 6 000 Edgars employees over a 12-month wage freeze ended on Friday after seven days of talks with the Commission for Conciliation, Mediation and Arbitration (CCMA).

SA" Commercial, Catering and Allied Workers' Union (Saccawu) national negotiations co-ordinator Lea Modiga said yesterday the settlement had created a "balanced situation".

Saccawu and the Federal Council of Retail and Allied Workers downed tools after the company placed a 12-month freeze on salary increases, Modiga said.

He said the fashion retail group had agreed to a R100 across-the-board increase effective from November 7 for six months. Unions and management would begin negotiations for fresh increases in April next year.

Management also agreed to appoint a committee to deal with alleged misconduct on behalf of both striking workers and management.

The committee would begin hearing misconduct grievances in two weeks, Modiga said.

Edgars human resources director Nigel Unwin said workers would return to work by Wednesday.

"We are delighted that we have reached agreement and have been able to end the wage dispute between the two parties. The settlement is within the reach of the financial constraints of the Edgars group."

He said the group had also agreed to allow striking workers to apply for advances on their November salaries.

"We have been concerned about the welfare of striking workers and their families and believe that this agreement will go some way towards alleviating any financial difficulties they may experience over the coming festive season."

CCMA commissioner Kaizer Thibedi said the resolution included an increase in the minimum wage for employees to R1 500 a month in the clothing sector and R1 450 in the shoes division. He said there were "no losers" in the agreement.

Unwin said the settlement was a reflection of the company's determination to "invest in the future success of the company and its staff".

Details of the financial losses suffered by the group as a result of the strike action were not available yesterday.

Reuter reports that Edgars last week posted a sharp fall in earnings a share to 39c in the first half of the year, compared with 218c in the same period a year ago.

It reported that it was likely the strike would contribute to lower earnings for the company in the second half of the year.

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Edgars and unions opt for mediation

By Muzi Mkhwanazi

HE Edgars group agreed yesterday that the current wage dispute with two unions representing 5 000 workers nationwide be referred for mediation.

Edgars said it had agreed to a proposal by the SA Commercial Catering and Allied Workers' Union (Saccawu) and the Federal Council of Retailers and Allied Workers Union (Federaw) that the wage dispute be referred to a third party for mediation.

The agreement follows a meeting yesterday between the two parties. Edgars further proposed that the mediating party be the Independent Services of South Africa and that both parties share the costs of the intervention.

Edgars group human resources director Mr Nigel Unwin said the company had lost between R500 000 and R750, 000 in the Johannesburg central business district

By PITSO TSHUKUDU

EDGARS executives voted themselves a 20 percent increase, equivalent to R164 000 in the group's 1998 financial year, yet the company pleaded poverty when its employees asked for an annual wage increase this year, says the Labour Research Service (LRS).

The research group found that inthe 12 months to March 1998, each of the groups' five executive directors

earned R840 000.

The data was released in the wake of the two-week wildcat strike by members of the SA Commercial and Catering Workers Union (Saccawu) over wage negotiations with the Edgars Group.

According to Herbert Mkhize, the union's assistant general secretary, Edgars proposed a wage freeze for the next financial year on the grounds that its earnings have declined this year.

But Mkhize believes the wage freeze is as a result of the group's inability to reach the profit target the company had set itself for last year.

'We disagree that there is no more money for wage increases of about 15 - 20 percent in the current financial year.

"Edgars has made it quite clear that a wage freeze is an ultimatum: the alternative is retrenchment," says Edward Cottle, a researcher at

The research group noted that Edgars cash reserves improved from a negative R46,5 million at the end of March 1997 to a positive R362,1 million at March end 1998.

Although there has been a nominal drop in profit in the company over the last few years, it remains economically viable, the research groups says.

"The company seems to have been able to cut back some of the costs. Year-on-year-growth in cost of sales declined from 9,9 percent in 1997 to 4,09 percent in 1998. "This most likely included the re"

trenchment of 793 workers.

"The company is also moving towards being a retailer of branded. goods to increase competitiveness and reduce costs.

"This may lead to further reducamong manufacturing tions

workers in the group. ***

"Already Edgars' Preferia division has been able to increase sales by 40 percent through this change,

the group adds. This week's negotiations be-tween the union and Edgars ended in deadlock when the company contended that union members had been provocative, had ignored provisions relating to their right to strike and had been threatening customers.

The parties have however agreed on the appointment of a mediator but have disagreed on whether to choose the CCMA (Commission for Conciliation, Mediation and Arbitration) or the IMSA (Independent Mediation Services of SA).

Unions talk transformation at SA business convention

Trade Unions and the Federated Unions of SA will take part in Durban - The Congress of SA debate at the SA Chamber of Business annual convention starting here today.

Representatives of the union the relationship between labour and groupings and of the unemployed will join discussions on transformation in management. The theme of the con-

300 delegates, is "South African mean being destructive." vention, expected to be attended by imperatives for the year 2000"

against having a negative effect on Sacob president Humphrey Khoza said business, labour, government and the unemployed all had to guard the economy

People had to accept South Africa was a democracy and everyone could reserve the right to disagree, he said. Michtight the regional partition of the second of the seco

"Disagreement does not necessarily

Sacob director-general Raymond Parsons said the organisation regarded its relationship with the Government as one of constructive engage. ment on policy and law issues.

Thabo Mbeki that Sacob's business confidence index reflected the view of white business was based on a A statement by Deputy President

This had been cleared up with Mr (30) misunderstanding, he said. Mbeki's officials.

Mr Parsons said the issue of manlarly pertinent in light of recent agement-union relations was particuindustrial unrest, which had been periodically marked by violence.

Asked whether he envisioned ness organisations, such as the Sacob amalgamating with other busi-

National African Federated Chamber ARG 12/10/98

be naïve to think all interest groups of Commerce, Mr Khoza said it would could be merged overnight.

"While it is preferable to find some to be driven by the needs in the co-operation between different sectors and organisations ... we have got marketplace. Realistically, the future might dictate that we evolve different structures."

Jan San San

Mr Ntamo said the committee

nation and protecting against

Edgars spells out its spending allocation

By CATHY POWERS

Retail clothing group Edgars spent about 16% of its income on staff wages and salaries and less than 1% on its shareholders, the group said in a statement yesterday.

Out of every R100 customers spent within the group, R16,56 went towards wages and salaries and 24 cents to shareholders.

The bulk of the money, R73,80, is paid to suppliers.

The statement was released in response to union criticism that the group intended to embark on a R700-million investment programme.

A strike by members of the South African Commercial, Catering and Allied Workers' Union, which entered its third week yesterday, began after an announcement last month that employees would not receive increases because of a 28% drop in profits.

The union's view is that the money used for the investment programme should be diverted to employees' wages instead.

The group said the investment programme was vital for Edgars to maintain its competitive position.

98

We must do well while we are doing good

SA Chamber of Business president Humphrey Khoza looks at the challenges facing

SA business in the year ahead

8

there are a particular to cheer about over the past cheer about over the past cheer about over the past dence has been falling at abedity in response to the sharp drop in the exchange rate, the large increase in interest rates and the turbulence on stock markets. In addition, the level of uncertainty has been raised as a result of the forthcoming elections, and the magnitude of our proverty and unemployment problems.

As we approach the new millant and a new age is about to dawn. We in business know the economic environment of the future is really the result of the decionance and a past of the decionance are also and the future is really the result of the decionance are also and the future is really the result of the decionance are also and the decided a made it easier to identify the treals emerging today, the challenge is to understand their implications, and to postton for

The focus of this year's SA. Chamber of Business (Sacoh) convention is to try to assist with this process by examining some of the emerging global trends.

By doing so, we should be able to identify the imperatives which such brends, and the specific challenges facing this country, give rise to for the transformation of the economy at both a public policy, evel, and at the level of indi-

However, I would like to urge you to focus discussions on those areas over which we can exercise some influence. There is little to be gained from bemoaning those externally induced aspects over which we have no control.

I would like to draw upon some of the trends which have been identified in the 1998 Global Competitiveness Report, which ranked SA 42nd out of 53 participating countries. They include:

accelerating boom in global

national governments to supranational and international agreements on the one hand, and increasing devolution of power to local or sub-national governments
on the other, and technology;

The changing role of gover-nance and the combined shift of decision-making from the level of

pursue it.

One of the results of globalisations that businesses are increasingly competing on the basis of effective labour costs. Sacob has consistently argued that the case for labour market flexibility rests on the fact that it souly with such flexibility that individual expensivity that individual expensivity will remain attractive to nomies will remain attractive to While I believe that much has been achieved in the field of Jabour market regulation, the negative reaction of both local and foreign business people and investors and the employment statistics—suggest that we have gone too far. If the regulation of the labour market is not revisited, SA will pay a heavy price in terms of lost of the labour market is not revisited, SA will pay a heavy price in terms of lost of the labour market is not revisited. There has been a suggestion that the recent turnoil in international financial markets provides a strong argument against globalisation, and that developing countries would be better served by reinstating some barriers to trade and investment flows, and by reclaiming sovereignty overcertain policy decisions.

I do not believe it is an option that will be to the longer-term benefit of those countries which jobs. Our government needs to recognise that globalisation requires that they facilitate, rather than regulate, economic activity. Our economic policies and labour market laws therefore need to converge with global norms, if the privage with global norms, if the privace laws the privace of vate sector is to be able to make its full contribution towards the rebuilding of our economy and the transformation of our society.

SA Chamber of Business president Humphrey Khoza

The Global Competitiveness Report identifies the effective introduction and use of informa-

for governance are concerned, there can be little doubt that glob-al economies are changing inter-national politics in a fundamental way. One of the "costs" of playing the globalisation game is that a partion technology as a crucial factor in international competitiveness

We rank 21st out of the 53 countries in the report in this respect and we need to build on this. As far as the new requirements

ticipating country has to relin-quish sovereighty over policy de-cisions. This is one of the reasons why Sacob has consistently ar-gued that the government has no option but to follow the key ele-ments of its growth strategy.

The markets have little PD 13/10/98

tience for experimentation, or for policy choices which do not fit into the approach accepted by international investors. would like to cantion that it is

often easier for government to make new laws, thun it is to im-plement programmes and to deliv-er services. I believe that we need to place a much greater focus on would now like to turn to the A consequence of this is that there will be a re-evaluation of the criteria by which investors judge investment destination. It is important that we continue to see from the opportunity which emerges from the crisis to emphasias why this country is different from the other developing economies; why the risks of financial collapse are less; why we have more to offer foreign investors.

If we can do so effectively, we have the shiftly to "leapfrong over many other competitors in the quest for foreign cepital.

However, this process requires not only that we demonstrate the resilience of the common and the general appropriatencess of the macroeconomic policies which we are following, but also that we address the specific challenges frequer and urgentry.

I have often been eaked; firstly, when will business organisations speak to one another, and secondly, when will racially based busi-

ness organisations merge?
In reply to the first question, let
me say that business organisations are regularly talking to one
another — both inside and outside
Business SA.

On the question of possible mergers, the impression is falsely created that Sacob is intransigent on this matter.

Sacob remains willing to ex-plore options of whatever kind to promote even closer collaboration

with sister bodice. Already there are closer working relationships among locally racially-based bustoness structures.

It is simply not ture, as is often implied, that Sacob is opposed to the deracialisation of business as sociations. We are committed to normalismig the racial composition of business organisations full are deeply aware of the sensity ities that exist.

evolving process.

Saoob is proud of the leader ship role it has sought to play in promoting affirmative action and the deractalisation of the ownigeness of the ownigeness of the ownigeness of the ownigeness when the see accelerated unward mobility in the workplace through focused

groups will be significantly far-hanced it the wealth generated and the jobs created can be shared in such a manner that it provides a significant improvement in the lot of the recently enfranchised— without threatening the existing wealth base.

Wellat when the thimately our at. I believe that ultimately our at. temps to position ourselves for the future must be consistent with a vision for our country, where the employment is declining, absolute powerty is reduced, and all citizate are able to develop to their full

business leaders, to demonstrate that market orientated policies can be reconciled with the attain-ment of these goals. It is incumbent upon us, as the

world order not only offer new business opportunities; they also pose threats to some existing brain nesses and to some industry fermours. But we should resist the temptation to isolate ourselves from these developments.

SA must face up to the chapter of the chapter of doing well while drift good — because this is the only our societal problems. Irrespéctive of individual political persup-

□ This is an edited version of Khoza's speech to Sacob's annuq convention in Durban yesterday.

SACOB CONGRESS Chamber President Humphrey Khoza takes tough stance on key business issues

O DEOLE DEFINO WOLS CULLED

SHIRLEY JONES

KWAZUIU NATAL EDITOR

ness could not afford to hide Humphrey Khoza, the president of the South African Durban — South African busisaid yesterday at the opening of the chamber's annual congress. behind a "boerewors curtain" or a "toyi-toying" delegation Chamber of Business (Sacob)

ment flows held little water.

about over the past year, it business had had little to cheer Khoza said although local He said recent suggestions that faced key issues and challenges

This would increase the flow of capital to other emerging markets, benefiting South Africa, which could leapfrog other countries in the guest for foreign capital, he said. turmoil in international financial markets provided a alisation and that developing served by reinstituting some strong argument against globcountries would be better

Khoza said as countries struggled to compete for foreign investment, there would be increased attention to government decisions. barriers to trade and invest-Instead, the Asian crisis presented investment opportu-Africans not to sit back and nities, and Khoza urged South

times, markets have little patience for experimentation or for policy choices which do not fit into the approach accepted by international in-"As we have seen in recent

> tion of investment criteria, resulting in a more equitable wait for better days. Re-evalua-

low of foreign capital to devel oping economies, was likely.

good governance had become vestors." Khoza said this meant critical in determining competitiveness.

"If we wish to attract a sig-nificantly greater number of foreign investors ... we shall have to focus on raising the efthe integrity of the public secfectiveness, the efficiency and tor and on reducing crime and corruption in all spheres of economic life," he said.

He added South Africans were naive to expect people to invest in a country where they did not feel safe to live.

Khoza also spoke out against allegations that Sacob tion of business associations. He said that although South African business organisations talked regularly, talk of their was opposed to the deracialisamerging created problems.

diately interpreted as a threat to "If Sacob makes an assertive move in this regard, it is immeother business organisations, so we have to be careful.

"It is premature and unrealistic to believe it is possible to create a single voice for business overnight," he said.

Saccawu workers want police probed Pearl Sebolao (30) (100) handed over at the Johannesburg and challenged the mining compaand challenged the mining challenged the mining compaand challenged the challenged t

ÉMPLOYEES of the Edgars Group, who have been on a wage strike for two weeks, yesterday marched to protest against Edgars' refusal to meet their wage

demands and over the arrest of their members during the strike. At least 2 000 SA Commercial, Catering and Allied Workers (Saccawu) members marched through the Johannes-

burg city centre to the Johannesburg Central Prison and to the retail group's flagship city store. The march passed without incident.

The marchers condemned alleged harassment of, assaults on and unfair charges against strikers. The union has demanded that police conduct during the strike be investigated and that those found guilty be punished.

Memorandums demanding the resolution of the dispute between Saccawu and Edgars were also

Stock Exchange and to Edgars management.

The parties have agreed on the terms of the mediation process. Edgars' human resources director, Nigel Unwin, said they would meet for mediation tomorrow.

Meanwhile, there were fears that the strike at Lonrho's West Plats mine, which ended last Thursday, could resume if the National Union of Mineworkers' (NUM's) appeal against company disciplinary action against the 10 union officials is unsuccessful.

The officials were implicated in a hostage-taking incident at the

mine last month.

NUM spokesman Eric Gcilitshana said the outcome of the appeal hearing would be announced by tomorrow.

Sapa reports that the NUM said it would boycott a "pseudo-peace summit" organised by Anglo American Platinum Corporation ny to a public debate on the "systematic killing" of NUM leaders.

The union was reacting to the murder of NUM shop steward Missionary Mpheni, 28, who was shot dead on Monday on his way to Amplats' Townlands shaft.

Mpheni was also an official of the African National Congress and the SA Communist Party.

There have been about 10 such

killings since 1996.

Meanwhile, the two-week strike at Impala Platinum Re-fineries (Implats) in Springs continued as talks between Implats in Springs and the NUM yielded no results.

Parties could not find a mutually acceptable implementation date for a 8,5% salary increase on

which they had agreed.

The NUM wants the increase backdated to July 1, while Implats favours the implementation of the increase on August 1.

We must do well while we are doing good

SA Chamber of Business president Humphrey Khoza looks at the challenges facing

SA business in the year ahead

HE SA business community has had little to cheer about over the past year. Business confidence has been failing steadily in response to the sharp drop in the exchange rate, the large increase in interest rates and the turbuleno on stock markets. In addition, the level of uncertainty has been raised as a result of the forthrough electrons, and the magnitude of our poverty and unemply.

Learning problems.

As we approach the new milliant from that a new age is about to dawn. We in business know the economic environment of the future is really the result of the decisions made today and yesterday.

While the "information age" than made it easier to identify the trends emerging today, the trends emerging today, the challenge is to understand thair implications, and to position for the future.

The focus of this year's SA Chamber of Business (Sacob) convention is to try to assist with this process by examining some of the emerging global trends.

By doing so, we should be able to identify the imperatives which such trends, and the specific challenges facing this country, give ties to for the transformation of the economy at both a public policy level, and at the level of individual businesses.

However, I would like to urge you to focus discussions on those sares over which we can exercise some influence. There is little to be gained from bemoaning those sares over which we can exercise some influence. There is little to be gained from bemoaning those prevently induced aspects over which we have no control.

I would like to draw upon some of the trends which have been didentified in the 1998 Global Completiveness Report, which ranked when the red SA 4 and of 58 participating to the property of the price of the production.

technology;

C The changing role of govermanner and the combined shift of
decision-making from the level of that national governments to supranational and international agreements on the one hand, and increasing devolution of power to locreasing devolution of power to local or sub-national governments
on the other, and accelerating boom in global

countries would be better served by reinstaing some barriers to trade and investment flows, and by reclaiming sovereignty over certain policy decisions. I do not believe it is an option that will be to the longer-term benefit of those countries which There has been a suggestion that the recent turnoil in international financial markets provides a strong argument against globalisation, and that developing that the recent inational financi

tion is that businesses are increasingly competing on the basis of effective labour costs. Saob has consistently argued that the case for labour market flexibility rests on the fact that it is only with such flexibility that individual economies will remain attractive to One of the results of globalisa

investors.

While I believe that much has been achieved in the field of shour market regulation, the negative reaction of both local and foreign husiness people and investors and the employment statistics—suggest that we have gone too far. If the regulation of the labour market is not reveisted, SA will pay a heavy price in terms of lost

market laws therefore need to con-werge with global norms, if the pri-vate sector is to be able to make its full contribution towards the re-building of our economy and the jobs. Our government needs to recognise that globalisation requires that they facilitate, rather

We rank 21st out of the 53 countries in the report in this respect and we need to build on this. As far as the new requirements The Global Competitiveness Report identifies the effective introduction and use of information technology as a crucial factor in international competitiveness

SA Chamber of Business president Humphrey Khoza

for governance are concerned, there can be little doubt that glob-al economies are changing inter-national politics in a fundamental

way. One of the "costs" of playing the globalisation game is that a par-

ticipating country has to relin-quish sovereignty over policy de-cisions. This is one of the reasons why Sacob has consistently ar-gued that the government has no option but to follow the key ele-ments of its growth strategy.

The markets have little patience for experimentation, or for policy choices which do not fit into the approach excepted by international investors.

I would like to caution that it is often easier for government to make new laws, then it is to implement programmen in it is to implement programmen and to deliver services. I believe that we need to place a much greater focus on implementation. If we can do so effectively, we have the ability to "eaging" over many other competions in the quest for foreign capital. However, this process requires not only that we demonstrate the resilience of the comomy, and the general appropriateness of the macrocomomic policies which we are following but also that we address the specific duallemges facing our country with greater reling our country with greater re-A consequence of this is that there will be a re-evaluation of the criteria by which investors judge investment destinations. It is important that we continue to see from the organization and the crisis to emphasise why this country is different from the other developing economies; why the risks of financial collapse are less; why we have more to offer foreign investors. crisis in Asia.

On the question of possible mergers, the impression is falsely created that Sacob is intransigent Sacob remains willing to explore options of whatever kind to promote even closer collaboration

with sister bodies. Already there are closer working relationships among locally racially-based busis, ness structures.

He is simply the true, as is offer implied, that Sacob is opposed to the deradalisation of business as sociations. We are committed to normalising the racial composition of business organisations but are deeply aware of the sensitivistics that exist.

This will have to remain as

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evolving process.
Serob is proud of the leadership red it has sought to play in
promoting affirmative action and
the deracalisation of the ownigrship of business. We also want to
see accelerated upward mobility
in the workplace through focused would now like to turn to the

education and training.
Reconcilistion between various groups will be significantly the hanced if the wealth generated and the pick erecated can be shared in such a manner that it provides in such a manner that it provides in such a manner that it provides a significant improvement in the lot of the recently enfranchised.— without threatening the existing

tempts to position ourselves for the future must be consistent with a wision for our country, where un-employment is decliming, absolute poverty is reduced, and all citization are able to develop to their full Delieve that ultimately our at

It is incumbent upon us, as the business leaders, to demonstrifte that market orientated policies can be reconciled with the attain-

ment of these goals.

New brothologies and the nigw world order not only offer nigw world urder not only offer nigw business opportunities; they also pose threats to some existing businesses and to some industry fertors. But we should resist the temperation to isolate ourselving solve and urgency.
I have often been saked: firstly,
when will business organisations
speak to one another; and secondily, when will racially based busi-

SA most face up to the cital-lenge of doing well while duing good — because this is the city sustainable way of dealing with our societal problems. Irrespéc sions, nothing good can happen? our society without a sound eg nomic environment.

In reply to the first question, let me say that business organisations are regularly talking to one another — both inside and outside

☐ This is an edited version of Khoza's speech to Sacob's annual convention in Durban yesterday²

Shaky shares sabotage black empowerment ANALYSIS

Black empowerment in SA has been the biggest casualty of the turmoil in global financial markets, writes Victor Mallet

THE turmoil in global financial markets has structured by the pared SA. with the Johanneabury Stock Exchange's all-bare index down 40% from its plant to raise capital. Among new listings that have been deferred mer those of Oyedor of Sappi, the paper group.

But the biggest casualty is 'black empowherment'. Scores of Politically sensitive deals designed to give black South Africana a stake win white-dominated corporations are at risk of prices and manageable interest rates.

If shere prices do not rise sharply in 1999, Si westment companies will forfeit their foothold of the balls that in corporate SA and the shares will revert to sthe beause that the incompanies will forfeit their foothold of the balls that financed the deals.

One of the biggest transactions involves en the holding company headed by Cyril ps Remaphosa with media and brawing interests of the balls that financed the deals.

One of the higgest transactions involves en the holding company headed by Cyril ps Remaphosa with media and brawing interests in Remaphosa with media and brawing interests in erste to hack share holders two years agon.

The National Empowerment Consortium an regotiated the R2,75n purchase of a 35% fa

k but the price has recently been languishing at his R25 a share and needs to more than triple of which may sear if the deal is not to unravel.

The core of the problem lies in the structure of black embrewarment transactions, which he had entrepreneurialism. What normally had entrepreneurialism. What normally wants black entrepreneurialism. What normally wants black abstracted structure is wants black and structure to black entrepreneurialism. What normally wants black abstracted structure is wing overnment contracts, perhaps to help it be wing overnment contracts, perhaps to help it be to bligation to the new SA.

The potential owners have no money, so the contract of the con

financial institutions — such as Investee or Skandard Corporate & Merchant Bank — establish a "special purpose vehicle" with a life of three to five years to handle the "black"

This vehicle, established with a mix of preference and ordinary shares, gives blacks only a conditional form of ovarreship in the complemy. They must service their debt out of dividend flows and must typically repay the principal by selling some shares when the vehicle is wound up. But the whole deal depends on sharestablish increases in share prices. If they fail to rise, the lenders end up claiming their

black owners get nothing. "These are extremed it black owners get nothing." These are extremed at a Johanneshing-based hank. "You have go no it a Johanneshing-based hank. "You have go no ben done in the first place."

With all investments and a black empower of the shortest of the shortest of the shortest of the shortest of capital in black ment expert, says there was little alternative hear market could set back empowerment by the shortest of capital in black bear market could set back empowerment by so wo or three years and make unonense of fig. as two or three years and make unonense of fig. and the shortest short

among black businesses," says Andrea Brown, empowerment specialist at consultancy Brasi-nessMap. "Although black companies might not put in much capital, and the investments are ring-femosi, there is still this expectation that black companies will be able to build up capital of their own — and they are not doing

that, she said.

SA bankers are now shying away from new rempowerment deals while they assess how to greate those already started. One possibility, sepecially for high-profile arrangements such as the one involving obloming, is that loan replyment periods will be extended so that shareholdings are eventually thanselered to hack ownerships so originally planned.

In the meantime, everybody who is involved—black excutives, white-controlled praying for a market upturn.

I worked—black executives, white-controlled praying for a market upturn.

Jeach Modies, Johnnie finance director, desys the dismay over empowerment is an event after the level it is at mow at the time the empowerment grown may gray an end to repay, yes, that would the says.—Financial Times.



RAMAPHOS/

of hostile environment \$\text{finda Ensor}\$ Linda Ensor \$\text{Opportunities for business training,}\$ Small businessmen tell

CAPE TOWN — A litany of complaints by small businessmen about the hos-tile business environment in which the labour department yesterday dur-ing its Western Cape public hearings they have to operate was presented to on next month's job summit.

The obstacles the entrepreneurs cited were also highlighted in a Democratic Party (DP) document released cro-enterprises, which it will submit to yesterday outlining the party's proposals for fostering small, medium and mi-

Small clothing manufacturer Des-mond Demas told the hearing that his business had been crippled by his inability to obtain finance from big banks because he failed to meet their stringent lending criteria.

"The banks cannot apply the same criteria to established and emerging icised established businesses for their businesses," said Demas, who also critbias against emerging enterprises.

"There is no risk or venture capital in SA," he said.

Other submissions dealt with the small businesses who were not party to industrial and bargaining councils, the wage agreements of which covered obligations" imposed "onerous

straints on small business — a lack of The DP identified two broad con-

skills, finance and information, and an onerous legislative system.

moved and consideration given to legislation along the lines of the US's Regulatory Flexibility Act and Small Business Regulatory Enforcement It recommended that red tape be reness owners to challenge bureaucratic Fairness Act to empower small busirequirements.

Other proposals included repealing the limit on interest rates regulated by the Usury Act, to make finance more available, and the creation of "one-stop licensing shops" at which would-be entrepreneurs could simply and quickly complete the formalities required for setting up a business

ployees of small businesses should be entitled to give up their rights under certain specified sections of the Labour Relations Act and the Basic Conditions The Democratic Party believed emof Employment Act, for example, those relating to overtime pay and hours of

It also recommends that small and medium-sized businesses should be exempted from collective bargaining agreements to which they were not party

Meanwhile, the department of trade and industry will be holding workshops in all provinces until December as part of a review of the regulatory framework for small business.



Gauteng Housing MEC Dan Mofokeng says Gauteng is leading the country in the delivery of low-cost housing. Of the natignal farget for low-cost houses, the province has delivered a third.

Real power is economic

R250-m spent on southern 16/10/98 black business

By Isaac Moledi

ELKOM has spent more than R250 million on emerging black entrepreneurs in the last six months, compared to R240 million in the whole of last year, chief executive Sizwe Nxasana announced yesterday.

Releasing the telecommunication giant's interim results, Nxasana said as Telkom's procurement policy spread among a larger supplier base, more than 450 black contractors gained from the company's R9,75 billion capital budget.

Besides the company having awarded R256 million worth of business to emerging black business in the last six months, a further R626 million was spent with large suppliers with significant black shareholding between April and September this year.

On target for the year

According to the company's chief operating officer, Mac Geschwind, all of Telkom's service indicators are on target for the year.

The digitisation of the network was progressing rapidly and in the past six months Telkom had replaced more non-digital lines than in the whole of the past financial year, he said.

Geschwind said more and more villages were being connected to the network each month and significant progress had been made in reducing waiting lists.

The rate at which it repaired faulty lines had dramatically improved and



Telkom chief executive Sizwe Nxasana.

the semi-parastatal was installing new telephone services faster than ever.

Geschwind said that in the first six months of the 1998-99 financial year more business and residential faults were repaired in less than 48 hours compared to last year, and that the performance in installing new business services was equally encouraging.

Telkom has undertaken to lead South Africa into the next millennium as an effective global competitor and to do this, the company planned to increase the number of lines installed from 4,2 million to seven million.

"The rising customer service levels is the cornerstone on which Telkom's drive to become globally competitive is resting." Geschwind said.

Economy & Business

NAFCOC

TAKE THE GAP

Young find better pastures

or decades it served as an outlet for the aspirant black bourgeoisie and had the potential of becoming "the" business organisation in post-apartheid SA. But the National African Chamber of Commerce & Industry (Nafcoc) has, ironically, failed to adjust to post-apartheid SA. Increasingly doubts are being cast over its relevance.

Nafcoc was formed in 1964, at a time when it was illegal for black business people to operate outside townships and homelands. It was expected that under a friendly government it would be in a prime position to offer business leadership. This, however, has not been the case.

Though it has the membership numbers (156 000), Nafcoc has become an insignificant spectator in the business world, leaving traditionally white business groups such as the SA Chamber of Business to determine the agenda.

Since the departure of Sam Motsuenyane - considered a father figure in the organisation - from the presidency in 1991 Nafcoc moved into an era dominated by bitter leadership battles.

In addition to personality clashes, these battles pitted the "old guard" against the "young lions". Battle lines were also drawn along ethnic and regional lines.

The infighting meant that Nafcoc failed to take advantage of the changed environment. Instead, it lurched from one crisis to another, driving away the emerging black elite which has found more agreeable environments in organisations such as the National Business Initiative and The Net-

At first glance, the latest crisis in Nafcoc - precipitated by the resignation of secretary-general David Mokoena two months after his election - might be

traced back to elections held in the run-up to the organisation's AGM at the beginning of September. The NEC (comprising seven office bearers and three additional members) is elected by the Nafcoc Council prior to an AGM every second year.

But a closer look suggests Nafcoc is suffering from a deeper malaise. At its core is the issue of who controls Nafhold, its investment company.

relatively well since its in- power ception four years ago, investing in a broad spec-

trum of sectors ranging from gambling to media interests. It has net assets worth about R50m and CE Mike Leaf believes it could be listed by September next year.

Technically Nafhold is run independently of Nafcoc. However, elected officials view it as a useful body through which to wield additional power.

Sources say Mokoena's resignation is calculated to pressure the new president Steve Skosana and the executive into making the immediate past president Joe Hlongwane executive chairman of Nafhold.

Hlongwane, who is described by some of his colleagues as a "good organiser and fund raiser, but with a dictatorial leadership style", lost his presidency to Skosana in August. He even failed to get on to the NEC.

Nafhold has been doing Joe Hlongwane . . . jockeying for

Hlongwane has been non-executive chairman of Nafhold since 1994. He is pressing for the creation of an executive chairman post - a job he wishes to fill. It appears he has Skosana's approval for such a move.

> However, Mokoena and his faction are against the idea. It is unclear how much support Mokoena has. The only region known to back him is the Eastern Cape where anti-Hlongwane sentiment runs high. The province boycotted the last AGM.

The latest row has prompted analysts to ask whether it signals the end

of the road for "the ancestor of black business". Alternatively, the crisis could bring the organisation back to its senses.

It may be too early to write Nafcoc's obituary, but the organisation certainly will not have long to live if its leaders fail to provide the medicine that will get it out of intensive care. Mzimkulu Malunga



BUSINESS Whites still dominate boardrooms

Black directors on the increase

Johannesburg — Black directors have significantly increased the number of directorships they hold in the past three years, according to Robin McGregor of the reference book Who Owns Whom.

But McGregor's research shows that overall trends in the world of directors have not been encouraging, with a sharp increase in the number of multi-directorships held from 59 in 1995 to 168 in 1998.

White males still dominate the boardroom, but black males are making steady progress.

line with the disturbing custom that dominates the South African corporate scene: individuals holding more than one directorship.

In 1995 only 13 black males held more than one directorship. Three wears later, 38 black males hold more than one. Of these, three hold more than 10 directorships.

But black males have a considerable way to go before they catch up with their white counterparts on this score: 32 white males hold more than 10 directorships and Anglo American directors on the

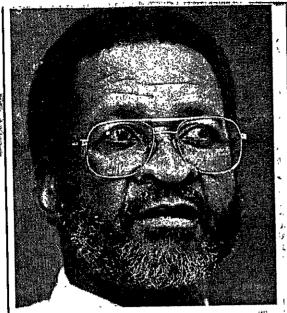
STRETCHED Real Africa's Don Neube sits on 12 boards

list: Les Boyd, the Amic chairman, is on 20 boards; Mike King, the Anglo finance director, sits on 18 boards; and Rupert Pardoe, the Anglo executive director who is a newcomer to the directorship stakes, sits on 15 boards. Three years ago he sat on only one.

Black maless who are looking a bit stretched in terms of board representation are Kagiso's Eric Molobi, on 15 boards; Real Africa's Don Ncube, on 12 boards; and Nail's Cyril Ramaphosa, who sits on 10 boards.

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ERWIN

KHOZA

Urgent transformation of business sector encouraged

The recent Sacob conference in Durban focused on issues that would take business into the new millennium. Stan Maphologela reviews the issues raised

THE latest SA Chamber of Business (Sacob) conference held in Durban last week focused its energies on issues to take the country into the new millennium, including the transformation of labour and management relationships and government policy.

All too often at Sacob conferences there has been no clear direction, but this year's event was characterised by heated debates about labour, business and the economy. The question remains—did all the burning questions get addressed? Perhaps it is too early to find answers.

With the amalgamation of SA's racially based business organisations into a single umbrella body still a long way off and black oriented organisations such as the National Federated Chamber of Commerce and Industry (Nafcoc) still outside Business SA, the transformation of SA business remains imperative.

Despite arguments by Sacob and Nafcoc in recent months that it is still premature and unrealistic to create a single voice for business, foreign investors do not have time to wait for it to happen or to understand those arguments. Business should begin to unite and influence transformation before is too late.

For foreign investors, this is problematic because SA is no longer perceived as a polarised country subsequent to the political developments of this decade.

This was a sentiment shared by most of the main speakers including Trade and Industry Minister Alec Erwin.

He said: "It is important that business should start to unite and speak as one social force."

Labour market flexibility, one of the hottest issues debated at the conference, remains a major chal-

lenge for both government and business. In more ways than one, delegates displayed concern about the structural deficiencies of the economy, and rigidities in the labour market in particular.

Sacob president Humphrey Khoza told the conference that the case for labour market flexibility rested on the fact that it was only with such flexibility that individual economies would remain attractive to investors and would be able to adjust to shocks in the global economy.

global economy.

However in assessing the current state of the labour market, attention should not be diverted from the legacy of inequality and discrimination in jobs and incomes. The difficulty is that some of these inequalities were not caused by labour market measures alone but founded in broader economic and social factors.

Government's macroeconomic strategy also focuses on the labour market. However many of the main components of the policy have not been implemented. Properly implemented and in the absence of unanticipated negative external developments, the strategy should raise SA's economic growth rate and help to reduce unemployment.

A feeling persisted among delegates that most of the labour laws passed over the past year were inconsistent with the strategy's objective of achieving structured flexibility within the labour market and significant employment growth.

Somehow a way must be found to provide business with an incentive not to strive towards ever more capital intensive methods at the expense of labour. However this was a tough issue given the crippling effect of recent strikes staged all over the country.

Like past meetings, this year's conference had motions on issues of particular concern to members which had also been raised with government.

Only the motions on the tax environment and country's transport infrastructure were adopted unanimously.

The tax motion was about SA's tax burden, which was viewed as too high and as a constraint on growth and foreign direct investment. The conference urged government to review certain tax issues as they adversely affected the economy and the cost of doing business in SA. These were the current ratio of tax revenue to gross domestic product compared with the stated target of 25%; the consequences of additional proposed taxes, levies and surcharges; and the administrative and capacity problems experienced by the SA Revenue Service.

The motion on the transport industry urged government to plan for the development, construction and operation of transport infrastructure which would integrate ports, international airports and land border crossings with railways and roads. Particular emphasis was placed on the development of corts.

ment of ports.

The Sacob conference also addressed the forthcoming jobs summit. The business community has targeted almost R1bn for job creation while government has budgeted for more than R800m for labour intensive infrastructural development over five years.

Business, as a key player, will be expected to come up with job creation initiatives in what is expected to be a heated summit.

pected to be a heated summit.

This will be the first opportunity for business to show that the debate at its conference was more than just hot air.

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MATT GETZ

MARKETS EDITOR

sources."

son Mandela had nothing but sults yesterday, but he again praise for white business at the singled out the media for being release of the 1996 census re-Johannesburg — President Neltoo negative.

around the country, organising schools. He said he was ensuring that the buildings they put up were fully stocked

support to build clinics and

ment," he said. "The response r. Venter had been instrumental in has made me admit that I did 'building many schools. in 1990, I have said to the prinot really know what the feel-"Since I came out of prison vate sector that they must help us build facilities for developing was in the country.

"I never knew white business would respond so positive-

They were in general playing a selves as a privileged minority critical role in transformation. ly, where they all share their re-He said that this year alone he had taken 30 business people

"the media and analysts ment. We were taken literally yet we have delivered services as no government before us has He also criticised the media culties (we encountered)," he iudge us more severely than they did the apartheid govern-But "those parties who keep the idea of whites retaining ing in a fool's paradise," he said. "Notwithstanding all the diffifrom the bush to run the country, their prívileged status are liv analysts unnamed said.

the chairman of Altron, the elec-

tronics group, as among the first to respond to his call and said

— not just four walls and a roof.

He singled out Bill Venter



spending patterns to take into account the new population figures PHOTO, JOHN WOODROOF at the release of the 1996 census results that he would review state HEAD COUNT Finance minister Trevor Manuel said yesterday of 40,6 million from an estimated 37,8 million

We ought

On a broader front, Mandela said most white people had

shown a strong desire to get over the past and stop seeing them-

complimented."

Wage strike dying Director's out, says

suspension investigated

By Mzwakhe Hlangani Labour Reporter

THE long-running wage strike by about 3 000 members of the South African Commercial Catering and Allied Workers Union (Saccawu) is reportedly fizzling out after mediation

talks failed last weekend.

Edgars group human resources director Nigel Unwin said yesterday only 37 percent of the striking Saccawu and Federal Council Retail and Allied Workers Union (Fedcraw) members were still on the strike.

Out of 605 group stores throughout the country, about 20 stores constituting 3,3 percent of the total store

Major distribution centres in Johannesburg, Durban and central stores have since been closed, Unwinalso said.

The Saccawu executive could not

be contacted yesterday for comment as NORTHERN Province transport the time of going to press. MEC Aaron Motsoaledi said yes-

union had suspended its strike pending suspended from work with full pay the outcome of the current mediation. 15 months ago.

tion would be conducted at a meeting scheduled for Sunday.

mediation, which were rejected by the preceiving a R22 288 monthly salary. unions, included a guaranteed once—He said: "The suspension has cost off bonus or R250 payable at the end Christmas bonus.

Also tabled by the company is a base, have been affected periodically once-off incentive bonus of R250 action against government officials by the strike action. linked to the group achieving its com-should be addressed because of the bined sales budget for the months of loss incurred in taxpayers' money. November and December this year payable in January 1999. 🔑

Edgars also offered a minimum wage of R1 500 a month.

Federaw spokesman Mr Nah terday that he would investigate why Ketlele said union members who were no further action has been taken still out of work were those who were against his chief director, Mr affected by the company lockout. The Michael Machabaphala, who was

outcome of the current medianom.

Ketlele said a review of the situal year after he was implicated in corver a video duplication He was suspended on July 8 last ruption involving a video duplication The company's proposals at the company and has since been

the government thousands of rands. of November in addition to the The man should be doing his job in the office while being investigated."

He said the delay for disciplinary

Former transport MEC Mr Johan Kriek said the investigation should have been finalised within two months of his suspension. - Sapa.

Managing the future

NSURING meaningful empowerment, economic prosperity, sustainable growth and global competitiveness is the only the way forward for South Africa in preparation for the new millennium.

This is the view of the Black Management Forum (BMF) president Lot Ndlovu.

"A visible commitment to the economic regeneration of the country is of critical importance if we are not to be marginalised by the world economy and to ensure we taking charge of our own destiny," Ndlovu said.

Delegates to a recent BMF conference left knowing that turning back to Africa for moral inspiration and renewal would offer solutions to complex political issues, principles of equality and the real construction of modern, functioning democracies.

The conference, held in Mafikeng last weekend, was marked by two days of self-evaluadiomand rededication to real transformation, development and empowerment by black managers.

Employment equity, black economic empowerment, economic growth, creating tomorrow's advantages through global competitiveness, business ethics, morality and the law were the appropriate focus, under the broad theme of the African renaissance.

Seemingly the BMF was conscious of these shortcomings as speakers emphasised that real transformation was impossible without creating new a culture and facing challenges head on.

National Council of Provinces deputy chairwoman Naledi Pandor pointed out that the advent of democracy in South Africa had tabled a new set of agendas for the country.

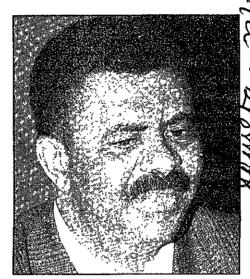
"The long period of repression created a situation in which those on top believed they had a right to lead and own, while those who were oppressed internalised the right to resist and perhaps the belief that it was now their turn to be on top and acquire ownership."

Commitment renewal

Pandor said attempts to give content to the African renaissance were central to the agenda of socio-political and economic transformation. The successful manager will have to actively give effect to the content of this concept and this implied a renewal of commitment.

A style of leadership suited to changing societies meant a great deal of transformation was needed in corporate institutions. The development of imperatives required the creation of new partnerships and well-crafted programmes and plans, she said.

Pandor stressed that the arrival of international companies mandated the production of new ideas and the end of protection had introduced global players, some of whom embarked The Black Mangement Forum has been demanding equity in the workplace since 1976 and is now looking to the next century, writes **Newakhe Hlangani**



Minister of Labour Shepherd Mdladlana praised the Black Management Forum for its contribution to the new Employment Equity Act.

on transformation 15 years ago.

The constitutional recognition of equality and legislation reflecting this means corporate leadership, authority and policy must change.

Professor Willie Esterhuyse of the Stellenbosch School of Business warned that South Africa's holistic transformation programmes would never succeed unless corruption was eradicated. Corruption was a socio-economic factor which undermined capacity for the development of the poor.

Esterhuyse spoke about white-collar crime which mostly involved management. He described these crimes as economic sabotage.

He said that "crime syndicates are out to challenge the legitimacy of the state", pointing out that corruption in organised syndicates was a strategic issue.

Minister of Labour Shepherd Mdladlana showered praise on the BMF for its active contribution to the development of the employment equity policy and drafting of the Employment Equity Act, which was signed into law by President Nelson Mandela on the day of the address.

"It is correct that an organisation like the BMF, which has fought for employment equity and affirmative action in the workplace since 1976, should have a place at the negotiating

Repression created a situation in which those on top believed they had a right to lead and own

table for this new law.

"I hope that partnerships that have developed during these negotiations and discussions will continue into the future."

Mdladlana also explained how the Government took the initiative in introducing legislation to unscramble the apartheid configuration of the labour market with regard to equity, and replace it with a structure that serves macro-economic interests and improves efficiency and competitiveness.

"The object is not merely to reverse discrimination, but to provide access to employment, promotion and training and where it was hitherto effectively demed."

He further explained that it would be suicidal for the African National Congress Government to ignore the skewed situation.

Required to intervene

The Government is required to intervene in the labour market to facilitate the access of previously disadvantaged people to economic power in every sector, level and institution.

The challenge for Africa is to bring to an end its marginalisation in the world economy.

The employment equity legislation should be embraced and made a vehicle for black managers to empower themselves – and for all people who for so long have been denied participation in the workplace and in the economy.

Mdladlana's main message was that the management forum should help to inform and educate corporate leadership about the act, monitor employers' compliance and contribute to the development of a code of good practice.

The national conference resolved to immediately establish a joint venture with a black consulting firm to actively promote transformation in companies and monitor the appropriate performance of companies in implementing the Employment Equity Act.

Small business often left to go it alone Patrick Wadula (30) M 23/10/48 Focus groups would explore entrepreneurial growth finance

THERE is little dedication to supporting small business once it enters the growth phase, despite efforts to promote entrepreneurship, says Sharda Naidoo, Alliance of Microenterprise Devel-Naidoo, opment Practitioners executive director.

Speaking ahead of the alliance's second annual conference, to be held in Muldersdrift next week, she said that, given the tremendous growth in the number of microenterprises over the past few years and the continued limit of support services offered to them, there was a need to help new entrepreneurs overcome difficulties in the growth phase.

Naidoo said the conference,

with a presentation by entrepreneurs who had experienced or were experiencing the challenges of growth.
"The alliance has established

that despite regular contact with entrepreneurs, practitioners do not use consultative processes of-ten enough to inform their work," she said.

Presentations on frameworks for growing entrepreneurs would be made by microenterprise experts from Deloitte & Touche, Ebony Consulting and Moropa Information Management

Other speakers would be Anglo American Corporation's Clem Sunter and SA Nongovernmental Organisation Coalition Safoora Sadek.

Focus groups would explore entrepreneurial growth finance, business services and policy.
Naidoo said the alliance was a

membership association of SA organisations and individuals working in the field of microenterprise development.

These included small underresourced nongovernmental organisations (NGOs) based in townships and rural areas. Others were established NGOs, private companies, provincial development corporations and large and small banks.

The alliance, which was formed four years ago, provides services in areas including advocacy, ca-pacity building, networking, information and publications and building standards.

Microenterprise alliance to step up aid initiatives

THE Alliance of Microenterprise Development Practitioners is to double its efforts to assist small and microbusinesses following the recent liquidation of the National Small Business Council.

Lance Japhet, Hollard Insurance's community development trust director, said yesterday at the alliance's second annual conference held in Muldersdrift, that where possible the alliance would assist small, medium and microenterprises in making their voices heard, especially by government.

The alliance draws its membership from small nongovernmental organisations based in townships and rural areas, established nongovernmental organisations, private companies, provincial development corporations and large and small banks.

Alliance chairman Chris Hock said for the sector to make a real contribution to poverty alleviation and economic growth, it would have to do 20 times as

much as at present.

He said networking at all levels was essential. These included microenterprises and other members of the alliance. Hock called on alliance members to persuade donors to see themselves as investors rather than dispensers of charity.

He said alliance members had to focus on their core competencies and not try to be all things to all people. "Training in this sector has to be specific rather than generic," he said.



Patrick Wadula



New lending plan to assist SMMEs

RAVIN MAHARAJ

Durban — The National Productivity Institute (NPI) would launch a new microlending scheme for small, medium and micro enterprises (SMMEs) at this week's presidential jobs summit in Midrand, Aubrey Tshalata, a director at the institute, said yesterday.

Tshalata said the scheme was put assembled by the trade and industry department, Ntsika Promotion Agency, Khula Enterprise Finance and business banking partners. It would offer funding of between R10 000 and R50 000.

The establishment of 28 additional business advice centres around the country, along with several other developments, would be also be announced at the long-awaited summit.

Tshalata was speaking at a growth delegation for SMMEs that was attended by a 15member delegation of Swedish industrialists, management experts, entrepreneurs and advisers. They are here to form strategic alliances between South Africa and Sweden for the economic growth of SMMEs.

Other partners in the process included the Ntsika Promotion Agency, the Swedish International Development Corporation Agency (Sida) and the NPI.

Discussions about a mentorship programme for SMMEs had reached an advanced stage, and would also be discussed at the summit.

Regarding spatial development initiatives (SDIs), Tshalata said the trade and industry department would be taking a big package of job opportunities to the summit but there was concern whether SMMEs were sufficiently involved.

SDIs are economic zones within southern Africa that have been identified within the department to create jobs and attract direct investment. 4

Union threatens nationwide sympathy

strikes if latest round of talks fail

BY EDDIE JAYIYA

dgars management and union leader union leaders were locked in talks with the Commission for Conciliation, Mediation and Arbitration a secondary strike by yesterday in a bid to end the five-week-long strike and foreabout 200 000 workers nation-Union heads and company

stall

round of mediation to try to remercial, Catering and Allied Workers' Union (Saccawu) at management met for a third solve the current impasse on wages and working conditions. Members of the SA Com-

country were waiting to see if they would be called out in supvarious companies around the The initial dispute between port of Edgars workers.

the union and Edgars was declared by the union, which recision not to grant salary increases in the current finanfused to accept the group's de cial year

tions co-ordinator Lee Modiga said: "The union leadership has resolved to embark on a secondary strike which will involve about 200 000 members Saccawu national negotia

picketing, sit-ins and sleep-ins within the Edgars-group stores. The tripartite alliance (ANC,

ooycott," Modiga said.

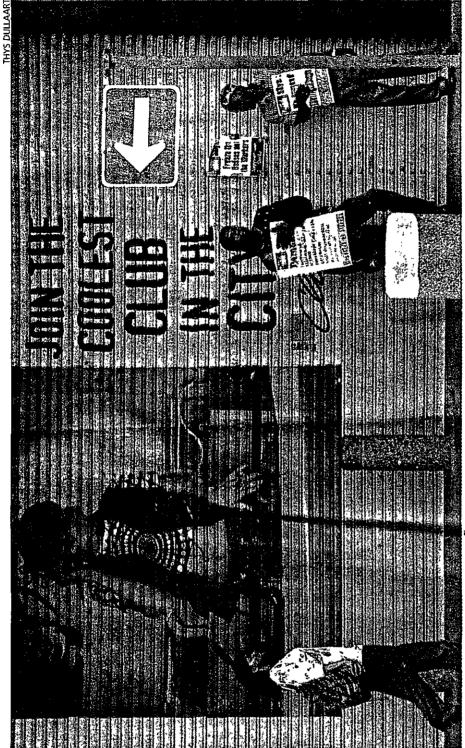
Clover was not willing to budge. "Clover is using the courts to force workers to reprove the claims." He added that Fawu wanted to settle. lid not go well on Tuesday and their application, which claims ent. But they have failed to turn to work. We have opposed that the strike is becoming vio-He said talks at the CCMA

corporate services Dr Bokkie van Heerden said: "We are de-termined to end the strike." Clover group manager of

nationwide, from all companies that have Saccawu members.

"The action will include Cosatu and SA Communist ne asked to join the action. We will petition all Edgars cus-We will also call a nationwide Party) and Sanco (the SA Nacomers to support the strike. ional Civic Organisation) will

impasse is sorted out, according to a senior member of the Food and Allied Workers' Union (Fawu), who did not want to be named. The seven-week-long Clover strike could be settled before the end of the week if the latest



्र Hard-times club ... Edgars workers solicit chanify from Johannesburg shoppers as their five-week-long strike begins to hurt.

By Epote Jayrya

ter being on strike from the Khetha Mbatha is penniless af Edgars group for five weeks.

A salesperson at the Edgars Mbatha is relying on his mother's pension grant to sup-port him and his three school-Sales going children. subsidiary,

The strike has affected Edgars-group stores including Sales House, Jet, Cuthbert,

It's a just cause, says struggling father of 3

Retail apparel stores such as Smart Centre, Bee Gee, Patrick Arthur Kaplan have also been Daniels, Guys & Girls and Edgars and Edgars Kiddy. affected.

"The strike is beginning to bite," Mbatha, a member of the South African Commercial, Catering and Allied Workers' Union, said outside the Eloff

Mbatha was adamant that they to pay low wages and freeze inwere fighting for a just cause: "We cannot allow management Despite the hardships "I am grateful that my mother is using her monthly grant to support the family I don't have to explain the rea sons for the strike to my child ren. Things will be much Street Sales House yesterday.

"It is unfair to pay managers bonuses, while the company ignores our calls for an increases for two years. tougher if the union and the company don't settle at the Commission for Conciliation, Medi ation and Arbitration today."

"We need money to support

our families. Transport costs have escalated, but our wages are still low.

"We embarked on a march out management ignored us. We then used August and Sepember to picket and, when nanagement did not respond, hen we went on a full-blown in July to highlight our plight,

"We would rather be on the street than continue to accept strike on September 28.

Edgars wage meeting drags on

Themba Hlengani

(30)

Said she also expected the meeting to
go on until late last night.

The month-long dispute began

A MEETING to resolve the month-long wage dispute between clothing retail group Edgars and two unions representing almost 20 000 workers went on until late last night, with one union official saying it might take the whole night before a decision was reached.

The SA Commercial, Catering and Allied Workers' Union and the Feder-ated Council of Retail and Allied Workers met Edgars group management for the third round of negotiations mediated by the Commission for Concilia-tion, Mediation and Arbitration.

The two unions and Edgars management failed to resolve the dispute during a similar meeting last week.

After more than five hours of talks yesterday, one official said that there was no sign of progress.

Earlier, a spokesman from Edgars

The month-long dispute began when Edgars rejected the unions' demand for a 15%-20% wage increase. The demand, later reduced to 10% by the unions, came after Edgars announced a wage freeze after reporting a 28% drop in profit.

Edgars rejected it, saying it was "excessive" and "could lead to the compa-

ny's demise".

It proposed a once-off payment of R250 next month plus its usual Christmas bonus, followed by another bonus in January subject to the company keeping within the budget in the next two months.

In the meantime, workers affiliated to the two unions continued with their

demonstrations yesterday.

So far, the strike action has cost Edgars millions in lost revenue.

R700m for black firms

MATT GETZ

MARKETS EDITOR

Johannesburg — The Industrial Development Corporation (IDC) would provide up to R700 million in the year to July to black businesses through five new funding schemes, Thami Sondiyazi, the general manager for entrepreneurial finance, said yesterday.

The IDC is also exploring the sale of about a 20 percent stake to an equity partner, estimated to be worth as much as R6 billion, with a view to a JSE listing within the next three years. Although it is not in negotiations with any parties, a consortium is the most likely choice.

The five schemes, with very different emphases, are a fish harvesting scheme, a wholesale finance scheme, a low interest rate empowerment scheme, a takeovers and acquisitions scheme and a consortium finance scheme.

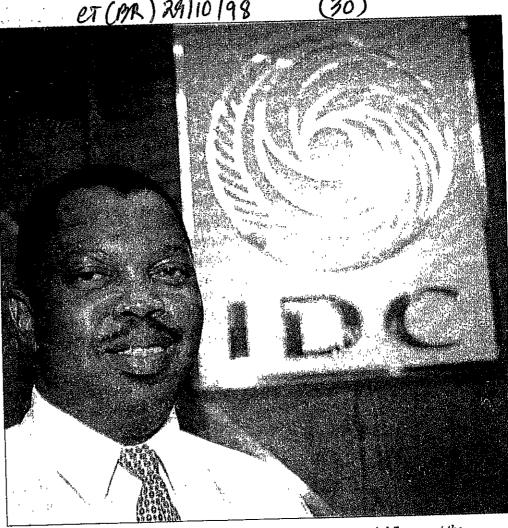
Sondiyazi said the IDC had budgeted to provide R400 million this year but would probably invest up to R700 million.

Already in the first three months of the financial year, the IDC had disbursed about R300 million to between 18 and 20 projects, many of them in the fishing industry.

"We have three main criteria for funding," said Sondiyazi. "In order of priority, a project must be viable, then we look at the management strength and then we look at the security they can provide."

The IDC is not as stringent or as risk averse as commercial banks. "I am the last person to criticise, the banks, but we believe there is room for calculated risk takers like the IDC," said Sondiyazi.

Nevertheless, the IDC will only provide loan or equity to people or groups who have a track and a credit record and



RISK TAKER Thami Sondiyazi, the general manager for entrepreneurial finance at the Industrial Development Corporation

who are prepared to put up their own capital.

"Our approach is two-sided. We want to facilitate people to get to the mainstream. That is what takeovers and acquisitions does. It does not create jobs directly," said Sondiyazi.

"Secondly, we concentrate on job creation, especially in the low interest rate scheme."

That scheme provides finance solely for small businesses wishing to expand or create new capacity, which will translate into more employment.

A similar aim will be served

with the wholesale finance scheme, under which the IDC has controversially lent money to McDonalds. That scheme provides money to companies or organisations which onloan the money to small and medium businesses.

"Whatever people do, if they are prepared to give business support and skills training, we will lend money," he said. The IDC was concentrating on industry, in areas such as bakeries and printing companies. "We want to say, 'Do not just go for the traditional, fashionable

empowerment deals, like IT, media and financial services."

The IDC is happy to work with the private sector. It has set up the Khomanani Equity Fund to house large investments in which members of the private sector participate. It will only be capitalised when the IDC goes on a roadshow next year, but Sondiyazi thinks it could be worth R2 billion.

In the meantime, he said he had received numerous informal approaches from financial institutions interested in doing business with the IDC.

SMMEs to get easy access to finance and resources

By Wilson Ramothata

THE small, medium and micro enterprises (SMMEs) sector will receive a major boost after the launch yesterday of a project management company to facilitate their access to resources and finance.

A support project management group, Maru a Pula, says it will help SMME consortiums in various industries to access credit and secure tendering contract from big businesses.

Speaking at the launch in Johannesburg yesterday the company's chairman, Gabby Magomola, said Maru a Pula was estab-

fished to get SMME enterprises to break out of the cocoon of being disadvantaged and to grow into potentially viable businesses.

"We are taking small businesses to new heights. Maru a Pula is breaking new grounds by lifting SMMEs from the syndrome of small projects employing five people to a new level where they can be entrusted with large projects worth hundreds of thousands of rands," said Magomola.

The company will focus on putting empower South Africations together consortiums of SMMEs, identifying large business opportunities and guar-between their clients.

Early this year the company put together a consortium of SMMEs to tender for a large printing contract with the Independent Electoral Commission.

"We will guarantee performance if we are satisfied that we have a consortium of players that have the ability to perform. I have a team of professionals with legal, logistical and marketing skills."

He said although the company was still at its infancy, 'its long term plan was to empower'South African small businesses to increase their output by creating trust between their clients.

ed the other statement at the plant of

'Victory for workers' as strike ends at Edgars

Johannesburg — Friday's settlement of the month-long Edgars Group strike at the Commission for Conciliation, Mediation and Arbitration (CCMA) was hailed by analysts as a "victory for workers", especially after management was apparently forced to back down from its goal of a two-year wage freeze.

Management had argued for a 1998-99 wage freeze following a 28 percent drop in projected profit margins. This had triggered the Cosatu-affiliated South African Commercial, Catering and Allied Workers Union (Saccawu) to threaten a sympathy strike that would have involved more than 200 000 Cosatu members.

Mafa Dhlamini, the Saccawu spokesman, said: "If we did not win this fight, all employers were going to slap us with a wage freeze."

"The unions must be delighted that they have won an increase, even though this would not be enough to offset the wages they have lost during the strike," said Andrew Levy of labour consultancy Andrew Levy & Associates

Dhlamini said the parties settled at a wage increase of R100 across the board, bringing the minimum wage for Edgars workers to R1 500 a month and to R1 450 for ShoeCorp workers.

This agreement would remain in force for six months to April next year when the parties would enter into another round of wage negotiations, he said.

A three-day grace period had also been agreed from today.

Nigel Unwin, the human resources director for Edgars, said: "We are delighted that we have reached an agreement and have been able to end the dispute between the two parties.

"The settlement agreed is within the reach of the financial constraints of the Edgars Group," said Unwin.

Big Maputo Corridor small business deal sealed

Nelspruit - The Maputo Corridor initiative delivered one of the single largest contracts yet to small business in South Africa yesterday with the granting of a R30-million contract to two small road contractors.

The 30-year construction and maintenance contract is part of a broader equity participation scheme between Maputo toll road concessionaire Trans Africa Concessionaires (Trac) and emergent contractors such as Vula Kabusha.

Vula Kabusha co-director Steve Skosana said at a caviar and champagne function in Nelspruit yesterday that the contract had been possible only because of government facilitation.

"Black economic empowerment is absolutely essential to rebuild South Africa, but it would all be window-dressing if there are no real technology and skills

transfers," he said "This deal, which took months

and a lot of hard bargaining to put together, offers real opportunities for such transfers.'

Empowering iust window dressing if no skills are transferred

Pointing out that Vula Kabusha was itself a joint venture between Vulakusile Africa and Kabusha Holdings, Skosana said emergent business had to learn to combine strengths and bargaining positions to win the really large contracts.

Kabusha Holdings representative and joint venture co-director Sipho Majombozi said the contract was the largest yet granted to a small business consortium and would serve as a model for similar future deals.

 However, Trac chief executive Trevor Jackson cautioned that the deal would create only an estimated 250 permanent jobs and roughly 900 temporary jobs.

"This is by far the largest small-medium-micro-enterprises contract to date, but will not in itself create too many jobs.

"What is important here, however, is the domino effect which our experts believe could create as many as 40 000 sustainable spinoff jobs along the length of the corridor," said Jackson. -African Eye News Service

Information Technology

GOVERNMENT TENDERS

BLACK EMPOWERMENT ENGINE NOT IN GEAR

m 13/11/98

Small suppliers lose out

rment and two

Government is failing abysmally in its stated objective of encouraging small black businesses in the IT sector. Of the R6bn spent by government and Stateowned corporations on IT and telecoms products and services this year, only R570m (9,5%) has gone to black-owned suppliers.

"Black empowerment has been a disaster. There are a lot of good intentions and make-you-feel-good statements, but government objectives of stimulating small to medium-sized black businesses have not been achieved in the information communications sector," says Simon White, joint MD of market research firm Forge Ahead BMI-TechKnowledge. He says the exceptions are the Gauteng provincial government, Telkom and Eskom, which are

The findings — outlined in Forge Ahead BMI-T's recently completed *Gear Up* study — also show that government's IT procurement lags behind the private sector's and is slipping behind developments elsewhere in the world in supporting innovation and entrepreneurship in the sector.

supporting small black suppliers.

Though the State Tender Board favours black-owned enterprises — out of 100 points, it allocates 88 points for a low price, 10 points for economic empow-

erment and two points for women empowerment — its strategy is not working.

"There is no macro-economic strategy to stimulate emerging entrepreneurs in the sector," says White. It's no surprise, therefore, that traditional IT vendors — who have the advantage of technical and financial expertise and are better able to absorb costs — win large chunks of government tenders.

White is in favour of black and white

partnerships but says there's a lot of window-dressing: "Black executives who are already well connected and rich are often brought on board at the equity level to open doors. The black shareholder often does not get involved at operational level, few skills are transferred to black employees and white managers continue to pull the strings.

"The problem is that these companies compete with real black companies under the empowerment banner," says White. "The losers are black entrepreneurs who are operating with a plethora of constraints." He adds it is critical that companies quantify their contributions in developing black skills.

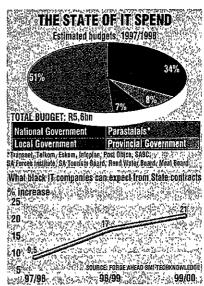
Government tendering policies were designed to develop black operational capacity and economic growth. Current practices fail to meet these objectives and there is no effective strategy to stimulate emerging entrepreneurs in the sector.

Black and white partnerships are expected to boom as a result of several large government projects such as the Health and Home Affairs national information systems, as well as the looming year 2000 (Y2K) problem, says research analyst Tebogo Makgatho. These projects will swell government IT spend from R5,6bn this financial year to between R6,5bn and R7,3bn in 1998/1999.

Of particular concern is the fact that about 850 local councils have not budgeted for Y2K and lack the necessary expertise to rectify the problem.

With a critical skills shortage — Forge Ahead BMI-T estimates that 250 skilled IT professionals leave SA each month — and the fact that major IT vendors are already booked up, it seems unlikely that local government will be Y2K-compliant in time

Marina Bidoli



CAPEARGUS ISSUES

Small-scale business equals big returns - a truth often ignored

Government spending will not solve jobs crisis

INSIDE STORY

The only way to solve South

Africa's employment crisis is to ensure that there are thousands more entrepreneurs setting up thousands of new firms and expanding those they have already opened. This is the contention of IAN **HETHERINGTON**, author of Heroes of the Struagle, an illustrated record of the lives and achievements of 15 black entrepreneurs who opened and expanded their businesses during the turbulent years of the liberation struggle.

Small firms in the United States create two thirds of new jobs and are responsible for more than half the technological innovations.

The situation is similar in all economically successful countries. It is entrepreneurs, too, that originate the wealth that governments then tax to provide income of the state.

In fact, the only creators of sus tainable, wealth-generating jobs are entrepreneurs, especially those in the small firms sector of the econo-

Of course, governments can create jobs, but they tend to be short-term jobs in temporary public works programmes, or wealth-destroying jobs in the bureaucracy.

And they cost money. There are several ways for governments to get the money. One way is to increase taxes - but this leaves less for the entrepreneurs to expand.

Another way is to print it · but that inevitably results in inflation, a form of taxation that hurts the poorest the hardest. A

third way is to pass on the cost to future genera-tions by borrowing the money and living on

South African governments have tried all these methods for

many years and have reached a dead

Tax levels are already extremely high, inflation is not yet under control and the Government is now close to falling into a debt trap. Together these have led to a climate so discouraging to entrepreneurs that unemployment has risen to cri-

The crisis cannot be resolved by asking Government to spend more. That would be to take the problem and offer it as the solution!



Jane Moeng: a widowed mother of three who fied the turmoil to Soweto in 1993 to return to her hometown, Kimberley. At 46 she started a small business supplying artificial and fresh flower arrangements to the community. She now has a dressmaking business as well and has plans to develop a protective clothing factory for the area

In the end, the only way to solve South Africa's unemployment crisis is to ensure that there are thousands more entrepreneurs setting up thousands of new firms and expanding those they have already opened.

Fortunately we have plenty of people gifted with the enterprising talents necessary to run successful businesses. Like other talents, musical or sporting, for example, enter prising talents can be encouraged. nurtured and developed

But instead entrepreneurs are bombarded with an ever-increasing barrage of legislation that curbs

The only way to

solve SA's crisis is to

ensure there are

thousands more

entrepreneurs'

their ability even to open a business, let alone to expand.

At the Job Summit on October 30, the Government pledged to pursue its recently announced National Small Business Regulatory Review

This, it said, "should contribute

towards improving the enabling environment by swiftly and urgently simplifying laws and regulations affecting small businesse

But in a last minute addition, not ed with representatives of the small firms sector, it took the gilt off the gingerbread by saying that in the meantime "only those SMMEs that comply with tax obligations and labour laws will receive state support" from the Government programmes that target small business-

Tax and labour laws run to hundreds of pages - and over 40% of South Africa's adult citizens are illiterate! With the best will in the world. educationally disadvantaged entrepreneurs cannot understand, never mind comply with such an overdose

of complex legislation. No wonder that they, and their anisations, are calling for a political champion in the form of a small firms minister in the Cabinet, and a bureaucratic champion in the form of a small firms commissioner to help the Government get out of their

A number of schools, private and public, are now introducing entrepreneurship education into their curricula and other activities, in one way or another.

One or two of the children have been so successful that they have roped in mum or dad as paid part-time employees to help with the bookkeeping or marketing.

One young man was asked whether his business was interfering with his homework. His instant response was: "No, it is the other way around. My homework is preventing me from expanding my business, to satisfy my market.

These programmes are great fun and popular with the children. They are welcomed by most of the parents, too. Everybody is aware that 90% of school leavers cannot find jobs

Now the fortunate ones are being



Ben Khoza: with not much more in the way of assets than the tools in his personal tool-box, Ben started a jobbling engineer shop in Richards Bay in 1996. A year later, the firm - Zonke Engineering - was employing 18 people and doing work for major companies like Richards Bay Minerals and Alusaf

Entrepreneurs are

bombarded with

legislation that curbs

their ability even to

open a business'

given a chance to learn how to make their own jobs by opening their own

Similar programmes have been run in prisons for young offenders soon to be released.

The success rate is high. Young criminals tend to be enterprising people who have used their talents to take them down the wrong path. With a little help and encourage ment, many of them can be out back on the right path.

Constant thirst for knowledge is one of the defining characteristics of entrepreneurs.

them For learning is a life long pursuit. So there is an ongoing demand for adult education in husiness skills and for business information and counselling.

In a few areas, private sector ini-

tiated Business Information and Advice Centres are meeting some of

Many more such centres are needed, particularly in rural areas. Ideally there would be one within an hour's travelling time of every entrepreneur in the country

The Government, through its Ntsika agency, is trying to assist, but it is difficult for bureaucracies staffed with civil servants to relate to those highly independently minded and perpetually impatient people,

the entrepreneurs.

If a racing car is kept too long on the starting grid, it selzes up, and it can't run on bottled gas.

Perhaps more business leaders in the corporate sector will assist as they begin to realise that a strong and vibrant small firms sector is in their interest too, not only in preventing unemployment from reaching socially disruptive levels. but also in creating customers and suppliers for their own organisations.

In all the successful countries of the world, big companies and governments have discovered that out-

sourcing and subcontracting to specialist small suppliers are highly effective ways to enhance economic efficiencies.

Typically the small suppliers have lower overheads and can

offer lower prices; frequently their service and delivery times are better; and they are a source of new product invention and innovation.

If South Africa is to become globally competitive, we will have to go down the same path.

Because of past history, there is an additional reason for South Africa to promote small-supplier development. It is one way to redistribute business opportunities to those previously suppressed and dis-

Green light for more small projects BD 17/11/98 Patrick Wadula

BUSINESS Partners, formerly the Small Business Development Corporation, approved 631 projects worth R292m for small and medium enterprises in the six months to October.

This represents a 70% increase in terms of value from the same period last year, when 528 projects worth R171m were approved.

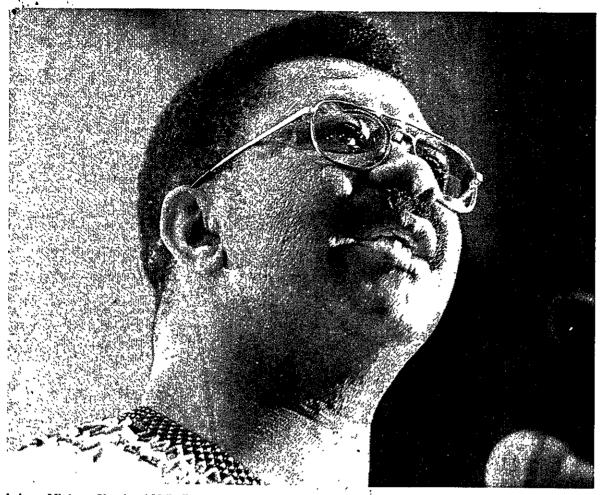
Business Partners MD Jo Schwenke said yesterday the approvals to date had facilitated the creation of about 11 000 employment opportunities, bringing the total since inception in 1981 to 500 000.

Schwenke said the year-on-year increase in investments could be attributed to the equity-based products the company had introduced.

The company's exposure in different sectors was 33,8% in industrial and 30,2% in commercial.

Service-related businesses including hotels, guest houses, restaurants, transport and storage services, financial intermediaries and personal services such as dry cleaning were at 36%.

Equity investments continued the high growth momentum since 1996, recording 31% by number and 45% by value for the period, Schwenke said.



Labour Minister Shepherd Mdladlana at the Midrand launch of the new Basic Conditions of Employment Act yesterday.

Picture: ROBERT BOTHA

'Act will not harm small businesses

LABOUR Minister Shepherd Mdladlana countered speculation yesterday that the new Basic Conditions of Employment Act — which came into effect yesterday — would harm small business.

At the launch of the act, he said a probe into the effect of the act on small business had "vindicated our view that the act would not have a significant effect".

Mdladlana said a ministerial task team proposed a special dispensation to grant small business some flexibility in implementing certain aspects.

A source said the task team did not concur with the investigation and in fact criticised it. The task team said that the act "may prove onerous for small business" if certain sections were not varied.

The Employment Conditions Commission — set up in terms of the act to replace the Wage Board — would focus on drafting sectoral determinations for the retail, civil engineering, security and cleaning sectors.

The agricultural sector came under the spotlight in the wake of weekend reports of the plight of farmworkers on an asparagus farm in the Free State.

Mdladlana said "a new law on its own will not help these workers". Proper enforcement had to be ensured and "gross disregard for worker rights" dealt with, he said. Under the new act, such a farmer could be fined more than

R300 000. 2 12 98

Corruption thrives in the dark spaces of govt

The minister would have us forget that in the case of the National Small Business Council R3m was 'spent recklessly', says DP leader Tony Leon

public officials have wide discreas the World Developconfirms: "Incentives for corrupt behaviour arise whenev-

Council (NSBC) and the cover-up by the trade and industry department reveals a case of corruption thriving on a lack of accountability. A look at the anatomy of the collapse of the National Small Business

Minister Alec Erwin would prefer us money was lost through serious mishe fact that Trade and Industry management of the council, primarily by its former CEO Monde Tabata. forget is that R3m of taxpayers failing in its mandate to assist small business. council collapsed as a result

Creditors of the council - some of which, ironically, are small companies — are battling to survive the blow of unpaid bills, while governhas reached a stage where the only way government could put things right without wasting more taxpay-ers' money is to call in the Heath spement has taken no action to recover the money owed to them. The affair cial investigating unit.

The department created the council through the National Small Business Act, 1996, and channelled public funds into this section 21 lobbying government in the intercompany. Its mandate was to proests of small business. The brief was wide and the controls were weak. vide a "big voice for small business",

of mismanagement and has attempted "damage control" ever since. In September last year, Deputy Trade council, it initially glossed over signs The department did not merely to keep proper control over the and Industry Minister Pumzile Mlambo-Ngcuka made a statement to the





partment had investigated the allegations against Tabata and found against Tabata by the council's manthat they were untrue.

mismanagement at the council.

ports to the department

In May this year the management The department's small business committee released a report detailing allegations of corruption.

first two financial and performance director, Elroy Dirks, responded that the department was pleased with the reports of the council and had not picked up any mismanagement or

An independent auditors' report

correct an impression that has been wrongly created. 'Misappropriation', according to the Oxford dictionary, means 'taken wrongly', using

amount misappropriated. y was astonishing: "I must

The reply was astonishing:

the full

another's money wrongly for one's own use. R3m has not been misappropriated within this meaning of a major part of this sum has been spent recklessly, without the per-mission of the department, on exthe word. What has occurred is that penditures such as travel, payment to consultant and honorariums." to the department in June identified serious financial and administrative found the council was insolvent and had presented falsified quarterly rebly by Democratic Party (DP) spokesman on trade and industry. Colin Eglin, asked Erwin what was A question to the national assem-

The minister neglected to men-tion details, such as that Tabata granted himself an unauthorised loan of R130 000, or that the travel expenses and other programmes ex-ceeded the council's budget by 353%

dered with the department's assistance. The deputy minister did not In effect, the R3m was squanin to defend Tabata against the aling to foreign donors for assistance. While this goes on, the departust look the other way, she stepped citating the defunct council, appeallegations. She is now intent on resus

The effect of this debacle on several small companies has been devastating. Thomas Molete Communisue of outstanding debts owed by corporate communicathe council under the carpet.

ment appears eager to sweep the is-

tions company owed more than R600 000 by the council, has been forced to reduce its staff from 20 to five employees. GES Courier Service The department insists it is not responsible for these debts because the council was a section 21 compa ny. Yet it accepted responsibility for council staff by paying them three month retrenchment packages.

abata has been allowed to slip away from the mess he created, so far uncharged and untarnished, into a high-paying job in the private sec-In this case there is no justice for business and no accountability for the public servants who were responsible

the law now has to rush in to void." In almost the same Deputy President Thabo Mbeki said: "Where morality has breath he undermined this principle by the cynicism with which it holds an anti-corruption summit while by leaping to the defence of Health Nkosazana Zuma in the chance to redeem government in the eyes of an electorate that is shocked covering up high-level corruption. I Sarafina 2 scandal. Now is should begin by Minister

and to identify the lines of accountability for the loss within the □Appointing the Heath special investigating unit to recover the R3m council and the department;

Firing Mambo-Ngcuka, who is ultimately responsible for the department's small business policy, as well as small business directors Dirks and Alister Ruiters and;

the council's creditors from any funds recovered by the Heath investigation.

Finally, this case presents an ideal opportunity for the newly appointed national prosecutor, Mlambo-Ngcuka's husband, to demonstrate his impartiality by prosecuting Tabata and other guilty parties.



R50-m EU boost for black enterprise

ARG 7/12/98

Pretoria - A R50-militon European Union grant for economic and social development

Technical and Business Education in South

grant for economic and social development in South Africa's black communities was announced at Technikon Northern Gauteng in Soshanguve today. Chancellor Cyril Ramaphosa said the

Africa. The money would be used to set up technology enterprise centres, which would develop technology-based small business firms in turn, said Mr Ramaphosa.

By Joshua Raboroko

HE introduction of the Basic Conditions of Employment Act (BCEA) could spell serious problems for the tenuous relationship between township employees and their bosses, sources said yesterday.

Trade unions said historically township employers were among "the worst payers and exploiters" in the labour industry - especially when it came to proper working conditions for their employees.

Township workers of all job categories - from fish and chips dealers to domestics - were not unionised and were forced to work 12 hours a day.

However, small and medium-sized entrepreneurs have argued that they were not given enough time to make an input when the Act was introduced, adding that it was only recently that the

state invited them to comment on the unions to organise workers in different legislation.

About 21 organisations comprisin retailers, undertakers, caterers, tav are to meet at the Standard Bank Jabu lani Hall on Thursday to discuss the

Range of Issues

president Mr Mxolisi Mabutho said the meeting would discuss a wide range of issues, including the new Act and Gear. Trade unions and civic organisations have been invited.

He agreed that there were workers who were forced to work long hours without proper remuneration but added that that black business' contribution to small business, which included townthe Act was important.

Congress of South African Trade Unions spokeswoman Ms Kim Jenkins said yesterday that it was up to trade work categories.

The federation did not have a defi-Onite policy regarding organising erners and professional business people workers in the townships, saying the matter was in the hands trade unions.

The South African Commercial and Catering Allied Workers' Union (Saccawu), representing most workers in the retail sector, said it organised Greater Soweto Business Chamber Workers in the townships but experienced problems when township bosses whreatened their lives.

Saccawu's Mr Brian Magaza said the Act would not be effective in the township if the state did not employ a more vigorous and a no-nonsense approach to the matter.

He said that in terms of the Act, ship bosses, would be exempted from registering workers on application. However, unions felt a new proactive strategy should be employed.



ISINESS

power is economic

Fraud allega hreaten Naf

By Isaac Moledi

HE credibility of the National African Federated Chamber of Commerce (Nafcoc) leadership is under scrutiny following election fraud claims.

Since the election in August, there has been tension in Nafcoc's current leadership, with some regions claiming that some of the delegates representing them were doing so unconstitutionally.

The crisis worsened in October when a senior member, Davide Mokoena, resigned from the executive .

He cited the existence of an unconstitutional executive, unprincipled conduct by executive members, mismanagement and differences between himself and former president- Joe Hlongwane as the reasons.

Because of the crisis, a commission of inquiry to investigate irregularities surrounding the election of the executive committee and other allegations was instituted.

However, a source claimed yesterday that the commission "sat for a number of days" and was dissolved as key people who led the commission were themselves supposed to be under investigation.

The source also claimed that Skhosana, as well as his deputy Abram Napo, were not supposed to be at the Nafcoc national council which elected



Steve Skhosana's leadership is questioned by Nafcoc members.

the committee as they did not qualify.

did not pay its dues as the region's cheque of R7 200 bounced in July, the source alleged.

Napo, the source added, was not sent by his region, Northern Province, as he represented only a who is Nafcoc's president in the province, did not attend.

Damaging to the whole Nafcoc leadership election crisis are the allegations that the organisation's treasurer general, Senkgane Douglas

Leokana, and Nafcoc senior vice president, Simon Mathysen, entered into an illicit deal in which Mathysen allegedly sent Nafcoc R540 000 to be used to "offset membership affiliation fees due to Nafcoc".

Sowetan Business is in possession of the agreement between the two Nafcoc officials purported to have been signed on July 28 this year.

Part of the R540 000 is alleged to be the money which some of Nafcoc regions were supposed to have borrowed for affiliation fees. The money would have enabled them to participate in electing the national leadership, said the source

It was envisaged that Mathysen would be repaid within three months from the date of the contract.

Nascoc chief executive Philip Machaba directed all media inquiries lo Skhosana, who said Mathysen's Smoney was used as a contribution in a Skhosana's region, Mpumalanga, joint venture, between Nafcoc and not pay its ducs as the region's German company Africa Truck and Bus.

He denied an allegation that Nafcoc's entire membership did not know about the transaction.

- Skhosana also denied the allegabranch in that area. Bethuel Mpuru 🐧 tions that the elections that led to him. and Napo becoming president and vice respectively, were unconstitutional.

Referring to Mokoena, he said his resignation had been rejected by the commission of inquiry council meeting on November 28 last year.



TAKING A PEEP... Journalists try to get a look at Spanish judge Baltaser Garzon's indictment report against Gen Augusto Pinochet, held by an unidentified court official, as they head for a photocopying shop near Mardrid's National Court Thursday December 10, the day after British Home secretary Jack Straw ruled that Spain can start extradition procedings against former Chilean dictator to face charges of genocide, torture and kidnapping.

Big and small business in land battle

By HANGWANI MULAUDZI

A FURORE has erupted between the Turfloop Spaza Association (TSA) and Turfloop Development Company (TDC) over a prime site in the Northern Province, next to the University of the North, where both parties plan to start business.

The dispute has gone to court and an appeal has been lodged after the TSA lost the first round.

The dispute arose after the TDC allegedly demolished spaza shops to make way for a new shopping complex.

According to TSA spokesperson Lazarus Matlonya, no formal meeting was held with the developers before eviction notices were served in 1995.

Matlonya said the application for trading rights by the TDC was approved by the Department of Land, Housing and Local Government prior to the date of purchase and the sale of the site preceded the existence of the buyer.

"According to our information the site is a community park which means tender procedures were not followed," said Mat-

The Mankweng Superintendent, Chief Magistrate and Town Secretary met in the absence of the City Council to record minutes and endorse the application, although Matlonya alleged there was no documentary application for conversion.

Matlonya said the eviction order was carried out by the sheriff but did not give instructions for demolishing immovable

structures. Matlonya alleged the TDC acted contrary to the law which prohibited them from demolishing existing spaza shops and doing business because the site was a park.

TDC Chief Executive Officer Johan

TDC Chief Executive Officer Johan Fourie refuted the allegations, accusing TSA of making a mockery of the justice system. He said they had followed all the guidelines as prescribed.

guidelines as prescribed.

"We bought the land from the government. The court ruled in our favour and it is within our rights to continue with our plans," said Fourie. He claimed Motlonya was being investigated by Telkom on allegations of fraud and would be appearing in the Pietersburg Magistrate's Court tomorrow.

He declined to comment further.

CommeRCE-GENERAL

Freeing small business

ularly - but not exclusively - economic

For historical reasons, including the fact that the process of formulating laws was neither inclusive nor consultative, certain sectors of the South African population felt, correctly, not obliged to abide by the laws of this country.

This sad fact resulted in some companies operating in the informal sector of the economy going about their operations without being registered. In certain cases, most were not even paying taxes.

The circumstances are unfortunate yet understandable, but should not be allowed to continue

It is this Government's intention to make law enforcement effective and to enhance compliance with the laws and regulations by all those whose economic behaviour the laws seek to control.

However, Government recognises that the laws have to be just and reasonable. It was with this in mind that Government embarked on a wide-ranging process of consultation in writing its small business strategy, the first of its kind in this country.

Apart from putting in place small business support agencies, such as Khula, Ntsika and a chief directorate within the Ministry of Trade and Industry, Government also pledged to carry out an ongoing regulatory review.

National strategy

The White Paper on the national strategy for the development and promotion of small business, upon which the policy framework is based, identified "unduly or inappropriate legislative and regulatory conditions as critical constraints to the growth and development of small business".

The national small business regulatory review seeks to establish coordination and consistency in Government regulations and laws.

This review also seeks to make compliance with regulations and laws easy for small business with less administrative procedures, less paperwork and more practical assistance.

It has been almost two years since the small business policy was implemented. Some of the Government's laws are now approaching full-

This looks like the most appropriate year in which to conduct a review of the regulatory and business environment for small business in South Africa.

This is timely as it will coincide with the fullterm review of the overall strategy. Accordingly, in September I launched the first-ever review for the aforementioned reasons.

Doing so this year would allow Government

South Africa comes from a history of After the introduction of strategies to promote small business Government will review their effectiveness.

Phumzile Mlambo-Ngcuka explains why ...



Deputy Minister of Trade and Industry Phumzile Mlambo-Ngcuka says South Africa must be prepared to create conditions that enable the small business sector to thrive.

to assess the impact of new laws - those passed by the first democratically elected legislature as well those inherited from successive National Party governments.

To carry out the review, eight task teams have been established to investigate specific issues that impact on small business.

These teams will deal with access to finance for small business; taxation; how by-laws and regulations impact on smaller firms; whether the current labour laws in South Africa take into account the special needs and circumstances of small business.

They will also investigate whether the country's competition laws are, as they should be, responsive to small business needs and reexamine those aspects of state procurement laws that still hamper the ability of smaller companies to tender for Government contracts.

Support agencies

Although Government has been sensitive to the needs of small business - as indicated by the establishment of support agencies and has provided funds and non-financial support to the sector - we cannot rule out the existence of laws that still hinder small business development.

Over the past three months these teams have conducted day-long workshops in each of South Africa's nine provinces. The intention has been to reach out and listen to the concerns of small husiness

This process has been useful in answering

some of the questions and addressing questions our detractors have raised.

These include the accusation that South Africa's labour laws are onerous to the growth of small business; the calls that we should use monetary policy as a tool of industrial policy; that interest rates are prohibitively high; that a special tax regime is required; that Government's support for small business is inaccessible, inadequate and does not strengthen the sector; and that the burden of complying with laws is enormously expensive

Objective

The research objective is to come up with proposals to the ministry on the adjustment of laws, regulations and measures that impede small business development.

These recommendations will be compiled by the advisory board and the ministry will then table these recommendations to Parliament.

In other words, if some of my colleag ies, say Labour Minister Membathisi Mdladlane, pass rd a law that impedes the development of small business, I will suggest a rethink.

If we accept the notion that small business is one of the fastest job creators, then South Africa should be prepared to create conditions that enable the sector to thrive.

We should stop at nothing, even if it means changing some laws.

(The writer is Deputy Minister of Trade and Industry.)



ESKOM MAKES LIGHT WORK

Social schemes grow jobs

SA's small, medium and micro enterprise (SMME) sector is expected to reap huge benefits from Eskom's small business development programme.

The programme, which aims to boost manufacturing within the SMME sector, is in its fifth year and has created more than 10 000 jobs in the SMME sector.

Eskom's small business development manager, Buzwe Yafele, says as part of Eskom's commitment to community social investment, R15m is set aside annually for small business development.

"This initiative comes from an understanding that there is a need to boost the economies of some of the areas we service. From a business point of view, this can help Eskom generate more revenue," Yafele says.

The programme targets poorer provinces and emphasis is placed on commercially viable projects in franchising, manufacturing, electro-technology trading

and retail business.

Notable among the success stories of the programme is the Yenza Manufacturing project in the Eastern Cape. The project, which employs 13 people, supplies components to Delta motors. It has an annual turnover of R4m.

Eskom does not give direct funding to emerging businesses, but helps entrepreneurs to secure loans from financial institutions.

"We work closely with Ned Enterprises and the Future Bank in assisting SMME's to secure funding," Fayele says, adding that Eskom has funds in reserve set aside to serve as leverage for emerging entrepreneurs when raising loans. "It is only after we have thoroughly screened potential candidates that we recommend them to financial institutions for funding."

The programme also provides training for emerging entrepreneurs in areas such as skills development and business counselling.

Eskom's initiative comes as the parastatal looks to outsource some of its non-core activities. It is likely some of the SMMEs Eskom has helped establish will benefit from this process.

Fayele says that in outsourcing, Eskom will endeavour to maintain standards and that the service outsourced will have to be competitive.

Percy Mthimkulu

Changing circumstances in SA mean business groupings should look at dropping the racial divides that separate them, says **Humphrey Khoza**

siness in our country in these tur-HAKESPEARE once said:
"There is a tide in the affairs of men which taken at the flood leads onto fortune." Such a

ocations in the business world. In reviewing circumstances of black ousiness and how it must adapt, crehanges have created dramatic disave been brought he changes in our environment

ganised for the delivery of quality and valued service. Therein lies the stitutions to rethink how they are or sition management is accepting that transformation begins with letting ative thinking is required.
The first step in the task of tranлill force our organisations and in-

It may be questioned whether there is a need for separate business entrepreneurship, equity and ethics become the core components of an together people and nations more closely than ever before. Efficiency, groupings. Increasingly black bust-ness is confronted with problems ind increasingly of all business or natrix of interdependencies bindin whose roots lie deep within a global anisation's performance which command the attention equally 잋

divides.
The strategic challenge for business organisations is for a return to their operating roots as business interioring established to add value bilities, controls and cultures.
It is common sense that before or their members. After widespread neglect and skewed roles as a result equired to remodel its basic capaapartheid, black business is now

the truth is: it is no longer business business can play a new role it must learn a new way of doing things, it must unlearn the old ways. In fact, you can begin something new, you have to end what used to be. Before

man and infrastructural, to improve the level, quality and value of service Achieving this will require an ag-gressive redeployment of assets, huto moduse shared interests with perceived rivals and to establish in

I support the need to work to-gether by pooling our resources but I question the notion of entrenching racial divide. Conditions in the new SA call for attention

> fallings of our most prized institu-tional and mental models and bu-reaucracy. Organisations which ben-elited from the past era and regimes tend to rely more on specialisation and hierarchy to manage complexity, inducing alienation in people who operate in those settings.

change, we must first conceive it.
Therein lies the critical problem. To
ask, or even demand, of black institutions that they form a united front tions of organisations or to expert their ability to call on new concep strategic change, cannot be enough Our organisations belong within a broader institutional setting and business communities that inhibit powerment or even to take part we can

organise. Consider how our MBA students are trained to have hierarchical views of authority and responsibility, as well as to hold top management in heroic regard. They are taught to scom operational activities and to hold out for the more allowed as the second operation of the more allowed as the second operation and the second operation are allowed as the second operation as the second operation are allowed operations are allowed operations are allowed operations are allowed operations and the second operation are allowed operations are professions, and unions that propa-gate anachronistic views of how to MO ence with new styles of leadership Most of us, black and white, rive our social misunderstandings institutions such as schools black and white, de-

ing less than radical change in terms of mental models of management if al effectiveness and enhance our ability to attend to questions of corwe are to re-orientate our institutionluring, promotion-filled line jobs Business in general and, b particular, needs nothin general and, black

are unprepared. Therein lies the crit-ical challenge. strategic change more salient than within the business sector. Yet many gramme without addressing critical cultural issues is an ill-conceived no-Porate performance.
The formation of a united black tion. Nowhere is the pressure business front to promote a focused

For business organisations to become more effective there is just no to room for wasteful rivalry.

In turn, effectiveness implies a formation of resources to realities, along with the environmen-tal challenges for non-racralism must surely erode those barriers which separate institutions and business. For business organisations to bemust influence the kinds of strategic changes that black business desires to make, increasing entrepreneural

risder deployment of resources to align business capabilities with the requirements of institutional mem-bership and business. With the in-creasing complexity of the SA mar-



ket, solitary action has limited effect. mportant for enabling business to

influence the policy making process.
While I do not personally believe
in a "one-size-fits-all business organisation", I am convinced that the across the colour line. the need for reciprocity with other organisation landscape seeds to be better clustered in SA. Business leadership must recognise interest groups

different from theirs have resisted and inhibited such efforts. The time has now come for business to estab-Business organisations accus-tomed to resisting initiatives from organisations that have a racial mix

lish ways and means of co-operation.
To influence government policy it is necessary for business to speak with one voice that is louder and better co-ordinated. Efforts to speak ter co-ordinated. Efforts to speak with a co-ordinated voice are typically hampered by four factors:

The complexity of co-operation

sometimes leads to the compart-mentalisation of tasks. Normally spe-cialisation discourages dialogue be-tween groups and diverts attention

The second secon

away from issues involving the structural relations that need to be

□ The process of co-operation could take on a life of its own with particaccepung

☐ In being unfamiliar with each other's institutions and emphasis, parflict between participants; and □ Ambiguous agreements reached during the early negotiation phase may lead to differences of interpre-tation which could escape into con-flict between post in participation.

icipants may have communications

To build synergy dictates not only a marriage of technologies and capabilities, but a blend of unique combinations of cultural attributes, Ultispirit and providing a common core around which all players could gath-er and from which they can recreate an institutional culture that is rooted in neither participant, but is unique to the new entity. mately it means developing a shared neither participant, but is unique

tions to realise the importance of mutual support to achieve their goals requires careful consideration. We have come out of the time Reconfiguring business associa-

> more a person's duty to understar the world than simply to light for it. resolution were most important this more difficult time when

emotional and cognitive traps that thwart our effectiveness. only a limited range of environmen-al conditions. We screen out unact, are impaired. We personal circumstances and obsessive uard our self interests. We observe we aspire to be rational leasant alternatives. We favour uliar solutions. We get embroiled

vidualism, personal gain, hierarchy, power, conflict and injustice.

The thought of entrenching black business in a new SA and the notion of actively lobbying government ofendency to carry the past into the uture. On the other hand, it encournduces inertia and mome nust be exposed as an enemy of ef-iclency, entrepreneurship, equity and ethics. Subjectivity presents a ro-fold threat. On the one hand protected status

change is a collective enterprise. The notion that an individual can ulldoze black people into the or she thinks is flawed, ould black business be i Another theme is that strategic ual support to achieve Dictor

fact to mobilise support in restructuring the economy is in implementing strategic change of the sort black business now needs in order to play a more meaningful role top leadership of the challenge of Management writings and popu-lar press often mislead us into think ing that change is principally engineered and carried out by institu-tional leaders, individuals or top does play a key role

and executing change that they ex-perience as "unsettling", "disrup-tive" and "bewildering". That is why some people are still trapped in the of forcing any business person or or-ganisation to do anything because market forces are at play. Like indi-viduals, organisations into only fall to notice but actively resist conam therefore critical of the idea

that requires debate — up, down and laterally. Discussion and debate clarify differences, generate consencarry out in a world raised on sations too few of us are prepared to sus and build confidence in available missing the boat. Everything is mor-ing and moving fast. This is a subject that requires debate — up, down

business to realise the importance of mutual support to achieve business goals. This is an insult. We need to This rapidly changing world requires of us more than forcing black the fraternity at large view within our organisations and develop a new and shared world

If what I am advocating is an ide-ological position of non-racialism, so

come to deracialise the pattern of business ownership and business organisations in SA. the presidency. I have done so as a demonstration that the time has isation perceived by many as repre-senting mainly white interests, I have been criticised for accepting As president of Sacob, an organ-

traditional approach to managing or ganisations and situations handicap people. Some senior people in black organisational hierarchies have not awakened to the fact that the new \$A has a black government. Historical success, b have become convinced that the

Historical success, by which i refer to the contribution made by
black business to ensure the demise
of apartheid, regrettably makes
some black business leaders underestimate the open of controls. estimate the need for change.

SA's economy is neither black nor white nor is the market black or white nor is competition black or white. Service and value for money is also neither black nor white. We are in the midst of important change in our country. Whether in the economic, social, political or cal-

certainties and upheavals. In this turbulent era, therefore, organisations today increasingly resemble the dinosaurs of old, struggling for tural realms, we are faced with un-certainties and upheavals. In this

our organisations black or white have a choice. We are at a strategic turning point. Future success hinges on the choices and decisions we make today. Unlike those dinosaurs, however,

□ Khoza is president of the SA Chamber of Business. This is an edited version of his speech to the black bust-ness -summit in Johannesburg this week

ANC wants to boost small business

Linda Ensor (

CAPE TOWN — An economic strategy focused on job creation and broadening the base of the Western Cape economy through small business promotion has been proposed by the African National Congress (ANC) in the province

Congress (ANC) in the province.

The draft economic policy document was presented to a workshop at the weekend attended by business and representatives of the ANC's alliance partners.

Central elements of the policy were the need for industrial, sectoral and labour market policies; the more vigorous promotion of small, micro and mediumsized enterprises and a maximisation of the local tourist potential.

The ANC proposed encouraging economic activity in the townships by attempting to retain purchasing power within them, developing small enterpris-

es and bringing skills to these areas. Assistance would be given to the emergence, of service-related jobs in banks and insurance companies in the townships.

Short-term job creation programmes; such as labour-intensive public works; and infrastructural development projects would be launched.

The ANC document attacked the "luke" warm" attitude of New National Party controlled provincial government to these small businesses, its uncooperative stance on national government initiatives, and its failure to implement the latter's procurement programme.

The document contested the provin-3 cial government's claims that it was reasonsible for the growth in the local econ-1 omy. The ANC said the province had ben-1 efited in the same way as the rest of the country from being released from apartheid's shackles.

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OMEGA HOLDINGS LIMITED

(Incorporated in the Republic of South Africa) (Registration number 87/00896/06) ("Omega") 'Empowerment must be law'

By Shadrack Mashalaba

ONE of the objectives of the Black Business Council (BBC) in 1999 is to ensure that black economic empowerment is legislated.

Speaking to Sowetan Business, president of the BBC Steve Skhosana said: "While we believe in targets, they should be negotiated to come up with realistic figures.".

Skhosana lamented the fact that the BBC was not achieving the aims it was intended to achieve.

Affirmative action

He also expressed concern that affirmative action was no longer a priority for many organisations in South Africa.

He said the BBC was currently conducting a study results of which would be released in June on the status of empowerment in South Africa

Skhosana defined empowerment as giving opportunities to blacks to be able to do it for themselves.

BBC is a voluntary association of 1.1 predominantly black chambers of commerce and organisations that promote black business interests.

These are: Absip, Advancement of Black Accountants of Southern Africa, BITF, Black Lawyers Association, Black Management Forum, CBE, Foundation for African Business and Consumer Services, Islamic Chamber of



BBC president Steve Skhosana wants empowerment to be speeded up.

PIC: JOE MOLEFE

Commerce, National African Federated Chamber of Commerce and Industry, National Black Business Caucus and Sabtaco.

The organisation was formed in 1996 after calls for black business unity. Its inaugural president was Reggie Hlongwane of

Fabcos.

BBC's second president was Lot Ndlovu of BMF. The presidency of the organisation rotates among 11 member organisations.

He says the results of the study to be released in June would contain recommendations which he hoped would be considered when moves to have empowerment legislated were put in place.

of research on macro-economic issues with a special focus on empowerment; the designing of strategies and programmes aimed at black economic empowerment; advocacy and formulation of policy on key macro-economic issues; participation in the drafting appropriate legislation to create an enabling environment; and maintenance and dissemination of an up-to-date policy in economic development.

"While we engage other chambers, the ultimate goal is to create a single chamber of business in South Africa," Skhosana said.

"It may be difficult to quantify the influence of BBC at the strategic economic level but the organisation believes it has made a lot of strides in the changing economic policy in the country," he said,

BBC also participates in the National Business Initiative and is engaged in designing specific sector programmes to help black entrepreneurs to tap into agriculture and mining where they lack representation.

'Stingy' SA banks under

SMALL-BUSINESS FINANCING By THABO KOBOKOANE

SA's major commercial banks have come under fire again for their failure to provide small business with finance, but there are signs that the picture may be

changing.

Most major banks participating in Khula Enterprise Finance's credit guarantee scheme appear to show a lack of interest, figures released by Khula suggest.

The data, which includes a breakdown of several

advances by each of the nine banks involved, shows that only 1 036 guarantees worth about R159-million have been given to black entrepreneurs since Khula took over the scheme from the former Small Business Development Corporation.

The figure is less than what Khula Enterprise Finance MD Sizwe Tati planned for. "We planned to reach targets of between R500 and R600 million by now," he says.

The problem, it seems, is a reluctance by commercial banks to lend to small business because of perceived high rick.

ceived high risk.

For the first time, Khula has taken the unusual step of breaking down the number of loans advanced by each bank under the scheme. This is bound to cause a few red faces.

Of the nine banks involved in the scheme, the small FBC Fidelity Bank comes out tops with 289 loans, while a "shy" Standard Bank has managed only 60 loans in the period ending January 31 this year.

Standard is by no means alone, but gets singled out in the report owing to size and national presence.
Other major banks that did well are Absa (234 loans) and FNB (232). Banks lending the least include Boland Bank (16), Fedgen Insurance (34) and African

Nedenterprise, Nedbank's small business division, managed 131 loans while Fulcrum Science and Technology Bank, which only recently joined the scheme, has a total of one.

Ntsika to help SMMEs

By Mongwadi Madiseng

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EMERGING South African businesses will soon participate in one-to-one beneficial business transactions with their European counterparts within a defined and selected industrial and services sectors.

The Trade and Investment Development Programme, which is funded by the European Union (EU) to the tune of R60 million over a three year period, through Ntsika Enterprise Promotion Agency, will prepare selected local small, medium and micro enterprises (SMMEs) that will take part in these activities later this month.

The participation will be in a number of promotional events in Europe, specifically organised for the small business, by providing training and technical assistance.

The development programme which began by Ntsika last year, aims to fully prepare at least 100 SMMEs for the export readiness. Other components of the programme include taking selected businesses through the more intense product and market development training to help them maximise their export opportunities.

Molefe Mokoena, head of market access and business linkage division at Ntsika, said that the 40 percent of the SMMEs participants in previous promotional events claimed that these business encounters had resulted in a very high success long term trading and business relationships.

A series of workshops will be held around the country later this month for business associations and intermediary service providers to SMMEs to start the process.

For more information contact Martin at Ntsika on 083-325-8522 or Caren Verryne of the Trade and Investment Development Programme at (012) 483-2119.

Leweran 16/2/99

MICRO BUSINESS

MBDC reports nearly fivefold rise in earnings

The Micro Business Development Corporation (MBDC), the company which provides finance and management services for micro-enterprise funding organisations, yesterday reported an almost fivefold increase in headline earnings to R2 million for the year to December 31, and plans to list on the JSE by the end of the year. Tony Davenport, the company's chairman, said earnings a share increased to R31,25 from R13,16 for the previous period.

share increased to K31,25 from K13,16 for the previous period.

"With earnings per share expected to grow by 50 percent annually, MBDC is likely to be listed on the Johannesburg Stock Exchange later this year," Davenport added. MBDC was established in 1997 to promote the development of micro-businesses while providing market related returns for investors.

"Thabo Leshilo, Johannesburg"

CT(OR)16/2/99

Uplistment has own proble

Patrick Wadula

BIG companies and parastatals assisting small business and community upliftment projects are still confronted with obstacles that relate to the communities involved.

The Corporate Small Medium and Microenterprise Development Forum was launched two years ago to assist in the upliftment of communities and development of small businesses.

The forum, which is made up of a number corporations and parastatals, met two weeks ago to discuss how to enhance the upliftment of communities and the development of small business.

At the forum's launch, the organisers said business was often accused of not doing enough to empower previously disadvantaged communities economically.

SA Breweries social investment manager Mosidi Mphahlele said yesterday that problems encountered by companies ranged from misappropriation of funds by community representatives to non-commitment by the community

She said although a company responded to the request of a nongovernmental organisation on behalf of a particular community, it was difficult for the company to monitor how and to what extent the community was benefiting from the company's corporate social responsibil-

ity programme.

Most companies tended not to take the failures up with the people responsible for fear of the bad publicity it might

BMW corporate affairs GM Richard Carter said the success of the corporate social investments also depended on the people on whose behalf the company was running the corporate social investments programme.

Carter said some companies offered money to communities as a way to assist

in the upliftment.

"People think that money does the work. It is not true. It is the people that can make a project work. These people need guidance through education and skills transfer," he said.

Western Cape tenders to favour small business

Linda Ensor

CAPE TOWN — The Western Cape cabinet has approved a preference system for provincial contracts worth less than R2m to assist small businesses.

Premier Gerald Morkel announced in his opening address in the legislature on Friday that the tendering system, which would favour disadvantaged entrepreneurs, would be implemented from April 1. A meeting with business has been scheduled for next month to kickstart several more projects.

The African National Congress attacked the measure as "too little too late". The party pointed out that for the past three years other provinces had been implementing government's procurement policies in favour of dis-

advantaged entrepreneurs.

Morkel also announced that a small business unit had been created within the provincial tender board to assist small and emerging businesses. "Big contracts will be broken up into smaller, manageable portions to enable smaller contractors to compete and in so do-

ing distribute business opportunities to all levels of society. Sureties and construction contracts are being relaxed to make it possible for new roleplayers to enter this market.

Morkel said he believed that crime was the greatest threat to democracy and the province's prosperity and development. He said Finance Minister Trevor Manuel had given insufficient priority to this in the budget.

Morkel called on central government to decentralise policing powers to the provinces and said the Western Cape provincial government was best able to deal with crime and urban terrorism.

He also criticised the budget's 4% increase in welfare allocation as too low. Provincial governments, he said, should be able to make inputs on proposed increases in welfare grants and not only at the last minute when funds had started to run out.

The problem lies in the vertical division between central government and the provinces. As provinces are the mechanisms for social delivery, this needs to be addressed urgently," said Morkel.

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l business

WHILE 28% of economically active South Africans are without work, many small businesses are seeking ways to reduce the number of people they employ because of labour regulations.

This is the message to government by the SA Chamber of Business (Sacob) in a policy document released in Johannesburg yester-The organisation also warned government that SA was "effectively exporting jobs to lowwage countries".

Sacob has sent a lengthy and hard-hitting memorandum to the trade and industry department's Enterprise Promotion Ntsika Agency on a review of the regulations in the development of the small businesses sector...

Commenting on labour regulations, the chamber states: "Perhaps the main reason advanced for the need to develop the small business sector in SA is the perceived superior ability of such businesses to create employment. However, it is clear from official' employment figures that the sector has thus far not been able to absorb all jobs shed by large-scale enterprises - much less assist in reducing the overall level of unemployment in this country.

One reason for this was that many small business owners believed labour regulations to be too onerous, and were in fact themselves looking to shed jobs.

The memorandum says many small businesses are reluctant to let their labour forces grow beyond levels which allow them exemption from certain provisions of legislation. This results in an artificial constraint on their growth and development.

Sacob, which represents about 40 000 businesses from all sec-7 tors, says the three problems cited most by its members concerning labour legislation are:

☐ It imposes significant additional direct costs on businesses:

☐ There is a high "hassle factor" associated with compliance; and ☐ The legislation "robs" owners and managers of some of the con-3 trol and flexibility which they per-3 ceive as being both desirable and necessary to the effective runningin of their businesses.

Sacob said it accepted that there had to be a balance between, the rights of employees and those of the trade unions, but it stated: "The balancing of rights must be informed by the economic reali-) ties in SA.

Sacob said a fundamental problem with the existing labour law was that it was that it was it based on the premise that lowb wage competition should — as fari) as possible — be eliminated from d the SA labour market, and that business should instead competed on the basis of other costs and "in-,1 tangibles" such as quality, reliabil-6 ity and service. However, "the fact T is that producers and suppliers in many developing and developedit economies are not constrained to,s the same degree in their ability to compete".

Sacob said that some small businesses did not have the ex-q pertise to deal with the legal procedures for dismissals and were [1 "intimidated" by mediation proceedings. It also called for their scrapping of the secondary tax on i companies - "even if this means.q that the nominal corporate tax

has to rise". — Sapa.

NEWS

Ex-Im Bank links with local SMMEs

\$10m credit facility for SA's small business

RICH MKHONDO

Washington, DC — The Export-Import Bank of the US (Ex-Im Bank) said yesterday it had approved a \$10 million shortterm credit facility to 4500 South African small businesses to buy spare parts, raw materials, consumer goods, agricultural commodities and durable goods from US companies.

"The revolving Ex-Im Bank facility covers Business Partners Limited of South Africa, an organisation of small South African firms," said James Harmon, the bank chairman.

"The credit limit will enable Business Partners to facilitate short-term financing under Ex-Im Bank's insurance programme to Business Partners members seeking to buy American producis."

This is exactly the kind of partnership Ex-Im Bank wants to develop with private organisations throughout sub-Saharan Africa, to expand US exports to these important markets.

"This facility will provide a critical source of funding for, smaller African importers, who may lack access to local bank financing."

Harmon said when a US company holding an Ex-Im Bank insurance policy indicated that its South African buyer was a Business Partners member, the preapproval of the \$10 million credit limit would expedite Ex-Im Bank's final approval of the short-term export transaction for the US firm.

Business Partners also could get expedited approval from Ex-Im Bank for its members' US purchases.

The credit facility would cover financing generally on 180-day terms for US spare parts, raw materials and consumer goods, and on 360-day terms for bulk agricultural commodities, fertilisers and durable goods.

Ex-Im Bank is an independent federal agency. In the past five years it has financed nearly \$900 million of US exports to sub-Saharan Africa. — Independent Foreign Service Partnership aims to help small business

Moses Mlangeni

THE Mineworkers Development Agency (MDA) and the Land Bank have gained control of Rutec, the Johannesburg-based small technologies manufacturer; in a R10m equity partnership deal aimed at promoting rural economic development and job creation.

nomic development and job creation.

Rutec MD John Dommett announced yesterday that Rutec had sold a 40% stake to MDA and a 35% stake to the Land Bank. The bank had financed MDA's purchase of the Rutec stake. Security was provided by the Mineworkers Investment Company

"The deal will enable Rutec to respond to increasing demand from all over Africa for Rutec's products and services." Rutec had set up a small business technology training centre in Angola and was talking to the Mozambique, Gabon and Swaziland governments, he said. The synergy between Rutec's activities and development objectives of MDA and the bank was strong, and would enable them to meet their mandates more effectively.

The group makes about 80 sorts of machines suitable for micro-entrepreneurs in food, building and agriculture. It also supplies start-up raw materials and training on how to run small businesses. The systems, machines and training courses it designed have resulted in self-employment for about 15 000 people.

Land Bank MD Helena Dolny said the strategic partnership of the three organisations would increase the bank's capacity to provide small entrepreneurs with affordable start-up products in agro-processing and rural enterprise activities. "The deal forms part of the bank's development mandate," she said.

Kate Philip, CEO of MDA, said her organisation is for more than 10 years used Rutec training and tect cal products as part of its job creation programmes in where mines recruited labour.

where mines recruited labour. "Formalising our partnership with Rutec will assit us to roll out our social plan for areas affected by mine downscaling, especially in the implementation of large-scale micro-enterprise programmes," she said.

Rutec's new board includes MDA's Kate Philip and Conisia Shumba, the Land Bank's Louise Colvin and Terry Forbes and Rutec's John and Maggie Dommett.

BD 4/3/99

Small business in spotlight

GOVERNMENT as well as hundreds of business enterprise representatives start a three-day Gauteng Provincial conference on small business today at Turffontein Racing Club in Johannesburg.

The conference, hosted by Gauteng premier Mathole Motshega and MEC for finance and economic affairs, Jabu Moleketi, is intended to facilitate the development of a framework to support small business development in the province.

The conference, according to Mpho Masilo, deputy director in Gauteng's economic affairs department, will devise ways and means on how best to support small business development.

It is hoped that a framework will be developed in which all stakeholders will operate.

"The spin-off is that once business flourishes, there will be job creation," Masilo said.

Masilo said procurement and market access, access to finance, a regulatory framework, training and capacity building, entrepreneurial development for the youth and other



Gauteng premier Mathole Motshekga.

pressing small, medium and micro enterprise (SMME) issues, are just some of the areas that the conference will cover. There will also be an exhibition where small business service providers and parastatals will showcase the services they offer to small businesses.

"All of us are aware of the problems that small business entrepreneurs are facing in their daily operations. Some of us have solutions on how to tackle these problems effectively.

The conference is a trade-off between the affected parties," said finance and economic affairs MEC Jabu Moleketi.

Moleketi said the first President's Conference on Small Business held in 1995 developed the national infrastructure needed for small business to succeed.

The second conference, about two years ago, emphasised the role that local government could play in development of SMMEs, over and above those of the provincial and national governments.

"The conference is essentially an effort by government to create an environment for small business to grow," said Masilo.

J.ac. Susiness

By Isaac Moledi

to come together, support one another and chart a way forware HE events leading to ficult it is for black business ness summit indicate how difrecent Mopani 2 black busi-

how difficult this was. and black business in 1993 – showed Congress as government-in-waiting ference between the African National was a follow-up to the Mopani 1 con-2 – which, according to organisers, The preparations that led to Mopani

proper coordination among themselves. black business still finds it difficult to dess personalities sation comprising powerful black busi-Council, a think-tank business organi-Despite having organised itself under the banner of the Black Business Black business analysts believe the mechanism to enhance and professionals

uals and organisations has been a vision among black business individcontinued fragmentation and lack of serious setback to their development

tives to chart their own destiny and ment programmes. carry forward Government's develop-This has resulted in a lack of initia-

must define their role in the economy. sorted out first and the organisations divisions among themselves have to be for black business to move forward, As a result many people agree that

own agenda for what must be done. seem to be incapable of defining our pinpoints the major weaknesses: "We Businesswoman Wendy Luhabe

black business continues to work in a ment has improved primarily because between black business and Govern-"agmented manner." "I do not think the relationship

translated into visible strategy still needs to be explored," we need one another but how that gets She adds: "There is no doubt that

part to strengthen the new democracy common strategy tor each to play their black business, and to determine a to build bridges between the ANC and Mopani 1 presented an opportunity

challenged blacks to take the initiative business opportunities for blacks. It This process created awareness and



Businesswoman Wendy Luhabe.



existing ones. to create new opportunities or optimise

wealth creation amongst disadvantaged fast-track black empowerment and the interests of black business and to groups. whose principal function was to serve the National Black Business Caucus, Mopani 1 led to the establishment of

professionals to address policy issues isation for black business people and intended to serve as an umbrella organ-Dr Danisa Baloyi, the NBBC was According to its executive director,

ences of opinion exist within black for unity". business and says "the key is to strive However, Baloyi agrees that differ-

coming of the processes of Mopani 1 is that they did not sufficiently expand According to Luhabe, a short-

the numbers of people who would par-

economic empowerment to many of the process and this exposed black guidelines were not explicit at the start ticipate in the economy.

She also argues that the Mopani

businesspeople to learn from the mistakes of their predecessors. she sees as the rejuctance of black She is also concerned about what

their own school fees," she says. to enable others to learn from our misexperiences and passing on the lessons takes. Everyone seems to want to pay "We are not reflecting, sharing

systematic manner with Government.
That is why the perception that "the not identified leadership to engage in a black business remains disorganised, does not speak with one voice and has This, Luhabe believes, is the reason

Government is pandering to white big business" will always stay, she says.

including small business in their probelieves that organised black business failed their constituencies by not Soweto businessman Pat Mogashoa

without rising to the occasion". tial treatment from the Government black business leaders on the other hand "are not doing enough, sometimes expecting unrealistic preferensure "the playing fields are being levmpede black business development While the Government is making removing obstacles that

Mogashoa says. "However, o ment showed its seriousness about Business Enabling Act, the Govern-"By promulgating the 1997 Small **busmess** development,

our business leader.

failed to synchronise their activities to collapse of their businesses. township business people. Hence the use the Act to empower disadvantaged

ness leaders and their grassroots are the National Small Business Corneil. communication between black busismall business and a lack of proper apse of a government agency such as umong the reasons that led to the col-Mogashoa believes the neglect of

on the development of small busisuch as Khula Enterprise and Ntsika nesses is also-of concern. ineffectiveness of schemes

SMIMEs. ship which comes out in support of the effective is that we don't have a leader-"The reason these schemes are not

involve paper tiger deals," he says. cerned about macro "We have leaders who are con-National issues which

have capital. on a capitalist terrain while they do not chairman Don Mkwanazi says: "Black people will find it difficult to compete Empowerment

control and management of the country's capital before we can even "Our main objective should be the

porting black economic empowerinstitutions are to blame for not supthink of empowering our people." Mkwanazi says local financial

stumbling block. problem in enhancing black economic development and banks are the major empowerment and small business "Access to finance is a major

backward," he says. most unresponsive, conservative and "We are faced with banks that are

could have saved the rand," he says. sentiments. "If we had such people, we enough clout to influence the market's black business executive or leader with For Mkwanazi there hardly exists a

think it has had to do, but I think it can create a market that is black ness and Government should do more. The vision of both black busi-"The Government has done what I

solutions on what else the Governtrol of capital." ment can do to accelerate black conup with a blueprint which has practical "But black business needs to come

Black Business Council member organisations:

African Black Technical and Allied Careers Organisation, Con-Chamber of Commerce, Black Lawyers Association, South ness and Consumer Services, National African Federated National Black Business Caucus, Foundation for African Busi-

Accountants of South Africa, Islamic Chamber and Black Inforfessionals, Association For the Advancement of Black Forum, Association of Black Secunties and Investment Progress of Business and Economics, Black Management

Real power is economic

SMMEs awarded R1-bn in contracts

By Mongwadi Madiseng and Sapa

ontracts worth at least R1 billion have been awarded to small, medium and macro enterprises (SMMEs) since 1995 by Gauteng's provincial legislature, finance and economic affairs MEC Jabu Moleketi said yesterday.

Addressing a press conference at the opening of the three-day premier's conference on small business at Turffontein, Moleketi said this was an increase of 29 percent of government spending on this sector since the African National Congress came to power in 1994.

"We should recognise that the entire nation has been on a collective learning curve over the past few years and the same has been true of our SMME policy and programmes," he said.

Government's policy has been to create an enabling environment in which SMMEs can prosper. The major aspect of the SMME policy is also to use? government procurement as a means of empowering formerly disadvantaged South Africans, he said.

"Although all government procurement must take place in a fair, transparent, competitive and cost-effective way, procurement is an especially powerful means of promoting SMMEs and empowerment generally," Moleketi said.

According to Moleketi, there are more than 250 000 SMMEs in Gauteng, providing employment and income to more than 1,6 million people.

Most of them are in retail and the aim is to introduce them to manufacturing.

There is also a need to link them with big business and the conference needs to evaluate existing institutions and the Government's role in this



Gauteng MEC Jabu Moleketi ... nation is on a learning curve

whole process, Moleketi said. The other important and difficult barrier confronting SMMEs is the issue of accessing finance from banks.

"The conference will look at this and people will raise the matter with banks because they are also at the conference, represented by the SA Council of Bankers," Moleketi said.

Speaking at the same briefing, Gauteng Premier Mathole Motshekga said finance was not small businesses' only need but also technical support such as training, business linkages, research and development.

He said the conference needed to explore the possibility of establishing a provincial body responsible for representing the interests of small business and monitoring the implementation of programmes. "The proposed strategy should be aimed at eradicating duplication of programmes and projects and encouraging a sense of cooperation in the small business sector," Motshekga said.

According to the premier, the provincial government's affirmative procurement policy, as spearheaded by the Gauteng Tender Board, has yielded results.

He said contracts valued at over R400 million have been awarded to SMMEs and this represented 26 percent of the total tenders awarded.

The objectives of the conference include the re-alignment of the provincial and local government policies aimed at SMME development, the provincial infrastructural developmen strategy on small business and its por ularisation.

PARLIAMEL-ITARY CORRESPONDED IT

Cape Town — Members of the national assembly challenged the banking sector yesterday to finance small and medium-sized enterprises to increase job creation and economic activity.

LYNDALO

Phumzile Mlambo-Ngcuka, the deputy trade and industry minister, led the charge.

She said banks who lacked social commitment did not deserve the government's patronage.

Special legislation might be needed to get banks to do more to meet the needs of the majority of South Africans, she added.

This theme was taken up by several MPs during the debate on the budget vote of the department of trade and industry.

Alec Erwin, the trade and industry minister, said a new mechanism was needed to help finance emerging entrepreneurs.

Efwin rejected allegations that the competitiveness of South African industry was adversely affected by rigid labour regulations.

A recent study by the International Labour Organisation had revealed that certain jobs in South Africa were so badly paid that some wage earners were among South Africa's poorest people, he said.

"A policy that says such jobs are justified is tantamount to feeding someone poison and then giving them painkillers," he said.

This meant that people were prepared to accept any payment for work even though it would still impoverish them.

He appreciated the support of all political parties for the government's stand on the stalled trade talks with the European Union.

He said that agricultural restructuring had resulted in some job losses, but the whole sector was now more stable and transparent.

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SMMEs 'struggling to get finance'

By Mongwadi Madiseng

THE inability of small, medium and micro enterprises (SMMEs) to get access to capital was put in the spotlight at the small business conference held in Turffontein yesterday.

Khula Enterprise Finance managing director Sizwe Tati told the conference that the SMMEs were facing major constraints in their business programmes.

These constraints included insuffiequity, inappropriate loan amounts and a lack of start-up loans.

Micro Alliance's Sharda Naidoo said sound and far-reaching financial depth, and a strong institutional structure that is independent of the existing political system, were needed for small businesses to develop.

Naidoo said that the high level of efficiency and focus on the client or businesspeople growth needs should be emphasised in the development and

sustaining of the small business sector. available the statistical data to the rele-

According to Naidoo, small busing vant structures" said Tati.

nesses are faced with the high level of In response to the SM inability to identify business opportuni-

She recommended that attempts to regulate the micro finance sector be accelerated and the provision of loans to the finance institution with sound financial practice should continue.

Legislative mechanisms

Tati advised that the legislative mechanisms should be considered to improve the SMMEs' performance.

He said that possible solutions would have to include rationalising the retail finance and structural framework promote and provide the incentives for the greater transparency on the small businesses.

"Prioritise the specific sectors with the potential for growth and make

In response to the SMMEs' lack of competition, limited skills of business access to finance Eddie Johnstone of planning, lack of collateral and the the Banking Council of South Africa said the five major banks had initiated a scheme to tackle the problem.

> Johnstone said that the banks would require the organisations or individuals to have entrepreneurial skills, provide viable business plans and have suitable experience.

> Absa, Standard Bank and the First National Bank - expected that the entrepreneur should trade in a fixed property, be able to raise or contribute at least 10 percent of the loan finance.

Johnstone said the loans would be at prime lending rates plus six percent and the Khula indemnity scheme would be negotiable.

He said that the support service menrship was in place, to offer business planning advice, research and the development and the application for finance.

Real power is economic

'Cheaper funding could aid blacks'

By Isaac Moledi

LACK economic empowerment must change direction to one that is about starting new businesses using a cheaper form of funding, African Harvest executive chairman Mashudu Ramano said yesterday.

Addressing the Gauteng Premier's Conference on Small Business in Johannesburg, Ramano said black economic empowerment was currently about buying existing businesses using a debt instrument.

The process, he said, started in 1993 when Corporate Africa, the first empowerment company to be established, came up with a group of people to create an investment vehicle. This was then used to do deals using preference shares and other debt instruments.

The process resulted in the emergence of many black companies that came up with complex pyramid schemes and share structures that were used to maintain control. This left many of these companies being heavily geared.

Worsening the situation, however, was the economic turmoil which ected both local and international arkets, resulting in many of these



Mashudu Ramano

companies either relying primarily on debt funding from financial institutions or using the transfer of ownership or partnering by predominantly established companies that wanted to position themselves for the new market reality.

Ramano said the funding structures of these companies were suitable before the market turbulence because at that time the stock markets were experiencing a high level of growth.

A new strategy other than this "shuffling of the cards" was needed if real

black economic empowerment was to succeed, he said.

"What we need now is a strategy that not only involves shuffling of cards on the deck but also creating new decks with new sets of cards.

"We must change our thinking to one that says BEE must be about starting new businesses using our own cash flow or cheaper form of funding."

How to go about doing this, he pinpointed two ways: mobilising "people's savings" and starting businesses that generate immediate and long-term cash

This, he said, was what Afrikaners did from the 1920s to the 1970s. The history of other people such as in Germany after the second World War, or the Asian Tigers, were other examples.

In the case of South Africans, Ramano said their savings were scattered across a range of institutions that in many instances did not necessarily think the BEE was paramount.

"There is an acute shortage of cheap capital for BEE in an economy that is awash with liquidity," he said.

To generate savings for BEE, Ramano called on people to channel their savings to those unit trusts that promote the BEE's objective.

Banks plan new scheme for small (30) businesses 00 10 13 199 SA's major banks planned

SA's major banks planned to launch a new scheme to fund small and medium-sized enterprises, the chairman of the Banking Council of SA, Eddie Johnstone, said yesterday.

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At the Gauteng Premier's conference on small businesses in Johannesburg, Johnstone said that the new lending scheme, to be run in conjunction with Khula Enterprises, was critical given the lending gap in the small and medium-sized enterprises sector — particularly for loans of R10 000 to R50 000.

The new scheme would require small businesses to provide only 10% of the total finance sought for projects, along with a down payment of R600, to qualify for a loan.

In addition, banks would offer finance at low cost and avail their staff to help the small businesses to analyse their ventures and run them effectively.

"The banks are taking this matter seriously. We believe that this sector, which needs loans of between R10 000 and R50 000, is where most jobs are created," he said.

Johnstone denied allegations that banks were reluctant to give loans to businesses in the small and medium-sized enterprises sector because they did not have collateral. He said less than 20% of businesses supported by the major banks was fully secured.—Sapa.

SMALL BUSINESS Delegates to Gauteng conference call for an NSBC-style body:

SMMEs demand new

vincial

BONTLE HEADBUSH

yesterday for the urgent establishprises (SMME) conference called eng's Small Medium and Micro Enter sized business owners attending Gaut Johannesburg — Small and medium ment of a small business council.-

ness Council (NSBC), would be set up by provincial governments. the lines of the provincial councils of the now-defunct National Small Busi-The council, to be modelled along

Kgomotso Mohlahla, the chief executive of Katorus Economic more representation for SMMEs. ~ / provincial strategy that would ensure conference hoped to come up with a the small businesses attending the Development Initiative, said most of

ence is for us to provincialise the national small business strategy, and "The main purpose of this confer-

> ness Act," she said. mandated by the National Small Busitative of the small business sector as to set up a body that will be represen-

the South African Liquor Traders' NSBC had been. be funded, by /the government as the Association, said the council would Churchill Mrasi, the president of

The NSBC, which was also created through the National Small Business Act in 1996, was put under liquidation after R3 million was lost through mis-

are still battling with unpaid bills. some of whom are small businesses, management. The creditors of the company,

of the Banking Council of South Africa, said the big five South African ence, Eddie, Johnstone, the chairman came under discussion at the confer-Access to finance for SMIVIEs also Absa, Standard, Nedcor,

First National

R10 000 to R50 000 to small businesses without requiring any security micro enterprises. This plan involved giving loans of

considered funding amounting to R50 000 or more, and nothing less," "In the past these banks only

lending gap." said Johnstone. "The new scheme will close this

other back-up where necessary ed advice on preparing budgets and Additional after-care services includmentors to assist these businesses. He said the banks would provide

formed jointly by the banks and KhulaiEnterprises. by Sizabantu, a new company to be Khula:Enterprises. These activities would be handled

comes to a close at noon today. The three-day SMME conference jointly launched a scheme to fund

.COMING TOGETHER Kgomotso Mohlahla, second from left, talks with del gates at the SMME conference in Gauteng yesterday SACCOL 1 HOLO OLOHA

power is economic

Sowetan Business Staff

ow interest rates, tax concessions, a fairly strong economy and the new government initiatives could offer a better operating environment to encourage the growth of small businesses, says Clayton Manjome, corporate affairs manager at Khula Enterprise Finance.

"This may be one of the better times to unleash the business idea that has been ticking in your mind all this time and become empowered," he says.

"In a sector used to being buffeted on all sides, 1999 could offer a better operating environment," Maniome adds.

'The most encouraging news, he says, was the recent announcement by major commercial banks that interest rates would drop further during the first quarter of this year.

And so they did this week. "This trend provides a level of comfort and certainty within the small medium business sector," he concedes.

The message, however, is not rosy all the way through, he says, adding that factors beyond the control of any

small business have the potential to ruin what otherwise is a viable opera-

This is why Khula Credit Guarantee scheme almost took a tumble when interest rates were hiked last year.

"But things are changing now, and by the look of things, the positives seem to outweigh the negatives," he

when entrepreneurs have to come up with their business plans as this is the prerequisite in the starting of any formal business operation.

Instant success

Although the plan is not a guarantee for the business's instant success, it does, however, alert other parties, such as the consensus must be to keep the costs lenders, to the quality of the input into the business.

According to him, a good start-up with lower than expected sales or & massive depreciation of the currency, and it should have good financial reporting to constantly monitor its performance and position.

It will also have plans to deal with

lower than expected sales or a massive depreciation of the currency that may affect an unforeseen upward fluctuation in prices. Good financial reporting will also be reflected so it could constantly monitor its performance and position.

Partnerships are the favoured way of spreading the financial burden. "But get into the partnership with caution," he warns. Better still "is to avoid them, He believes that this is the time as history proved that more have failed the entrepreneurs have to come up and often the friendships are often the friendships destroyed".

> His advice is that before venturing into business, the roles should be clearly defined, the skills and depth of expertise to be rendered need to be agreed upon.

If debt was to be kept at a minimum, at the lowest levels, he cautions.

Even when applying for a loan on the strength of your business plan, business will have the plans to deal always resist the temptation to take the entire amount of offer.

Manjome believes that much has een done by the government at all lèvels to improve small business people in areas such as deregulation, tender access and export promotion.

FM Focus



EMPOWERMENT



GRAVY TRAIN GRINDS TO A HALT

The days of gain without pain are drawing to a close for black economic empowerment companies.

A report to be published this week by BusinessMap, a Johannesburg-based group specialising in investment advice, says a number of financial institutions active in the funding of empowerment deals are working on testing new ways of encouraging black firms to put more effort into developing their investments.

To date the funding of empowerment deals has been structured, according to BusinessMap, to encourage "a high

rate of deal flow — the more deals, the better the returns for the financier".

This "deal-making bonanza" has resulted in many black firms building up more debt than the value of their assets.

BusinessMap CEO Jenny Cargill says in the report that the "deal-making" practice has created an impression that business is about the nonstop buying of assets. It has done little to develop expertise in building businesses organically.

But some investment bankers are making efforts to change this. Cargill cites the

material of the control of material districtions of the highlights before the definition of the control of the

case of African Merchant Bank, which is evaluating a funding model that involves setting target levels of performance for the empowerment firm.

"As each target is reached, the percentage of the participation in the returns of the investment is increased. It is felt that this will offer an incentive to the black investor to add value to the investment, as their participation level will grow accordingly," says Cargill.

Rand Merchant Bank also wants to see black investors risking their own money where the transaction involves the transfer of control to the empowerment group.

This is in sharp contrast to the funding mechanisms, including the so-called special purpose vehicles (SPVs), that resulted in black firms reaping the benefits of a rise in the value of their investment without having to risk losing their own money should the value of the investment drop.

BusinessMap says another trend in empowerment funding is that financial institutions are looking more favourably at black firms that have been built on operational businesses as opposed to being investment holding companies.

Jabulani Sikhakhane

Heads roll at chamber of commerce

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The National African Federated Chamber of Commerce (Nafcoc) had expelled David Mokoena, its secretary general, from its ranks with immediate effect for allegedly misrepresenting the black business organisation in a court case, Steve Skhosana, the president of Nafcoc, said yesterday.

Skhosana said Mokoena was expelled in terms of clause 42 of the organisation's constitution and said that whatever the former secretary general would be doing from now on, he "would not be representing Nafcoc".

He said Nafcoc had also expelled its entire North West Province affiliate for "failing to conduct themselves properly".

"We feel Nafcoc would be able

to move forward quicker and smoother without these people," Skhosana said.

He accused white businesses in general and a "third force" in particular of spiriting away the North West province and planting the seeds of disunity.

"We suspect there is a thirdforce element that is trying to disrupt and derail any progress made by black business in South Africa," he said.

On other organisational issues, Skhosana said Nafcoc hoped to release its much awaited black business confidence index at the beginning of April.

The proposed index — to rival that emanating from the South African Chamber of Business (Sacob) — enjoys the personal support of Deputy President Thabo Mbeki who has questioned the representivity of Sacob's

business confidence index of general business sentiment in South Africa.

A black business confidence index was first proposed at the Nafcoc's 34th annual convention held at Sun City last year:

Skhosana said black business felt the Sacob index failed to capture what was really happening within black business.

He said the new index would measure the performances of all black businesses big and small and conduct a quarterly survey of the performance in relation to the economy as a whole.

He said as from next week Nafcoc would embark on a national roadshow whereby it would distribute 74 percent of NafHold shares worth R200 million to its members with the trustees of their holding company retaining only 26 percent.

G

researcher at the Centre for writes Khehla Shubane, individuals should be mindful of, ahead which companies and rapidly. But there are pitfalls empowerment is advancing shows that black economic the BusinessMap consultancy A SURVEY released this week by

LISTENING to some of the rhetoric on black economic empowerment (BEE) gives the distinct impression that very little has happened by way of empowering the target community, or that the process is in deep trouble.

Some argue that far too few empowerment groups have successfully been created and are indistinguishable from white-owned commence.

Policy Studies in Johannesburg.

pames.
Financial institutions, which are the key to the success of empowerment groups, are dethe success of empowerment groups.

vising new requirements to funding empowerment initiatives. These will have the effect of blocking the creation of new initiatives. Within black business circles themselves, the problems are equally intractable.

Black business associations could not agree on what seemed a simple question: the timing and the convener of the Mopani 2 conference two weekends ago in the Kruger National Park.

New Africa Investments Limited (Nail), one of the very few successful beneficiaries of black economic empowerment, could not resolve a problem which finally led to a senior executive leaving the groun.

leaving the group.

If was felt necessary for a commission to be set up to clarify basic issues around empower-

■ And open disagreements about BEE are expressed in the environment.

The reality of the BEE movement paints a different picture. Solid progress has been recorded in the time since this process started. In the space of about five years, about 5 percent of the

market capitalisation of the JSE is controlled by black groups.

On its own, this figure does not mean much. Viewed, however, against the value of companies controlled by blacks five years ago, it acquires an attogether different meaning. It is indeed good progress towards the deracialisation of the ownership of productive assets.

A long missing sector among blacks – a middle class – is starting to emerge. Significantly, this class, as created by BEE processes, is not based on positions within the state but is based in the private sector. If grown further, this social sector will fundamentally alter black society and social relations in the country.

Progress seems to have been made in the acquisition of assets by BEE groups, even during the worst time for the economy. Despite negative economic circumstances, BEE groups

According to the BusinessMap survey, deal flow amounted to about R21 billion last year in spite of a severe crisis in the market. This oc urred at a time of economic uncertainty when manciers were less keen to take the risk of the

CP 114/3

groups, and the assets base of many BEE groups was still mani-

This reality should, however, not detract from deep problems which still face the BEE movement. One such problem is that the BEE movement is at an incipient stage. There is a long way to co. and

is a long way to go still

The creation of an environment of deractalised ownership of busi mess resources has not been achieved. Even if what has been achieved were to be doubled, the effects of bast racially based allocation of business resources would still not

he expunged.

Another problem is a resentment building up among white firms who view BEE as a process of enriching blacks unfairly. Some in white firms are of the view that they are being asked to give wealth to blacks have not had to build it from

Much as many whites have not had to do this, now that they own significant wealth they think they are giving up wealth for nothing in

Of course, to many wealthy whites the assistance which they might have derived from apartheid is not that clear. What is clear to many of them is that they exerted themselves to acquire the wealth they naw away. been done by way of empowering blacks. Now the country should move on and allow existing firms, in which ownership is exercised by both blacks and whites, to compete with one another.
Of course, to Alternatively, some whites in many firms think that enough has

they now own.

Many reckon that if apartherd delivered wealth to whites in general,
why is it that many whites do not
have any wealth to show even
though they too lived under apart-

This problem will in time arise in respect of blacks. BEE at times creates the impression that the benefits of deracialising ownership should be delivered to blacks in

In time, those blacks who will benefit from this will think of them-

- 100 mg/m & billions Percent Black ow Sec. September 1995 Services を表する diusieumo L. Information Phat Sections of the Phat Sections of t ownership of a companies Strongest empower-ment sectors on the JSE 1 January •' R3.95n

selves as having worked for what they got and not received it because they were black.

Slowly, there is a shift in the investment patterns black groups are making, from purchasing into

tholding companies into operating companies. This shift also entails a direct involvement by black groups in the operations of companies in which they get involved.

This is good for all concerned, but

often gives rise to problems of its own. At the best of times, bringing together managers from different backgrounds is difficult.

In the case of operational involvement of BEE groups, this will be compounded by a number of factors.

■ White managers might view this

development as an attempt to finally remove them from their positions and not support it.

A problem which has been latched onto by a number of people is that BEE has not changed the extent of poverty in the country.

On the contrary, a handful of very rich blacks have been created amidst had levels of poverty in the country. The gap between the rich est blacks and the poorest is said to have widened since the REE movement extracts.

BEE groups are going to have to think about this problem. As they push government to do more to support BEE, they must bear in mind that the government also has a responsibility to the poor.

In my view, different programmes are required to fight poverty than those which seek to deractal the stream of the seek to deractal.

It is wrong to judge the efficacy of BEE in terms of the extent to which it has removed powerty. It is not an anti-poverty programme; it is rather an elite programme; it is rather an elite programme. Newly empowered firms will be competing in the same market place as white-owned firms. And there are no rules here which apply exclusively to newly empowered exclusively to newly empowered

To continue existing and to grow, these firms must subject themselves to the imperative of the market, which might be inconsistent with the wishes of those who might have existence. nelped these companies come into

It seems government is not entirely happy with the grounds well of established firms wishing to list offshore. If this is, however, a business imperative as argued by such firms, black companies might such firms, black companies minave to contemplate it in future.

BOOK OF THE WEEK

響響を

CCESS to finance for small, medium and micro-enterprises (SMMEs). especially controversial

perceived failure, rightly or wrongly, of commercial institu-tions to lend to SMMEs, which are important vehicles for job creation and equitable growth in At the core of the debate is the

It is a perception banks dis-pute. The Banking Council of SA's Eddie Johnstone this week told Cautenn's "thousands" of loans to small mall business that banks made Gauteng's conference on

of bank loans go to formal small and medium enterprises, most the fuss all about? The majority But if this is the case, what is

dominate the survivalist, micro and very small sectors, made up of low value-added activities. A 1995 study by Trade and industry's Ntsika Enterprise Promotion Agency found that 18% of enterprises employing fewer than 10 people were blackowned, whereas 40% of those employing fewer than five were owned by blacks. For historical reasons, blacks remain on the margins of the small business sector. Blacks

Herein lies the problem. Most of these businesses need funding of R10 000 to R50 000, which the big banks find commercially traffractive. owing to

Commercial banks are not alone. In the past five years, SA has seen an explosion of private equity and venture capital funds which tend to invest in unlisted and start-up ventures above R2 million. A shortage of debt it trepreneurs to seek other, expensive finance elsewhere, returns and high costs. A shortage o.

A shortage o.
then drives
to seek other,
elsewhere,

argue, is a general failure by banks to extend credit to black uch as from micro-lenders.
The second problem, critics a general failure by

ure to do so is not so much a failure of banking as a failure of entrepreneurs to come up with viable business propositions, the business profitability (read hey say their apparent fail-

Banks have a point, but they fall to grasp that the status quo is a historical problem.

need new approach



It is for this reason that many critics have said banks are insensitive, not only to this historical legacy, but also to \$A's developing status. A speaker at the SMME conference remarked: Banks have to come to grips with what happened. Banks use first-world standards in a developing country."

There is clearly something wrong with a financial system when hordes of would-be entrepreneurs keep complaining that they lack access to finance, yet the media is filled

nance, yet the media is filled with headlines trumpeting black empowerment transactions. Consider that just about all the financial institutions have spent billions propping up black economic empowerment, a process that has failed to make even a dent in SA unemployment in a

than e economic

More important, the process has been facilitated by fancy financial engineering by institutions even though some of the empowerment proposals did not make good business sense. Thus, if financial institutions can take the sort of risks they have with empowerment, creating innovative and appropriate vehicles to facilitate a redistribution of wealth, what is stopning the properties of the sort of the stopning the sort of the ping them from taking such risks in the case of black SMMEs in

and very small enterprises in particular?
At this week's conference, Clem Sunter remarked: "I find it nuts that it is easier to give credit to consumers to consumer rather than it is to produce."

There is a lack of innovation at financial institutions to develop appropriate products for SMMEs, and also a lack of appropriate institutions that can play such a role.

Micro-lending has been one innovation, but it has serious disadvantness.

disadvantages.

Most micro-borrowers use

the amounts for consumption rather than production, which reinforces Sunter's argument.

That is why plans by the Department of Trade and Industry to revamp the Usury Act and Increase the amount of money exempt from the provisions of the Act to R50 000 (from R6 000) are destined to fall short unless adequate mechanisms are in place to ensure funds are used

for productive purposes.

Many have warned



FROM SMALL BEGINNINGS ... Sam Molope, deputy chairman of Molope Group, and Herman Mashaba, MD of Black Like Me, are exceptional cases of success

t a large number of consumers drowning in debt.

Equally, one also has to treat with circumspection the validity of figures given by wholesale financier Khula Enterprise Finance. Khula says it has disbursed R200-million in Joans and credit guarantee stemes, and claims that its funding has benefited 33 000 small and microentreorreneurs.

entrepreneurs.
However, Khula's figures underscore, by contrast, the inability of private sector financial institutions and Business Partners (formerly the Small Business Development Corporation) to play a meaningful role in assisting SMME entrepreneurs.
Khula was formed in 1996 when government reduced its 50% interest in the SBDC to 20%, and transferred R600-million to Khula rover a fuctor restrict.

starting at the beginning of 1996. In addition, the SBDC's loan

guarantee scheme was taken over by Khula.

But government is not and cannot be a provider of finance, which clearly explains Khula's reluctance to enter the retail market, opting to provide wholesale finance to existing retail tnetheritories.

institutions.

As a result of mounting pressure, the Banking Council of SA has unveiled plans to cover the R10 000 to K50 000 gap—it is launching the Sizabantu scheme, aimed at providing not only finance but also non-financial support to entrepreneurs.

This support will include mentors who will assist entrepreneurs.

trepreneurs in getting their bush nesses off the ground, and guide the businesses during their

This is a start, but many such starts are needed if a difference is to be made in the funding backlog of small enterprises.

So much for the private sector. Govern ent, in turn, has a

range of public sector institutions which may be able to play
this role in addition to doing
their customary work.
Institutions such as provincial
development corporations, the
Post Bank and industrial Development Corporation hold not
only appreciable capital assets,
but also have the infrastructure to roll out additional funding to SMMEs.

ing refocused its role to provide finance for SMMEs in addition to The IDC is a case in point, hav-ig refocused its role to provide

Funding is only part of the oblem. Traditionally, most ulisted SA businesses have

loan finance, both as start-up and working capital, an option that has left many of them with high gearing levels.

In a climate of high interest tended to rely extensively

rates — consider last year's extraordinarily costly rate of 25.5% — such businesses are the first to be affected.

It is only recently that a wave of private equity and venture capital funds has begun to

capital funds has begun to emerge to inject badly needed equity capital into businesses. However, these funds target investment needs in excess of R2-million. This is the area where small and medium-sized enterprises.

enterprises are to be found, usually with a view to a listing. This leaves the very small micro-enterprises in need of innovative funding mechanisms and, ultimated

Mopani 2 was no damp squib, Say black business leaders

By ANDILE NOGANTA

Dupree Vilakazi said Mopani 2

"Black business as it stands
was not called by black business

Our is more united then it given

LACK business this week presented a united front for the first time since the debacle surrounding the recent black business indaba at Mopani.

The indaba, known as Mopani 2, was seen largely as a failure by the media.

The absence of the Black Business Council (BBC) and top political figures was viewed as an indicator of deep divisions within black business.

On Friday the 11 affiliates of the BBC met to set the record straight and lambasted black journalists who jumped on the bandwagon of the white liberal press who have been proclaiming the failure of black business.

The president of the National Black Business Caucus (NBBC),

was not called by black business and should not be a reflection of unity in black business.

He said Mopani 2 was an initiative of entrepreneur Willie Ramoshaba, who had the idea endorsed by the NBBC but informed the BBC too late for it to take part in the indaba.

Leading up to the indaba, Mo-pani 2 was billed as a follow-up to the first conference between black business leadership and 60 representatives of the then ANC government-in-waiting.

The press regarded Mopani 2 as a damp squib by comparison to the first one after the stayaway by BBC and the non-attendance of government.

But black business this week slammed those media reports as unsubstantiated

now is more united than it ever was at any stage in our history, said chairman of the Black Management Forum, Lot Ndlovu.

It emerged however that black business had serious conflicts with the National Business Initiative (NBI).

Ndlovu would not be drawn on the issue except to say the problems were mainly about transformation in big business. He said there were on-going

talks to iron out the problems. But it is understood that black business is unhappy that they are not being taken seriously by their white counterparts at the NBI who they feel are taking unilateral decisions.

The NBI was a government initiative to bring together black and white business.

Small businesses target youth skills (T(MK)) (B) (B) (30)

Johannesburg — The small business conference sponsored by the Gauteng government ended last week with business and government in agreement on the need for promoting youth business skills.

The Premier's Conference on Small Business in Gauting and the Small Medium and Micro Enterprise was held in Johannesburg. It proposed that entrepreneurial development should start in high schools where the curriculum would encourage students towards more entrepreneurial thinking.

Meanwhile, for the first time, the Banking Council of South Africa said it would launch a new scheme to fund micro enterprises. Banks would be given loans of R10 000 to R50 000, specifically for micro enterprises.

However, delegates said it was not enough to make business people of the youth.

"It is not easy for the youth to have access to finance, but bigger than that is the problem of lacking business skills and these need to be nurtured at school as well as at tertiary level," said David Moshapalo, the executive director of the Foundation for African Business and Consumer Services (Fabcos).

Fabcos has taken the South African Graduate Association (Sagda) as an associate member to help it start a tourism business. Sagda would soon launch a tender advice centre, said Moshapalo.

Poor networking and a lack of discipline in planning and management were among the problems facing business development in youth. It was recognised there was no adequate link between those in the community who have "made it and those aspiring to make it". Moshapalo said: "There is a need for visible role models and strong mentorship programmes for youth."

"Dhladhla & Associates, a human resources consultancy, said it was negotiating with various companies to sell the "Adopt-a-school" concept.

"We are hoping we will find companies that will take one school at a time, adopt their matriculants, see them through tertiary level and take them on vacation to work for them," said Thembi Jennings, a senior Dhladhla & Associates consultant.

Jennings said that the majority of youth complete higher education without having seen an office to get the feel of a corporate atmosphere.

"We are now trying to get the department of education to see this programme as a contribution to alleviate joblessness among the youth."

Concern over Goyt's role in firms

says BusinessMap.

By Mongwadi Madiseng and Isaac Moledi

THE role that the Government plays in aiding the development of black economic empowerment companies, or in making the environment conducive to their development is of concern to the BusinessMap consultancy.

In its report entitled Empowerment 1999: A Moving Experience, BusinessMap says although it understands the motivations of the government's increased intervention in the black economic empowerment arena, using its economic muscle or "buying power", it is, however, concerned with an uncritical approach in its good intentions.

"Interventions of this kind always open up space for tokenism, patronage, corruption and poor performance," it says.

"At issue is not whether the Government should go this route, but what it does or should do to ensure that the potential downside to intervention is kept in check.

"A good measure of transparency, information availability, as well as regulatory and evaluation procedures during the period of an agreement are critical to ensuring that the anticipated fruits of empowerment are in fact

State-sponsored empowerment has been evident in a number of forms. For example, it supports black equity participation in the bidding organisations, giving preference to broad-based black representation in empowerment companies.

Zimbabwe is being quoted as the case study in which patronage in a policy vacuum has ensured that only those black business-people aligned to the ruling party have won empowerment favours.

Cautionary note

Although the South African empowerment field appears to be far more robust than in Zimbabwe, because of the role that the private sector is playing, BusinessMap says the Zimbabwean outcome should serve as a cautionary note to South Africans.

"The message is clear: the potential for state-backed empowerment going wrong is real," says the organisation.

In as far as privatisation is concerned, the Government's establishment of the National Empowerment Fund, which ensures that black ownership is always an outcome of any privatisation, is also of concern to BusinessMap.

"That said, the bias is towards equity participation by blacks in the groups or consortia which bid for state business – whether it is a procurement contract, a public private sector partnership and even privatisation (as Alexkor shows)."

Although BusinessMap is aware of the Government's strong emphasis on training and the development of small and medium enterprises, its contractual obligations still tend to be vaguely defined.

To ensure that state-sponsored empowerment has the desired impact and does not degenerate into "crony capitalism", BusinessMap says the Government needs to be strong on a number of issues.

These are that the tender process should be governed by the principles of transparency, with a clear understanding of what falls into the realm of confidentiality.

"The Government should be required to explain the reasons for its choice of the bidder, and the information on the responsibilities and the obligations of the companies awarded Government contracts should be available to the general public."

SA 14th on list of riskiest places to do business Neil Berhmann

LONDON — SA is way above average on the danger scale in terms of corruption in business dealings, according to a survey

of multinational companies.

The survey, by Merchant International Group, a London-based risk assessment research group; found SA the 14th-risk lest country for business. This is not risk from a sovereign credit point of view, it covers "grey dynamics" — organised crime, counterfeiting, corruption, extreme political groups and other commercial hazards ranging from unfair competition to cultural and ethical differences.

The survey applied to 45 emerging nations. The ratings are calculated on a percentage basis; the more difficulties encountered, the higher the percentage.

Singapore was rated least corrupt with 19%. Pakistan, the worst nation, registered 91%; Indonesia rated 84%; Russia 83% and Colombia 81%. SA, with 68%, was criticised for high levels of organised crime, fraud, corruption, poor business ethics and extremism.

The survey was released as SA's Chinese-speaking community delivered a letter of protest to President Nelson Mandela at the weekend against "government's tolerance of high levels of crime".

Last year Berlin-based anticorruption crusader Transparency International ranked SA 32nd in its corruption perception index, a survey covering 85 countries. That survey, which said SA government officials were less prone to corruption than their counterparts in Eastern Europe, was based on views of international businessmen and political analysts.

After China, SA is pin-pointed by Merchant International as an outstanding potential emerging market. But in general, multinationals are fed up with business practice in emerging countries, according to Merchant International neckons that losses of UK multinationals alone due to inability to cope with bad business practices, corruption and crime in emerging markets total \$15bn a year — about 10% on expected returns on foreign investments.

The majority of multinational respondents complained that the main disadvantage was a different "cultural" and ethical outlook to business dealings. About two fifths said that they had to deal with or-

ganised crime syndicates.

Expelled Nafcoc member (30) hits back at the organisation

By Isaac Moledi

FORMER Nafcoc general secretary David Mokoena, who was expelled from the organisation at the weekend, has dismissed his sacking as "null and void", saying proper procedures had not been followed by the Nafcoc council.

Mokoena and Nafcoc's North West affiliate, the North West Chamber of Commerce, were officially expelled from the black business organisation for allegedly "misrepresenting Nafcoc in a court case".

The dismissals arose from a court case which Mokoena said he, and seven Nafcoc affiliates, had instituted in the Johannesburg High Court to have the election of Nafcoc's current office bearers declared invalid.

The seven Nafcoc affiliates that

Mokoena claimed had endorsed the court application are the North West Chamber of Commerce, the Transkei Chamber of Commerce, the National African Chamber of Commerce Border region, the Eastern Cape Chamber of Commerce, the Western Cape Chamber of Commerce, the South African Liquor Traders Association and the Northern Province Chamber of Commerce.

"I want to place on record that the executive committee does not have the powers they purported to have in terms of clause 42 of the unadopted constitution.

"Under the circumstances the purported expulsions are null and void," Mokoena said.

He also claimed he was judged by the Nafcoc executive without a trial However, Nafcoc president Steve Skhosana dismissed Mokoena's allegations as a "gross misrepresentation of the facts".

He said Mokoena was dismissed after he had failed to cooperate with the commission of inquiry instituted to investigate his claims that the current leadership structure was unconstitutional.

In addition, Skhosana said Mokoena, as well as the North West Chamber, had defied the council by failing to attend a meeting called by the council on March 6 to discuss the court case.

"The council had no other alternative but to expel them," he said.

On the allegations of mismanagement, Skhosana said the fivemember commission of inquiry had not found any wrong doing with regards the Nafcoc executive.

Black economic empowerment could become a huge scam

The business is as guilty as its white counterpart when it comes to racial stereotyping, writes **Christine Qunta**19 13 19 9 (30)

LACK economic empowerment is in danger of being turned into a gigantic scam where the biggest beneficiaries are those who have been the beneficiaries for the past 40 to 50 years. The only difference is that now a small percentage of black people have been let in to share the spoils.

It has been the tendency to criticise white companies for this trend. It is becoming increasingly apparent that blame cannot be laid solely at the door of white companies. Black business is just as culpable when it comes to defeating the broader objectives of economic empowerment.

Black professionals are increasingly concerned about the tendency by black business people to replicate the patterns of discrimination practised by their white counterparts. The major black companies, who were the first to benefit from the opening up of the economy, seem to be the worst, but not the only offenders. There are of course, exceptions but they can be counted on one hand.

There are various ways in which black businesses lack of commitment to economic empowerment is exhibited. The main example is where black business acquires a major stake in a company. They might change the board, but they leave the operational side as it was before.

They are scared to be seen to be rocking the boat in case it affects the profits or alienates the staff. So one finds that while the owners of the company are black and they go by the name of a black empowerment company, everything else remains untransformed. Even where there are black employees, they often complain that the owners of the company pay no attention to the problems of racism and sexism that they encounter within these companies.

Outsourcing policies are similarly skewed. When one analyses the companies from whom black companies buy their goods and services, the same situation prevails. Their accountants, financial advisers and public relations companies are usually white. It would be legitimate to ask how, apart from the skin colour of the owners, do they differ from white-owned companies? In fact, in the case of a few white companies, more effort goes into making employee profiles representative than in these so-called black

There are a few choice quotations that these high-flying black business people favour: "I got here by my own bootstraps so why should I create opportunities for black people" and "I don't look at race, I'm concerned with merit".

Who could forget Mzi Khumalo's now infamous statement of how he was not into this

"black brotherhood thing" or words to that effect. It is history how the white brotherhood thing did not work out at JCI.

It cannot be left to government and white business alone to restructure the economy. Blackness on its own cannot be a pass to gain access to government work. It is time that government scrutinises black companies' compliance with employment equity, equitable outsourcing policies and effective operational control when these companies tender for government contracts. If a shared experience of discrimination cannot convince them to do the right thing, they must be dealt with in exactly the same way as recalcitrant white companies.

There is a widespread shortage of skills in the black community and this explains the small number of black professionals. But even when there are sufficient skills, there is not the will on the part of black business. They seem to think that to get ahead in business they have to surround themselves with white experts.

Perhaps this makes them believe they will be respected. Or perhaps they are so damaged by years of racial conditioning that even where black people have the same degrees and qualifications, they do not believe that they are as clever or competent as their white counterparts.

They will deny this because the issue is never as clear-cut as described here. Rather, it is an underlying subconscious lack of belief in themselves as black people and the projection of this complex onto other black people. Frantz Fanon wrote one of the most incisive texts on the psychological effect of racial oppression.

Most of our top black businessmen in this country would be outraged if it was suggested that they suffered from an inferiority complex such as that described by Fanon, Steve Biko and other black scholars. It is difficult to find another explanation for their behaviour in the current political climate.

It may be worthwhile holding up a mirror so they can see what they are really like. They will then learn that there is nothing dignified about pandering to the worst racial stereotypes. It might gain acceptance into established business circles, but not respect. People tend not to respect those who do not respect themselves.

It might be useful for black business people to reflect on a quote from an advertisement by an African-American scholarship fund which says: "The greatest imprisonment and therefore the greatest freedom is the mind."

□ Qunta is a partner at the law firm Qunta Ntse-

New twist in Nafco leadership crisis

African Federated Chamber of Com-chamber, Transkei Chamber of Commerce have distanced themselves merce, South African Liquor Traders from a case in the Johannesburg High. Association and the Northern Court in which a former Nafcoc offi Province Chamber of Commerce. cial has instituted to have the elec tions of the current office bearers ್ಷಚ್ಛeclared invalid.

Fornier Nafcoc general secretary David Mokoena, the North West affiliate and the North West Chamber of Commerce, were expelled from the organisation for allegedly "misrepresenting Nafcoc in a court case".

Nafcoc affiliates applied to the Johannesburg High Court to have the election tion of Nafcoc's current office bearers last August declared invalid.

Nafcoc president Steve Skhosana said his organisation was in possession of signed letters from four Nafcoc affiliates which Mokoena allegedly endorsed to support the court case.

Sowetan Business Reporter Odistanced themselves from the court ABOUT four affiliates of the National case were the KwaZiilu-Natal

In a statement on Wednesday. Mokoena claimed that the North Wests Chamber of Commerce, Transkei Chambers of Commerce, National African Chamber of Commerce Border Region, Eastern Cape Eastern Cape Chamber of Commerce, Western Cape Chamber of Commerce, South African Liquor Traders Association and the Mokoena said he and seven Northern Province Chamber of Commerce, endorsed the court application.

Regarding clause 42 of Nafcoc's constitution that Mokoena said was Inot adopted, Skhosana said he was surprised because Mokoena was aware that the clause was adopted in 1993.

"We suspect that there is a third force which wants to destabilise Nafcoc." said Skhosana.

Sowetan Business Reporter

SOWETO youths are set to be given a chance to become entrepreneurs as a result of a new Business Development Centre, launched at the Emndeni library, which will begin operations next month.

The centre, brainchild of the South African Graduates Development Association (Sagda), will be sponsored by the Open Society Foundation of South Africa for the rest of the year.

Sagda project manager Sifiso Khumalo said the centre's aim is to train township youths by giving them the entrepreneurial skills required to start their own businesses.

He said the way to deal with South Africa's growing unemployment scourge was to mobilise resources and get the community involved in projects that create job opportunities.

He added that once they got the community organisations involved in the centre's activities, it would lead "society to eventually take charge of the project that will enable the initiative to replicate".

He said the project would start on a pilot basis and would be subjected to a thorough evaluation. Funding of the centre would also be reviewed after the end of this year.

The centre will offer as its core services: business information services, business development services, youth enterprise resource centre service and community entrepreneurial development. Khumalo can be contacted on (011) 934–0416/0414.

Govt determined to back small business

John Dludlu

GOVERNMENT signalled its determination to resuscitate the collapsed lobbying voice of small business yesterday, but said it would scale back its involvement to make the new structure effective.

*Phumzile Mlambo-Ngcuka, the deputy trade and industry minister, launched a veiled attack on the now defunct National

Small Business Council.

The council, meant to be the voice of small business, is being liquidated.

Mlambo-Ngcuka, who is in charge of government's flagship programme buoying the small business sector, said the council had neglected its lobbying role as a voice of the sector. It was only in the latter days of its life that it established a presence in Parliament.

She said the council's sole reliance on government was a problem. A new body should be a partnership between government and business, in terms of both fund-

ing and participation.

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It should also stay clear of the mandates of other state-owned organisations.

This is the first time that government has made known its ideas on a reshaped institution since the council collapsed last year.

Partnership with the private sector would also ensure that the new institution remained accountable.

Recommendations would be given to

kecommendations would be given to the new government, she said. "Mambo-Ngcuka also pledged that her ministry would soon propose reforms of some of the country's labour statutes, including exemptions for small business.

Mlambo-Ngcuka also presided over the national small business regulatory review yesterday, a process aimed, in part, at removing the regulatory barriers hindering the small business development.

However, she indicated that her ministry would not seek blanket exemptions for small business from the country's

labour statutes.

She argued that the review, which was launched last year, had shown that problematic labour accounted for a mere 10% of the hurdles for small business.

Collateral

The review had shown that finance, especially lack of collateral, was the main hindrance to the development of small businesses.

While small business had benefited from the "affirmative action" state procurement policies, Mlambo-Ngcuka said the sector was still encountering problems in accessing these benefits. Among others, late payments by state departments were strangling some small firms to death and this was worsened by the lack of recourse, such as an ombudsman.

Apart from surveying the effect of labour law on small business, the regulatory review also looked at tax laws as well as rural development and women.

It will culminate in a consolidated report containing recommendations in the coming weeks.

STAFF REPORTERS MARTHA QUMBA AND TYRONE SEALE

operative Forum. bottom lines through the newlytheir horizons and enhance their small businesses in the Western Co-operatives and emerging established Western Cape Co-Cape have a chance to broaden

preneurs and co-operative members forum is based at the Guguletu are able to meet. indoor sports complex, where entre-Launched last weekend, the

sewing, home industries, catering making of building products, duction, small-scale farming, the operatives that encompass wine prothe Western Cape are active in coand credit unions, among others. Between 3 000 and 5 000 people in

> ated to the National Co-operative operative Association. ment Agency and the Canadian Co-Canadian International Develop-(NCASA), which is supported by the Association of South Africa The new regional forum is affili-

vices to co-operatives countrywide range of support and training serin South Africa and abroad. and helps members develop markets The national association offers a

employment for great numbers of will expand existing co-operative women from disadvantaged areas. networks which provide self-The new Western Cape forum

offer its services to all entrepreneurs in the province. The forum is, however, keen to

the municipal office in Guguletu

At the launch, John Sipamla of

poverty."

to work with the municipality and to Arthur Jacobs appealed to the forum inspections and other services. neurs with land upgrades, health

said the new forum would consolidate ties with co-operatives elsespoon-fed". where in Africa to make people in this region "less dependent and NCASA director Kwedi Mkalipi

to have a growing co-operative for our children – and to show the World "It is extremely important for us Women understand the impact of majority of women in the forum. said: "I'm very pleased to see

pality would assist new entrepre-He said the Cape Town Munici-

businesses. observe by-laws that affect their Deputy Mayor of Cape Town

pen." that women can indeed make it hap-

be diligent and to work together. He encouraged entrepreneurs to

places such as Canada and Kenya. offered business training and would tion's contact with co-operatives in benefit from the national associa-In return, he said, they would be

strengthen the new forum was the years ago. become self-employed. I had R50 ple must take the initiative to Rev Links Mfundisi, who said: "Peowhen I started my business two Among those lining up

from home and at school. I later managed to make R400 a day. "I was selling sweets on the road

and struggling to do things on their own. Nothing comes easy. "People should start thinking -

Real power is economic

Programme to aid SMME sector

By Mongwadi Madiseng

HULA Enterprise Finance reaffirmed its commitment to the development and support of the small, medium and micro enterprise sector by launching KhulaStart programme to provide rural communities with micro credit.

The programme, according to the Department of Trade and Industry (DTI), will be an intervention strategy under Khula Institutional Support Services (Kiss) aimed at promoting greater access to micro credit by rural communities.

The programme will be based on a group-lending methodology and provide the support for the lower end of the micro enterprise sector.

KhulaStart would target the historically disadvantaged communities, particularly 70 percent of women living in the rural and peri-urban areas.

Addressing the Masikhulisane breakfast forum on Friday, Minister of

Trade and Industry Alec Erwin said the development of the SMME sector was a top priority for his department.

He said one of the problems facing the country was that "we have an economy with a large potential to prosper but lacked the capacity to distribute wealth between its people".

He emphasised that to create jobs, the country needed both rural and urban economic activity to sustain the development of the SMME sector.

Regarding the accessibility to finance by SMMEs, Erwin said forums such as Masikhulisane should be utilised to discuss and share common concerns.

"We aim to make direct contact with banks and other financial institutions in the hope that they will respond to the needs of their customers."

He said he viewed Khula as the source of hope for those who wanted to get into the mainstream business realm without being denied an opportunity because of a lack of collateral.

"Part of the solution would be for the major banks to teach their business managers and front line staff to feel comfortable with big business lending as with small and medium enterprise lending," he said.

Erwin said regulatory reviews had been implemented to facilitate and create an environment for the SMMEs to grow.

"The departments of trade and industries, finance, and other departments, together with the Government, are engaged in a working agent to review the financial sector to advance the needs of small businesses," Erwin said.

Banking Council of South Africa (BCSA) chairman Bob Tucker said the concern was about the access to finance and its affordability by small business entrepreneurs.

He said the BCSA would support the sector in mentorship and supportive programmes and that his organisation had initiated a R5 million pilot project to serve the SMMEs sector.

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Sowetan BUSINESS

Real power is economic

Crisis-hit Nafcoc loses top official

By Isaac Moledi

HE crisis at the National African
Federated Chamber of Commerce and Industry deepened
yesterday when the organisation's chief executive Phillip Machaba
resigned.

Although Machaba could not be reached for comment yesterday, sources close to the leadership of the organisation told *Sowetan Business* that Machaba had been disillusioned with the way the organisation was run.

"The administration of the organisation is not up to scratch," said the source, adding that Machaba, "as a man of stature could not tolerate the way things have been going on. At times decisions were taken without him being consulted."

Machaba's resignation, according

to the source, signified the unhappiness most members of Nafcoc experience with the organisation's leadership.

Since the election in October last year, Nafcoc has experienced unhappy indi-

unhappy individuals resigning their positions.

The crisis within the organis

The crisis within the organisation surfaced when senior member David Mokoena resigned from the executive committee citing, among other reasons, the existence of an unconstitutional executive, the unprincipled conduct of some executives and mismanagement.



Phillip Machaba

Although Nafcoc president Steve Skhosana said Mokoena was back at his job as secretary general of the organisation after he was instructed to do so by the Nafcoc council, the source said this had not taken place as the issues involved had not been resolved.

Mokoena yesterday declined to be drawn into the crisis, saying: "I do not want to prejudice myself as my case is still on."

Pam Mgulwa, the leader of Nafcoc's women's forum, also handed in her resignation about two months ago. The credibility of Nafcoc leadership, which some members claimed was elected unconstitutionally, was also in question, the source said.

Skhosana could not be reached for comment yesterday. His secretary, Peter Mahlangu, said Skhosana was on a business trip to India and was expected back next week.

By SHERILEE BRIDGE

EMPOWERMENT company Union Alliance Media (UAM) plans to list on the JSE this month - the first union-owned company on the boards.

UAM is a subsidiary of Union Alliance

Holdings, the joint venture trade union investment company owned by Cosatu and Nactu trade unions representing more than 1.9-million workers.

The listing, a private placing of 150-million shares, will raise R300-million at a listing price of R2. Another 100-million

a listing price of R2. Another 100-million shares could also be issued to vendors of underlying companies.

Proceeds will be used to grow the UAM group, now comprising 18 media companies focused on selevision, radio,

telecoms, advertising, marketing, electronic media and publishing.

UAM CE Anthony Glass says the company's plans to become a "technomedia" company are in line with the emergence of a new media industry born out of the convergence of communication, technology and content.

During the past two weeks, UAM launched a brand new dedicated sports television station and acquired more than 50% of Tswelopele, producers of popular television programme Top

1996 (44 Ceo's) 1997 (36 Ceo's) 1998 (32 Ceo's) 1999 (31 Ceo's) 60. n. STRATEGIC ISSUES FOR THE NEXT FOUR YEARS PARTY DO THE FOR A PERCHANTER PROPERTY Comment of 下 是 一 行 也 . 多四百 38 ,16, 11, GROWTH, IDENTITY & ENTER NEW MARKETS GLOBAL COMPETITIVENESS SOCIAL & EGONOMIC INSTABILITY / CRIME Respondents. MIS/TH IMPROVE SKILLS & PRODUCTIVITY IRY LABOUR / HR ISSUES NOISIA GOVERNMENT / POLICIES

locused on action keen gr Business leaders

GROWTH opportunities, global competitiveness and labour ness, according to a survey of productivity continue to be the nain concerns facing busitop chief executives.

By DON ROBERTSON

OPINION POLL

erable policy debate.
But, says MD Mike Perry,
managers are now focusing on Before the 1994 elections, marketing and business stratetists Perry and Associates began tracking key strategic con-cerns facing management. They have noted wide fluctuation in priorities and consid-

action, which he suggests may be a lesson for politicians. More than 70% gave global competitiveness as a major cited the need to look for new concern, and more than 60%

such as crime and affirmative Issues in 1997, and they remain in the top two positions in the The need to improve skills and productivity has become markets. These were also key latest survey in March.

utives, rising from 30% in 1997
to 52% in March this year.
Labour issues have moved
up the table from 20% in 1997 Creating a new vision for the ю 35% поw.

1998 to 38% this year.

The need to develop new products tumbled to the bot-Significantly, other issues, tom of the table.

action, have either taken on new importance or have been

more important for chief exec-

rated as of lower concern. In 1998, crime attracted only 9% of the "vote" from chief executives. In the latest survey, is now the sixth most important strategic issue facing ladder from over 40% in 1996 to just 10% now. them. In contrast, affirmative action has slipped down the his has increased to 35%, and company has increased in importance, rising from 9% in

Perry questions whether this is a sign of maturity among managers or ignorance of the Impact of new legislation.
"It seems now that there is a

change in management atti-tudes from being transfixed with the issue of being competitive to focusing on compet-

maturity among managers who are at last admitting to the rigours of international competition," he says.
New visions for companies "We see this as an emerging itiveness.

now invariably combine going for growth through world-class competitiveness while capital-ising on new markets, accord-

ing to Perry.

KUBEN DAVID Source: PICK 'N PAY

Summers to head Pick 'n Pay

Samantha Sharpe

CAPE TOWN — The Ackerman family has loosened its hold on the Pick 'n Pay group, appointing current MD Sean Summers to succeed group CE and founder Raymond Ackerman.

Announcing Pick 'n Pay's results for the year to February, which showed a better than expected 20,3% increase in headline earnings to 43,74c a share, Ackerman said yesterday that Summers' appointment marked a significant change in Pick 'n Pay from a family-owned and managed business to one managed by professionals but owned by the Ackerman family.

The issue of succession has long been a subject of debate within Pick 'n Pay and among investors anxious about the organisation's direction when Ackerman retires. Conventional wisdom had it that his son, Gareth, currently a nonexecutive chairman, would fill the void.

For the moment the group's founder, now 68, will remain a "hands-on chairman", with Gareth remaining nonexecutive deputy chairman "to broaden his experience in the business world".

Additional nonexecutive directors will

be appointed to the board to ensure good corporate governance.

"We have taken a great deal of advice from the top consultants, including US based Genus, in this until now limited field (family business succession), and listened to the counsel of our long-serving board of directors before taking the decisive step, which will make us 'enlightened owners' of a business managed by professionals," Ackerman said.

The Ackerman family will own and control the group via a family council, underpinned by professional management. Ackerman senior said this would serve to empower the group to plan and act in the best interests of all Pick 'n Pay stakeholders in the longer term.

The group would evaluate the issue of the group's N-shares at a special board meeting scheduled for June. If possible, the unpopular scrip would be done away with, he said.

Commenting on the latest set of results, which showed a 25,6% increase in operating income to R355,3m on a 14% rise in turnover to R12,5bn, Ackerman said these "conservative earnings" were particularly pleasing in light of the large

amount spent on improving stores, staff training and development, and on capital investment in information technology.

The group ended the year with close to R1bn in cash in the bank, despite this capital outlay, with its stated intention of expanding the business internationally still on track and management continuing to assess opportunities.

Of Pick 'n Pay's ill-fated joint venture agreement with Shell in the Philippines, he said this would not deter the group from expanding internationally, with the venture terminated at a cost well below what was budgeted. "Following this experience it is still our desire to expand our business internationally."

Summers said Pick 'n Pay's financial services division had improved significantly on the previous year's performance, with hopes that the division would swing into profit in the new financial year. Stock levels, particularly in the nonfoods and general merchandise areas, had been greatly improved compared with the previous financial year.

Pick 'n Pay increased its total dividend 24% to 27,6c a share in the period under review.

10 22%Pick 'n Pav-earnin

MARC HASENFUSS

CAPE EDITOR

than expected 22 percent gain in earnings to R212 million for the store operator, has snatched the lead in the market share stakes after reporting yesterday a better Cape Town - Pick 'n Pay, the supermarket and hypermarket

'n Pay managed a 37,2 per-market share of the below the 38 percent market share held by its biggest rival, Retail sources estimated that retailing market last year, just year to February 28.

But they pointed out that in January and February this year Pick 'n Pay had edged ahead of which comprises Checkers and OK Bazaars. "It now appears that Pick 'n Pay 1s almost a full percentage point clear of Shoprite." Shoprite Holdings. Shoprite, Shoprite,

Raymond Ackerman, the chairman of Pick 'n Pay, would not confirm the market share estimates but conceded that the revamping of a number of supermarkets to the "Fresh" concept was paying big dividends.

est rates and tight economy. We expect Pick 'n Pay to grow by at 'Our results were particularly pleasing, given the high inter-

least another 15 percent in the year ahead," said Ackerman.

added that market share gains had also been driven by Pick 'n Sean Summers, the newly Pay's dominant position in terms appointed chief executive officer, of price aggression.

Pick 'n Pay's turnover was up 14 percent to R12,5 billion, while operating income (including interest earned of R125 million) stronger trading margins pushed up by 26 percent to R355 million.

although some funds would be ial initiatives in Pick 'n Pay's Ackerman was sausfied with Pick 'n Pay's net margin of 2,8 percent. He stressed that management was happy to retain a cash holding of R916 million, mobilised for new entrepreneur-Group Enterprises division.

markets and eight 7-Eleven Looking ahead, Summers said six new Pick 'n Pay Family supermarkets would be opened in the next six months as well as six Rite Valu, four Score superconvenience stores.

He said the company's improved significantly on the financial services arm had previous year and should swing

Pick 'n Pay's share price rose 5c to R8 yesterday.

brands. Ackerman ing of a number of Pay, and Raymond HANDS ON Seat Summers (left), the take stock of their "Fresh" concept is Ackerman, the ex ecutive chairman the group's super dends and edgin officer of Pick 'n newly appointed says the revamp profit-spinning paying big divi out competitors chief executive markets to the

PHOTO ANDREW BROWN

Ackerman hands over helm to Sean Summers

"He is an excellent leader

MARC HASENFUSS

ousiness more than three group managing director, as cessor to Raymond Ackerman, the founder of the supermarket Cape Town - Pick 'n Pay announced a significant executive shake up yesterday, naming Sean Summers, the company's chief executive officer and sucdecades ago.

Ackerman (68), however,

the very best," Ackerman said.

began in 1995.

things in Pick in Pay especially in the last few years as manag-"Expect strong growth and great things with him at the and has achieved remarkable ing director. He said the promotion of Summers, who now heads both does not relinquish his executive status. He remains as "fulland the entrepreneurial Group the core supermarkets division Enterprises division, was a

time hands-on chairman'

Stockbroking sources agreed would have positive implications that the management change succession planning which "In Sean Summers we have

further step in Pick 'n Pay's

for Pick 'n Pay's share price. "The Ackerman family 1s

.: 18 Gareth, Ackerman's son; determined to do what's best for the business," one said. "The appointment of Summers underlines their commitment."

remains deputy chairman but

in a non-executive capacity

and e-commerce. Gareth was formerly the His focus is on the family's investments and corporate governance, as well as on developments in finance, technology

responsibility for the Group Enterprises division.

were an important step in changing Pick 'n Pay from a family-owned and managed Ackerman said the changes business to one which would be managed by professionals while still being owned by the

Ackerman family

☐ Business Watch, Page 2

☐ EMPOWERMENT

Jan G. Land

Black woman wins roadworks contract

Cape Town International Airport had awarded two roadworks contracts to a black woman who started an asphalting company more than two years ago, the Airports Company of South Africa (Acsa) announced yesterday.

The company, Samru Asphalt, is managed by Ruth Jones and

The company, Samru Asphalt, is managed by Ruth Jones and boasts a permanent workforce of 15 people. Hennie Taljaard, Acsa's regional general manager at Cape Town International Airport, said the agreement signalled the coming of age of the company's sustained black economic empowerment policy.

"It is the first time that such a project is fully executed by emerging consultants and contractors," he said. The new project comprised the rehabilitation of a service road and the widening of the road between the international and domestic terminals.

As part of its commitment to economic empowerment and affirmative action, Acsa would spend almost R1 million in the current financial year on training alone, Taljaard said. In addition, 39 bursaries were awarded to airport staff last year.

"These initiatives are all part of our progressive personnel development programme to create a company which reflects the composition of the communities we serve," Taljaard said.—

Sapa: Cape Town

Companies & Markets

PICK 'N PAY

ATTA MAN ACKERMAN — LONG LIVE THE KING (30) FM 16/4/99

This crown is no family heirloom; it has to fit

When chairman Raymond Ackerman on Monday extended his hand officially to congratulate incoming CEO Sean Summers, it was a rare and dramatic moment in the history of SA business. Rare because here was a godfather handing over his empire to one not in his family. Dramatic because it marked the end of Ackerman's long inner struggle to make the decision.

Summers has been with Pick 'n Pay throughout his business career. He has made it up from the lowest rungs of the organisation through his enthusiasm and ability. But it is sad for the Ackerman family that one of them does not have everyday control of the company.

In many ways the appointment should also serve as an inspiration for everyone in the sprawling Pick 'n Pay empire and without it.

Ackerman is to remain as chairman with his son Gareth as deputy chairman. Both are non-executive positions.

Investors, anyway, needn't have mixed feelings. Results for the year ended February 28 1999 are better than most believed was achievable in the poor economic climate over the past 18 months.

Turnover improved by an impressive 14% but includes the opening of 12 new "Family" stores, six corporate stores, 11 new Score stores and 36 new Score franchised stores. On a

like-for-like basis, Summers says, the increase turnover was 10%. That still represents healthy real growth. More telling, however, is the significant gain in market share this result represents. There is every indication that Pick 'n Pay is scooping much of the market share Shoprite/Checkers/OK Bazaars is

losing. The 26% rise in trading income represents another feather in Summers' cap. For some time Ackerman has maintained the group is well on the way to a 3% ratio of operating income to turnover. Having sprung from 2,58% to 2,84%, it is almost there.

Even more indicative of success on the shop floor is the 11,1% increase in trading margin.

With competition about as strong as it can get and with mark-ups minimised, Summers is obviously squeezing efficiencies from all the group's enterprises — a process, he says, that can continue for another five to eight years.

Another impressive aspect of the group is its huge net cash flow from operations, which this year was R498m. After investment in equipment of R365m, spent mostly on opening new stores, refurbishment costs and information technology, the group still managed to end the year with R915m cash, unchanged from 1998.

Having struggled to recover from its 1995 low of under 300c, Pick 'n Pay's share price recovered sufficiently to record a high of 1 010c in April last year.

That rise came after Summers' appointment as MD of Pick 'n Pay's retailing operations and the "Vuselela" motivational and "Get Fresh" campaigns that he and his top management team designed. It took a while before analysts and investors realised just how powerful these would prove, but the evident turnaround convinced most about the group's ability to sustain rising earnings.

Then came the midyear market slip; the share retreated to 330c at end-September.

Since then, it has recovered strongly and these results show why the group is again among the darlings of the retail sector.

There is every reason for believing that Pick 'n Pay's earnings will continue to strengthen in the years ahead even without any international acquisitions, mergers or joint ventures. The failure of the trial venture in the Philippines with Shell is no reflection of Pick 'n Pay's success or ability in the international arena. It is rather a pointer to the Ackerman/Summers conservatism and resolve to ensure success instead of taking a gamble.

> Summers expects Pick 'n Pay to return a 15%-plus earnings increase in financial year 2000. That will take EPS to 50,3c. At 800c, the share is trading on an undemanding p:e of 15,9. As long as the stock market holds firm, it should be

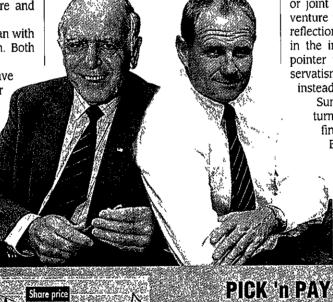
acquired.

Raymond Ackerman can look back on his career at the helm

of Pick 'n Pay with great satisfaction. He has achieved much But he can be particularly proud that his leadership has created the space for people of calibre to thrive

What will be interesting is the market's reaction to Summers Chances are he's already been factored into the share price

Gerald Hirshon



000 900 700 600 500 400 MANJJASONDJEM Solidly entrenched in the upper one-third section of its daily closing price chart overlaid by speedlines, it seems there's no

stopping Pick in Pay in its rise to the next resistance level at around 990c.

Headline

(c)

16,85

22,55

27,16

36,35

43,74

Year to Turnover: Trading Attrib

7/92 113,0 7579,15

\$\$\$105,9%

\$\dagge\(\text{9},79\dagge\) 159,6 \(\dagge\)127,5\(\dagge\)

\$\frac{12}{12},50 \tau 237,1 \tau 2\frac{1}{2},2\dots

173,2

(Rm)

187,7

1997

1998

1999

% cha

Dividend

(c)

10.34

-%;\d3,50.>

··· 22,25

27,60

Business council gets five SA(30) members

FIVE SA companies have joined the Commonwealth Business Council set up by 12 global companies to take advantage of opportunities in private sector trade and investments in the Commonwealth.

The council is a membership-based organisation with corporate members directing and funding their work. It is chaired by the UK's Lord Cairns with Johnnic chairman Cyril Ramaphosa as his deputy.

Some of the international companies involved in the council are Ghana's Uniliver, Australia's Western Mining Corporation, India's Bajaj Auto, Malaysia's Simedarby Berhad, National Bank of Kenya and Canada's SNC-Lvalin.

Director-general Mohan Kaul said yesterday that Absa, Transnet, De Beers Corporation, Anglo American Corporation and SA Breweries had become corporate council members. Discussions were under way with other SA companies which had shown an interest in becoming members.

"The value to SA businesses of a private sector Commonwealth network is particularly significant given that 18 of the Commonwealth's 54 member states are in Africa," he said.

Trade with Commonwealth of the Commonwealth of the Commonwealth of the Said.

Trade with Commonwealth countries made up more than 20% of SA's overall trade.

The council's close relationship with Commonwealth governments and institutions enabled it to present policy recommendations sourced from the private sector to governments and agencies.

The council also hosted the Commonwealth Business Forum, an annual event bringing together politicians and business leaders from throughout the Commonwealth to encourage its development as a powerful global network for trade and investment, he said.

Insavoury expedience is still tolerated

ANN CROTTY

nly the cynically opportunistic would use the appalling situation that finds itself in as a stick with which to beat all black

tics of this latest chapter of the The outstanding characteris Nail story are indeed individual enrichment and appalling standards of corporate governance. empowerment groups

empowerment, a corporate more black millionaires than these have been characteristics much of black economic To a disappointing extent model that has probably created genuine businesses or jobs. 귱

But few people would try to argue that these characteristics are exclusive to black business. South Africa has dismal standards of corporate governance, which have only recently been challenged and only because the economy is opening up to the although far from flawless, interinfluence of more enlightened, national regimes.

The arrogant entrenchment expense was for a long time a of control at shareholders feature of corporate South Africa. One need only look at something like Gold Fields.

However, evidence of enrichment is not quite as obvious as some of the instances to which it has been progressed in a few black empowerment groups.

Short-sightedness on the and corporate South Africa part of the ANC government encouraged a tolerance of unsavoury expedience when it Economist points out: "To As the latest issue of the came to empowerment groups.

h

equity profile appear justified but enormously opportunistic. these N shares. There is a perthe N shares than the issue at ingly and knowingly accepted ception that their demands for change at this stage have more to do with the deep discount of hand. Ironically for Nail, its Institutional shareholders will.

In the bigger picture, it has to

The predominance of low-

impress the government and perhaps to avert racial unrest,

actions open it to opportunism.

be acknowledged that a certain amount of expediency was necessary given the overwhelming ment and corporate South challenge that faced the govern-The challenge was to give Africa in the early 1990s,

blacks, previously barred from life, an appropriate stake in the economic as much as political

Unlike the comparative ea. e of extending the vote, an effective response to the economic

my now that it is no longer con-

But something dramatic had to challenge could only be long term. It should have cut to the heart of corporate organisation and management development be done in the short term.

The response to this shortterm necessity was the creation assisted by investment arms of of high-profile black empowerment groups, in many cases trade unions. These unions years ago would have baulked at any mention of involvement with capital and management classes.

to these groups meant many were able to survive only No doubt the leeway granted What equally deserves to be highlighted is the fact that many of these groups because they were empower ments that show the enormous have motivated exciting develop potential available to the economent groups.

CT (BR) 22 14 99 miles indied entirely by whites.

investor scepticism, Johnnic appears to have turned an After much uncertainty and in the face of considerable impossible situation to its advantage. Real Africa is keen to keep its head down and focus on growing shareholder wealth.

Similarly with the low-profile but effective Kagiso and African Harvest. Nail itself has assisted in the creation and development opment of Theta. There are of AMB and the valuable devel many encouraging examples.

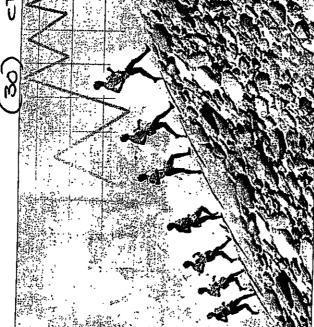
white businesses appear to high-profile nature of these The danger remains that the overnment and established regard their obligation to assist development of black involvement in the economy as largely dispensed because of the empowerment groups.

ment imperatives, namely job creation and the development of new small businesses, are left As a result the real empowerwithout any powerful protago nists to drive them.

empowerment appeared to be catching its breath: "It was market, which undermined the ures that supported many of analyst said yesterday that black badily set back by last year's bear highly geared financial struc-One leading empowermen

priate demands are now being were not realised. But it has "This inevitably meant many of the grandiose promises made meant more realistic and appromade on the lead personalities.

brouhaha is likely to make The good news is the Nail investors less tolerant of unacceptable corporate governance. This will be good for South Africa and black empowerment



white banks and businesses decided that they should nur-"Because few blacks had ture black capitalists.

much capital, banks lent money tia that wanted to acquire shares in white businesses. The white firms offered their equity at a that having black shareholders to well-connected black consordiscount, because they thought was politically sensible.

The expediency of white business is well demonstrated by the current calls to review the position of Nail N shares in the wake of the latest debacle

voting N shares helps to create a corporate governance environment conducive to the sort of shareholder apathy that would generally have allowed Nail's proposed resolutions

Calls to alter the company's passed unchallenged

Ex-cons to get business boost

By Wilson Ramothata

HE Economic Opportunities Project (EOP), which is an empowerment scheme of the National Institute for Crime Prevention and Rehabilitation of Offenders (Nicro), has embarked on a small business development programme aimed at training former convicts to re-establish themselves in the mainstream economy.

The project, which is run in conjunction with the correctional services department also targets victims of crime, including abused women and families of offenders, some of whom find it extremely difficult to earn a living in a highly competitive environment after their ordeals.

The project's social development officer Jabulani Ndlovu told *Sowetan Business* yesterday that their trainees were taught skills to start and manage small businesses.

In Gauteng the project is run from offices in Mofolo, Soweto; the Vaal Triangle; Germiston; Johannesburg and Pretoria.

"We are flexible. The project offers business training, micro-loan scheme monitoring as well as business monitoring," said Ndlovu.

After completing the course, said Ndlovu, the trainees were offered financial assistance by Nicro Enterprise Finance (NEF) to start their own small establishments.

"NEF will fully support the owner of the business to enhance his ideas. It is also flexible enough to consider the support of groups of people who would like to start their business collectively."

He said since the establishment of the project in 1998 many former convicts had received training.

According to project manager Bongani Nhlapo as many as 230 former offenders in Gauteng have successfully ventured into small businesses. The successful new businessmen are entering many business including running spaza shops, running juice manufacturing units and even making steel gates and burgler-proofing.

The trainees receive a start-up loan of R750 and when their businesses grow, they can apply for a larger amount. This continues until they qualify for an amount of R6 000 depending on the size of their businesses.

The loan is re-payable over six months depending on the amount granted.

Fabcos celebrates 10

Questions could be raised about membership benefits and relevance, writes Patrick Wadula

of such a national body in the millennium. could raise some critical questions on membership benefits and the relevance sumer Services (Fabcos) next month Foundation for African Business and Con-THE 10th anniversary celebration of the

and May 18 eral meeting in Durban between May 16 isation would be holding its annual gen-Moshapalo said yesterday that the organ-Fabcos executive director David

the Azanian Peoples' Organisation. vestments deputy chairman Dikgang Moseneke and Strini Moodley, formerly of empowerment into a millennium of deliv-President Thabo Mbeki, New Africa In-Moshapalo said the speakers for the Under the theme "From a decade of ", speakers invited include Deputy

AGM were carefully chosen as these three were at the launch of Fabcos 10 years ago.

Outsiders view this year's Fabcos meeting as crucial and a turning point for the organisation.' Mbeki, who criticised

erate his call to Fabcos. coc's 34th annual general conference last gether with other black business organthe National African Federated Chamber of Commerce and Business (Nafcoc) toisations (including Fabcos) during Naflitical climate of the country, could reitters that affected the economic and poyear for not intervening effectively in mat-

of its members, it is time to provide the last decade to its constituency. achieved over the past 10 years on behalf fruits of the organisation's labour of the ident that with what the organisation has Fabcos's executive committee is con-

and Sechaba Siswe, a group of small general dealers in Soweto and the East Rand. Association (Sabta), the National Hawkers Association, the Association of Stokvels, the African Builders Association Black Consumer Union — the largest non-political black body — the SA Black Taxi Over'the last decade the organisation The organisation was founded by the

> cil, breaking ranks with Fabcos. Union, now the African Consumer Counsmall groups and the black Consumer has gone through a number of restructuring processes which has seen a number of

er struggle. cluding businessman Gaby Mogomola, the midst of what was then termed a powlames Chapman, left the organisation in labu Mabuza and former Sabta chairman Several founding fabcos leaders,

to be announced during the conference. term ends this year, with a new executive Fabcos president Reggie Hlongwane's

ber of Business SA. ganisation has persevered — it is a memexecutive members agree that the or-Despite the organisation's difficulties

Fabcos Trust, a section 21 company and has formed a structure which includes In the past two years the organisation

Chartered and Merchant Bank, have put an investment company, Fabvest. Fabvest's financial advisers, Standard

> R450m, which equates to a net asset value of R1,62c a share. and unlisted companies - at more than cludes a variety of investments in listed Fabvest's current portfolio — which Fabvest CEO Ashley Mabogoane said

share scheme targeted at its members. conference would be the organisation's The aim of the scheme was for Fabcos

one of the highlights of this year's Fabcos

growth of its investment arm, Fabvest. members to benefit from the future

growth and development, job creation and wealth distribution to the broadest disadvantaged black communities." ment business in the fields of economic become a leading economic empower-"Fabcos's vision has always been to

the share scheme. scribed for in terms of the share offers months inviting inembers to subscribe in mum number of shares that had to be sub-The prospectus would run for three Mabogoane said there was no mini-

By Wilson Ramothata

transform their lives, the National Instithem in the mainstream economy. embarked on a programme to involve tation of Offenders (Nicro) tute for Crime Prevention and Rehabili-[N a bid to encourage ex-convicts to

development programme aimed at training former prisoners. (EOP), it has set up a small business Through its empowerment scheme, Economic Opportunities Project

including abused women and the fami-Services, also targets victims of crime, tion with the Department of Correctional lies of offenders. The project, which is run in conjunc-

and manage their own small businesses. that the trainees were taught how to start officer, Jabulani Ndlovu, told Sowetan The project's social development

in Cape Town, Durban, Kimberley and angle, Germiston, Johannesburg and Preoffices in Mofolo, Soweto, the Vaal Tritoria. The project is also being conducted Bloemfontein. In Gauteng the project is run from

Business monitoring

training, micro-loan schemes and business training. The project offers business and hands-on training. "We are flexible in The two-year course is made up of theory monitoring," said Ndłovu.

wing, Nicro Enterprise Finance (NEF), to start their own small establishments. course, he said, trainees were offered financial assistance by Nicro's financing After successfully completing the

people who would like to start a business a business to enhance his ideas and will collectively," said Ndlovu. also consider support for groups of "NEF will fully support the owner of

have already been trained. He said many released from prison

people." training programmes on unemployed Ndhlovu added: "We also focus our

Gauteng have been trained since the pro-Bongani Nhlapo, 453 ex-offenders in have successfully ventured into small ject started. Of the total number, 230 According to the project manager,

These include running spaza shops



Bongani Mdialose at the Nico centre in Soweto gives former men and women convicts lessons in small business survival courses. PIC: MBUZENI ZULU

steel gates and burglar-bars. manufacturing juice and manufacturing

fixed address, a quotation for equipidea, a description of the envisaged

ment, a R30 membership fee and a business, identity documents, a

bank account.

"The National Strategy for the

preneurs can apply for a bigger amount R6 000, depending on the size of their until they qualify for an amount of R750. Once their businesses grow, entre-The trainees receive a start-up loan of

needed to provide a sustainable business said that to qualify for loans, applicants NEF loan officer Kevin Govender

"They are then referred to the EOP ensure that their members ran then The idea behind the EOP project,

he said. development of their businesses," preneurs throughout the growth and business support to emerging entre-

Soweto), Katlehong (East Rand), Nicro has sub-offices Meadowlands

more information at its head office Nicro can be contacted for small business sector. to increase the development of the vision of micro-loans. NEF therefore provides the building capacity towards this vision through the pro-

clients become economically independent and lead constructive "It is our aim to ensure that our

starting their own business. being introduced to the steps to Ndlovu said trainees were also

ments practically, costing and investigation, how to run establishtheir business ideas, marketing bookkeeping are taught. Methods such as such as testing

, social workers who occasionally visit prisons to counsel prisoners upon their release. tion team, which is made up of the help of the offender reintegra-He said the project was run with

Meaningful contributors

communities. As part of EOP's as meaningful contributors in their said Nhlapo, was the special inteness they can be fitted into," he said skills interest or what type of busifor interviews to determine then offered an after-care programme to monitoring system, Nhlapo said it gration of ex-offenders into society businesses profitably.

"The service provides ongoing

Alexandra Tembisa (East Rand) Kagiso (near Krugersdorp) and

driving force behind job creation,"

that the small business sector is the in South Africa outlined the vision Development of Small Businesses

said Govender.

'NEF intends to

contribute

THE new Alliance of Micro Lenders and tices of m Apoq

Henk Vivier, the company's managing business with Amlac registered firms," said gain a level of protection by choosing to do "At the same time, micro borrowers will

The Amlac (Acapo) was formed to

enforcing professional business practices.'

credibility by being part of a national.

are not, and categorically condemns the lending practices are acceptable and which code of conduct also clearly delineates which dealings in good faith and with integrity. The Members agree to execute all business

operate in terms of a code of conduct. lenders. Companies that join have to agree to Amlac will create a national registry of micro As a Section 21 or non-profit company, tices of micro lenders throughout the country. itor and raise the standards and work prac-The main objective of Amlac is to mon-

trade organisations. Of these, a mere 3 000 are members of

R6.5 billion to R8,5 billion annually. Africa, with an estimated turnover of 000 micro lenders operating in South and Industry, there are approximately 30

According to the Department of Trade tion for trade organisations in the industry. nesburg yesterday, signalling a new direction Organisation, was launched in Johanwing, Amlac Consumer Advice and Protec-Associated Consumers and its consumer

organisation which is recognised for spokeswoman Charmane Mabaza. Sapa tuted by the organisation," said Acapo taking of identity documents as security for rights and encouraged to exert those rights and encouraged to exert those rights from the security for rights and encouraged to exert those rights and encouraged to exert those rights are required to the rights of the rights and the rights are required to the rincrease are required to the rights are required to the rights are education and empowerment of consumers. rowers. "Acapo has as its first priority the specifically address the needs of micro bor-

A struggles with merchants of fakery

The fight against counterfeit goods has made some inroads but seems to have missed the big fish, writes deputy editor **Bernard Simon** B

policeman, but he still spends at least two days a week enforcing the law. Grobler, now brand protection manager of the SA subsidiary of Levi Strauss, prowls flea markets, hawkers 'stalls and other off-the-beaten-track retail outlets in search of jeans, belts and shirts that carry the famous red Levi's trademark, but are in reality cheap knock-offs of the real thing. His efforts have borne fruit. Using Grob-

His efforts have borne fruit. Using Grobler's own research, information gathered by student employees posing as shoppers, and tip-offs from retailers, police and customs officials have seized more than 5 000 counterfeit Levi products over the past four years and launched about 60 prosecutions.

"We have very few complaints from our customers on counterfeit products, especially jeans," Grobler says. "We've tried to get the message across that you don't mess with Levi Strauss."

Levi's is a rare success story. The makers of many other well-known brands — from Reebok shoes and Rolex watches to Surf and Omo washing powder — feel they are fighting a losing battle against a flood of knock-offs that use their names and trademarks, but are in reality cheap, low-quality imitations.

The problem is a worldwide one. It has been exacerbated by a fundamental shift in the way many products are marketed. Businesses have increasingly realised the value of their brands to the point where a product's name — rather than quality or price—is what grabs shoppers' attention.

The extent of the problem can be gauged from a display case in the boardroom of Hamilton Whitton, a Sandton-based consultancy that specialises in fighting counterfeiting. The products behind the glass include about a dozen types of running shoes, caps, T-shirts, medicines, software, compact disks, watches—and Omo and Surf.

Lee Dutton, Hamilton Whitton's MD, links

Lee Jutton, Hamilton Whitton's MD, links the growth in counterfeiting in SA to a broader social climate that tolerates evasion of taxes and customs duties, capital flight, abuse of official permits and trafficking in stolen goods. The environment was con-



Many well-known brands feel they are fighting a losing battle against a flood of knock-offs using their names.

ducive for counterfeit goods to come in,"
Dutton says, singling out the former homelands as particular trouble spots.

China is suspected of being the biggest supplier, with rising numbers of Chinese immigrants using counterfeit trade as a means of moving capital abroad.

Other migrants, including Senegalese, Somalis and Nigerians, are also said to be active in street trade.

A concerted clampdown began to take shape in the second half of 1997. Members of the Anti-Counterfeit Coalition, a business grouping set up in July 1997, spent R150 000 a month to try to stamp out the counterfeit trade. Ross Smith, coalition chairman, estimates that police seized more than R100m worth of knock-offs in those six months.

worth of knock-offs in those six months.
However, much of the progress made then appears to have unravelled.

fronically, the blame is put on a new law that was designed to strengthen the hand of brand holders and the authorities.

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The Counterfeit Goods Act, which came into force in January 1998, gives brand holders and law enforcement authorities wide powers to search premises and seize items that are "substantially identical copies" of goods "featuring, bearing, embodying or incorporating the subject matter of an intellectual property right". It provides for stiff penalties, including fines of up to R5 900 a counterfeit item for a first offence and R10 000 per item for a second offence. (The law also provides for lighter sentences for a feet traders who supply details of their sources)

Two linchpins of the act have yet to be implemented. One is the appointment of inspectors (other than police and customs officers) with the power to seize counterfeit the goods. The other is the designation of counterfeit goods depots, where seized articles can be secured pending prosecutions.

can be secured pending prosecutions.
Says Dutton: "We can't use the Counterfeit Goods Act until inspectors and depots are in place."

Brand holders blame government and especially the department of trade and industry which, under the act, has taken over prime responsibility for the fight against counterfeit goods. Smith says "you had differences of opinion between different agencies. Nobody wanted to take ownership."

The department's response has been that it does not have the resources to appoint inspectors and set up depots.

Business has become sufficiently desperate that it has proposed setting up a privately funded section 21-(not for profit) company to take over the warehousing and inspection functions. (The reason for the Section 21 proposal is to avoid accusations that the brand holders have undue influence over the legal process.) Tobacco group Rembrandt has offered financial backing for the company for an initial two-year period.

over the legal process. Tobacco group Rembrandt has offered financial backing for the sunner awar company for an initial two-year period.

Under the proposal three warehouses tor of Nike's would be set up initially in Alberton, Mobeni "you can't g

Kwazulu-Natal and near Cape Town air-

port. Inspectors would be employees of the warehouses.

In the absence of officially sanctioned warehouses and inspectors, brand holders are falling back on more traditional enforcement methods and on their own ingenuity. Ron Wheeldon, partner at law firm Webber Wentzel Bowens and chairman of the recently formed Licensing Industry of SA, says his clients are now relying on common law, such as fraud, to pursue counterfeit traders.

Another tactic has been to question the customs value of goods suspected of being imitations. For instance, customs officials are likely to query a consignment of "Seiko" watches valued at R100 each and instead impose duties based on much higher values. Police and customs officials are contin-

uing to raid traders and seize bootleg prodvects. Taids on stalls at the Rand Easter Show, on behalf of the Premier Soccer League, netted an estimated R100 000 in counterfeit shirts, caps and other items. Joe Ndhlela, the soccer league's chief

shirts, capsand other items.
Joe Ndhleia, the soccer league's chief executive, says: "My teams are losing money and I'm not prepared-to allow this illegal activity to continue unchallenged." Ndhlela echoes several brand holders praise for the co-operative attitude of the police.
SA Revenue Service investigators, have

Picture: TREVOR SAMSON

co-operative attitude of the police.

SA Revenue Service investigators have been drawn into the campaign on the assumption that many traders in counterfeit goods can also be nabbed for evading taxes.

Tip-offs often provide useful clues. Branch holders rely heavily on information from reputable retailers, who are also victims of counterfeiters, in the US the Business Software Alliance launched an advertising campaign two years ago encouraging workers to phone a toll-free number to report software piracy in their own firms. The ads carried the blunt slogan "Mail Your Boss."

Customs officials can check only a fraction of shipments entering the country and much counterfeiting is thought to be in the hands of sophisticated crime syndicates.

More of all the state of the syndicates of the counterfeiting is the syndicates.

Most of all, brand holders depend on consumer awareness to stamp out the counterfeit market. Smith, who is also finance director of Nike's local subsidiary, points out that "you can't go to a flea market and expect to buy a pair of genuine Nike shoes".

Mining, metal and retail wage talks move into top gear

The election is not expected to affect the outcome, but other issues could emerge after June 2, writes **Reneé Grawitzky**

tors of the economy. AS THE bus strike ended this week, wage negol; agreed on an 8,5% increase with the referral of a tiations moved into top gear in several major sec-number of contentious issues such as working

inificant degree in the vast majority of companies duce or increase their expectations by any sigbecause of the election," a consultant said. election would not affect the overall outcome of abour consultants said yesterday that the

They anticipated that a spate of disputes could materialise after the election ed later than usual. This, sources said, could be a materialise after the election. losses or being too involved in electioneering. wage offer from 7,5% to 9%, 30, 40. The Basic Conditions of Emmanifestation either of union apathy due to job It was generally felt that wage talks had start- to a corresponding reduction in wages. *

transport unions at the weekend is the only significant settlement to emerge so far this year. During the strike, management offered 7% while the unions demanded a 10% increase. Parties be required to reduce its weekly

wage negotiations except for possibly delaying a numerous meetings held under the auspices of heir finalisation. "Workers are not going to re- the Commission for Conciliation Mediation and hours to binding arbitration.

The wage dispute in the security industry remains unresolved after five months of talks and that a reduction in working hours would not lead Arbitration (CCMA). The issues giving rise to the dispute centred on an assurance from employers

in principle, but have instead increased their Employers were not prepared to agree to this

terialise after the election. The deal struck between bus companies and curity industry reduce its working

working hours from 54 to 45 from December.
Wage talks between the Chamber of Mines and the National Union of Mineworkers begin crease, a minimum wage between RI 500 and next week. The union has called for a 25% in-

R2 000 and other demands. Negotiations between the union and De Beers

set to continue next week. Employers have offered 5% while unions, including the National consideration will be given to a two-year wage inflation increase plus 4%. It is understood that Union of Metalworkers of SA, have demanded an are expected to start later this week Wage negotiations in the metal industry are

deal in the metal industry this year.

Labour consultants warned that longer-term wage agreements appeared to be the route that sectors such as retail, which has recently faced a route might not be appropriate for employers in many sectors were considering. However, this

spate of mergers and company restructuring. The SA Commercial Catering and Allied Workers' Union is in talks with retailers such as Pick 'n Pay, Shoprite-Checkers and Game-Dion. The across the board union is demanding a minimum increase of R200

ment with Morkels. It achieved this increase in a two-year settle



DP wants to cut red tape for business

Pearl Sebolao

THE Democratic Party (DP) has proposed the deregulation of Gauteng's business environment to cut red tape when it comes to the establishment of small

The party claimed the deregulation, which it proposed in its recently launched provincial job creation policy, would reduce the costs of doing business in the province, thereby promoting growth, jobs and prosperity.

It would also draw the growing informal sector closer to the mainstream economy so that it could be incorporated into the tax base of the province.

The party also proposed "urban renewal zones" where the activities of the informal sector were channelled into areas and modes of business that would extend their scope. This would get hawkers off the street and reduce urban blight, it said in the proposal.

The DP's provincial manifesto also proposed reducing provincial departments from 10 to six.

"Not only will this immediately create cost saving of R4m annually, the Gauteng taxpayer will no longer be burdened by the salaries of four superfluous MECs," the document said.

Privatising municipal vices, declaring certain local areas free-trade zones, setting up "one stop licensing shops" for those wishing to open small businesses and amending labour legislation would also help stimulate growth in the province.

The party said it would fight to amend the Labour Relations Act so that employers in certain geographical areas were exempt-

ed from key parts of it.

Weeding out the legal Snags for small business some state of finance, not labour law, is the problem, writes John Dludlu with the problem.

ONE of the most important challenges facing the next SA administration will be to weed out - once and for all -- the regulatory impediments that hamper the development of the small business development sector in this country.

When the Nelson Mandela administration took office in 1994, it formulated the national small business development strategy. This was a first in the country's history.

Apart from providing for the financial and nonfinancial support for smaller firms, as well as the institutional framework the law provided for support programmes, this strategy made provision for a review process that would identify "unduly restrictive or inappropriate legislative and regulatory conditions" that constrain the development and growth of small business.

In a recent interview, Deputy ade and Industry Minister Trade and Industry Minister Phumzile Mlambo-Ngcuka said the review should have been conducted by the National Small Business Council, supposedly the voice of small business, lobbying government on the sector's behalf. Now the council is being liquidated.

However, Mlambo-Ngcuka says the council, which will have to be replaced by the new government, neglected its lobbying function, and decided to duplicate other less "abstract" tasks being performed by other agencies

The council's departure from its mandate prompted government, through the centre for small business promotion with Ntsika, the state agency that provides non-financial support to small business, to carry out the legislative review.

This legislative review, which coincided with the mid-term review of the entire small business development strategy, was conducted through task teams.

These task teams looked at a range of subjects within the scope of "unduly restrictive conditions

This included a review of the tax structure; access to finance; the effect of the labour law regime on the small business sector; business trade; property and land ownership; and procurement policies.

Mlambo-Ngcuka says the process identified access to finance as the most overriding hurdle for the

growth of small business sector not so much the oft-cited harm done by labour legislation.

According to a discussion paper that will form the basis of recommendations to the next government, access to loan finance has been identified as a critical need for the development of the sector.

Access to loan funding is complicated by the banks' collateral requirements. In remarks reflecting government's growing impatience with what Pretoria sees as an "unimaginative" banking industry. Trade and Industry Minister Alec Erwin lashed out at this excuse, saying that the insistence on collateral

represents "laziness" by the banks. Part of addressing this "collaterobstacle would be via the soonto-be launched National Empowerment Fund, which will seek to broaden ownership of share and other economic assets by blacks.

It is envisaged that the trust, which government is planning to launch before SA's second all-race election, will enable its beneficiaries - those who were previously disadvantaged by the country's apartheid laws - to use their assets as collateral, Mlambo-Ngcuka has said.

Interestingly, one of the solutions mooted is the idea of "community reinvestment" laws, modelled on the US experience.

This idea is based on the logic that banks have an obligation to support the communities they operate in. Banks are rated according to how they fare in lending to low-income communities. The rating is considered when banks apply for, say expansion, from regulators and government business.

To coach banks in lending to this sector, an idea which seems to have been embraced by some of the political higher-ups at the trade and industry department, it was suggested that banks be required to disclose their lending patterns. This disclosure should go wider than just for their mortgage business.

Naturally, government is proceeding with caution in entertaining discussions on the effect of labour legislation. A balance has to be struck between protecting workers' rights and the ability of small businesses to compete.

Sensibly, Mlambo-Ngcuka has

hinted strongly that the case for and blanket exemption of small business from the labour law regime appears is weak, but she has indicated that government will keep an open mind ernment will keep an open mind.

Sources within the department? say government is likely to go for a middle-of-the-road option in labour by law. This approach suggests that " certain - not all - aspects of labour 21 law are problematic for the sector. 17403

Where there is a case for a change in law or an exemption, one will be granted for small business.

The advantage of this approach is pa that it tackles problematic areas. without undermining the philosophist ical approach of law to all employees 91 and employers.

Crucially, Mlambo-Ngcuka, who warns that many exemptions may blunt the effect of a law, says there is an understanding with the labour ministry that to "the extent that we'll want exemptions, they will be willing to look into a well structured and re searched request (for such)".

Among the present labour law problem areas identified are: confer cerns that the sector lacks the funds of and time to represent itself in barding gaining councils provided for in the labour relations law, and worries of that these councils may impose costly wage agreements on small firms. 1914

The review also showed that? although government departments of were sourcing more from services and products from small busines gow late payments by departments were !! putting pressure on the cashflows of small entrepreneurs.

With the review now complete, 16, the serious test for the next govern ment will be its willingness to weed ow out the regulatory and legislative!19 factors that impede the growth of small business, and to carry out this____ red tape scan more regularly.

GETTING IT RIGHT

YESTERDAY's lead report on electioneering in the workplace stated that attempts to contact affected companies had been unsuccessful. In fact, the companies mentioned were contacted for comment.

Skhosana calls for chamber legislation

By Shadrack Mashalaba

NATIONAL African Federated Chamber of Commerce president Steve Skhosana has called for legislation to make it mandatory for businesses to affiliate to chambers.

Addressing the National Industrial Chamber (NIC) conference in Kempton Park yesterday, Skhosana argued that there were some associations that still perpetuated policies contrary to the new democratic order.

Skhosana said there was no unity of purpose in regard to economic policy of the country from business.

"The role of SMMEs in economic growth – where will we be in the year 2000?" is the theme of the conference which ends today.

5 Skhosana said making it mandatory for business people to affiliate would enhance the economic debate and harness the country to focus on real economic problems facing South Africa.

Austria, Germany and Mexico were some of countries where chamber affiliation was mandatory, Skhosana said.

"Is it not about time that all South Africans sit down and discuss mandatory chamber membership in an attempt to give vision to the country?" he asked.

Skhosana also called for the urgent hosting of an "Economic Codesa" to discuss the issue of business associations in South Africa.

"It is quite disturbing if one business organisation goes on a trade mission to London and paints a gloomy picture of South Africa while the other association undertakes a trade mission to Angola and portrays a glossy picture of the same country.

"It is a shame when some organisations of transformation support racial division or an economic policy that desires local companies to list in the London Stock Exchange when other countries preach patriotism and promotion of their national economy to alleviate the problems facing their country," Skhosana said.

In his address Khula chief executive Sizwe Tati said while the small business was faced with lack of access to capital, there were challenges that needed to be overcome.

He said South Africa comes from a "laager" economic dispensation characterised by protectionist tendencies which saw the creation of monopolistic tendencies and this resulted in inefficiencies.

He said the success of South Africa's economy would be measured by the extent of assistance given to manufacturing entities. Khula supported all attempts to force financial institutions to disclose information in regard to small business lending.

"South Africa does not lack capital. The problem is that capital is held by a few people whose interests are not in tandem with those of the majority. These institutions need to transform and put in place people who can relate to those in need," Tati said.

NEWS

Black business 'must outgrow empowerment' (10) ct (M) 17/5/99

LESLEY VAN DUFFELEN

Durban - If black business was to survive and be taken seriously it had to move from empowerment to delivery

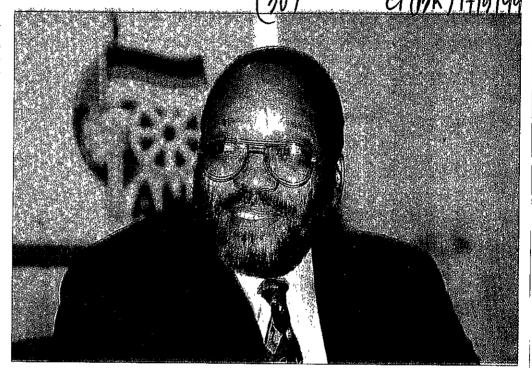
'This was the challenge delivered by Peter Miller, the KwaZulu Natal minister of finance and local government, to delegates yesterday at the annual congress of the Foundation for African Business and Consumer Services in Durban.

With a congress theme From a Decade of Empowerment to a Millennium of Delivery, black business was clearly leaving the past behind and looking to the future in an increasingly competitive environment, Miller said.

Empowerment had been a necessary phase, but it had its downside. Black businessmen had become inward-looking. relying on external patronage and support, especially from the government.

They had been acquisitive rather than productive, more concerned about what they could get out of the economy than what they could give, he said. The emphasis on enjoying the fruits of empowerment had led to an increasingly uncompetitive situation in the disadvantaged sector of the economy.

Miller said his words were



DELIVER OR DIE Jacob Zuma, the provincial minister of economic affairs, gives the same 'harsh' message to black business two weeks ago that Peter Miller delivered yesterday in Durban

"harsh", but they echoed those of Jacob Zuma, the provincial minister of economic affairs and tourism, at a conference two weeks before.

To deliver, the South African economy had to grow at between 4 and 5 percent and would need both the government and business to give it a hand.

The business sector had to

become more productive and competitive in world terms. It had to keep up with technological changes in delivering higher-quality products and services while bringing down costs and improving profits.

Black business could not afford to miss the stampede to world globalisation.

The government was doing

"brilliantly" on monetary and fiscal discipline. But it fell down on cutting consumption as a portion of gross domestic product.

It needed to introduce greater market flexibility and give more attention to reducing tax. It also needed to speed up the privatisation of state assets and further reduce exchange controls.

'unique' deal

The two-year

agreement will

allow the

retailer to

focus on its

rebuilding plan

FRANK NXUMALO

LABOUR EDITOR

Johannesburg - The South African Commercial Catering and Allied Workers Union (Saccawu) and Edgars had signed a two-year wage agreement after only three days of negotiations, with a 9 percent increase and a minimum pay rise of R200 agreed for both this year and next, the retailer said yesterday.

"The wage agreement between Edgars and Saccawu is confirmation of a new maturity in the rela- . settlement was "not tionship between the two parties, particularly when viewed against the backdrop of the acrimonious strike which marked the event

last year" said cawu's representative.

"This relationship is now firmly re-established and provides a sound base for the

"The speed with which an agreement was reached resulted from the commitment of both labour and management to rebuilding our relationship for the benefit of all stakeholders."

Modiga said the

about winners and losers", as all had been winners in the wage

Edgars said the "unique" two-

year wage deal would allow both management and labour to focus their attention on improving the company's performance without having to interrupt the compa-

ny's rebuilding process for wage negotiations next vear.

Mark Bower, the financial director of Edgars, said: "I think the commitment to doing what is best for all the stakeholders in the business is further

enhanced by the willingness of both parties to discuss difficult issues, like permanent flexible employees, in the interest of making the company more successful.

"Saccawu and the Edgars management believe that the twoyear wage deal will provide a much-needed platform of stability on which to rebuild the company's performance for the future. They do not believe that all is plain sailing, but the positive, constructive atmosphere in which the negotiation took place lays a solid foundation for co-operating in the difficult process of rebuilding the company."

Members of the Federal Council of Retail and Allied Workers would not receive wage increments at this stage, as their union had not yet signed the agreement.

RONNIE MORRIS

Cape Town - A few powerful groups with parallel economic interests were likely to emerge from a third wave of black economic empowerment, Tony Ruiters, the deputy chief operating officer of the African Harvest financial services group, said yes-

Ruiters recently told a forum of the Movers and Shakers, about 30 keý black business people in the Western Cape, that this wave would be characterised by a combination of black and white skills moulded in companies that were debt-free and operational. Such companies would have a stronger chance of surviving adverse economic conditions.

The third wave would force the numerous consortiums to whittle down to a few powerful groups with similar economic interests.

Both black and white companies would, have to position themselves to compete internationally as well as regionally.

Ruiters said the second wave of empowerment was characterised by a broadening of initial small groups engaged in the empowerment process to several consortiums representing specific sectors or interests.

The government also moved from empowerment theory to policy in this stage.

"Last year's market corrections resulted in critical introspection of the flurry of deals and the onerous debt structures which governed the acquisition process.

"It identified new challenges like basic risk/reward theory, the need for strong organic participation and growth, as well as the need to build up a strong capital base for financial leverage.

"The third wave of empowerment started in early 1999. The government learnt from past experience and started tightening

up conditions for granting contracts or deals ...

"(The government is) keen to see that empowerment extends to management and into the operational entities, and that the companies have sufficient cash flow to sustain their operations.

This new approach, together with the market crash, resulted in companies being forced to restructure their operations. Listed companies trading at a discount to their net asset value had to reposition themselves."

The next five to six years would be critical to the black economic empowerment process as a corrective or rebalancing measure. It would represent the critical period for the transformation process to yield an increase in the

number of internationally competitive credible companies, Ruiters said.

Chris Nissen, the executive chairman of Cape Empowerment Trust, agreed with Ruiters but said smaller companies were still looking to government pro-

curement to give them the base for further expansion.

"We have to move away from the boardroom only and into management," Nissen said. "Many black economic empowerment companies have to sit down and weed out co-option and boardroom empowerment and move into the real heart of business, from management to global competitiveness.'

However, Iqbal Survé, the chief executive officer of Sekunjalo Investments, said the market was not rewarding his company even though it was debt-free and focused, and had created jobs and brought in its own management. "It's almost as if they used the excuse of the Nail debacle."

Survé said the third wave would be a failure unless the investment community supported empowerment. "Fund managers fail to grasp an important opportunity for change," he said.

'We have to move from boardrooms only and into management, then go global'

US official scolds Pretoria for slow rate of privatisation

BD 27/5/09 privatisation," he said.

Patrick Wadula

SA HAS been criticised for dragging its feet in the privatisation of stateowned assets by the US undersecretary of state for economic, business and agricultural affairs.

Stuart Eizenstat, speaking via a satellite transmission from the US yesterday, said SA's privatisation process was not occurring at a pace to encourage the kind of growth SA needed.

Eizenstat recently visited the southern African region for the Southern African Development Community (SADC)-US Forum held in Botswana

"I hope after the elections that we will see an acceleration in SA's

Eizenstat said that although there was a commitment to private-sector involvement to create an investment climate that would attract private companies, there was concern that privatisation meant "taking away the crown jewels of a country" and putting them into private hands.

"If I may say so, these crown jewels, generally perform very poorly in state hands. They do not perform for the people," he said.

Eizenstat said the SADC countries could take the example of successful privatisation processes taking place in countries such as Poland, Malaysia and Bolivia.

Privatisation needed to be done

openly and transparently. This meant an open bidding and ensuring it was at a fair market value.

Done correctly, privatisation would provide the treasury of the country with tremendous foreign capital. These funds could be pumped into education, infrastructure and healthcare.

It was encouraging that there was a commitment to privatisation in Nigeria, which intended using technical assistance from the World Bank.

The trade and investment framework agreement proposed by the US at the forum could be signed within several months provided SADC leaders were interested in such an agreement, he said.

Nafcoc wants unified business sec

Patrick Wadula

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> NATIONAL African Federated Chamber of Commerce (Nafcoc) president Steven Skosana called for unity in the business community for the economy to succeed.

> Speaking at Nafcoc's gala dinner he said SA business could no longer afford to remain fragmented. Because of the apartheid government black business operated separately from that of the Indian, coloured and white business sectors. "We cannot run a fragmented economy based on historical racial divisions."

> Skosana said the success of the SA economy would come about if the split between these groups were closed. Nafcoc had to widen its platform to include not only emerging business, but also lobby support of big

business. Big business and developing black business would contribute towards the economic transformation of SA.

Skosana said the remaining question was whether Nafcoc would add a golden touch or seek a golden touch in the SA economy in the new millennium.

Skosana said the first five years of an African National Congress-led government was a period of planning and not delivery. Delivery was expected in the next five years, he said.

Water and Forestry minister Kadar Asmal, another speaker, said the five years was a period of delivery.

Government had succeeded among other things in providing rural communities with telecommunication lines and water.



MEASURED APPROACH Trevor Manuel, the finance minister, brought production to a halt at the House of Monatic factory before the empowerment announcement PHOTO ANDREW BROWN

Brimstone empowers factory floor

RONNIE MORRIS

Cape Town - Black economic empowerment reached the factory floor yesterday when Brimstone Investment gave its 1400 workers at House of Monatic, Cravateur and Romens shares worth R1,6 million at 1c a share.

Fred Robertson, Brimstone's chief executive officer, made the presentation after Trevor Manuel, minister of finance, brought production to a halt as he toured the building.

Monatic manufactures and markets some of the top international clothing brands including Carducci, Yves Saint

Manuel praised the scheme: "These types of initiatives indicate that the process of change in South Africa is well and truly under way.

"Unless change in South Africa includes a better life for workers, then change is not worth the paper it is written on."

With Ebrahim Rasool, the ANC's premier candidate for the Western Cape, Manuel indulged in a bit of electioneering when he exhorted the hall to vote because elections only came every five years.

Manuel said: "The education of our children, the health of our community, our welfare

services depend on who is in government in the Western Cape."

Robertson described the initiative as a first of its kind in South Africa's garment industry. It would distribute 2 million shares through a share trust to workers. Allocation was based on length of service.

He said: "It's about feeling you're part of the process. (Employees) not only have a say in the affairs of the company but also stand to gain financially if the company does well.

"Real black economic empowerment doesn't mean much unless it puts money in your pocket."



Trade and

SMALL-BUSINESS INCENTIVES By THABO KOBOKOANE

mend to the next parliament that small business be excluded from certain provisions of labour law. THE Department of Trade and Industry is to recom-

public soon. proposal will emanate from a departmental review of nent of small business. The report is to be made egislative and regulatory obstacles to the develop-Deputy Minister Phumzile Mlambo-Ngcuka says the

The proposal is in line with most analysts' expectations that government will amend labour law to enable the small business sector to hire labour cost-effectively \$1(91)3015144 This means that leg

may be amended when the new parliament sits. Sipho Pityana, Director-General of the Department ditions of Employment Act and Labour Relations Act as the Basic Con-

Pityana cites an earlier report looking at the Basic Conditions of Employment Act by small business promotions agency Ntsika, which concluded that small and a particular attitude to the extension of bargaining council agreements to non-parties, particularly as it relates to small business." ments. "It may require a change of certain regulations of Labour, says his reading of the report's proposal that it would not require major legislative amend-

Conditions Commission, based on the Ntsika report, concluded that though small business should not be exempted from basic employment conditions, account should be taken of the "special problems and circumstances they face" and that "some provisions of the Act may in fact prove onerous for the sector".

The proposal by the legislative and regulatory residences they face the sector of the Act may in fact prove onerous for the sector. However, a subsequent review by the Employment

ed in the ministry of labour on a review of labour view comes in the wake of new momentum in government to review labour laws which have been blamed by business and opposition parties for the lack of job creation. the business community that work had already startmarket policy. Just last week Deputy President Thabo Mbeki told

"I hope we can come to a common understanding between government, labour and business on job security and labour-market flexibility," he said.

BUSINESS REPORT

One method

of promoting

the previously

disadvantaged

is affirmative

procurement

BLACK EM

Developing small and medium business is central to economic empowerment

The development of small, medium and micro enterprises (SMMEs) is central to the empowerment process.

One of the most effective methods of promoting previously disadvantaged entrepreneurs has been through affir-

mative procurement — whereby the government and big business favour SMMEs when awarding contracts and tenders.

Affirmative procurement takes numerous forms.

ment.

One way of smoothing the way for small contractors is through construction manage-

While delivering significant savings on building procurement, construction management (CM) continues to

demonstrate its value as a means of empowering small, medium and micro enterprises (SMMEs) in the construction industry.

Adam Smith, chief executive of ASA Construction Services, the specialist CM com-

pany, says that since 1997, the company has let an average of 70 percent (by value) of the available work packages on all its projects to emerging contractors and previously disadvantaged building professionals.

"That we believe, is an outstanding achievement, in the light of the fact that the standard empowerment objective is 25 percent of contract value and considering the fact that we stalso provide on-site managerial training to enable SMMEs to compete for further work once our projects have been completed."

On one recent project, the construction of a high-tech distribution facility airside at the Johannesburg Interna-

tional Airport, ASA successfully let 73 percent of the professional work, and 58 percent of works contracts, to SMMEs.

And on a current project, the reconstruction of four East Rand railway stations for Intersite,

which handles property management for the South African Rail Commuter Corporation and the National Road Agency, more than 80 percent of the construction work packages awarded to date have gone to

SMMEs — specifically to contractors from the local community.

"These are exactly the kind of results we were looking for when we decided to go the CM route on this project."

"Instead of using the traditional 3 procurement method of appointing a main contractor with subcontractors," says Intersite's Paul Gange.

Several CM initiatives typically involve breaking the overall project up into work packages, each of which can be handled by an independent small contractor.

Suitably skilled contrac-

tors are then sourced from the local community and assisted to tender for the available work.

"What is more," says Smith, "our empowerment process ensures that clients are never exposed to additional risk as a

result of apportioning work to SMMEs.

The contract at the airport, for example, was completed within budget and without the loss of a single man-day due to injury on site.

"Such results, of course, encourage clients to participate in further empowerment initiatives and create even more opportunities for SMMEs."

"Meanwhile, our quality control systems have already assisted many works contractors with SMMEs to raise their standards and eliminate service problems."

Combined with our managerial training, this really enables them to compete comfortably, and profitably, with more established contractors."

One way of smoothing the way for small contractors is construction management

Centre links sma

By Mongwadi Madiseng

RUNNING and managing your own business successfully in a highly competitive economic environment will need the right educational tools.

This was the message promoted at the opening of a training facility at the Business Opportunity Centre premises in Johannesburg last week. The centre aims to support and encourage big firms to link with small businesses and nurture disadvantaged entrepreneurs.

According to the centre's chairman, William Mthembu, the opening of the training facility marked an important event in the development of small, medium and micro enterprises (SMMEs) in southern Gauteng.

"At this facility the SMMEs will have access to information, advice, counselling, mentors and training," here tance in running and expanding their

Mthembu said business linkages between small and big businesses

would remain the core of the BOC's activities, with success measured by the number of contracts and jobs created.

"For the financial year ended February this year; our linkage value in money terms amounted to R11 million and we maintain and upgrade a database of almost 500 SMMEs with 40 percent of them ready to service contracts," he added.

Elna Reyneke, a board member of the institution, believes her organisation has a role to play by offering previously disadvantaged entrepreneurs access to the mainstream economy through successful linkage programmes.

"It is our hope the Business Opportunity Centre will be a proper one-stopshop for entrepreneurs seeking assisbusinesses," she said.

Institutions involved with the centre include Business Skill South Africa,

South African Bureau of Standards (SABS), Council for Scientific and Industrial Research, National Productivity Institute, Business Partners and Technikon South Africa's Bureau of Business Studies.

Taune Rampa, director of Scientific Wall Coating, a paint manufacturer, underwent BOC training and obtained SABS approval for his product.

KIDNAPPING

FM 4/6/99 **NEW CRIME SPECTRE LURKS**

Not nearly as bad in SA as elsewhere

n international syndicate may be behind a spate of kidnappings of businessmen or members of their families in Gauteng, Mpumalanga, the Eastern Cape and KwaZulu-Natal.

Police are investigating the role of foreigners, primarily east Europeans and Nigerians, in these crimes, which threaten, to become more commonplace in SA.

Abductions for ransom started in Italy as part of Mafia activities, are endemic in Latin America and are growing in Nigeria and parts of eastern Europe.

Now the trend has come to SA, where an overwhelmed police service, organised global crime syndicates and the highly structured local hijacking industry provide fertile ground for kidnapping and ransom.

Police complicity is alleged in several cases; this is commonplace in kidnapping capitals where badly paid police and soldiers often moonlight as kidnappers.

SA sleuth Bushy Engelbrecht of the Special Investigation Unit this week launched a police team to probe these crimes.

In every case, a businessman or member of his family has been held to ransom for amounts ranging between R1m and R6,5m. They have not involved corporations or major businesses, but appear to target entrepreneurs who have made it big. "There seems to be a syndicate operating here," Engelbrecht says.

Among the kidnappings under investigation are those of:

□ KwaZulu-Natal taxi boss Simon Rana's two sons for a R1,5m ransom demand, in

□ Johannesburg tycoon Vassos Kolonas, beaten and held in a Hillbrow flat last month Allegedly, Nigerian kidnappers demanded a R6m ransom;

☐ The 18-year old daughter of Umtatabased Greek millionaire John Pitsiladis, in April. He paid R2m to secure her release;

> ☐ The heir to the Osgo empire, Zunaid Tayob, in Johannesburg, held for 32 hours in March. His alleged kidnappers were three

Bulgarians who demanded R1,9m; and ☐ Groblersdal businessman Ahmed Alli



Hassen Valli (28), last January, by 11 men, nine of whom were from the Middle East and Mozambique. They demanded R2m.

At least three other cases are being investigated in Gauteng.

In SA last year, 4 156 people were kidnapped. The police do not break down this figure, however, so it includes domestic disputes and rape-related as well as economic kidnappings. Law enforcers regard kidnapping as a "low-frequency serious crime" because the incidence is low compared to hijackings, for instance. Still, the police are beefing up their capacity. Every local police area has a 15-strong team trained in hostage and ransom negotiation.

Control Risks, a London-based consultancy, defines business-related kidnapping as "the abduction and illegal detention of a high-profile member of a multinational corporation or a member of a privately wealthy family in order to extort a significant ransom from their company or family" Local kidnappings appear to fall in the latter category, but the consultancy's regional manager for Africa, Tara O'Connor, has found that "kidnap in SA is rare and does not feature prominently in our risk profile". This view is shared by the German and US chambers of commerce, which seem more concerned about other, more endemic kinds of crime in SA.

Yet a study reveals that the practice of holding a person as an asset to extort money seems to be growing in both an organised and a sporadic fashion. There are several cases where professionals such as doctors or the wealthiest businessmen in a small town have been taken hostage. And it could grow as people fortify their homes and offices and it becomes increasingly difficult to grab material assets.

But is this strictly kidnapping?

Kidnapping can be short- or long-term. O'Connor says Control Risks' analysis of business-related kidnappings in SA suggests they are motivated by "minor financial gain" and are usually short-term. Ransom demands are comparatively low.

In Latin America, kidnapping is highly organised and usually long-term, and involves big money. Asset Security

Managers, a UK-based company which specialises in kidnapping and ransom insurance, says victims are held for between six and 10 months and that ransom demands

run into millions of dollars (the highest demand they've dealt with was US\$65m). In Africa, Nigeria is the kidnap capital. Since last October, 100 executives have fallen victim to organised kidnap groups in the oil-producing Niger Delta.

With a reputation as a world rape and murder capital, the last thing SA needs is notoriety for kidnapping. But as Chubb Security's Mike Francisco notes: "SA isn't a protected zone any more." Ferial Haffajee



Economy & Business

BLACK EMPOWERMENT

TE TO TAKE STOCK

Black-managed companies must repackage themselves to regain market confidence

ikgang Moseneke, as you face the daunting task of rebuilding Nail's shattered black-empowerment credentials, consider a more daring option: Pack your bags and go — unbundle the company and start afresh with a new model of empowerment. For what's at stake is far more than the Nail options saga; it is the future of black empowerment itself.

Already there are signs that the empowerment movement as we know it has had its day; that black empowerment is self-correcting after the excesses of the

past few years. Investors are unhappy with the investment trusts and holding companies that are so popular with empowerment companies. All of them - including those in the Real Africa group, the so-called Rolls-Royce of empowerment companies - are trading at discounts to the value of their underlying assets.

A ROLLS-ROYCE TICKING OVER REAL AFRICA HOLDINGS

Key tigure: Chairman Don Noube. Effective controlling shareholder. Noube through unilisted RAF Holdings:

Investments: Holds 23,3% of PQ Africa. (intormation technology); 30% of Open Learning. Group (education); 45% of African Life (financial s services) and 37% of Real África Durolink

(investment and merchant banking) Recent activities: . Raised R1 256n from shareholders and used the proceeds to increase its stake in PQ Africa from 9,3% to 23,3%. It followed "Its rights in the African Life capital-raising exercise



Many black empowerment companies are selling noncore assets picked up during the buying frenzy of the past few years, to focus on a few key investments Perhaps there is some salvation in this admission of failure.

Between them, African Partnerships, Hosken Consolidated Investments (HCI) and Brimstone, for instance, have in the past few weeks given about R2,2bn back to shareholders in partial unbundling exercises. Weak markets have forced them to concede they could not do anything useful with the money (see accompanying reports). These actions have probably put more pressure on Nail to consider equally radical surgery.

Others are going the private equity route - investing in smaller, unlisted companies, where they can have access to cash flows and achieve broader empowerment objectives such as skills transfer.

Financiers, fed up with having to shoulder all the risks in empowerment transactions, are devising new ways of passing some of the risks to the black empowerment groups and their target companies. Some have gone so far as to ask merchant bankers for upfront fees for doing a deal. Merchant bankers are up in arms over the onerous conditions and are simply refusing to do more black empowerment deals. "I have other things to do, for example, privatisations in the rest of Africa," says one

Some listed companies, exasperated by black empowerment partners that do not add value, or even turn up at board meetings, have gone so far as to set quantitative targets to measure performance. Senior government officials talk privately about the need for a new, bottom-up approach to empowerment.

The downside to all of this timely soulsearching about black empowerment is that market judgments can be harsh during corrections, tarring every empowerment company with the same brush. There could even be a temporary halt on new entrants to the empowerment arena as financial institutions and established companies tighten the screws. Already, a number of black empowerment consortiums, including Pamodzi, have failed to raise money for high-profile deals recently announced.

For New Africa Investments Ltd (Nail), the challenges are more immediate because of the size of the discount at which its shares trade relative to the group's underlying assets. The discount, which has ballooned to more than 40%, is a clear vote of no confidence in the group, its capital structure and the ability of its management to add value to and extract synergies from its investments in insurance (Metlife), merchant banking (African Merchant Bank (AMB)) and microlending (Theta).

When the going gets tough, investors ask difficult questions that they tend to overlook when the going is good. What is the rationale, some are asking, of having Nail as the holding company for its three subsidiaries? And what is the point of having poorly performing media assets and a car hire company lumped into what is essentially a financial services group?

To fight his way out of this corner, managing director Moseneke has to find a way of eliminating the discount while strengthening Nail's empowerment credentials After all, two black people (Moseneke and director Zwelakhe Sisulu) do not add up to empowerment. The task will be as easy as making water flow uphill. Then again, considering how Nail seems to have perfected the art of financial engineering over the past few years, one shouldn't dismiss the possibility.

So what are Moseneke's options? First, he can choose to maintain the status quo and introduce a new empowerment part-

One only has to look at the recent listings of Brimstone, Women's out, to see that blackness does not provide an edge - it can only



ner, or partners, to replace the recently departed founders Nthato Motlana and Jonty Sandler. This would boost the empowerment idea but do little to eliminate the discount, unless the new partner were to be Don Ncube and his Real Africa group.

A Ncube-Moseneke alliance could, conceivably, excite the market with plans to merge Metlife with African Life, AMB with Real Africa Durolink and New Africa Technology Holdings with struggling PQ Africa. But this option is unlikely, too many egos would collide in the process

The second option would be to maintain the status quo and announce plans to buy out the minorities in Nail's three listed subsidiaries and delist them. This would cost about R10bn and involve the issue of up to 3bn N shares. The trouble is, Nail's shareholders have already rejected plans to issue another 2bn N shares, at a recent shareholder indaba. Getting them to change their minds would require a huge confidence-building exercise.

At least one Nail subsidiary, AMB, recently came close to announcing a "unilateral declaration of independence" from Nail. Why would the managements and shareholders of the other subsidiaries

want to take up N shares in a company whose prospects are so uncertain? Would a fast-growing merchant bank such as AMB want to be lumped with a mature insurance company such as Metlife?

There are two points to make about low-voting N shares. First, many other (established) companies use them, though Brimstone and Molope are the only other listed black empowerment companies to do so. Secondly, SA's notoriously apathetic institutional investors do not seem to have a problem with N shares as long as the group controlling the high-voting ordinary shares is delivering the goods.

By rejecting Nail's proposal to issue another 2bn N shares, the institutions were in effect passing a vote of no confidence in Nail's ability to increase their wealth. The problem is not with the N shares as such, but with investor confidence in the group controlling the ordinary shares, hence the increasing pressure to abolish the company's dual capital structure.

Issuing another 3bn or so N shares might also raise questions about the credibility of black empowerment and the lengths to which companies are prepared to go to preserve the illusion of black control. Nail's ordinary shares have a market capitalisation of about R350m. Black ownership in Nail is through Corporate Africa, which has just over 50% of the ordinary shares.

If Nail were to buy out the minorities of its three listed subsidiaries, that would create a company with a market capitalisation of more than R17bn and a ratio of ordinary shares to N shares of about 1:50, which is unprecedented on the market. Would it be credible to allow a group of shareholders to control a R17bn-plus company with an own contribution of just R200m, which is the Corporate Africa stake?

From a black empowerment perspective, it is important to remember the major institutions would have invested more than R17bn in the new company and black shareholders R200m. To put it another way, 99% of the economic interest would accrue to the institutions and only 1% to the black shareholders.

Would it be morally correct for such a group to be endowed with empowerment credentials — and the benefits that accrue from them — when 99% of the economic

benefits go back to the institutions? Is this not a sophisticated form of fronting, giving an appearance of black control to what is essentially a white company?

Is Nail the right vehicle for an empowerment exercise?

Option number three for Moseneke — the most likely one at this point — would be to enfranchise the holders of N shares immediately and not over five years as the company has reportedly proposed. This might please some investors. But black control would go out of the window; the Board of Executors and Hollard would probably become the controlling share-holders of Nail

BOE and Hollard could enter into a voting pool agreement with Corporate Africa and its new black empowerment partner(s). But such a move could run into the same credibility problems described above. Moseneke and Sisulu would become "glorified employees" of BOE/Hollard unless there were a Johnnic-type deal to recapitalise Nail with a significant amount of "black capital". But the market does not seem to have the appetite for financing such a deal.

This leaves Moseneke with a final option: to swallow his pride, unbundle the company and give shareholders a direct stake in Nail's listed subsidiaries. The unlisted media, technology and other assets could be sold as part of the unbundling exercise. At least such a move would eliminate the discount and make everyone 40% (or more) richer.

Corporate Africa would be left with

A GLIMMER OF HOPE? THERE FINANCIAL SERVICES

🐃 🖰 THEBE FINANCIAL SERVICES 🦠 🐠 Key figure: Deputy chairman Vusi Khanyile Effective control: Thebe Financial Holdings (55,1%) Major investments: Financial services group focusing on emerging sectors of banking and insurance (Euturebank) Fidelity Bank and specialist funeral insurer Safrican). Recent activities: Recently & 3.44 reduced its interest in 🖫 🛶 👯 FBC Fidelity from 63% to 49% by passing on to its shareholders 59,95m FBC shares The alm was to improve the tradeability of FBC shares, which were tightly held by TFS (63%) and Fedsure (36%) Last year, TFS also enfranchised. the holders of its low voting N shares by: converting these into ordinary shares.

Investment Portfolio (WIP) and Sekunjalo, which have all bombed eliminate a competitive disadvantage in a government tender.



LOOKING AHEAD ... the DTI's Phumzile Ngcuka-Mlambo was a key player behind setting up the small business review

Bid to pave way for small business

A STUDY sanctioned by the Department of Trade and Industry has proposed a range of amendments and exemptions to labour laws to help the small business sector create jobs.

The final draft report by small business promotions agency Ntsika into legislative and regulatory obstacles to small business development says that "a 'one-size-fits-all' approach is not always appropriate".

"Smaller enterprises do not have the resources, nor should they be expected, to comply with the same level of sophistication as their larger counterparts."

A final report is due to be made public in the next few

JOB CREATION
By THABO KOBOKOANE

weeks. The proposals relate mainly to the Labour Relations (LRA) and Basic Conditions of Employment Acts.

The report recommends, among others things:

☐ Amending the LRA to change the criteria for the extension of bargaining council agreements to non-parties.

☐ Changing the LRĀ to limit employee rights to recourse in the event of dismissal for poor performance or incapacity during the first six months of employment.

☐ Giving commissioners the discretion to reduce maximum payments in procedurally unfair dismissals.

☐ Ensuring that the Employment Conditions Commission and the labour minister exercise caution in determining minimum wages and are cognisant of the likely impact on small and new business and on employment levels.

On access to finance, the report favours a law similar to the US Community Reinvestments Act to compel banks to disclose their lending to, and involvement in, poor communities.

The draft warns that the size of the SA banks may render community pressure less effective and that incentives such as public authority accounts may prove effective.

However, it rules out

However, it rules out forced lending, stating: "Pre-

scriptive measures aimed at forcing lending are likely to introduce more problems than are solved, and should at this stage be avoided."

It proposes exempting retail financial intermediaries from the 1990 Banks Act, enabling them to accept wholesale deposits of not less than R1-million from institutional investors to promote microloans. Such institutions should have to register with the Micro-Finance Regulatory Council and ensure that their share capital and reserve funds represent at least 8% of their weighted assets and other risk exposures.

Also proposed are tax exemptions for small business companies that create jobs.

Sacob calls for a

BONTLE HEADBUSH

Johannesburg – The South African Chamber of Business (Sacob) yesterday invited other South African business bodies to help establish a "business Codesa" which would eventually lead to the formation of a single unified national business chamber.

Kevin Wakeford, Sacob's new chief executive, said a non-vested third party would have to lead the formation of such a body as Sacob would not be able to do so.

Sacob first has to go through a deracialisation process before we can even start talking about the formation of a single business voice," he said.

we've gone through this, then the other business bodies will see that there is genuine intent on our side, and they'll start taking us seriously."

Humphrey Khoza, Sacob's president, said it was possible for the organisation to achieve this goal under Wakeford, as he had already driven the formation of a similar structure, Business Eastern Cape. while heading the chamber in that region.

Business Eastern Cape had combined Sacob's affiliated chambers with those linked to the National African Federated Chamber of Commerce (Nafcoc) and the Afrikaanse Handelsinstituut (AHI).

However, the bodies still retained their separate affiliations due to the lack of a single national body.

Nafcoc, AHI, the Foundation for African Business and Consumer Services and Sacob were only some of the organisations speaking on behalf of business.

Steven Skosana, Nafcoc's president, said the body had also previously called for the unification of the business sector.

"We cannot run a fragmented economy ... The success of the country's economy will come about if these groups were to close the split between them."

Uniting the various business organisations would not imply the adoption of new ideologies by any of them, Wakeford said. "Business has one ideology: the business of business."

DEVELOPMENT

Flaws in black empowerment must not stop the process er(00) 10 16 199

sciously decide to specialise in one particular industry. This would allow them to focus on the industry and its complexities and exploit potential tial opportunity. If there is little value be added with their involvement, Empowerment companies should trolling stakes in the ventures. So far control has been ensured through the issue of non-voting N shares. From a

the offer should be declined

take meaningful and preferably con-

whether they can add value to a poten-

The directors also need to assess

SHAMIL ISMAIL

redistribution of wealth to South ed the shortcomings of this method of empowerment companies and L the harsh price-earnings ratngs meted out to them have highlight

Africa's previously disenfranchised.

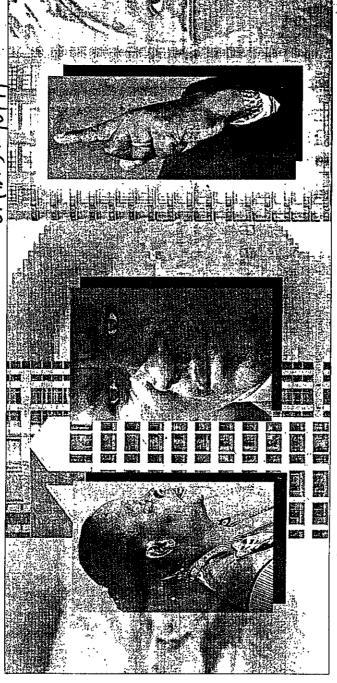
Following the unbanning of the tures of the major corporates, it was sation. There was a urgency to ANC in 1990, large companies soon realised that the playing field was about to change. Unless there was a fundamental shift in the ownership strucfeared the new political authority would force change through nationali ransform the country's boardrooms.

in two ways. Black non-executive Corporate South Africa responded directors were appointed and businesses were sold to black empowerment groups

come by eager financial institutions providing special purpose vehicle ing to the economic transformation of The major criterion was political credibility This resulted in many political activists changing careers and becoming icons of capitalism. The fact that the previously disadvantaged had acquired very little capital was over (SPV) funding, in their way contribut-South Africa.

October 1998. The share prices, which served as security in the SPV deals, a serious look at the economic benefits Everything ticked along nicely until the stock market correction in significantly reduced in value, while ed higher interest. Investors also took the principal debt in the deals attract the black empowerment model.

With hindsight it is easy to find shortcomings in the first wave of olack empowerment deals



risk-reward viewpoint, this toot has

caused some friction as, theoretically the providers of the bulk of the capital reality, they do not exercise significant

are not in control of the company. In influence and the question arises An alternative to SPVs as a mechanism to fund acquisitions must also be found because its effectiveness as an Even if the stock market did not have happened at the end of the SPV financing term. Empowerment groups

whether this is real empowerment.

would deny that a select few individuals have been enriched as a result of big business' desire to deal While this strategy has succeeded in appeasing the ruling party, it failed in with politically influential people empowering the masses.

into investment portfolios. This resultin some black empowerment groups having companies operating in such diverse fields as healthcare and gy to be obtained within the holding Black empowerment groups came to resemble pre-1990 conglomerates

eq

Choosing politically connected people had another downside These individuals more often than not had Infortunately, most empowermen very little business experience.

share prices traded at in relation to partners failed to add value and this was demonstrated in the discount that their net asset value. This discount effectively implied the converse of the

Another failure was that the new

such as Barlows and Genbel

appointees tended to serve on many boards and had varrous outside interests. This meant that the time they could spend with an operating company was limited partners failed to add value was lack of focus. When opportunities presented themselves, these were taken up without considering how they would fit One of the reasons empowerment creation of value - value destruction.

be less than 20 percent and would secure one seat on the board. With no executive control over the running of Another factor was the small stakes the groups took in the operating companies. Typically the stake would the business, all the empowerment company could do was sit back and let the business operate as usual. Black empowerment groups became investment trusts, a format that is not considered to add value.

financial services. The level of syner-

company was therefore limited.

Empowerment groups should limit their individual directors' involve ment in outside concerns. Fortune magazine recently listed its top 500 companies and within the top 10 companies, seven of the chief executives

A solution may be found if the participation from people at the grassroots level and enlist the services of black professionals to take execu-

most of their equity stakes to repay

the principal debt. They may well have made a sizeable profit, but the orrginal objective of the empowerment trans-Attempts at economic empower-

crash, one should consider what would

empowerment tool is questionable.

ment may have been flawed up to now. but we should not use this as an excuse action would not have been achieved. had no directorships other than their

time and effort is applied to one company, the better its performance. It stands to reason that the more

empowerment groups allow greater would probably have had to sell all or tive control of operating companies. cipled ways of achieving true redistri-

□ Shamil Ismail is a freelance contributor

Economy & Business

RESTRUCTURING SACOB

THE URGE TO BE RELEVANT

No more navel gazing

ust 10 days after taking office, new SA Chamber of Business (Sacob) CEO Kevin Wakeford has begun to shake the torpid tree of organised business with the unveiling this week of his plans to repm 1116

organise the business lobby.

Organised business needs a wake-up call," says Wakeford, adding that he and his team are determined to make Sacob "more relevant to the rapidly changing local and world business environment".

Over the past few decades, SA's largest national business lobby has gained the reputation for being a mostly white, conservative and largely ineffectual cartel. It has become an inward-looking organisation that, Wakeford says, "spends too much time focusing on its navel".

The former Port Elizabeth Chamber of Commerce CEO believes a lack of communication, and of what he calls "connectedness" between Sacob's various affiliates, has led to a sense of dislocation.

He argues that SA's economic growth with social transformation cannot be realised unless organised business becomes less fragmented. He uses the usual transformation-speak, like "restructuring", "bottom-up participation" and "legitimacy". But his enthusiasm goes beyond jargon. For he is convinced SA has merely tipped the iceberg of acceptance into a world market of goods and ideas, and is being forced to catch up fast.

He says the trend is to emphasise in-

tellectual capacity, competence and, course, connections it's not only what you know, but who you know.

Wakeford's business plan - which he will formally present to the Sacob board at the end of June — envisages a "bottom-up" restructuring. It would realign Sacob with a changing market; deracialise business and represent Kevin Wakeford . . . shaking the a way that it is less the



its members' interests in torpid tree of organised business

"voice of business", as its motto proclaims, than the "voice for all SA business".

This is particularly important in the development of small business, which government continues to identify as a vital source of growth and employment. Wakeford says small enterprise needs a platform where each firm can express and campaign for its interests.

Small business makes up about 80% of Sacob's

constituency, through membership of local and regional chambers of commerce. But in the past there has been little communication between them and the umbrella body.

Wakeford wants a "Codesa for business" - a third party mediator to make it easier for interest groups to communicate and co-operate with one another. But he faces a big challenge in selling his plan and drawing into the process other business lobbies: the Afrikaanse Handels Instituut, Foundation of African Business & Consumer Services, and National African Federated Chambers of Commerce. Still, he says it's possible if done in a "sincere, transparent and inclusive" manner.

Belinda Anderson

Sacob chief backs drive

A Long of States of Tennes, and

T (BT) 13 6 99 ORGANISED COMMERCE new capital-owning class arm white business in white business in

ST (BT) 13 6 9% Sacob) CE Kevin Wakeford added business body when her mpetus to the formation of a funipledged to set about bringing together organised business, making the chamber more relevant and

erated Chamber of Commerce (Nafcoc) president Steven Skosana The idea of a unified business organisation is old but increasingly in demand. National African Fedrecently urged business community unity for economic success. embarking on deracialisation.

He pointed out that SA's main working closely enough on the functional, policy formulation or at sensus, would push strongly for a united business body with which it ernent, seeking a new national conbusiness organisations are "not Wakeford said the Mbeki gov could work to achieve its goals.

mediator, to fast-track the unity process. The four SA business or-ganisations — Sacob, Nafcoc, the In his inaugural address, he suggested convening a "Codesa of business", involving a third-party to fast-track the unity the level of public interface".

Wakeford is calling for a "Codesa of business"

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new capital-owning class, black and white business interests would be divergent. "In terms, of benefits, there's nothing in it for. like black empowerment and affire government interventions white business who want to reduce

black businessmen who sought to their corporations as heart, and ference between black people who porations, and had the interests of rose through the ranks of large cor-There also appeared to be a difadvance black group interests. mative action.

the voice of black business has, a seemed to have shifted away from powerment companies had chosen not to speak through Nafcoc or Fabcos so he has concluded that Friedman noted that black em-

Wakeford said the benefit of unity would be to give business a voice with impact; it was disjointed at present. Friedman thinks unity might be achieved at the fown or township level, but points out that small business there lacks the inthese organisations.

By JUSTIN BROWN.

Foundation of African Business tuut (AHI) - had never formally discussed steps toward national and Gonsumer Services (Fabcos) and the Afrikaanse Handelsinsti-

What will make the task of uniis that he helped form Business Sacob's affiliated chambers with tying business easier for Wakeford Eastern Cape, which combined those of Nafcoc and AHL

to promote AHI, Sacob and Fabcos dialogue. Skosana promised to support Wakeford in smoothing relations between Sacob and Nafcoc, Business might be fragmented now, but steps have been taken toand Business SA was established ward co-operation. Since 1996, AHI and Nafcoc have met biannually

which have a history of tension.
The biggest stumbling block, at least in the short term, is a clash of

Steven Friedman of the Centre" the government trying to create a for Policy Studies said that with interests.

fluential sort of voice that corpo-

rations have at national level.

UNITY 1S STRENGTH: Sacob chief executive Kevin

Hopes high for interest rate cut

By Shadrack Mashalaba

HE mounting expectation for a cut in interest rate could become a reality this week with small banks expected to take the lead.

Speaking to Sowetan Business at the weekend, PLJ Financial Services

senior economist Dawie Roodt said the likelihood of a percentage point cut in the interest rate was possible either tomorrow or towards the end of this week.

Roodt expects the charge to be led by smaller banks instead of giant commercial banks, who prefer to be laggards.

Roodt said the 3,7 percent gap between the repurchase (repo) rate and interest rates was large enough to necessitate another percentage cut.

On Friday the reporate eased to 15,314 percent from 15,346 percent. Prime lending rates currently stand at 19 percent.

"The cut, if it materialises, will not be the last one.

"There is a likelihood of two more percentage cuts before the end of the year. I won't be surprised if interest rates are fixed at 15 percent by the end of the year," said Roodt.

He added that even at 15 percent, South Africa's rates were still high by international standards.

Roodt also predicted a downward trend in inflation which he expects to touch five percent by year end,

A ratés cut is also

rand and improving domestic indicators such as recent money supply and credit figures.

Meanwhile, on Friday media group Naspers announced donation of 167 720 shares worth R5,7 million to the Business Trust, a partnership between Government and the private sector.

Chairman Ton Vosloo said this donation was a commitment to supporting the transformation of South African society.

The donation is part of National Business Initiative, the managing agents of the job creation project and human resource development, to raise R1 billion to help build the economy.

Sowetan BUSINESS

Real power is economic

R100-m boost for local SMMEs

By Mongwadi Madiseng

MALL and medium-sized enterprises in South Africa stands to benefit from a R100 million grant aimed at boosting levels of competitiveness among local companies.

The Competitiveness Fund, launched in Johannesburg yesterday, came into being as a result of an initiative by the Department of Trade and Industry (DTI) through financing from the World Bank.

According to Nahor Meenan, the fund manager, the initiative would assist private enterprises in both manufacturing and services sectors.

« "A broad range of services will be covered including production, market research, quality management, product development and general business strategy," he said.

The grant would benefit companies in development activities, excluding capital or recurrent expenditure, results-orientated, projects demonstrating competitiveness or development potential.

'The applicant should have the production, financial and management capacity aimed towards training, quality management improvement and enhancing of production efficiency," Meenan said.

To guard against the misuse of the fund, Meenan said a 50 percent contribution by the firm would be required and conditional obligations needed to be met.

Pamela Cox, World Bank's country director, said the grant was geared towards growth in employment opportunities as South Africa was faced with high unemployment levels.

She said the development of small,

medium and micro enterprises in the country was difficult as the local economy was still dominated by large conglomerates.

"In other countries such as Asia and United States, large employment opportunities are created by small business sector and for South Africa to succeed, it needs to follow the same route," she said.

Through the Competitiveness Fund, unlocking of resources would be possible for local capacity building on performance standards, ensuring that Government, business and labour added value through an exchange of ideas and information.

The fund will be managed on behalf of DTI by a consortium of private sector companies which include KMMT Brey (SA), Labat Africa, Trade Development Institute of Ireland and Tru South (South Africa).

Patriotism means making a pron

Business is caught between the demands for social spending and shareholder returns, write Lawrence Schlemmer and Ann Bernstein

OR many South Africans, business and its contribution to society is taken for granted. Public debate tends to focus on "what else" busiparticular, the overriding importance of resource flows emanating from the core activities of ness does or should do for SA rather than looking at what business actually contributes. 르

Many people are still ambivalent about the relative business are often ignored in the debate.

costs and benefits of the profit motive and the workings of the market.

As a result there is widespread disagreement over the extent to which governments have to intervene to 'optimise" the contribution of the private sector to national development.

In an attempt to add some precision to the arguments about the role of business, the Centre for Development and Enterprise (CDE), as part of a wider corporations in SA's transformation, has conducted two surveys aimed at recording some aspects of the resource flows from business project on the role of to socrety at large

The findings of the two surveys enable us to quantify the role and contribution of SA business with respect to core economic activities as well as voluntary social expenditure. The results are impressive and contrary to what many might believe.

portion of corporate activity in the country covered in the replies. The first survey was conducted among 75 of the country's largest and most prominent corporations. Given more time the sample would have been larger but results are meaningful by virtue of the large pro-

A second investigation was undertaken among a ger sample of more than 600 established businesses of all sizes, mainly small and medium enterprises. Key findings will be reported in three main areas of the research — emplogment equity, corporate social investment and the core contribution of business.

Levels of achievement with respect to black advancement are still modest in the corporate sector compared with those in the civil service, but rapid progress has been made over the past five years, with the number of Africans, coloureds and Indians in management positions having increased by well over 100% this period

This progress has been recorded despite the fact that the corporate sector has been downsizing in pur-

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More rapid progress can now be expected because an average of more than 500 people in each corposuit of greater competitiveness.

Particularly significant is the fact that more women ration are participating in advancement programmes

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The survey showed that companies were spending an average of R12m a year including sports sponsorship

than men are benefiting from such training.

The greatest single impediment to more rapid progress is the shortage of qualified and experienced recruits, to the extent that nearly one in five major corporations are relaxing merit criteria in their advancement programmes.

that virtually all corporate respondents see advantages for their companies in affirmative action programmes means that the threat of penalties is not the While progress is probably partly due to the anticipation of employment equity legislation, the fact only motivating factor.

advancement of black people could have been expect-Attitudes to employment equity among the large corporations are surprisingly positive and more rapid ed even without legislation.

the large corporations covered in CDE's first survey were spending an average of just less than R12m a company a year, and about R8m if sport sponsorship With respect to corporate social investment (CSI) is excluded

eficiary. If sport sponsorship is included, the leading corporate sector spent about R1, Ibn in this period. Generalising cautiously for the large corporate secsuggest that it spent about R725m in CSI in 1997/98 with education the major bentor as a whole would

As one would expect, small and medium enterprises (SMEs), with fewer than 100 employees, make a more modest contribution but one which is substantial nonetheless.

The 600 SMEs in survey two were spending an average of R102 000 a company and the sample as a whole spent up to R230m on welfare, social, educational and sports projects in 1997/98

On the basis of these two surveys it is possible to estimate the contribution of all business in SA. The business sector as a whole probably spent between R4bn and R5bn on total CSI, with sport included in

the budget of a medium-sized national department in such as prisons (R3,9bn), agriculture Social spending of R4bn to R5bn is about the size of

resource flow from business to the society, particularly if it is borne in mind that business is under no This grant money represents a very considerable formal obligation to spend this money and that in SA the tax relief which business enjoys from grants and (R4.5bn) or transport (R7,3bn).

donations is relatively limited.
The results suggest that on average the major corocrations were spending (conservatively estimated) porations

0,9% of pretax profits). These figures indicate that SA corporations are well ahead of large companies elsewhere in the world and at about the same level as spending in the US (0,9%, 1996) and Canada (0,8%,

that the tax incentives for social spending are more limited in SA than they are in the U.S. This is all the more remarkable in view of the fact

are aligned to continuing business operations. Based og the survey research findings it is possible to Il-In the major corporate sector CSI is however a relatively minor component of the flow of resources from business to society. The really big numbers in terms of business and its contribution are in those areas that lustrate this as follows.

porations generated R280 in wages, salaries and benefits; R147 in export earnings; R118 in new investments of all types; and R69 in taxes, levies, duties and rates. For every R100 in after-tax profit, SA's major cor-

By contrast CSI, despite its size and importance in addressing special social needs, amounts to only some R1,30 for every R100 in profits.

and outsourcing to and partnerships with emerging plack business to about R9. These are the key proportions to think about in the debate on business and Within this framework, training amounted to R13 its contribution to SA.

to demonstrate its citizenship through activities and contributions that are marginal to its core functions. It must be remembered that business is under counter-Various pressures are brought to bear on business

impressed if shareholder returns are even moderately reduced by unusually high corporate social investment budgets. pressures as well.

Domestic and international fund managers and vestment advisers are unlikely to be

If any business does not prioritise its profitability and returns to shareholders, it is its most significant contributions to society that will suffer.

triotism is difficult to sustain in light of the resource flows which this research demonstrates. There can be otic" thing business can do is to demonstrate sound The notion that business has yet to "prove" its pano doubt that the single most important and "patri-

wake, and with it more employment and more tax revenue. These are the real contributions of business to This, above all else, will bring more capital in its hundreds of communities and individuals across SA. returns on capital

 \Box Schlemmer is a senior CDE consultant and Bernstein is the CDE's director. The article is based on its recent publication Corporate Business in a Wider Role

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FM 2/1 16 199 9 SMALL BUSINESS REGULATORY REVIEW

EMPLOYERS OF HALF SA'S WORK FORCE HAVE THEIR SAY

Why those at the top must see the view from the bottom

From above don't always see what is happening on the ground olicy makers who impose solutions from above don't always see what is

companies employing fewer than 20 people, the 63 000 with fewer than 50 workers, and the 11 500 with fewer than 200 Between them these enterprises employ about 3,5m South Africans, more than half islation that applies not only to big businesses but also to the estimated 302 000 A case in point is recent labour leg-

Cover Story

claim their employment-creating potential is being undermined by labour legislation that covers all employees, regardless of the country's total work force. But they the size of the businesses they work for

Moreover, the legislation designed to pro-tect workers often pushes employers to the wall, forcing them to retrench or even tation of new requirements is proving so Representatives of micro- to mediumbusinesses argue that implemencostly and complex that many ownerinvest in labour-saving equipoperators invest in labour-saving equip-ment rather than expand their work force close down sized

In a country where the number of jobs has been declining (see graph) as the economically active population has labour policy may be creating grown,

32:

8 B 2

opposition to more flexible arrangements, largely from the trade unton movement, which fears that exemptions for some businesses would undermine recent gains. To clarify the issues and the effect of new legislation on the potential for job creation — and often survival — of small huge wage dispanties between and unskilled workers, usually along racial lines (see table), have created more problems than it solves But t

businesses government has appointed an agency to investigate and a report is due published shortly

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The National Small Business Regulatory Review set up by the Department of Trade motion. It deals with eight separate issues Industry (DTI) in March last year, is the work ol DTI agency Ntsika Enterprise Pro-

affecting the profitability and sustainability of this crucial sector of the SA economy

on employers While large businesses are where seven Acts, passed over the erty & land ownership, bylaws & reg-ulations, procurement and women & rural development But the single most con-troversial issue relates to the labour marpast four years, have increased pressure they include finance, tax, trade, prop

able to absorb the impact of the new demands made on them, smaller businesses would have to substantially reduce dation, where hours are long and irregular To comply with new legislation, busi-The sectors most affected are probably those involved in catering and accommo nesses are not

Earlier surveys, though, have shown that it is in the most labour-intensive sectors of the small business economy Ħ

agreements, and

ordinary weekly hours of work and pay more for Sunday work

t employers are least likely to comply legislation So, ironically, job creation is being sustained by employers prepared

VANISHING JOBS

to break the law. This is an area of some concern to policy makers, especially in the light of the tourism job creation initiative launched last year.

Against this backdrop, the review is expected to recommend amendments to legislation designed to improve the climate within which small businesses op-

In its consultation with the sector the review panel was told that legislation perceived as most onerous is

which extends industrial council agree-ments to businesses not party to the The Labour Relations Act (LRA) of 1995.

The Basic Conditions of Employment Act (BCEA) of 1997, which lays down working hours, overtime rates and leave provisions, including maternity and family

perceives as ambiguities in government's approach Cosatu, which rejects the notion that a "unionised elite" is pricing itself out

of the market and constraining employ-

When it is published, the document may clanfy what trade union federation Cosatu

vourably to these requests count of their problems

take

the BCEA, small businesses leeway on minimum wages, to

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responsibility leave

On the first, it is hoped the review panel ill recommend an amendment to change the criteria for extending bargaining coun-cal agreements to nonparties. Two addi-tional criteria would ease the pressure on businesses struggling to break even: that the extension does not damage job cre-ation; and that it accommodates the prob-This would allow for the differentiation lems facing smaller and new businesses. ţ

between employers on the basis of size and sector.

The review is expected to recommend dent exemption bodies and create clear that industrial councils establish indepen-

government or its alliance partner, Cosatu, will involve a political trade-off provide the opportunity for government to countnes where an unemployment rate of

them to have, without discouraging employment creation. So any concessions The review's recommendations should

establish its independence from Cosatu

nt rate — defined as problem, govern-ment can afford to 10% is perceived as a this conatively high unemthan most to the perceptions of the unbecause of SA's relnearly 37% in 1997 vulnerable government rate e ployment sutuency broadly more, anism for speedy response to exemption There has been pressure for the revision å criteria for exemption as well as a mechciliation, Mediation & Arbitration (CCMA) tration process. This would speed up the resolution of disputes, saving time and The review is expected to respond faof the procedures of the Council for Conto allow for a single conciliation-arbi-

Thabo ment has no time to years before it has to volving traming and giving workers the protection lies in electorate lutions are long-term - usually inwaste Small busiholding But real so-Mbeki's new governtions are construcdoing the same Ntsika recommendathat face the thumbs again. ğ

ment creation, has called on government to explain "whether it seeks targeted flexibility to address the concerns of small business and new entrants in the labour market and how the current laws fail to

opportunity to gain

Flexibility implies that laws leave situations open to interpretation. And there is no way legislation can provide workers with the protection trade unions want

address such concerns"

WHERE LABOUR LAW COULD BE RELAXED

growth in job oppor-tunties. End lazellust

council agraements to nonpartites—the agraements about don forward noncollar agraements to nonpartites—the agraements about don forward to be creation and about descommodate problems tacing manifes and new to be created as the about descommodate problems tacing manifes and new to pure performance which the problems are defined the problems and the agraement of the agraements of the agraement of the commissions as the fear-plin to reduce maximum. The problems are defined the problems are defined to the problems and the problems are defined as the problems are defined as the problems and the problems are defined as the problems ar The turnorer and employee atts provisions in terms of fooding and developing squity plans; recommendations on the labour laws:

| Commendations on the labour laws:
| Commendations on the labour laws:
| Commendations with the labour laws:
| Commendations Act of 1995 | Commendations of the labour laws of the laws of the labour laws of the laws of the labour laws of the laws of th Misika Enterprise Promotion Agency, an organisation under the aegis of the Department of Trade & Industry (011), promotes small, micro and medium enterprises. Its task team recently proposed the following idations, but the following aspects may be problematic It has another five

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The arrivals Fast Track.

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4. Elhiopla

5. Zambla

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As a South African arriving at London Heathrow you could face a lot of queues at immigration. After an international flight we think that's the last thing you need. So when you fly Club World or First Class we will Fast Track' you through a special immigration gate

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BRITISH AIRWAYS
The worlds favourite airline

champions SMME financing

(30) 199 Banks were unwilling to mrovide finance either becomes

eral, "something these people do not have", Erwin said. or they relied too much on collat-Cape Town - Alec Erwin, the terday told a parliamentary press briefing that trade and industry minister, yes-

enterprises involved in "constructive dialogue" with the banks to medium and micro the government was financing available to small, (SMIMES) make

Erwin said the lack of financing available to SMMEs

accept they are magic formula, but banks not doing enough

ects were in the pipeline to improve

number of new pro-

Erwin also said a

enough.

remained a cause for concern, and not enough was being done to get a crucial sector of the economy moving.

dent Thabo Mbeki in his address to parliament last week was the transport sector, namely the restructuring of Portnet and the rail network.

branch managers were nervous

building of a gas pipeline from the gas fields south of Beira;

lighted by Mbeki was an agree, ment with Mozambique for the through to Secunda and the link

Details would be released soon, but the harbours at

> He said there was no magic for-mula to be used, but

This would improve South

to Petronet.

Africa's

sources, and a num-

Coega and Durban and the railway networks serving them receive Richards attention. would

> banks accepted they were not doing

There was no

medium container Richards Bay being used as a small to deport was also Erwin said the possibility

as was restructuring of the liq-Another area that was highbeing investigated,

structure. Many of

South Africa's port and railway infrathe new investments were

closely associated with infra-

structural development.

A priority indicated by Presi-

stream when the pipeline was operaber of investments come on tional, he said. would New projects infrastructure improve port and railway pipeline to are in the

The government.. was conscious of the environment and and tions.

Mozambican govern-,; safety considera-

ment had given the assurance that the pipeline would not berouted through the national park.

Department 'stalls evidence'

public inquiry into the liquidation to prevent key witnesses from giving evidence.

Brian Spilg SC, for liquidator Ken Moses, accused the department of stalling interroington. A final decision on the appointment was "imminent", Moses said in an affidayit. The inquiry, which began last month, was due to resume yesterday for Dirks's evidence. The department applied to the Pregation of the one of the council's former directors, Alroy Dirks, who has been short-listed for a transfer to the SA embassy in Washtoria High Court on Monday to have the inpresiding over the inquiry gave reasons for

council to represent and promote small busi-

Trade and industry under fire from liquidation of the Department of Trade and Industry of November 15 launching a court application on the eve of a done as part of the department's strategy to transform the council from a section 21 com-

ing was done", Moses said. Spilg said it was of vital importance that Dirks and Alistair Ruiters, who was a direc-Competition Commission, testified because they were effectively the only people in control of the council since July. Moses said he tor of the council and is now head of the new needed to question Dirks and Ruiters about council furniture and equipment worth more than R1 for which he could not account.

auditors Ernst and Young said the depart-ment was obliged to "meet creditors

ment was obliged to

in a report to trade and industry forensic

pany to a statutory body.

withdrawal or termination of the funding of

the National Small Business Council"

needs ... created prior to the suspension of

Spilg said the department could have made its application earlier this month, but

in Washington. If appointed, he would be a government official and "obviously be available for the SA judicial process?" A series of the inquiry was being held in said his client was the council's major creditor and was owed more than R700 000. Dirks Stef du Toit SC, acting for the department delayed its court bid until this week as part Other witnesses supposed to give evi-Jacobs and Gail Jacobs, who "appeared to have been" implicated in the purchase of

dence yesterday included Jason Lee, Nazmie

of a broader "sham" to stall the inquiry.

photocopy machines which were never de-Moses said the council paid more than

a way that prejudiced the departmen

Black business fights for survival as reality bites

Many companies Struggling to Stay afloat as shared the part of the past function in the past of the past function in the past function in the past of the past function in the pa

d companies were the flavour of the in month, said Mr Surve.

S "Everybody spoke about how dir much of the Johannesburg Stock.

The Companies faster than it took Afrikaner companies faster than it took Afrikaner companies in the past."

The crisis has seen the value of the the states of JSE-listed black companies in the past.

The crisis has seen the value of the the states of JSE-listed black companies in the past.

The crisis has seen the value of the the states of the states of JSE-listed black companies in the past.

The crisis has seen the value of the the states of the states o empower black people?

Idbal Surve, chief executive of
Sekunjalo investments. Cape t
Town's biggest empowerment company, says the crisis is one of the
worst black business has faced.

The commission hopes to pro-

s. The sant many many into the the that had fill nanced empower. It ment deals last year had taken a y-knock - and had become circumspect about repeating the error. The squite seature, our experience of The first waye of empowerment was on the back of high-profile names. Most empowerment deals did not have focus and people bought every. Hittig that came their way," he said

Retail sales a positive signal for Western Cape economy

BD 167 99

first quarter increased by 4%, totalling

RETAIL sales figures published recently by Statistics SA show the Western Cape increased its sales and market share hationally in the first quarter, a positive indicator for economic recovery in the province, analysts said yesterday.

Western Cape retail sales for the period January to March totalled R6,9bn (1998: R6,5bn), representing a market share increase to 19,5%, compared with 19,1% for the same period last year. The Cape metropolitan area grew by 7,6%.

The Cape Chamber of Commerce and Industry said the retail sector was boosted by tourism. An estimated 1million foreign and 6-million domestic tourists visited the province last year.

The Western Cape remains the destination of choice as seven out of the top 10 tourist destinations are found in the region," the chamber said. It said the figures countered some people's presumption that the region was be-coming The Cape of Little Hope. Average inflation for the period was 8,6%.

For SA as a whole, retail sales for the

R35,5bn. Gauteng still led the retail sector, with sales adding up to R12,4bn and a market share of 34,9% (essentially Johannesburg and Pretoria combined).

KwaZulu-Natal followed the Western Cape with a 16,5% share of the market and R5,9bn in sales, giving the three dominant provinces a combined market share of 71%.

Another province which posted a significant increase in its first quarter retail sales was North West, with sales

increasing 8,3% to R1,6bn from R1,5bn last year. Analysts also attributed the increase to regional tourism activities.

The Free State and the Northern Province both faced a reduced market share compared with the same period last year. Free State sales increased by 0,9%, while Northern Province sales declined 0,9%.

The Cape chamber said economic potential in the retail sector was encouraging, but serious challenges, including crime, gang-related violence and lack of housing and education for the poor could not be ignored.

The Western Cape is in danger of losing some of its top business brains to Gauteng, according, to the leaders of seven organisations who held an emergency meeting this week.

The business leaders, who collectively represent most black entrepreneurs in the province, warned the provincial government to begin consulting them on economic policy and empowerment.

The province is already facing a brain drain of frustrated black business people who feet the "minority-interest" government is sidellining them. "The leaders resolved to form a task group to engage the provincial government on its "tardy" implementation of affirmative action policies and its perceived resistance to the employment equity. They represent the Black Management Forum, Foundation for African Business & Consumer Services, WC Business Opportunities Forum, National Black Contractors and Allied Trades Forum, Black Construction Council, Black Economic Empowerment Commission, SA Black Technical & Allied Careers Organisation and the African Builders Association.

"There needs to be more accountability, more ef-

Construction Council, Black Economic Empowerment Commission, SA, Black Technical & Aliled Careers Organisation and the African Builders Association.

"There needs to be more accountability, more effective consultation," said Jacques van der Heyde, a regional board member of the Black Management Forum.

"Our members are gatvol," said Darawees Gasant, national vice-chairman of the National Black Contractors & Allied Trades Forum. "They feel marginalised and believe there is no real commitment to empowerment.

"The irony is that we have a lucrative province, yet members relocate to other provinces, including the Eastern Cape. We are so sophisticated down here, but members choose to go and work in a chaotic province. That shows desperation," he said.

The group did not wish to be confrontational, he said, adding: "Rather, this group can help bring about change, can help make something out of the economy. It can mediate between the provincial government and the agitation brewing on the ground."

Last year, the BMF reported that the Western Cape had lost 50 percent of its members to Gauteng over a two-year period.

The trend was continuing, said Gavin Pleterse of the Black Economic Empowerment Commission. "People relocate reluctantly. The reality is that it is a lot easier to do business in Gauteng."

"There is a feeling that there is still a lot of tokenism," said WC Business Opportunities chairman Patrick Parring, who also sits on an economic advisory committee of DP regional leader Hennie Bester's business promotion, tourism and property management department.

The leaders alleged that the provincial government in the past five years has been refluctant to implement empowerment policies — such as the national 10-point plan to make tenders more small business-friendly. The DP's objection to the Employment Equity Act was also cause for concern.

"We want to know what their grand plan is. The message they send to business is that it is okay

"We want to know what their grand plan is. The message they send to business is that it is okay to exclude blacks," said the BMF's Joe Mwase.

The province adopted the affirmative procurement policy—which includes the 10-point plan—last December.

Bester and Premier Gerald Morkel could not be reached for comment.

Province commits to black business

JANET HEARD

THE provincial government was "absolutely committed" to speeding up opportunities for black entrepreneurs, business and tourism MEC Hennie Bester said

this week.

Bester, who acknowledged that there had been a "dragging of heels" by the administration over changes to the tender board process over the past five years, said that procurement policy had been identified as a priority at a cabinet bosberaad a month ago.

"Steps have already been taken to vacify the

"Steps have already been taken to rectify the problem and we are absolutely committed to sorting it out. There is room for improvement," said Bester. He was responding to an article in last week's Cape Metro in which a group of black business leaders alleged that the pace of change had not been fast enough in the Western Cape. In a call for consultation, the group claimed the "minority-interest" coalition government seemed not to be committed to business equity.

Bester welcomed the

Bester welcomed the initiative and said government representatives would meet the group this week.

"Discussions need to be wider, the concern about procurement is valid," he said.

He welcomed the group's constructive approach and added that he had no proof of an exodus of frustrated black entrepreneurs from the province

what I do know is that the Western Cape has more entrepreneurs than any other province. Twenty percent of the entrepreneurs are here, although we have only about 10 percent of the population. My concern is that businesses from disadvantaged communities must become viable businesses."

Small business to get R968m boost

Patrick Wadula

malised links with the trade and industry department in a number of projects aimed at assisting small POWER utility Eskom has forbusiness development.

budgeted expenditure of R968m for this year compared with R606m for the previous year to promote, the development of small business. Dladia said there was a need to nesburg that the company had a Eskom's senior GM, Johnny Diadla, said at a function in Johan-

facilitate growth that was healthy and strong. "True power is eco-nomic and our colleagues in gov-ernment are looking to us to deliver that economic power," he said.

Dladla said employment opportunities had to be created to har-

enterprises in SA.
The exhibition is an accessible platform for black entrepreneurs ment of small, medium and microaimed at encouraging the develop-

 $\begin{pmatrix} 30 \\ 10 \end{pmatrix}$ to source affordable business ideas and solutions. Its success depends on support from established ness the energy that longed to express itself in production growth

and prosperity.

"Let us not become so wrapped commerce and industry.

"Let us not become so wrapped commerce and industry.

up in our balance sheets that we have at least 100 big business exhibitors who still have not found improve and 30 small, medium and microment, he said.

"Meanwhile, the US-based WK Parment and that Eskom had a Parment and meanwhile, the US-based WK

policy of affirmative procurement in terms of which at least 50% of grant to Sizanani Advisory Serskom's operational spending was directed at the emergent business of the major banks Absa, FBC Fidelity, Between November 4 and 6, Es. Nedbank Investment Bank, First in the major banks Absa, FBC Fidelity, Between November 4 and 6, Es. National Bank and Standard Bank. kom will sponsor its third small business opportunities exhibition,

providing nonfinancial services to The new company is aimed at micro and very small enterprises trading from formal premises and requiring financial assistance rang-

ing from R10 000 to R50 000

Shoprite thefts 'may hit profit'

MARC HASENFUSS

CAPÉ EDITOR

Cape Town – Shoprite Holdings, the sprawling supermarket group owned by Pepkor, warned last night that full-year profits could

be markedly lower than expected after serious stock discrepancies – which pointed to "theft on an unprecedented scale" – were uncovered at the weekend.

News of the warning appears to have leaked to certain sections of the market because Shoprite Holdings' share price shed almost 15 percent to a new low of R6,50 with 470 900 shares changing hands.

Whitey Basson, the managing director of Shoprite, said human error in the application of Shoprite's sophisticated financial and other control systems could not be completely ruled out in the stock discrepancies.

"However, the focus of our investigation is on the possibility of theft on an unprecedented scale in the stores in question during the last two months of our financial year."

He said although the investigation was still at an early stage, the company felt obliged to inform shareholders and the broad financial community.

"Until we have determined the extent of the problem it would be pointless to try and quantify losses or the potential impact on profits. However, we shall report fully on these matters when we announce our annual results at the end of August."

Retail analysts were not prepared to revise their profit forecasts until more light was shed on the nature of the stock discrepancies. Market consensus was for earnings of between 50c and 52c a share this financial year.

One analyst said Shoprite would be lucky to top 40c this financial year since it advised that the stock discrepancy was significant enough to affect the profits of holding companies, Pepgro and Pepkor, in the same period.

Basson explained that yearend stocktaking in some of the group's stores showed a sharp increase in shrinkage in about 100 stores.

"These increases were almost totally restricted to stores in our Gauteng region, while shrinkage levels in the other regions remained virtually unchanged."

He stressed the discrepancies were only noticed this past weekend when the relevant data was being processed.

"On Monday we immediately launched a full investigation involving a large team of our own staff supported by independent consultants," he said.

Basson said the stock losses were not related to any problems that might have been inherited with the takeover of the national OK Bazaars chain.

"Not only are these potential losses restricted to a single geographic area, but they are virtually identical in OK Bazaars and Shoprite stores alike."

Christo Wiese, the executive chairman of Pepkor, said a smaller profit contribution from Shoprite would unavoidably have a material effect on Pepkor's results because last year Shoprite was the biggest contributor to operating profit.

Department to look at neglected areas of regulation (246)(30)

Patrick Wadula
THE business regulation and consumer ser-

THE business regulation and consumer services, a neglected area of the trade and industry department, is to be given urgent attention under new Deputy Trade and Indus-

try Minister Lindiwe Ngwane.

Ngwane said recently SA's company laws were outdated and that local companies had problems, competing on the international market. Business regulation and consumer services is a directorate whose responsibility includes areas like companies regulations, SA patent and trademarks, gambling, lottery, and liquor regulation. After a good look at these areas it is clear there is a lot that has to be done, and urgently, she said. Ngwane said that with the introduction of

Ngwane said that with the introduction of ecommerce, many companies' regulations and the way companies functioned, signed documents, accepted applications for trademarks and patents, required attention.

She said a chief director for business regulation and consumer services still had to be appointed, and the different divisions had to be staffed. These people will have to be trained and not be just paper pushers. So there is going to be quite a lot of changes within the sector in the next few years.

Ngwane's other brief is small business. She said that although the small business regulatory review had been prepared, it was not yet a government policy.

After consultation with the relevant ministries the document will be presented to the cabinet "she said.

cabinet," she said.

Small businesses had to comply with such issues as tax, value added tax and other issues pertaining to running a successful business, she said. However, for small business to grow and comply, government would have to assist it with the capacity to comply with the regulations.

with the regulations.

Ngwane said that a small businessman alone does not have the capacity to run his business and at the same time keep proper records on income and expenditure, VAT invoices and tax

voices and tax.

There were labour laws that impinged on the growth of small business, she said.

prises (SMMEs) in the province.

MEC for finance and economic affairs in Gauteng, Jabu Moleketi, said:

R1,2-bn boost for Gautenge SMEWES SMEES SMEMES By Mongwadi Madiseng

By Mongwadi Madiseng

By Mongwadi Madiseng

By Mongwadi Madiseng

ABOUT R4,2 billion will be allocated by the Gauteng government in economic infrastructural delivery in the next capital expenditure budget. A total of R1,2 billion of that will be used to pare the provincial government is going to put resources in place for development of SMMEs.

The government is prepared to pay a mitted entrepreneurship among the solution will be allocated by the Gauteng government in economic infrastructural delivery in the next capital expenditure budget. A total government is going to put resources in place for development of SMMEs was among the factors that can be planned for its slow establishment.

R1 billion have been awarded to solve mental expenditure budget. A total government is going to put resources in place for development of SMMEs.

Since 1995, contracts to the value of sinc opportunities to more than 1,6 million people. and provide employment and income ness sector to take advantage: "The government is going to put resources in place for development of SMMEs."
With regard to special a advisory council that should have been established, Moleketi said a lack of comTuesday August 10 1999

By Shadrack Mashalaba

successful OLLOWING the launch of its second business training and opportunity identification centre, the Mogwase Entrepreneurial Support Centre plans to develop small, medium and micro entrepreneurs (SMME) into sustainable job creators.

According to North West-based Mogwase Entrepreneurial Support Centre (MESC) executive director Dan Moloi, his organisation has now identified new opportunities in the tourism industry which can be tapped and on which the centres will begin to train new entrepreneurs.

MESC is a section 21 company formed in February 1998 to train people in micro technology, initiate manufacturing SMMEs, support

local economic empowerment initiatives and job creation for the disadvantaged.

The company was established by the North West provincial government, the Council for Scientific and Industrial Research and the North West Development Corporation - to facilitate the development of the SMME sector.

The centres' activities include:

- Business skills training; Leaniology demonstration; SMMF dentification and
- Opportunity identification.
- Executive director Mike Tleane said they have established 31 mini factories in the Mogwase area near

Sun City. Tleane said the minifactories were established after the North West Development Corporation leased its properties to MESC.

In April this year the second MESC was launched in Orkney to serve the Klerksdorp, Orkney, Stilfontein and Haartebeesfontein area.

A number of similar projects are planned in the future throughout the province.

The assisted businesses that have been launched generate about R2 million in turnover, said Tleane, and employ more than 100 people.

He said that the centres would continue with the small business training programmes in partnership with Get Ahead Foundation while they await accreditation from the department of Trade and Industry's non-financial services provider.

For more information on the MESC centre contact Mike Tleane on (014) 558-2752 or 558-2761.

By Mongwadi Madiseng

MALL, medium and micro enterprises in Gauteng should take advantage of the R1,2 billion to be made available in the next capital expenditure allocation for the province.

This was said by Vusi Nhlapo, president of the National African Federated Chamber of Commerce and Industry (Nafcoc) Gauteng region, in an interview with Sowetan Business yesterday. "We as Nafcoc Gauteng would like

we as Narcoc Gauteng would make to congratulate the provincial government on their recent roadshows in Kyalami and Boksburg undertaken by Premier Mbhazima Shilowa," he said.

Nhlapo added that they had accepted the challenge from the government to be organised and had started

members offering different services.

He said members' services would
be classified into areas such as distrib-

compiling a database on a number of

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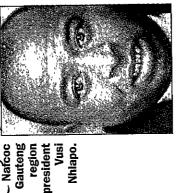
With regard to the role of tourism in the province, Nhiapo said this was a key factor which his organisation would like to be fully engaged in and were currently, engaged in the training of taxi drivers in Soshanguve as tour operators.

Sosnanguve as tout operators.
Other engagements, he said, would involve the revamping of industrial activities in the East Rand region which were currently being demarcated in Alrode, Wadeville, Apex-Benoni and Springs-Nigel-Brakpan.

Springs-Nigel-Brachau.

The East Rand region at present has 15 branches and the problems they encountered were lack of exposure, members involved in haulage activities, waste management, distribution and retailing.

Nafcoc Gauteng is currently resuscitating non-functioning branches and is also engaged in attracting new members. The region is negotiating with big business to outsource their non-core operations to their members to add value in the economy.



ution, business linkages, outsourcing, manufacturing, catering and transportation.

Nhlapo said the R1,2 billion allocation was expected to create not less than 1 500 job opportunities in the province and challenged the government to direct funds to small businesses in the townships which, despite difficult trading conditions, had managed to grow and develop their operations.

R40-m in contracts goes to disadvantaged businesses

Sowetan Business Reporter

SMALL, medium and micro enterprises (SMMEs) in South Africa have been allocated contracts worth more than R40 million since construction of the Maputo Corridor began.

Previously disadvantaged entrepreneurs have benefited most from these contracts.

This is according to a research report compiled by the Development Bank of Southern Africa (DBSA) and Ntsika Enterprise Promotion Agency entitled "An Investigation into the impact of large investment on the SMME sector".

According to DBSA and Ntsika, the research is part of the South African government's Spatial Development Initiatives programme.

The research found that there were constraints faced by emerging road construction SMMEs. These difficulties were characterised by long delays in receiving payments, lack of equipment to hire or buy, complex contract documents and tender procedures.

Other problems encountered included the lack of work continuity, poor financial and

business management skills, high costs of learning new technology or skills and the difficulty in managing large workforces.

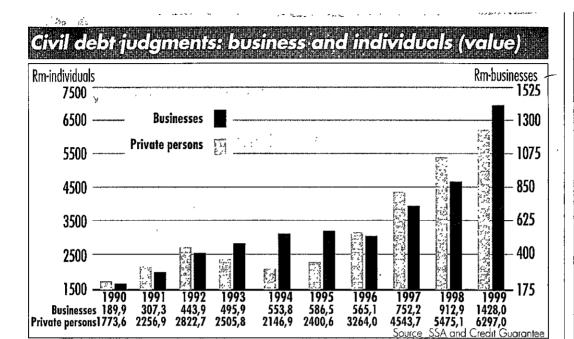
The report indicated that South Africa has emerged as a leading example in applying a targeted procurement approach towards stimulating the development of SMMEs in the road construction sector.

"Using the construction work on the N4 Maputo Corridor as the targeted procurement case study, Maputo Corridor project offered important lessons for application in other SDI projects in South Africa," the report said.

The DBSA research also found that one of the key blockages retarding the development of the local road construction industry was the inability of firms to secure necessary financing because of collateral requirements.

Recent information indicated that the first contract packages awarded to SMMEs amounted to a total of R40 527 455 as at February 1999, for work on the N4 South Africa section of the Maputo Corridor.

This amount represents 35 percent of the total value of packages, namely R114 450 630, that will be made available to SMMEs.



INSOLVENCIES Upturn will take time to show, says economist

Business failures still on the rise, statistics show

JOHN FRASER

Johannesburg - The green shoots of an economic recovery might be breaking the surface, but the number of business failures was still at record levels, Luke Doig, a senior economist at Credit Guarantee, the leading South African credit insurer, said yesterday.

But Doig said that on the positive side, there were some indications the economy was bottoming out. "It is even showing tentative signs of a slight improvement, although we are bouncing along the bottom."

Doig has been studying data on civil debt judgments, an early warning indicator for insolvencies in general, which suggested that the rate of business failures was still climbing.

Judgments against businesses

totalled R565 million in 1996, but rose to R912 million last year.

"For the first five months of this year, total judgments shot up 42 percent in value terms," Doig warned.

His projection for this year, based on data for the first five months, is that civil debt judgments against businesses will soar to R1,428 billion.

"We have the worst figures ever for voluntary and forced liquidations of businesses," Doig said

"More and more small businesses are going under at the moment and many of the indicators about judgments, liquidations and insolvencies don't indicate that these are bottoming out. There may be a lag of 12 months or more before this happens.

"I feel we are in the bottom of a recession, and we could still have ongoing levels until the early part of 2000."

Doig said some businesses had expected an "economic miracle" with the sharp cuts in interest rates and took decisions to prepare for a boom in sales.

"But lower interest rates have not brought an economic miracle."

Figures for civil debt judgments against individuals have also continued to climb. These have risen from R4,544 billion in 1997 to R5,475 billion last year and an estimated R6,297 billion for this year.

Doig also believed there were many businessmen who were leaving South Africa because they had had enough. "They tried to give it a go, but because of new labour regulations and the state of the economy they are now giving up," he said.

E stung by white corporate

obstacles and structural impediments, empowerment cannot be laid at the although not blameless, face myriad feet of the new entrepreneurs who, The blame for the failure of black writes PATRICK BOND

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South African political discourse tends too readily to blame the victims. Failed entre

of disdain has eascaded on nouveau riche Black Economic Empowerment (BEE) advocates, particularly now that New Africa investments Ltd (Nail) has crashed, eneurs are no exception. From both left and right, an avalanche surrendering any pretence of black owner-

might be pity. For if ever there was a case that white South African corporate elites laid an ambush for their successors, BEE is But a more appropriate sentiment

That's not to say that black elites are industry minister Phumzilė Mambo-Ngcu-ka (now Minerals and Energy Minister), whose 1996 celebration of the "filthy rich" BEE suffered smothering hugs from friends like then-deputy trade and could not disguise her department's inef-fectual, corruption-ridden and overly bankdependent small business promotion strat However, the Government's inability to

continuity of relations between greedy cor-porations and the state, from apartheid to promote more durable forms of black empowerment was only a superficial prob-lem. Underlying BEE's collapse are two processes associated with white power: the democracy; and the unsustainability of strategies aimed at entering the crisisridden South African economy

Is it fair to hand the blame to white elites
- not just the Jonty Sandlers whose smail.
fish fingers were recently in the till, but the
bigger-fish who have beckoned blacks into

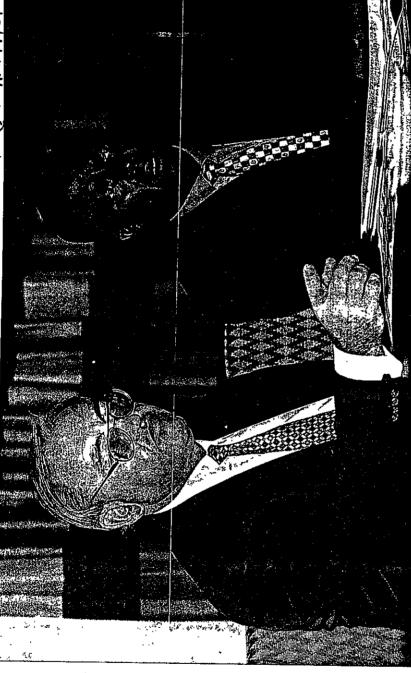
; £ .

Yes, observed a Business Report jour-nalist in 1997: "The white establishment use black faces to gain access to the new government and often pay the blacks in the form of shares in their companies. So at the of the day, it is a handful of black peo capitalism for many years?

ple that are being enriched." But BEE is not just a post-apartheid gimmick. White propagandists have been des-perate for allies for more than a decade.

New South Africa. "Free Enterprise is Working" the billboards shouted vainglo-Billboard images erected during the 1980s by the public-private Small Business Development Corporation depicted kombi taxi drivers as the economic motors of the

Patrick Laurence waxing eloquent in 1989:
"The robust, competitive taxi drivers can be seen as evidence that capitalism is alive and well, and that eve with a partheid The Star at that point played an impor-it ideological role, with journalist



: Once were kings. Jonly Sandler, former executive deputy chairman of Nall, with Dikgang Moseneke, the company managing director

Likewise John Kane-Berman, director of the SA Institute of Race Relations, would in 1990 describe the black taxi industry as the most dramatic black success story so far" - though three years later, after a taxi flare-up in Johannesburg left four people town financial and mining houses, he admitted that the ındustry was better condead and terrified the occupants of downsidered a "debacle

After that incident, a Financial Mail itorialist worried: "It will be tragic if ingers on their first encounter with capt-The sad reality was that most initial nany black small businessmen burn their

tions in the context of white corporate

tles so as to monopolise prime routes.

greed and economic unsustainability.

encounters with petty capitalism – the sale of goods and services in township and rural ransport, commerce (spaza shops and Market failure emerged especially in tax ipheres – soon saw severe overtrading hawking) and construction

had destructive effects on all aspects of life in i ner cities, townshi sa This first botched stage of BEE, in turn,

civic activist Nthato Motlana.

usurious interest rates – before acquiring control of the former mining conglomerate function of owners prodding workers – so as to pay back auto loans whose interest rate had soared from 17% in the late 1890s to more than 30% in the early 1890s, So con-cluded even the Goldstone Commission in deaths of thousands each year, were often a

Foiled in politics, Cyril Ramaphosa Joined Nail in 1996 and sold "Kageng" shares to an unsuspecting black public for R80, nearly twice their value today. Folled at Nail by boardroom politics, Mr Ramaphosa left, fortunately just missing rewarding themselves the hoped-for "payday" when Motlana, Sandler, Dikgang Moseneke and Zwelakhe R35-million each. Sisulu tried of price discounts to attract customers, the taxi fleet owners often authorised gun bat-Instead of competition taking the form The connection between BEE 1's late-1980s collapse and BEE 2's late-1990s deba-cle is simple: the revival of myopic expecta-

Motlana and Sandler retreated with reputations in tatters, though R50-million rich-Toiled there by a shareholder revolt, er thanks to share options

had disintegrated from a peak of around R70 to less than R20 at their low point nine The price of Nail shares, meanwhile, white-controlled merchant banks.
Partly due to labour problems, Sanlam sold a controlling stake in Metropolitan Life to a black consortium - which became the now-disgraced Nail - led by Soweto Beginning around 1993, serious BEE 2 mid schemes, lubricated by fee-hungry, advocates began constructing shaky pyra-

Indeed the months April to September 1998 nailed tight the BEE coffin, as the JSE shed 40% of value (even higher amounts for "black-chip" shares) and as interest rates

dated investments, having first unsuccess-Robben Islander) Mzi Khumalo had earlier

The fault was partly beyond management's control-declining gold prices-but shareholders revolted against Khumalo's nakedly self-interested investment of hununrelated to core business. Khumalo was subsequently accused by freds of millions of rands in a family firm fully tried to fire 23 000 mineworkers.

a furious Malayslan investor of starting a run on Durban's New Republic Bank – which effectively crashed the bank, driving it into Reserve Bank curatorship, allegedly to lower its share value in an anticipated purchase by Khumalo.

incidents like these - to which we can African Bank, Community Bank and others – suggested that the new managers could not develop coherent business plans. add Pepsi, National Sorghum Breweries

capitalist syste egy was doomed for two reasons: a hostile macro-economic policy (verly influenced Yet more fundamentally, the BEE strat-

partly to relax exchange controls for the benefit of whites anxious to shiff capital

Afrikaans Economic Empowerment a half-century earlier was nurtured by high English-Afrikaans monopolisation of today); ethnic-buying loyalty (not global brand names and a stillborn "buy-black" refreat from market interventions); low-priced stock market shares (not the highest (not post-apartheid trade liberalisation); promotion of infant Industries (not the campaign); the patronage of a newly acquired state (not the ANC's frightened ice/earnings ratios ever); and a low rate Was there an alternative?

et another strategy for black petit courgeois class formation would have been lation – was rejected by the Department of Finance, which instead mandated 100 000 to combine dramatic education investiments with rapid civil service expansion Zimbabwe, black bureaucrats swelled by rvants – as a route to small-scale accumu six-fold over a decade. But hiring more civ civil service tob cuts.

than fight the system. They lacked class consciousness, notwithstanding much 1980s-90s economic circumstances, BEE advocates were too anxious to join, rather bemused publicity about new conspicuous Thus, facing South Africa's difficul

consumption norms. The seeds of what became a harvest of individualist materialism were, in fact, al African Chamber of Commerce and simi-lar groups had "failed to transcend narrow sectarian rivalries". Black businessmen Sugene Nyati complained that the Nation were too guilty of "snobbery" to act as a sewn as early as 1992, when BEE consultan

much from, an impressive curriculum vitae," contended Nyati – who should know, having widely paraded his own noto-"They rely too much on, and expect too riously faked CV.

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Africa's greatest psychologist, Frantz Fanon, noted this very dilemma three decades ago: "In its beginnings, the national bourgeoiste of the colonial country idenat the end. It is already senile before it has geoisie of the West. We need not think tha it is jumping ahead; it is in fact beginning come to know the petulance, the fearless tifies itself with the decadence of the bour ness, or the will to succeed of youth.

And in a mirror of the Financial Mail's 1993 realisation that the first BEE emperor y conceded a few weeks ago of the second IEE, "The model is flawed". Some individ-Where there should be new productive had no clothes, the same magazine correct Some individ uals are wealthier, but few Jobs have been

stake is not merely the fortunes of a few companies, but the very legitimacy of the capacity, there is massive debt. And

■ Patrick Bond is a political economist at the University of the Witwatersrand, and

obstacles and structural Impediments, a∵noug nocame ess, ace my⊓ac∣ writes PATRICK BOND South African political discourse tends too readily to blame the victims. Failed entrepreneurs are no exception

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Development Corporation depicted kombi taxi dirivers as the economic motors of the We South Africa. "Free Enterprise is Working!" the Dillboards shouted vaniglo. Biliboard images erected during the 1980s by the public-private Small Business

be seen as evidence that capitalism is alive and well, and that even within apartheid South Africa, where for decades black busi-ness was shackled, the capitalist ethos is tant ideological role, with journalist Patrick Laurence waxing eloquent in 1989: "The robust, competitive taxi drivers can The Star at that point played an impor-

function of owners prodding workers – so as to pay back auto loans whose interest rate had soared from 17% in the late 1980s to more than 30% in the early 1990s. So concluded even the Goldstone Commission in deaths of thousands each year, were often a Likewise John Kane-Berman, director of the SA Institute of Race Relations, would in 1990 describe the black taxi industry as "the most dramatic black success story so far" - though three years later, after a taxi flare-up in Johannesburg left four people dead and terrifled the occupants of down-

of price discounts to attract customers, the taxi fleet owners often authorised gun battles so as to monopolise prime routes.

The connection between BEE 1's late. 1980's collapse and BEE 2's late. 1980's collapse and BEE 2's late. 1990's debate is simple: the revival of myopic expectations in the context of white corporate? Instead of competition taking the form

greed and economic unsustainability.
Beginning around 1993, serious BEE 2
advocates began constructing shaky pyramid schemes, lubricated by fee-hungry,
white-controlled merchant banks. Partly due to labour problems, Sanlam

encounters with petty capitalism - the sale of goods and services in township and rural

The sad reality was that most initial

transport, commerce (spaza shops and

hawking) and construction.

spheres - soon saw severe overtrading. Market fallure emerged especially in taxi

sold a controlling stake in Metropolitan Life to a black consortium – which became the now-disgraced Nail – led by Soweto civic activist Nthato Motlana.

Dr Motlana added to his financial stable the African Merchant Bank and Theta --which lends to the poor at unconscionably

in inner cities, townships and rural areas.
For example, accidents stemming from reckless taxi driving, resulting in the

This first botched stage of BEE, in turn, had destructive effects on all aspects of life

usurious interest rates – before acquiring control of the former mining conglomerate Foiled in politics, Cyril Ramaphosa

joined Nail in 1996 and sold "Rageng" shares to an unsuspecting black public for R60, nearly twice their value today. Folled at Nail by boardroom politics, Mr Ramaphosa left, fortunately just missing the hoped-for "payday" when Mothana, Sandler, Dikgang Moseneke and Zweiakhe Sisulu tried rewarding themselves rewarding themselves R35-million each.

Foiled there by a shareholder revolt, Motiana and Sandler retreated with reputations in tatters, though R50-million richer thanks to share options.

had disintegrated from a peak of around R70 to less than R20 at their low point nine The price of Nail shares, meanwhile, months ago.

ndeed the months April to September 1998 nailed tight the BEE coffin, as the JSE shed 40% of value (even higher amounts for 'black-chip" shares) and as interest rates soared by 7%. Loan collateral evaporated

Likewise, BEE poster child (and former as repayments became impossible.

Robben Islander) Mzi Khumalo had earlier killed debt-infested Johannesburg Consoll:

nakedly self-interested investment of hundreds of millions of rands in a family firm ment's control – declining gold prices – but shareholders revolted against Khumalo's unrelated to core business.

Khumalo was subsequently accused by a furious Malaysian investor of starting a run on Durban's New Republic Bank, which effectively crashed the bank, driving it into Reserve Bank curatorship, allegadly to lower its share value in an anticipated purchase by Khumalo.

add Pepsi, National Sorghum Breweries, African Bank, Community Bank and oth-ers – suggested that the new managers could not develop coherent business plans. Incidents like these - to which we can

macro-economic policy overly influenced by white financies, and a Reserve Bank which kept borrowing costs at their bigh-est real levels in South Africa's history. egy was doomed for two reasons: a hostile Yet more fundamentally, the BEE strat

half-century earlier was nurtured by high barriers against international competition (not post apartheid trade liberalisation); promotion of infant industries (not the English-Afrikans monopolisation of today); ethnic-buying loyalty (not global brand names and a stillhorn "buy-black" campaign); the patronage of a newly acquired state (not the ANC's frightened retreat from market interventions); low-priced stock market shares (not the highest price/earnings ratios ever); and a low rate

bourgaois class formation would have been to combine dramatic education invest-ments with rapid civil service expansion. In Zimbahwe, black bureaucrats swelled by In Zimbabwe, black bureaucrats swelled by six-fold over a decade. But hiring more civil servants – as a route to small-scale accumu ation - was rejected by the Department of Finance, which instead mandated 100 000 Yet another strategy for black petit

talen ex

dvil service job cuts.

Thus, facing South Africa's difficult 1980s-90s economic circumstances, BEE advocates were too anxious to join, rather than fight the system. They lacked class consciousness, notwithstanding much bemused publicity about new conspicuous consumption norms.

The seeds of what became a harvest of

individualist materialism were, in fact, sewn as early as 1992, when BEE consultant Eugene Nyati complained that the National African Chamber of Commerce and similar groups had "falled to transcend narrow sectarian rivalries". Black businessmen were too guilty of "snobbery" to act as a

3.74

"They rely too much on, and expect too much from, an impressive curriculum vitae." contended Nyati - who should know, having widely paraded his own noto-

riously faked CV. Africa's greatest psychologist, Frantz Fanon, noted this very dilemma three decades ago: "In its beginnings, the nation al bourgeoisie of the colonial country iden-tifies itself with the decadence of the bour-geoisie of the West. We need not think that It is jumping ahead; it is in fact beginning at the end. It is already senile before it has come to know the petulance, the fearlessness, or the will to succeed of youth.

And in a mirror of the Financial Mail's 1993 realisation that the first BEE emperor had no clothes, the same magazine correct nals are wealthier, but few jobs have been y conceded a few weeks ago of the second SEE, "The model is flawed"

ANSA MATERIAL ALTON the saffer the season of the last A TO THE PROPERTY OF THE PARTY Once were kings: Jorry Sandier, former executive deputy chairman of Natil, with Dikgang Moseneke, the company managing director

dated Investments, having first unsuccessfully tried to fire 23 000 mineworkers.
The fault was partly beyond manage-

Where there should be new productive capacity, there is massive debt. And at stake is not merely the fortunes of a few companies, but the very legitimacy of the

author of two forthcoming books: Elite Transition (Pluto Press) and Cities of Gold, ■ Patrick Bond is a political economist at the University of the Witwatersrand, and Townships of Coal (Africa World Press). Boost for small Dusing ARG 20/8/99 not know where to find information about support structures on about support structures on the support structures of the support structures

PARLIAMENTARY BUREAU

The Department of Trade and Industry was to focus on supporting depressed communities with projects development of their areas, Trade and Industry Minister Alec Erwin said.

Mr Erwin yesterday told a briefing of MPs that his department had focused on setting up structures but, would now change direction.

He said MPs, through their constituency offices, would be the publicity officers for the department of trade and industry.

Most community organisations and local governments did

how to set up a small business. Information packs would be given to MPs through a new office which to be set up in Parliament.

"We encourage you to interact that would lead to economic with your communities. MPs should also be included in trade missions into Africa not to represent themselves but their communities," Mr Erwin said.

He said the department would measure and record the impact of its projects to see if they had the desired effect.

Also, new ways of finding startup capital for small businesses needed to be found since banks were not very active in that sector, Mr Erwin said.

BLACK ECONOMIC EMPOWERMENT FORUN

IRING BEYONE

Do empowerment companies have to do things differently from any other company?

he participants in this week's forum (an edited version of which follows) are. Litha Nyhonyha, CEO of Thebe Fluancial Services Ltd, a substituty of Thebe Investment Corp; Gary Kobane Morolo, CEO of investment group Co-ordi-nated Network Investments, and Christine Competition Tribunal, SA's competition watchdog Khehla Shubane of the Centre Shubane: What's your position now on Qunta, a partner at law firm Ntsebeza, Ounta & Associates, and a member of the for Policy Studies chaired the discussion.

black empowerment, in the first place, was to try to level the playing field, it's not going to take only five years. If one looks at the participation of black-controlled companies on the JSE, there has been a of total market capitalisation to between 7% and 8%. We have not seen such improvement in the advancement of black people in the management of black em-powerment groups and other companies. Morolo: The question is premature. You're talking about the life of a nation; and four Nyhonyha: The process has probably completed the first phase. If the reason for tremendous improvement from below 1% years, five years, 10 years is nothing. We have been too hasty to make definitive black economic empowerment?

judgments of thus process Qunta: We should look at the extent to

Cover Story

population — that is, white males — run the economy and that is unacceptable. I see black economic empowerment as bepowerment. Essentially, it's a question of the restructuring of the economy. We have which black companies have understood a deformed economy where 6% of the why there is a need for economic em

gnnung to change that deformity.

But the people in charge of the black companies do not understand why they are and they often see it only as a method of getting rich quickly We've taken one step forward and one step backward there,

he debate about black economic empowerment has sharpened since the remake of New Africa Investments Ltd (Nail), after its corporate governance lapses in April this year.

this year, the Black Economic Empowerment Commission (Beecom), formed last year by the Black Business Council (an umbrella body of black business and professional organisations), will publish its def-The timing of Nail's reconfiguration couldn't have been better. Later inition of black empowerment and review the precess so far.

Is BEE only about equity ownership, or is it about black owners also having management and operational control of the companies in which black shareholders ownership and control of only 10%-20% of the reconfigured group, will it be worthy of the black-empowerment-Against this backdrop the FM launches its black they are invested? After the proposed restructuring of Nail, which will economic empowerment discussion forum, which will examine such issues from time to time company tag? give

Shubane: Why should black people be-have any differently from their white busi-We must be harsh with each other ness counterparts?

element of any business. But for black business people that should not be the only motive. There should be a bigger picture and that includes the raining of black people to allow them to participate effectively in formal employment, the effective ownership of business and the economy and thirdly, the question of doing business differently. Someone said the problem with black business is that it op-Qunta: The profit motive is an essential erates exactly like white business We have to approach it differently.

You had a few Chinese commanding the heights of the economy and there was a Nythonyha: We must not forget where we are starting from. If you look at Malaysia, the government played a decisive role in speeding up empowering the Bumputra (indigenous Malays). If you look at deliberate exercise by the government to intervene to empower the Burniputra It insisted foreign investors set aside own-Malaysia's wealth distribution when it atindependence, the issues there were similar to those we're facing now

government has made the right noises, but I have not seen deliberate programmes to ership stakes for the Burniputra. Locally put impetus into black empowerment

Morolo: We have absorbed a Dallas no-

Control: Red Africa Holdings, a group

FRICAN LIFE

ultimately controlled by Don Norbe via

tion that says business is unethical. So when we say black business must act differently, we say they must bring things to business which are unbusinessible, and I don't accept that. Business is ethical. As a black SA businessman, I don't feel compelled to act differently. I only feel compelled to be a proper business person, and that means doing things that are honest and in sympathy, in harmony, with the surroundings, with my community.

Qunta: I know there are many things government should have done that it has

have assisted government in creating a strategic vision. But business has failed because they themselves have not got a to normalise our society would be higher than that of a white person You should be spending more on training in a black strategic vision It's each for his own. I don't mind people being millionaires, but when you come from a common history of erment is a partnership Business should discrimination, I expect your commitment not, but in fairness, economic empoy

company I would expect the black directors to improve the situation of black employees. And I also expect them to refuse to be used as token partners in white companies. I expect their procurement policies should be different from those of a white business. They should give work to black companies, especially small business and black professionals.

Qunta: I've defined it. It is ownership and control of companies and therefore the Shubane: Should we define black economic empowerment?

Morolo: The black empowerment com-

powerment or enrichment.
That has has served to create a sense of apology in the debate about whether the empowerment we've seen so far is in fact emblack business When you define black economic empowerment, you draw a reference and you say all those entities that conform to the

Gary Kobane Morolo mission has arisen out of

apologising for their existence, of apologising for being commercially driven. definition are empowerment companies. And anything that falls outside the def-

Two of the oldest and best known black empowerment companies reflect the paucity of blacks at executive management levels. ATHINIBIACKIINE WETROPOLITAN LIFE 1 - Land of Education

(Neill) is financial services group whose ownership and control is currently in a state of flux pending its re-organisation including his enfranchisement of the lowmban in 1993 Control: New Africa Investments Ud oting N share holders. Nail bought rol of Medile from Sur pyramid holding companies and voting-Non-executive chairman: Don Noube control arrangements with institutional shareholders. Real Africa acquired control

Non-executive directors: Dilgang Mosenelos Jaloot and Abram Nicabinds
Executive directors: Peter Ntuthuko Buthelazi, Fatima Doyle (MD)

Executive directors: Bill Jack (CE), John

Bodassing, Shams Pather and Danie Vlok

Non-executive directors: Par

of African Life from Southern Life in 1994

Burbridge (international operations), Hugh Roberts (corp finance) and Jeremy Rowse

GMs, only three are black A B General managers: Of 21

at middle and higher management levels have increased from 12,2% in September Affirmative Action: Block employees epresentation has increased from 9.7% 1993 to 26,6% by May 1998. Female to 20,6% over the same period

> among the top five organisations in SA for the past six years

Breakwater Monitor

Affirmative

tchon: The

General managers: None black

survey ranks Affife

nomic empowerment ends nesses and illegitimising

that the definition of eco-

up legitimising some busi-

inition is not. One of the

ends up legitimising some economic empowerment Megitimising others << ♦ The definition of businesses and

want to have companies in the economy that are pri-marily managed by black emment to have a clear definition of what it wants must be able to say "we people, and therefore we will give business to those companies that encourage the development of black-What we need is for govto achieve.

Qunta: People are entitled to come to on your part about black busmess, and to some extent from Litha. He (Litha) seems to push a lot of responsibility on to government. I agree with Gary on the problematic dichotomy between enrichment legitimate to run a business to make money. It's how you do it, and I think the Everyone said "we must own companies". I think there should be a definition. Is it managed companies". In principle, I don't care what the definition is. some idea or opinion about what is taking and economic empowerment. It's perfectly Nail saga taught us one lesson: that greed It's a learning curve. People stumbled into these things, there was no game plan. place here. I sense a certain defensivenes: has to have a limit. People make mistakes

control of the company at the level of cial. If, as in Nail where by next year there will only be 10% black ownership, can we think of Nail as ownership? Is it who is on the board? Is i who manages? I think that's crua black company? Morolo: Why define Nail or

Von-executive chairman:

other company as a black company?

Qunta: You will have to define that under the Employment Equity legislation, people are defined by empowerment, for the same reason race There is a specific, historica

Morolo: No, that's about manage-I'm talking about defining Nail as a reason for that.

some kind of understanding as to what black empowerment is. I don't care who Nyhonyha: I think there does need to be defines it, or who draws the parameters. What sparked the debate was the whole question of enrichment and I share Chris-tine's view that if people take a risk, there

Part of the second

Dan Nambe

FINANCIAL MAIL AUGUST 20 1999 47

must be no apology for striking it rich. I've got no problems with people becoming rich, obviously within reason

going to be key and if 51% is the measure, you will confine black business to small and medium-size enterprises Shubane: What happens in the situation They are management, career development and procurement If ownership is ernent, we have always meant ownership. But my expectation is that the definition of But my expectation is that the definition of black empowerment should have the other But when we talk about black empowelements which we haven't focused on. They are management, career develop-

where a black person chooses to be a partner, even a junior partner and work for a white company

Morolo: Again it's about being upfront if the tender document it's disclosed as such, there's nothing wrong with it. But, if you applied as a director .. in certain instances, some guys don't even know the you come to me and say you are a consultant who put this thing together, and m

companies that they are directors of shareholders in

Nyhonyha: But the other thing is, is it wrong for black empowerment groups to line? Do we call that enrichment or do we call that empowerment? In my book, it's empowerment You have people who had awarded broadcasting licences and then sell them two or three years down the

nothing up to that point, and are now capitalising and going somewhere else.

Qunta: You can't be hard and fast about

It's more the strategic vision of the

procurement policy One of the complaints about companies like Nail is that the only What has saved Nail's reputation is that it has recognised this. They can't have control now once the N shares go, but certainly operational involvement and control, a proper employee policy, even a empowered were white merchant banks, lawyers, accountants.

Nyhonyha: Yes, there are lessons to be feamt from the Nail Issue, but I was disappointed by the reaction of the markets where it was previously and what it plans If you looked at what it announced

things you need to be doing, when you live by good moral business standards, do you it does the things it ought to do then it will need to go and tell people, "I am a good help transform society When you do the

problem with the situation where one or two people are so prominent in a company but are actually not in control of it. What has happened in Nail is that the black individuals there were not in control.

I'm only concerned about whether it Afghanistan or some other place, you don't seem to take into account of our history. Morolo: It's a competitive world out there. It's not about what you call yourself Qunta: You talk like we are in Europe it's about what you do

relief was corporate governance, it makes no pronouncement at all about black eco-Ounta: But impressions are created prenomic empowerment

society. The issue that brought Nail into

conforms to the transformation

because the major personalities in

further and said "once we've complied with the

se our presence felt at board level, where we

insist on giving strategic di-rection to that company. But that has not happened I know from people within companies that are

We'll get a

or 40% stake but

code, we will also

comply with the Cadbury Code of best practise (the UK corporate governance code) and disclose the remuneration of each one of

to do, it's a big shift
And it has gone a step
further and said "once

eries imploded it said nothing about black economic empowerment, it said a lot Shubane: But Gary, wouldn't you accept at When you start labelling you get into problems. When National Sorghum Brewyou start labelling you Yes, and that gets to about corporate governance.

least that the purpose of some sort of a framework for black economic empow-Morolo: You can be much more objective erment has to do with government obectives in empowering black people?

our executive directors" It will be the only company

>> When you come from a

ħ

by black people; those black guys don't care

owned

in this country except for

those that have

discrimination, it is

take their money and run and they're surrounded by

pens at the bottom of those companies -- they

a damn about what hap-

common history of expected that your

listings as well, to disclose Shubane: Is Nail entitled to still call Itself a black

that much.

company; look at its own-ership structure. Give me a than going around saying this is a black company, We are all now saying that Nail is now not a black when in fact it may not be

empowerment company?
Morelo: Why it is neces-

higher than that of a white commitment to normalise

our society would be

being owners. But they

commutted

ğ

all this glamour and glitz of

company to

sary for any

Christme Qunta

propriate time for us to look into Nail.

Shubane: This is an ap-

Qunta: I've always had a

person 🔇

call itself a black economic

Qunta: But at this point N shares, so it is a black company; the ma-jority owns the holding mayority holding through the black people have the

empowerment groups and improvement is in the advancement of black management of black >> Where we have not other companies << seen fremendous Litha Nyhonhya people in the Morolo: If you scratch besee the truth. Nail is unbundling because it is an pany, a structure which we followed what we thought was a successful formula, 60 blacks didn't invent. We vestors are not keen on If you're able to say to me, all the other investment trusts which, we now find, inlow the surface you investment holding

— I would understand. But when you can say for all of them that they're trading below net asset value, among them some black companies, so that being black is not the distinguishing criterion — it only says that type of company structure does not work. — that it's black is incidental Nyhonyha. Up until the market crash last year, black investment trust companies how they've added value, and now look at the black ones, they're all down the tubes listed on the ISE are successful flook

you from the vagaries of the market, you need to were trading at huge premums, and they shouldn't have been The lesson is that if vourself like empowerment label no longer protects restructure the black

to the table, not because you're black, but because you bring your skills, your private self. You bring a vision, and all the rest. Morolo: You bring any other business

If you accept there is a need for it, and that there has to be some form of ĸ derstand, we don't have a common definition of eco-Qunta: But you don't unwhy there is a need for it. preferential tendering, then there is a need to be nomic empowerment and specific about black emencouragement, preferential

Morolo: I started off by saying you don't add value away from labels

is where government says "we need to bring black people into business". It will be people who have the entrepreneurial, the managerial, and all other attributes that are required to run a business, and that's the context in which I'm saying that just being black in itself does not give you an by being a black person; being black is not In so far as being black is an advantage, it nearly sufficient. It does not give you any special insights about numing a business advantage

powerment. Should those things be present together in any one entity for that entity to be seen as a black economic empow-Shubane: We've mentioned a number of Empowerment, to me, is a consequence vanables that go into black economic em-

of ownership. As regards others, even white companies have to comply with them, but black business leaders have a Nythonyha: If you take away ownership, what would be important is training programmes, manpower planning targets and ment procedures need to be carefully de-fined and adhered to. The only element 1 think one should be flexible on is the level a plan to actueve them. I think ement com

do anything and I don't think there should be any sympathy for them. ■ company is called black or not. It is doing things that should brung that company commercial and other strategic advantages. But there should be sympathy about what it takes to change institutions. bigger responsibility internally.

Morolo: That's why I've been saying don't think it should matter whether a individuals that don't care, and they don' are companies out there

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New black giant figures

EMPOWERMENT

By MBONISO SIGONYELA

THE country's biggest black accounting firm will be created when two of SA's top black accounting firms, Nkonki, Sizwe, Ntsaluba (NSN) and Gobodo Incorporated merge on October 1.
Sindiswa Zilwa, Businesswoman of

the Year award winner in 1998, will be chief executive of the new corporation, to be known as Nkonki Gobodo Inc.

Zilwa says the pool of intellectual capital resulting from the deal will improve the organisation's professional service and enable development of specialist teams in the firm.

She believes the lack of capacity among black accounting firms can be

solved only if people work together.

The firm will have professional staff of more than 200, with 24 partners.

The merger will give the firm access to offices in all the major cities, as well as a catallite offices in smaller towns. as satellite offices in smaller towns.

Zilwa says one of the major problems facing black accounting is the shortage of qualified black CAs.

She says the merger will place the group in a better position to establish a meaningful relationship with a major international firm.

It will enable the firm to audit bigger companies - the size of most black firms has been cited as a major hin

drance to getting larger contracts.
Zilwa says Nkonki Gobodo Incorpo rated is nowhere near to becoming as large as any of the "big six" SA firms, "but we are proud of our achievements"

Accounting is worth more than R3-W billion a year in SA - and only R100million of that is taken by black firms, it is reported.

Zilwa says the increased capacity means the firm could double its market share. She says with increased capacity the average income generated per partner should leap from the present R1.5million to between R2-million and R3million:

The new firm is expected to have a turnover of at least R50-million a year for the first year.

er i finglight to en en

Black tokens become 'key participants'

SHIRLEY JONES

KANAZULU NATAL EDITOR Durban, Emerging black businessmen had to stop being used as tokens to win government conof, the Affican Engineering Contracts for white companies, Dullah Omar, the transport minister, said yesterday at the launch sortium?

ate positions to enable them to continue milking the system as they did in the past," he said. white firms introducing one or two token black faces in appropriwin or retain contracts and to "There are examples of some

have as a government, at all levportation, geo-techniques and ent., ingfully in the economic life of ness to begin to participate meanour country other than as hewers have not done as well as we should els, to assist emerging black busirole model for other emerging structural engineering, transa private business consisting of 12 firms with skills in civil and vironmental engineering, project management, community-based development and housing projects. He called the company a Omar praised the consortium, businesses.

tion and engineering arena: "Over the past five years, we black empowerment company countrywide, Omar said the consortium had created a meaningful intervention in the construc-As the largest professional

minister; I have been trying to grapple with our procurement the three months I have occupied not have to apologise for favouring the historically disadvan. taged. However, black empowerof wood and drawers of water. In Omar said the government did the position of national transport and tender system," he said

troducing a black face on boards of directors:

still white dominated in a counwhite hands, must be more evenand women. Our professions are try where 80 percent of the popucurrently concentrated in a few ly spread and become more acces-"The wealth of our country, sible to large layers of black men lation is black."

Omar added that emerging country's professionals had to learn to create opportunities for themselves. "Democracy has opened doors, but nothing is businessmen and women and the going to fall into our laps."

ment did not mean creating one

or two black millionaires or in-

Athough Whitey Basson said "They stole everything for soil and "They stole everything for soil and "They stole everything for soil "They stole everything for management "deserves a hidding" for letting a massive Rillomanagement "deserves a hidding to management "deserves a hidding to million theft slip through their controls, he was surpristing by philosophical about the their anyone's standards, even a RIT-billion-eyear company.

While Basson and his executive chairman at holding company Pepkor, Christo Wiese, remained cain and collected the extent of the loss shocked the extent of the loss shocked the extent of the loss shocked the extent of the soil soil who want to know it to know it is possible such a big their can go unnoticed, and how these losses can be so easily absorbed. Where and Basson speak of the problem as a trade-off be tween stemming the flow of losses at OK Bazaars and keeping the flow of losses at OK Bazaars and keeping the flows on controls. When they bought OK to wards the end of 1997, it was expected to show a loss of RSS, million in the year to March. Basson took the decision to try to stem the loss rapidly and turn the company around. In doing so, not enough eyes were on the ball, or maybe too few eyes were on the ball, or maybe too few eyes were on the ball, or maybe too few eyes

The blame must rest firstly with the thieves, but also with the management team under Basson, who has masterminded in Basson, who has masterminded come of the most spectacular of acquisitions and turnarounds in SA's retail industry. He has turned around Grand Bazars in and Checkers, and was expect- and Checkers, and was expect- of to take no time at all to rest suscitate the terminally beleased to take not mean them imbut it also with a new content of the suscitate the terminally beleased with a new content of the suscitation of the suscit

with a new energy.
In fact, it looked like that was exactly what he was doing when, by August 1998 and just enem on the months after the OK acquisition, Basson said he had managed to glean sawners of R200, million, partly by history of R200, his systems, restructuring and safety had managed to glean sawners of R200, and great the processing and partly by improved his systems, restructuring the 25 ing systems, restructuring the business and getting things done faster by fewer people.

age theft tarnishes Basson's Supermar image



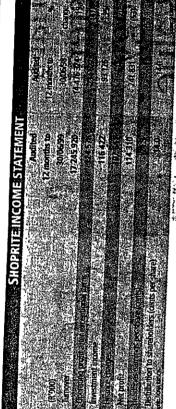
4;

S. Shoprite stores — all in just over 18 months, Basson said.

At the same time, Shoprite's Computer systems were being at the implemented. The losses were we discovered with the year-end of shoprite and OK stores in the Canteng region after the Vanageover in the distribution so neemtes to the Shoprite stock in Changeover in the distribution so neemtes to the Shoprite stock to Changeover in the distribution so neemtes to the Shoprite stock to System. Shoprite stock to System so change, For a while new were not 1008, up to date, and if we were not in an envi- in this probably would not have the datappened. We are talking about the were not know who they are but we are trying to find out. d in Basson's words, "over-con- of centrated" on OK, Shopite be- con- a soft target for their.

This resulted in a profit warn- in solidowed by this week's and it noncement of its substantial statement of OK Bazaars to statement substantial statement of OK Bazaars to substantial statement of its substantial statement of its substantial statement of its substantial statement of its substantial s

than R1-million and assaults worth millions of rands are





CLEANED OUT: Shoprite MD Whitey Basson

tough, "if I had my life over I s would do it all again. These op-portunities in a small market like SA come once in a century, ST(BT) 29 |8 |

and one must also consider that a give had felt the bhind, the effect could have been more severel, the say, someone like Wal-Mart had taken it over. But I may have the done it differently.

His boss agreed Wiese said some that the had the say when the say when the say that the say that the say that the say t We can pinpoint the loss to to Gauteng area. In Kwestuh-Watal pr and the Western Cape, where cesses or even more, nothing the went wrong.

The their took place in an environment where 78 armed as to recurs a saults on Shoprite stores or fructisa a year is considered normal. We try and maintain as to the cape of the cross signing and a saults on discipline through he massures like cross signing and a cameras. Bassons and, but you we must remember that one truck in

Basson said although the absorption of the OK has been

Where says men are no nays.

Where says management had respected to fore sales duringre si furbishment, but afterwards it furnover increases were very high. (Little did they know at the lime that a significant amount of \$600ds had never reached its stores.) Fait we fell relaxed a about the increase in turnover because it seemed normal under those circumstances. In witese environments, syndicate a chief will flourish.

Analysis were quick to point out that the group systems are not up to scratch, and one criticact the group for not having invested enough in systems, but Wiese says this is unlair.

ust before the theft came to light, Basson prepared a presentation on the systems, including

sultants "that we are at the cut go sultants "that one mumber of stores which are not we go go supported a 40% drop in a standard which would require the Shoprite results put a standard on those of Pepkor, and which reported a 40% drop in a gamper on those of Pepkor, in the Shoprite results put a standard which reported a 40% drop in a 21% shump in headline care of the store of 22% shump in headline care of the store of 22% call and a 21% shump in headline care of the store of 22% call that it is to Pepkor can thank its overseas page operations for helping it out of kind what would otherwise have in been an even wurse result.

Whese has installed new man-agement in group durstons, but it seems his faith in Basson, the vice-chairman of the Pepkor group and the head of the foods interests, is unstablem.

RELAXED: Pepkor boss Christo Wiese

· £4

Basson said the recent events were Yong of these things that happen but it is not the end of the world. It is an unfortunate situation, and pray that we can soon forget about the whole

has a short memory, and if he delivers the turnaround next year, the market will probably also put this down to had experience. But Basson will find it far easier to recoup the Ri00-million than to regain his superbero status. He's lucky. The market also

Small business complains of no access to finance

Emerging sector says government initiatives have proved ineffective, writes **Stan Maphologela**

THE poor quality of financial services of available to small, medium and mucro-offerprises was ingilighted at a two-offerprises was ingilighted at a two-prownee in Warmbaths last week.

The conference heard that, although the lack of funding was the main problem gives main business there were other conferences to market data, unplayed access to market data, unplayed infrastructure, lack of access to propriet and companies proor infrastructure, lack of access to general states technology and a lack of manifered so file lates technology and a lack of manifered so file lates technology and a lack of manifered so file lates technology and a lack of manifered so file access to access to

In a high interest rates environment, they paid higher rates still, as banks categorised them as high risk. They were also at the mercy of inflation and the tax

With the Reserve Bank keeping money tight to combat inflation, banks were
reluctant to lend scarce luings to small to forrowers, the conference heard.
The conference was told some banks avoided the emerging bushiness sector altogether, pleading that small loans were less profitable because of the

Bodies created by Parliament as part

of the trade and industry department's winitiative, established to help channel in nance, training and advice to small busing serious problems. In paraticular, Khula Enterprises, established at to as a wholesaler of timance to non-flower and a supplicability of the for lending to small businesses at maratic and parks and banks and the states, was said to be having trouble in the states and the states.

funding emerging businesses.

In general, small businesses said

government-sponsored business sinitatives had failed to deal with their difflouties in obtaining finance.

They said Khula had not been effective as it used similar criteria to those

And the said such a such as the said such a such as the said such a such as the said such as

Also, institutions such as Khula did not rate adequate account of the differ-fe nees ses in rural areas and those in urban the areas. Most representatives of black he merging development in job-creation for the willingness of financial institutions or revisit their lending criteria in the not covered that the success of emerging development in job-creation for the willingness of financial institutions or to revisit their lending criteria in the not covered that the succession of the reliability on the revisit their lending criteria in the notice of the contraction of the contraction of the revisit their lending criteria in the notice.

Kind's spokesman Phuti Matlala is and small business had to propose via the business varunes to enable Kinja it or release funds at mirimum risk. To give money is not a problem, but the art

province in the last five years in areas such as capacity building. During the same period, more than R450m was spent on entrepreneural funding by the Northern Frovince Development Corponess services centres to assist the sector with information on markets, trends, possible linkages and financing through intermediarles. was in getting it back," he said.
The sector generally said lenders's needed for colletted was impproprise at as small business generally had few s assets other than those used directly in 1.

As part of the move to ensure a thriving small business sector that would serve as a catalyst for job-creation. Mufamadi said a central business services centre would be launched at the province planned to establish a province planned to establish a province planned to establish a province planned for stablish a province planned for stablish a province centre for small business and to develop strategy for the economic enhancement of women, the disabled, and the generation of income

The Johannesburg Stock Exchange has started a system designed to allow to providers and seekers of capital in the The System was similar to one used by the Australian Stock Exchange, using contact through the internet to raise as — especially smaller ones — did not the stock exchange, using capital. However, many small business. We see the internet. And to gain access to the stock exchange, a company would from the stock exchange, a company would not the stock exchange, a company would recest to the 15E, but remain far beyond the businesses in St.

The chairman of the Northern Province's economic cluster, finance of all systems of the province's comment of the province's cal government was committed to eco.

the rural communities.

Trade and industry deputy director of emerging development Nitutu Maijia portam role small businesses could play in contributing to economic play in contributing to economic recognise the needs of the small business sector as the primary basis and force usu upon which policies, strategies and programmes for small business development are based", she said.

To achieve this, we need effective inputs from all segments of economy, particularly the emerging business sector," he said.

Mufamadi said R35m had been spent on development of the sector in the

SA and EU target

Justin Palmer

leather, furniture and engineering sectors.

This high level of success clearly demonstrates the benefits of these carenity strates the benefits of these carenity planned events for SA enterprises, said lacky Kola, a spokesman for Nisika's project management unit.

Women brear

small enterprises

THESA government and the European Union (EU) have identified small business as an important part of the country's drive towards portant part of the country's drive towards conomic recovery.

Earlier this year the rade aid industry Earlier this year the rade aid industry department's small unioness development operations. The programme seeds to prepare SA's mail, medium'and microenterprises for the small, medium'and microenterprises for the international marketphere and to increase their global competitiveness. The ultimate their global competitiveness to the statement of such partners with their European counterparts from the mark potential European trading partners. Four Styling Four Signed Four Styling in the mens of products. The EU firms are in the mens of products. The EU firms are in the mens of products.

A similar event, involving about 30 SA firms, will be held in Germany in October.

Taryn Lambertl

business body's liquidation final Small

GOVERNAENT has paid R3,5m to the liquidator of the now defunct National Shall Business Council to be distant business of a transvortinguity to reach list accountability and financial responsibility for the liquidation. Inquidator Ken Moses said yester day, he had received the money from government and he expected to give the council, which was estable lished and funded by the trade and council, which was estable ished and funded by the trade and council.

industry department to promote the council from a section 21 comparing small business and to advise governous and to a final council, which it is all owed it give evidence at the liquidation in the governous governous governous and the governous and the governous governou

application in July as key witnesses were scheduled to give evidence, to the the thing to the control of the fight court had the given reasons for rejecting the degreen fly makes, who was the respondent to Moses, who was the respondent the Pretorial High Court application, accused the department of air tempting to stall the "interrogation".

of one of the council's former directors, Alroy Dirts, who had been tors. Alroy Dirts, who had been sembassy in Washington. Moses's counsel, Bran Spig Sc, Moses's counsel, Bran Spig Sc, and the count it was of vital importance that Dirts, who was due to testance that Dirts, who was due to testance that Dirts, who was due to testance that Dirts, who was due to the count application, and Alistan Council and is now head of the new Competition Commission, testified council and is now head of the new Council and is now head of the new Council and is now head of the council when it stopped operating.

By THABO KOBOKOANE ** RATIONALISATION

business organisations have SOUTH Africa's two major prospect of integrating, a process which is likely to be for the first time raised the

coc) and the SA Chamber of Business (Sacob) are propos-ing that Sacob integrate into The chief executives of the National African Federated Chamber of Commerce (Nafdrawn out.

within the next week on the process of integration and the principles that should Nafcoc — a confidential document, a copy of which is in the possession of the Busi-

"Both CE's would explore I and canvass the option of invegrating Sacob into Nafcoc I throughout their constituenticles. The rationale underlying this option is based on simplicity and ease of inteness Times — states.

ganisations' governing bodies are scheduled to hold a unity-workshop at the end of October or early November.

govern the process. Both are expected to canvass the concept at their re-

١,

BUSINESS OF GARDISATIONS CONSIDER UNITY
Natcoc—a confidential docgardion. The chief execuse spective board meetings this formation of a single bust nove would provide momentation of a single bust nove in the shelf a mumber of meet cards for years. The provide momentation of sacrob integration of Sacob integration of among business organisations about unify and is likely

to serve as a model for future business unification. ings which appear to be bringing the two organisa-tions closer together. Both Skosana and Sacob President Humphrey Khoza

Soweto's business people meet to chart post-apartheid course

Entrepreneurs to address challenges and 'speak with one voice', writes Nomavenda Mathiane

BUSINESS people in Soweto will meet to-morrow to form a chamber atmed at ad-dressing the problems they face. The "big business indaba" at the Diepkloof Hotel is the culmination of nu-

Diepkloof Hotel is the culmination of numerous meetings between representatives of the various business sectors in the township. They have been discussing ways to overcome problems and work out strategies to improve their lot.

The meeting is to be addressed by a new cop of businessmen and uponess.

new crop of businessmen and women, some of whom were part of the Soweto Chamber of Commerce — an affiliate of the National African Federated Cham-

the varional African Federated Chambers of Commerce.

New entrepreneurs who have become active since 1994 will also participate, as will people who have been retrenched from their jobs and have invested. businesses. empowered through new schemes will

empowered through new schemes was also take part. These newcomers to the business world are fired up with ideas of revo-lutionising township industries. In the past 20 years Soweto has seen a dearth of quality in a once vibrant eco-

Although businesses like filling sta-tions and new shops along the main roads have mushroomed, lew such ven-tures have been launched further into

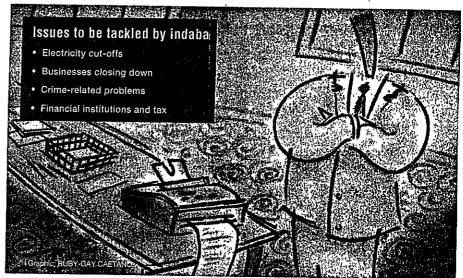
tures have been launched further into the township.

For instance, the huge Maponya supermarket in Phefent has closed down, as has Makhetha's supermarket in Jabulani. Traders who ran Tshabalala stores and Mahlobo stores in Mofolo Village—which in the 1960s and 1970s were doing roaring business— have now been reduced to running tiny shons.

shops.

The black business glant that many people had hoped would rise has, it seems, gone into a deep slumber.

After 1994, Soweto traders were faced with Issues such as electricity cutoffs: like township residents, they had heeded calls to boycott rates. Many also had their businesse shut down for the same reason. Crime also hampered economic activity; many traders were



robbed and some killed

robbed and some killed.

Soweto businessmair "Balfour, Markhetha, the man charged with the task of unifying township business people, said tomorrow's meeting would crystallise the goals and aspirations expressed at earlier meetings. It would be the "dawn of a new era".

Makhetha, who runs a string of shops in Molapo township and who comes from a family of traders, said the time had come for Soweto business people to stand up and do something for themselves.

"We have watched shops that were

We have watched shops that w "We have watched shops that were viable enterprises close down, and as tute businessmen and women frustrated out of their business, and we are calling for an end to all of that by uniting and speaking with one voice," he said.

Without being critical of the chambers that operated during the apartheld

ears, Makhetha said the problems faced by traders operating under those systems were different than those of

systems were discovered by the control of the contr

He said that under apartheid laws, Soweto business people were restricted then from running certain types of businesses. They were also not allowed to operate businesses in white areas.

Today blacks can open up businesses anywhere But township traders are still recovering from the losses suffered under apartheid. During political upheaval, some shops were looted and closed as a result. Other shops were destroyed.

Makhetha said meeting participants would also discuss the luture of the

township's industrial parks to develop strategies that would empower those who had been working there to acquire the units.

Township business people were ex-periencing problems with financial in-stitutions that refused them loans.

"How can we run our businesses

"How can we run our businesses when we cannot get access to money from the banks?" Makhetha asked.

The meeting would also discuss Estom tarifis, tax laws, banking institutions and the future of the industrial parks and how they affect the small trader and manufacturer

More than 24 groups are expected to attend They include shop owners' associations, representatives from funeral undertakers' organisations, doctors, industrial park manufacturers, dress-industrial park industrial park manufacturers, dress-makers, tallors, welders, carpenters and spaza shop associations.



Police bust major car theft syndicate

A MAJOR cross-border vehicle theft syndicate involv-

Radical change ahead if Sacob and Nafcoc are to serve effectively

transition from apartheid to full democ-racy laid the foundation for what should be long-term sustained economic growth and a better life for all of our people.

The responsibility now rests on us all, at every level of society, and especially the business community, to assist in taking this beginning forward.

kinds of recrientations we must make at the business, corporate and collective levels. We can no longer rely entirely on lobbying Globalisation and competitiveness are influencing the Sovernment for protected

processes to improve service to Instead, we must tighten our modernise our our customers beits and

both the South African Chamber of Business (Sacob) and the National African Federated Chamber of Commerce and In-The strategic challenge for to the operating roots from which we derive our reason for exisdustry (Nafcoc) lies in returning tence: service to our members.

organisations to rebuild the national infrastructure of It cannot be business as usual Our unified future cannot be approached as an extension of organised business.

The key challenge facing the leadership of both Sacob and our

of enhancing the performance of Before we can execute unity first conceive 1t - and therein lies

Nafcoc 1s to seek out better ways

Nafcoc and Sacob belong to

wider institutional settings and business communities that organisational concepts or to experiment with new leadership inhibit our ability to call on new

Both Sacob and Nafcoc need efficiency, entrepreneurship, equity and ethics – the "four Es" that must drive organised businothing less than radical change in these areas if we are to enhance our abilities to attend simultaneously to questions of ness in the new millennium.

tude requires leaders with the vision to organise such a revolutionary transformation and the skill to mobilise our members and other stakeholders Reomentation of this magnibehind our efforts

These leaders need to inspure rather than dictate, mobilise rather than rule, persuade rather than command.

The respective leaders of about decentralising the process discussions towards combining forces. The next step should be Nafcoc and Sacob have initiated and self-management.

The transformation of Sacob itself is on course. We are repositioning to significantly influence the future of our country.

better serve, promote and extend the socioeconomic interests of Sacob's transformation is to The primary motivation for Four core strategies will help members. I strongly believe we are now charged with remodelling our basic capabilities, our controls and the cultures of our two

sation of services, structures resolve unflinching, and our market alignment; the deractali staff and message; unity; and the deracialisation of business own Our intentions are clear, our us achieved this objective ership patterns ın South Africa.

helping to stem the flow of capital from South Africa: and

investigating and addressing

systemic dysfunction and socio

sconomic dissidence in the

assisting white established business to forge meaningful partnerships with black business.

> commitment unquestioned. Whether or not we unify with Nafooc, this programme will be followed through, Once it is completed. Sacob will be in a position

economic activity for white business will continue to be a would suggest that, from inform and represent all grow a multiracial memberbase and to equip, involve,

develop our

platforms for local economic chambers as rallying points and

They will be empowered to cope with new realities such asdeveloping the potential of prises to advance the economic renaissance of South Africa, small, medium and micro enter-

.

Nafcoc's perspective, as long as white business continues to be ness will continue to invest in political leveraging rather than in socioeconomic relationships reluctant to embrace an economic future in Africa, black busi-

Sacob has a unique oppor-

rectprocal. As organised business we must ensure that this unsustamable state of affairs is vention and not through the reversion of black business to The benefits of unity are resolved through our interpolitical platforms

f am not, however, advocating unity based on political expediency Our motivations for unity

We are not, for instance, willing to provide the trade unions with grounds to accuse

business is trapped in a survivalist mode, the social costs of

clear that, for as long as black

I believe it is the task and responsibility of business to community as expressed through that we can do this if we are not shape and drive the economy racial alignments. We are convinced that black and white problems, differing only in business of investment strikes, underpinned by our continued businesses encounter the same

tunity to unpack the implica-tions of the racial blindness of economic principles and the sentiments, expectations and perceptions need to be improved before the trend of net exports of capital is replaced by higher levels of Bottom-line Saving

Sacob and Nafcoc, our members will have access to the benefits of Through the unification of economies of scale and greater

A first step in our journey towards unification is the connection of the disparate souls of the South African business

Carnets systems; and the many facilitated by the chambers which provide ideal platforms for foreign trade and investment As long as organised business remains separated by race. ethnicity, ideology or language the private sector will never fully be able to plug into these value Sacob is positioning itself adding initiatives.

25.0

services, products, structures and staff to be able to deliver on diversify its membership,

to an alliance between Sacob and Nafcoc is mistrust. Allow me to use my personal experiences with Sacob to allay such fears.

First, experience is not what happens to a person, it is what the person does with what happens to him or her.

I have been the president of Sacob for two years. Not only am I the first black person to head but also the first officer to hold the position for two consecutive years. the organisation,

How can we even imagine

The white staff, the board of their faith in me, allowing me to Sacob and all the members and other stakeholders have put lead them to this point.

of our membership bases? We estimate that 750 000 tax-

paying businesses are still not

organised. An implication these statistics is that we.

engaged in meaningful relationships with each other? How can

we begin to reverse the attrition

helped establish the first South African national lottery company Black and white business, the During this time I have also

organised business, represent a marginal and diminishing

No wonder that 95 percent of South African businesses are

Investment Holding have all me by taking up equity in our shown immense confidence

necessary support to enable Uthingo to be awarded the national lottery licence against two other very strong bids. They have given all the

to export marketing assistance

These include possible access programmes offered through the department of trade and

mitatives,

unaware of many importan opportunities and interventions

It was not Nafcoc that approached me to join Uthingo; it was I who invited Nafcoc to undustry; the many private sector contracts lodged with Sæob and Nafcoc; the exciting opportunities for export-oriented businesses through our ATA

of commitment to the cause of If this is not a demonstration black economic empowerment, I don't know what is.

As Nafcoc has trusted me with its investment capital, it can trust me now by believing their current leaders - Steve that our respective organisa of Sacob - to take the process of Natcoc, and myself as presiden Skosana, the president tions are well unity forward

I feel positive about the people working for Nafcoc and leadership – in short, our future. onr Sacob. The single greatest obstacle

As a unified organisation we energising the machinery of the can work towards preparing and

African economic renaissance. Now is the time to shift gears. Organised business is entering a

he deep within a matrix of social and national interdependencies that bind us together more We are increasingly strug gling with problems whose roots closely than ever before

the fairness of our actions, and our moral standing will determine how far we go in the process of unification. The efficiency of what we do

The core components of our resultant institutional settings efficiency, entrepreneurship, must remain the four equity and ethics.

we shall hang We must all hang together or,

on Monday to the Amuai National Conference of Nafac in Warmbaths. Northern Province ☐ Humphrey Khoza is the presi dent of Sacob. This article was edited from an address he made

Economy & Business

SMALL & MEDIUM ENTERPRISES

(30) pm 24/9/99

THE STATE DON'T SEE EYE TO EYE ON LOANS AND BANKS

Left hand doesn't know what the right's doing, either

key public-private partnership to boost small business — and jobs — is stumoling over poor co-ordination.

The scheme to promote small, micro and medium enterprises (SMMEs) is run by agency in the Department of Trade & pears to know how many jobs the scheme is creating, and the programme is growing too slowly to make a noticeable difference Chula Enterprise Finance, a State-funded ndustry. The trouble is that nobody apto the small business sector.

Khula offers several financing packages, through partner banks, for SMMEs. The initiative is part of a raft of agreements reached at the jobs summit between gov- including FNB, African Bank, FBC Fidelity and Midland ernment, business and labour last October. Fourteen banks

banks. The banks must provide the loans worth R266m to the nine most active for the SMMEs from their own funds, but shows it has underwritten loan facilities are guaranteed support from Khula should A Khula report published last week any borrowers default (see table). active participants last year.

Khula MD Sizwe Tati says his organisation has guaranteed 2 991 loans worth more than R400m. Last year it approved

be authorised by the end of the year, This means close to 700 guarantees could 548 loan guarantees. At present, about 60 new applications are received monthly. which Tati says is poor performance.

engaged the financial institutions involved em, this is disappointing. Khula has since "Knowing the magnitude of the probwith a view to improving the situation."

He commends Standard Bank and Absa,

which have approved more than 75% of all KHULA'S COMMITMENTS in never thought of it Absard 2 2 Boland Bank 2 African Bank Fedgen Future Bank questions the commitment of other paricipating banks.

The state of FNB SA Fulcrum SA Standard Bank NedEnterprise of Khula the ager Philip Vosloo business says since the incepmarkets senior manbank has guaranteed Absa tion

Economic Equity Group — are signatories to the credit scheme, but only nine were

R280 000 each - a total of R170m. But he does not fully fund applicants, which says the scheme is flawed in that Khula raises the risk for banks. As a result, 604 loans averaging

is not knowing how many jobs the scheme Vosloo says what disappoints him most Absa's exposure has grown to R36m.

is creating. "Khula could not tell me when I asked," he says, "but it must have been a few thousand."

too, doesn't know how many jobs have We do not follow up and do not go to the Under the programme, banks pay the plicants; they don't give money directly to formance manager Judy Parbhoo says she. been created. "We do not think that aphe entrepreneurs FNB operations and perplicants can lie, we take their word for it. suppliers of services to approved loan apbusinesses and check."

Participating banks say it is Khula's responsibility to monitor its own successes. Khula says the banks should be doing the monitoring as they have the necessary credit manager Phindile Mthethwa says: "We do not keep the records and have no infrastructure. But Nedbank Enterprise

76,5 Khula credit guar-71,8 antee manager Sa-63,6 lome Morekhure is 19,4 unable to quantify the 53,7 success rate of the 75,9 scheme: "You will get 49,6 that information from applications submit- Covernment's backing for bank loans to SMMEs, that way. Maybe we ted through Khula for the Amount Amount Amount will put mechanisms authorisation. But he the Amount Amount (Rm) used (Rm) used (Rm) in place." the banks. Khula only SOURCE: KHULAANNUAL REPORT & KNOWS the nature of 35.0 20.0 20.0 20.0 24.0 24.0 24.0 22,3 % 18,0 %

while all deny responsibility, only one hing seems certain: there is little transwhether the owners are black or women."

SMME

parency, and the "Chinese walls" between plicants are hindering the growth of an Chula, participating banks and SMME apimportant job-creation facility.

One million jobs in 'soft sector'

More than one million people work in craft-related industries, but the government has yet to come up with financial support for this important sector, writes Barry Streek

ven without government support or recognition, the craft industry has emerged as a key element in the South African economy

The latest employment figures reveals that there are more people working in the craft sec-tor than in any other occupational group The craft sector is also estimated to be worth approximately R1,8-billion

But apart from some meagre assistance from the Department of Arts, Culture, Science and Technology, the government gives the craft sector little support, and no financial assistance, although it consists largely of small enterprise

The department does, however, have a lead project, called the Cultural Industries Growth Strategy, which has included the South African craft industry as one of four cultural industries which should be seriously promoted.

The other three are the film industry, worth about R7,4-billion and employing 20 525 people, the music industry, with a turnover of R900-million at a growth rate of 70,7% between 1992 and 1996, and the publishing industry, worth approxiamtely R6-billion and providing employment to 60 000 to 80 000 people.

This adds up to the fact that South Africa's cultural industries are worth more than R16-billion a year

But it is the unheralded craft sector which provides the most jobs: the latest Bulletin of Statistics, which is published quarterly by Statistics South Africa, says there were 1 277 888 "craft and related trades workers" at the end of 1998. Of this number, 879 555 were "Africans/ blacks", 152 922 coloureds, 42 102 Indians and 192 920 whites

The statistics show South Africa to have more crafters than clerks, service workers, agricultural and fishery workers, service and

The Department of Arts, Culture, Science and Technology says the arts and culture sector is often regarded as "soft", a drain on the economy, but "the cultural industries all over the world, from India to the United States, have proved this conventional wisdom wrong. Products of the cultural industries, from the Holly-



With her own hands: The craft industry provides employment for many South Africans, especially women

wood movie to the craft object from the Philippines, are consumed by millions of people all over the globe.'

The craft industry in Morocco constitutes 15% of the country's gross domestic product, while the Canadian cultural industries generate \$22-billion and provide 670 000 jobs, and arts and culture in Australia generates \$36-million

The global turnover of the craft industry is estimated at more than \$35-billion (R210-billion) and in the US alone the craft industry generated \$10,85-billion (R65,1-billion) in 1995.

The department says more than a thousand formal craft retail outlets in South Africa sell curios, arts and crafts. "Numerous craft mar-kets and several festivals also exist and the informal selling of craft is becoming a familiar feature of our landscape, with craft being sold by the side of roads and busy public spaces."

There are more than 66 formalised markets retailing craft and an unknown number of roadside or sidewalk markets, 707 retail out-

lets identified nationally, 12 websites advertising South African crafts, 21 domestic trade fairs and exhibitions, 28 training facilities for sewing, three national associations and 109 home industry co-operatives.

The craft industry includes a range of utilitarian and decorative items, media, materials and functions ranging from glass, textiles, ceramics and jewellery to curios, industrial appliances and everyday utility objects.

It says there are five broad categories within the craft industry: traditional art, designer goods, craft art, functional wares and

"South Africa is not a large player in the south Africa is not a large player in the global craft industry and unfortunately has a poor reputation in the formal international business sector due to the lack of quality and unreliable supply"

The sector provides important employment for women: "Low barriers to entry in to the industry have allowed women entrepreneurs to become involved, often adapting traditional skills such as sewing and beading to generate a source of income "Craft production is often home based meaning that women can integrate it with household or agricultural work.

The craft sector is also closely linked with a number of industries, such as tourism and the formal manufacturing and retail sectors.

The department says key obstacles to successful development are linked to a lack of access to credit facilities and micro-finance services; inadequate access to appropriate communication, transport and utilities infrastructure; problems relating to production processes, volumes and deadlines, product quality and product development; irregular and inappropriate market strategies; and difficulty in obtaining materials for production.

Those problems are certainly formidable,

but the craft industry is emerging from the

At least the arts and culture department has cognised its potential. But when will the rest of the government start taking craft seriously?

Shoprite strengthens\security after R100m theft eats profit

Cape Town - Shoprite Holdings, the Pepkor-owned supermarket group

still reeling from mas-sive stock losses of R100 million due to theft, had done "every thing possible" to prevent a reoccurance of such an event. Whitey Basson, the managing director of Shoprite, said at the weekend

The huge stock loss es, revealed in August when the group pre-sented full year numbers, resulted in

the first drop in profit since 1982.

"Physical security at all stores, but in particular in those affected by the unprecedented losses (in Gauteng), has been reviewed and

tightened," Basson said in the latest annual report.

More stock control personnel

had also been employed. In addition,

the group information systems were geared to-wards identifying anomalies far more quickly, ensuring that management could take corrective action far sooner.

Stock losses of an estimated R100 million, mainly due to theft by crime syndicates, were discovered during stocktaking at 76 of the 158

Shoprite and OK Bazaars stores in Gauteng, reflected in a 47 percent slump in headline earnings to 21,1c

a share in the year to June 30.
On future strategy, Basson said Shoprite would press on with its

expansion into Africa The retail chain already operates 25 supermarkets outside South Africa, including Hungry Lions, the fast food chain, and Sentra, the

central buying operation.

Shoprite managed sales growth of 39 percent in Africa in the year to June 30 despite the political turmoil in Lesotho which prompted store closures for a couple of months.

Basson noted that Shoprite had overcome "a myriad of challenges" in the past, of which the most notable was returning Checkers and OK Bazaars to profitability.

"We are therefore confident that proven management skills will enable us to achieve satisfactory results in the coming fiscal year in

line with past performance," he said
The share price sagged 5c on the
JSE on Friday to end at R6,40.

Lack of training scuppers emerging businesses in townships

Stock losses in

Gauteng

headline

earnings

reflected a

47% slump in

BUSINESSES in townships, informal settlements and hostels are growing at an increasing rate as big business restructures and rationalises its respurces, according to Moedi Research Survey, Moedi Research Survey, a company that provides market intelligence on the emerging consumer and business markets, recently compiled a report on emerg-BUSINESSES in townships, informal settle-

ing businesses in the townships. .

Moedi consultant Francis Choshane said on Friday that big business was no longer creating jobs and it was costly to create new jobs in established husinesses. "Township and informal settlement dwellers who are retrenched leave with packages which they use, without a good plan, and set up small businesses which do not last," he said.

Estimates show about 10% of SA house-

Estimates show about 10% of SA house-

holds have a business that is run from home. More than 75% of these are owned by blacks.

Choshane sald there was a significant increase in the number of people from the formal business environment getting involved in the small business sector.

He sald the problem was that the owners had no training and as a result their enterprises tended to have a short life span of about seven years.

Choshane said there was no comprehensive database on the mass market of the networks that manufacture and sell goods and provide services in townships, settlements and hostels.

"As a result, big business finds it difficult to plan campaigns or make sound decisions regarding the allocation of resources in assisting the small businesses in the townships and informal settlements," hesaid.

BD 11/10/99

iat

this month

drive down SA producers'

ructures. '- Sibisi, chief director for trade relations, said the offered job creation - is in SA.

wil' crap duties on 86% of Orta over 12 years.

the same function Nielson agreement was a vibrant of the EU's commitment to apartheid SA. Its value depend on the two partners' iny to make it work.

iish Secretary of State Jukka and, representing the EU ency, said the EU believed ુ-eement would speed up mic transformation in SA; tract foreign investors; and SA in integrating its econoin the world.

two sides have pledged to te the wines and spirits by month-end to avoid furfiches that could hold up the nentation of key trade conhs for SA next January.

Comment: Page 13

corruption

at said corruption was g because it paid good divat "whichever level the in-ባt" was made.

falled for the criminalisa-*** prion so that corrupt Guid not hide and would thended, tried and judged ernational court.

that called for the abolition ret transactions between Molders" and "finance minis-She said the responsibility to corruption in such deals rest with those who borrow

· lenders could not pretend Inot care what the borrow-/ith the funds," she said.



Outgoing Sacob president Humprey Khoza, left, listens as minister in the office of the president, Essop Picture: TREVOR SAMSON Pahad, outlines government's perspective on organised business.

A KREENING P odies ey Stan Maphologela

TWO of SA's biggest business organisations representing members on both sides of the country's economic divide are on the verge of forging an historic unity pact.

The SA Chamber of Business (Sacob) and the National African **Federated Chamber of Commerce** (Nafcoc) have signalled their intention to merge.

Sacob, which is holding its 10th annual convention at Gallager Estate, invited Nafcoc president Steve Skhosana to address the congress. Two weeks ago, Sacob's counterpart Humphrey Khoza attended the Nafcoc conference. The main thrust of their addresses to their respective memberships was

that unity is inevitable. Why should there be a chamber of commerce and industry in the country? I know many of you were wondering why should there be a chamber of commerce and industry and then another chamber of business in one country. 😘 🐠

"Maybe the apartheid way of saying Chamber of Commerce and Industry was to say 'Chamber of Business' ... maybe someone just coined a new term to avoid confusion between Nafcoc and Sacob, said Skhosana.

However, he said, it would be fundamentally incorrect to portray a picture of disunity, antagonism and racial divide among SA's business community as the work of Nafcoc and Sacob.

Any merger between the two entities would be welcomed because it would, for the first time, create a business body with a more representative spectrum of "the haves and the have nots" of business.

Khoza said SA had proved that political partnerships could be established successfully where they were (previously) deemed to be impossible because of diametrically opposed ideologies.

"The unlikely political marriage has succeeded and born its offspring of hope. At Sacob we would like to believe that the dialogue that has begun is but a courtship phase of an impeding mutually beneficial nuptial arrangement between former competitors and rivals," Khoza said.

The unity of organised business into a single force has been seen as a culmination of extensive appeals from both government and other forces for creation of one chamber.

Skhosana called for a forum which would bring together all business structures, so that they could discuss the way forward for organised business.

Minister in the office of the president, Essop Pahad, reiterated government's support for a single chamber of commerce. He also urged the private sector and trade unions to create a proper platform to discuss ways and means of handling HIV/AIDS issues.

CA (194) 13 10 [49]
Focus is on promoting black empowerment (30)

Association is launched **Emerging Managers**'

CATHY POWERS

yesterday to accelerate the transformation of the finan-Johannesburg - The Emerging Managers' Association of South Africa was launched

Only 1 percent of the R20 billion under control of the top 20 retirement funds in South Africa was managed by plack empowerment fund cial services sector.

launched at a conference to lobby for support for black fund managers among govern-ment and private retirement management companies. The organisation was

Vince Musewe of Emerging Fund Manager Products, a joint venture company set up with m³Capital, said the organisation would also help form policies to enhance black

transforming the economy:
empowering black fund managers with more access to
retirement funds to manage
According to a recent
survey, only nine of the 189
registered investment manempowerment had largely ignored a crucial aspect of

agement companies were re-trement fund managers with olack equity partners.

attracted about 2,5 percent of the estimated R600 billion These nine companies had

industry by June this year.
Although black economic empowerment initiatives had some time, they had been large. Iy limited to the acquisition of been in the financial sector for

ing access for new players who have unique skills and ideas to offer," he said. "We must accelerate transformation in equity stakes, Musewe said. "The heart of the issue is fund management and ... creat this industry.

economic empowerment in etirement fund management.

About 35 percent of local retirement funds were contributed by blacks, but blacks were still a minority in the management of these funds, Musewe said

director of liability management at the finance department, urged emerging fund invest in projects that would aid the country's development. Lesetja Kganyago, the chief inagers at the conference to "There is profit in these

framework and macroeconomic politics which were con-Asset managers faced many challenges, he said. But South Africa had the advantages of a ducive to "the mobilisation of sound regulatory monetary

capital for .. social good".

But Kganyago questioned
whether asset managers were
utilising the financial services the economic growth that all would like to see. industry sufficiently to realise

Pick 'n Pay profit jumps 22% as revamo boosts bottom line

supermarket and hyper-market operator, reaped the rewards of its four-year revi-Cape Town - Pick 'n Pay, the

CTCBR) 13/10/99

VERA YON LIERES

time high.

level," Summers said. Analysts said Pick 'n Pay

cast earnings a share growth of 20 percent for the full year He conservatively fore

lennium, Summers said.

Troubles at Woolworths Holdings, which had lost market stakes over the last 18 months, and Shoprite Checkers, which was dealing

"Hypermarkets, which turnover, experienced phenomenal growth, while Fresh Foods grow in leaps with its reorganisation, had also contributed. make up 25 percent of group conservative side, reflected at the positive bottom-line input "These are good numbers, showing that the store refurbishments have been a huge success," one retail analyst Retail analysts said the numbers, which were on the from the "Fresh Foods" and merchandise

general

Summers said.
Pick 'n Pay's share price rose 55c to R9,20 yesterday. going forward, which prompted the decision, and bounds," Summers said. In addition, the franchis-

☐ Business Watch, Page 2

growth at all levels.

Cash on hand also continued effects at R828 million

(0) (0)

The RI billion revamp of stores and investment in

from R916 million.

information technology had put Pick 'n Pay in a position to be a truly "built-to-last" firm going into the next milsaid. While the bulk of the redesign was over, the process would more or less continue, the analyst added Sean Summers, the new chief executive and successsor to Raymond Ackerman, said both the net margin and market share were at an allplan yesterday delivering a 21,7 percent improvement in headline share earnings to

talisation and refurbishment

"Every part of the group contributed at a very high

August 31, slightly ahead of

Trading income jumped by 64 percent during the

consensus forecasts.

19,3c in the six months to

mainly because of its successful refurbishment. had gained market share

period. A key feature of the results, achieved in dire

retail trading conditions, was

corporate divisions.

to February 200.
Pick 'n Pay also said it had sold its Transwitch Services payment network to Prism Technology, the secure electronics payments comparing which lists on the JSE today for RC2 million.
"We realise that a secure payment environment will be acritical part of the physings going forward, "which a consistently high profit contribution across all 25

ing arm had enjoyed strong

ALL BUSINESS DEVELOPMENT

ING MUCH

Poor assistance from government fails to deter intrepid entrepreneurs

overnment's efforts to promote small business development have run aground, leaving many disillusioned, but not surprised, entrepreneurs. The National Small Business Council

mismanagement, the Nisika Enterprise Promotion Agency has done little to support small businesses at grass rocks. Khula Enterprise Finance has performed disappointingly in small business finance; and government's promise to amend laws that hamper small business has not been met. has collapsed amid allegations of financial

"If you talk to entrepreneurs and wouldbe entrepreneurs, they remain disal pointed and finstrated at the lack of delivery on all the promises, says small busness consultant an Hetherington. "The small, medium and micro enterprises (SMME) sector represents about 150% of the economy but 1 doubt whether it receives 5% of the attention "

tional institutions to step into the and sector has important source of job creation, but it is being left to potential and is an NGOs and educa-Small under-funded enormous medium (SMME) breach

training courses and con-suiting, capacity building and research services the management capabil-ttes of SMMEs by offering Among these is the University of the Western Cape's Enterprise Development Unit (EDU), which develops

are being forced to become Sedick and Najwa Gerdien globally competitive and are says EDU manager "The biggest constraint facing the SMME sector is lack of management exper Kırsten

being exposed to opportunities to export, form joint ventures and win significant government contracts. They need to come up to speed in a short time

generation clothing manufacturer. His thriving company, Sir Dick's, in Woodstock, Cape Town, is a store's throw from the bespoke tailoring businesses operated by this father and grandfather for more Among those to benefit from the unit's programmes is Sedick Gerdien, a thirdthan 70 years.

oped niche market of formal hotel, army and naval uniforms, thus enabling his business to flourish while the rest of the Gerdien wisely exploited the undevelclothing industry contracts.

The Gerdiens have found that ex-

porting uniforms to resorts

times, we have a system to ensure that we correct it or replace the garments at our The SA Navy, SA National Defence Force, Mount Nelson Hotel, Grand Roche and the Southern Sun group are longexpense," says his partner, Najwa Gerdien. "If we fault on things, and we do some

Plain businesswoman Razaan Jacobs, who is proof that providing an efficient, highquality service underprined by strong business ethics is a winning formula But Jacobs has qualities that can't be repli-Another EDU case study is Mitchells cated by management consultants a heart of gold, the grit to turn a discredited business around and the stamma to build it into a successful company.

proofing business seven years ago.

"I had one broken chair to sit on and there wasn't even a panubrush, but we decided to take it from there," she says. As the company's efficient former secretary, Jacobs knew the suppliers and was She has a Std 8 education and had spent most of her adult life as a factory worker when she took over her brother's water-

derstanding that she would pay for it when Equipment tike ladders and given waterproofing equipment on the unpower tools had to be rented at first she could

Then she discovered the business owed has taken Jacobs, in whose name her brother had registered his business, five R17 000 in Vat and R70 000 to creditors. It

Success from hard work

tracts regularly to Murray & Roberts, Concor and the D'Ambrosio Brothers. Her latest contract to waterproof and paint a each month to charity. And she is happy Larger contractors are no longer a threat The business, Econo Seal-a-Wall, subconlarge apartment block is worth R120 000. elsewhere in Africa requires patience and perseverance. The company has benefited from the EDU's short course on the me-

internalising the documents she typed as the secretary, but it was her brothers former partner, the late PJ van Rensburg, Jacobs had picked up the business by who recognised her potential and taught her everything from paying wages to submitting tenders. He secretly hoped she would run the business one day.

chanics of exporting and from the input of the university's management students

who have consulted to the business

The Cerdiens have also had to learn about marketing. With the creation of a 100-page colour catalogue, the company has enlarged its market share and, since it

obtained an e-mail address, orders from

hotels in Africa have increased.

an open, honest way, and ensuring ex-cellence of products and service. He says cess to hard work, conducting business in an open, honest way, and ensuring ex-Gerdien attributes the company's sucmust not be compromised, and business

the client's needs are paramount,

quality

so the good name of Econo Seal-a-Wall means everything. If clients have problems, says Jacobs, "they press the button "It was tough on my own. Everything was a challenge to me," says Jacobs. Now all business comes from referrals. and I'm there

She adds that it took her four years "to make the big contractors see that the workmarking of small guys us just as good; and that they can rely on us more because, when the bigger ones leave, they believe their name will make people come back".

gredient in small business success, but loyalty to her work force also keeps her going. "They're all from underprivileged areas and the unemployment rate is so Defermination, she says, is the vital inigh. If I decide to close down, what will nappen to them and their families?"

who started his building services company, KGS Projects, and electrical contracting company, Electrocom, in 1987 with little formal training. The businesses now employ about 20 people, clients in-clude Intersite and the Department of Pub-Shuaib Gamildien is a self-made man years to pay them back. She is still paying back the Receiver but, for the past four

rears, has managed to donate up to R200

dien is completing a business manage-ment course at Damlic Works, and Gamil-

elin College. As a disadvantaged found the rules aren't is supposed to receive contractor, Gamildien rence when bidding for government

Motivating and training staff

always followed.
"I first positive-that they (government) are moving in the right direction, but the pro-

curement system is still new and is ex-periencing some teething problems and irregulanties, he says. 'It needs monitoring to ensure it's working property. They lack qualified people to implement the point system efficiently.

His main advice to small businesses is to

Small sions by the Department of Trade & Industry and is forming a joint venture with posure as possible. Thanks to the power of networking, Gamildien has been included dusiness agencies to obtain as much exin two international business trade misform networks and register with

He says he has found that overseas a Czech company

management pro-gramme with the University of Linkop-

agers and service providers from Africa who enrolled on this year's course will undergo training in SA

many lack proper cost accounting, quality awareness, business planning, perfor-Agency, whose director-general, Bo Goransson, says SMMEs blame their poor performance on insufficient capital but mance monitoring, and it skills.

"Improvements in these areas are imperative for competitiveness," he says. If SA's small businesses can achieve so much with so little, imagine what they are capable of achieving in a more enabling environment. Government

SMALL BUSINESS SUCCESS Consistent service/product excellence Hamessing information technology KEY INGREDIENTS OF Efficiency and accessibility Honesty and integrity

To improve the performance and global competitiveness of the SMME sector, the EDU has developed an annual business-SMMEs operate in environments more conductve to small business growth than SA.

ing in Sweden. The 25 disadvan-taged SMME man-Horing business management skills Networking and building relationships

Neigning decease of infernational herods
Avoiding decease of the programme is horizontal part the head work and determination

Severals in International Programme is the progra and Sweden. derect of international trends

Co-operation

good its pledge to support the sector. Job creation cannot wait.

Naledi sets up shop on behalf of small businesses

EMPOWERMENT By MBONSO SIGONYELA

NALEDI ya Africa, a new empowerment company to be u launched fomorow, will use a collective buying power to genhance entrepreneurial c development in urban and trural communities.

The company will have the two focus areas—the Naledi Eustiness Network and the Naledi Broadcast Network in The business network will obe betablish business units brun primarily by women, the more primarily by women, the more primarily by women, the

The business units will about the disease abled. The company will need gottate built buying at a disease of communities, ing turers. The consumer goods which will be collected in a new the units and then soid to companies with muchaeddry the units and then soid to communities.

In soys this will save the profit made from disease with muchaeddry the units and then soid to free units will take 70% of nice may says this will save the tributing the goods and Naleman and related costs.

government's and large com-panies' training and skills de-velopment initiatives into smaller communities and The Naledi Broadcast Network will provide the training needed to run the bush

Misoni says the company will benefit from partnerships with organisations like the Council for Scientific and Industrial Research (CSIR), which is providing technological support.

Part of Grewan of the CSIR ness units.

Raded bought Absa's TV channel, which was primardication that the channel community used for internal community used for internal community and untrepreneurs with the programmes for both rural induction than businesses.

The channel will help exc in practice in the channel will help exceed in the channel

DUSITIESSES selling beadwork with logos selling beadwork with logos of popular teams like the Chicago Bulls, has been test-chicago B

(30) ST(BT

Small businesses create 39 000 new jobs in five years (30)

Small and medium enterprises make a significant contribution to the South African economy, says Khaya Ngqula of the Industrial Development Corporation.

He was delivering a paper at a dinner organised by the University of the Western Cape Alumni Association yesterday.

Mr Ngqula said over the past five

years the Industrial Development Corporation had approved finance totalling R3,2-billion to 1 279 small enterprises, creating almost 39 000 new jobs. – Staff Reporter

Revealing study of township businesses percent, were not formally registered.

By Mongwadi Madiseng

townships is about seven years, according to the study conducted by the black-controlled market research THE average life span of most small businesses in the company, Moedi Research Surveys.

According to Moedi Research, these businesses are family-owned and controlled and are not formally

Speaking to Sowetan Business, Moedi managing ducted in Soweto, aimed at developing a database on the survival and the manner in which emerging small director Vincent Seoka said the study, which was con-

He said the majority of these businesses, about 68 businesses operated.

the study was an important tool that could be used by big companies when they wanted to open business ventures in the emerging markets. invaluable tool for business planning and distribution "The information from the database represents an

He added that small businesses in the township services, while manufacturing activity was lagging were involved in the buying and selling of goods and behind.

receive any formal business training and that this

Seoka said the majority of entrepreneurs did not

of resources among customers," added Seoka.

"The lack of business skills is making emerging businesses extremely vulnerable as most of them cannot cope with the complexities of running a busi-

posed a major challenge.

Chosane said advertising of products could play a major role in developing and growing these businesses, although many lacked access to finance and other funding mechanisms:

panies and institutions as a tool to position and allo-He said the study could also be used by big comcate marketing of resources effectively.

> neurial skills among the previously disadvantaged was also identifiable by the lack of proper research into the

type of businesses people could be involved in.

He added that the lack of business and entrepre-

ness," added Seoka.

assist

By Mongwadi Madiseng

ABOUR Minister Membathisi announcement on Thursday to outline the Government's plans to exempt small businesses from certain sections of the Basic Conditions of make Mdladlana will Employment Act.

preneurship,

training.

The minister was speaking at the business breakfast organised by the National Business Initiative in Johannesburg yesterday.

"We need policies and interventions that

> He said South Africa will need the involvement of all stakeholders to tackle the high rates of unemployment and the its economic problems. These include inability of the local economy to create iobs for a majority of people.

The minister said it was encouraging to see that the market stakeholders were concerned about the high rates of unemployment and low rates of employment creation in the country.

The minister said that problems had restricted access to entrearge segments of the employment opportunities and Additionally, under deplorable condilabour force still worked utilisation of labour.

Membathisi Muladlana. Labour Minister of past policies. Labour undo the negative impact

tunity and skills development need to be addressed," Mdladlana said. relations, working conditions, equality of oppor-

He said stakeholders' endeavours to create jobs should combine the objectives of efficiency with those of security and equity.

On the other hand, the country is still. finance and income.

The minister said the Government was doing ducive to export growth and inflow of foreign nomic environment conits best to create an ecoinvestment.

enough internally to withstand global eco-Mdladlana said the Africa was to build an economy that was sound? South for challenge

role small businesses With regard to the could play to create more nomic shocks.

jobs, Mdladlana said he would be making an announcement on Thursday on the Government's plans to exempt them from certain sections of the Basic

Conditions of Employment Act.
He 'said' though the announcement He said the Government had not only witnessing persistent inequality in the the plans will serve as a caralystic create inherited adversarial Jabour relations, in a labour part of the contraction of the plans will serve as a caralystic create inherited adversarial Jabour relations in the caralystic creates an entire of the plans will serve as a caralystic create nesses to create jobs.

ousiness greater flexibility jovernment grants small ED 4 | | | 99 compliance by small employers. Mdladlana's objective is to

(30) (166) Reneé Grawitzky

FIRMS employing fewer than 10 employees will be entitled to pay a lower overtime rate to workers as mination for small business in terms of the Basic Conditions of provided for in a ministerial deter-

Membathisi Mcladlana as part of a government initiative to grant some flexibility to small business in the implementation of the act. Employment Act. nounced today by Labour Minister

its origins in a tripartite ministerial task team report presented to the minister last year, sources close to

the ministerial determination have

can grow and create jobs.

The team was established to

the process said.

tion conducted by the Ntsika Enterprise Promotion Agency to

assess the effect of the act on small

lana on the results of an investiga-

make recommendations to Mdlad-

The determination, expected to ploying 500 000 workers, is also affect up to 200 000 companies emlikely to receive a lukewarm response from employers who will argue that government has not

Organised labour is expected to make some token objection, despite the fact that many of these workers are not organised and herefore do not benefit from the egislation because of a lack of gone far enough

of 21 days' - leave including famlly responsibility leave - instead of 21 days' leave plus three days of family responsibility leave.

ments on averaging of employee working hours beyond the stipulat-Proposals also related to agreeed four months.

> the rights of workers employed in small business and create an environment in which small business Key provisions to be covered in

tween his commitment to protect strike an appropriate balance be-

it was not expecting Mdladlana to announce anything beyond the brief provided by the Employment The Small Business Project said Conditions Commission.

The commissions brief was to consider some flexibility in implementing overtime provisions, annual and family responsibility leave and work time arrangements.

and should possibly apply to those employing less than 50. ploying more than 10 employees Limited economist Business believes that a determination should apply to firms em-

> The task team proposed that business should be allowed to the proposed 10, the payment of time-and-a-third for overtime instead of time-and-a-half, and a total

business.

employees employed by small work 15 hours overtime instead of

Pieter Haasbroek said the announcement would just be "window-dressing" as rigidities in the system could not be evaded.

Employers who own many small firms won't qualify CT(MK) 5/11/99 Not all small businesses benefit from changes to law

FRANK NXUMALO

LABOUR EDITOR

Johannesburg - Employers running more than one small business or any small business formed by the break-up of an existing company would not be covered by the small business determinations that become law today, Membathisi Mdladlana, the minister of labour, said yesterday.

These businesses would have to comply with the full provisions of the Basic Conditions of Employment Act (BCEA).

"The (small) business determination varies four conditions of the BCEA. Firstly it extends the maximum number of overtime hours that an employee can work in a week from 10 hours to 15 hours.

"Secondly, it reduces the rate of payment for overtime from timeand-a-half to time-and-a-third, the rate applicable before the introduction of the BCEA (last) December.

"Thirdly, it allows averaging of hours up to four months by written individual agreement; in the BCEA averaging is only permitted by collective agreement.

"Fourth, employees' entitlement to three days' family responsibility leave will be included in their allocation of 21 annual leave days; under the BCEA, employees are entitled to three days' family responsibility leave in addition to 21 days We won't take this lying down, says Vavi

Johannesburg - Cosatu would not take yesterday's ministerial small business determinations lying down, the labour federation said.

"Cosatu has learnt with shock and dismay that the minister of labour has made a sectoral determination on small business that: effectively introduces a two-tier labour market in South Africa

"A war has been declared and we shall respond accordingly. (This) effectively takes away the fruits of many years of struggle by all workers for decent working conditions," Zwelinzima Vavi, the general secretary of Cosatu said.

Vayi said the most painful part was that the ministerial determination would not even take into account the turnover of companies, nor would it be

limited to certain sectors.

"Indeed the danger exists that big companies that have already expressed scientifically untested claims against our labour laws will split their business operations into a myriad of parts to avoid regulation by the BCEA.

"Workers employed in small" business companies remain highly exploited, abused and underpaid: this includes those employed by black businesses. Worst of all, those that work on farms, many of whom employ less than 10 workers," he said.

He said Cosatu was also angered by the fact that the minister had largely rejected the recommendations of the Employment Conditions Commission. - Frank Nxumalo

annual leave," Mdladlana said.

Die fortil Tradict Line for the fair

These determinations, applicable to small businesses employing less than 10 people, are expected to affect about 200 000 employers and about 500 000 workers.

The Small Business Project (SBP), an independent research unit, welcomed the announcements but said the threshold for qualifying companies should have been set higher, at 20 employees.

Other small businesses excluded from the determinations were those operating in areas where a sectoral determination was already in place or whose sector fell under bargaining council agreements.

But the SBP said factors influencing the minister's discretion to extend bargaining council agreements to small businesses should be broadened and a clear set of criteria incorporated into the BCEA.

EF to ki

Corporation will each contribute R100m

(30) BDS | 11 | 99

the IDC to monitor the use of its funds and defend its investment. The National Empowerment Fund The credit committee would also (NEF), the state's main vehicle to shore Government and the Industrial Development

THE National Empowerment Fund (WEP), the state's main vehicle to shore in the black economic empowerment, is set to kick off with a R20km venture cap, italiand within months.

However, the other compowerment, a ware black economic empowerment, a including a but trust type? Initiative, will take longer to come to furtition.

I don't have any information on sovernment abandoning anything, it said Themba Minhongo, the chile director of for industry and technology strategy at the trade and industry departing the main. He emphasised that other ideas it of for industry and technology strategy at the trade and industry departing the NEF's renture cap, it all fund—will each contribute R100m, of Government and the Industrial Development Corporation (IDC) — the other partner in the NEF's venture cap, it all fund—will each contribute R100m, asy DC and government and the industrial Development Corporation (IDC) — the plementation of the NEF's venture cap, it all fund—will each contributed to his plementation of the NEF's each contributed to his state's caution in ensuring its success and global market turnoil.

Gert Gouws, the IDC's chief financial officer, said the pearstart is board had approved R100m to be contributed to the NEF's venture capital fund?

The IDC, which would be entitled to appoint on the verture capital funds of a poer of the NEF and have representation in the venture capital funds of the plant of the NEF and have representation in the venture capital funds of the plant of the NEF and have representation in the venture capital funds of the plant of the NEF and have representation in the venture capital funds of the plant of the NEF and have representation in the venture capital funds of the financial secretion in the venture capital funds of the financial secretion in the venture capital funds of the financial secretion in the venture capital funds.

nice peast financial year.
Independent professionals would be appointed to run the NEF's venture cap, appointed to run the NEF's venture cap, tall fund to allow the concept to gain the cap, tall rund to allow the concept The IDC's contribution came from the realisation of its investments in the market's confidence Government would keep a hands-off approach, let-ting the body run according to its statute, Milongosaid.

It is envisaged that the venture capfial fund, one of three empowerment
initiatives in the NFS stoit, would fund
businesses owned and controlled by
historically disadvantaged people.

Mhongo said talks were continuing
with the private sector to enable the latear to participate in the NFS s venture
apital fund. I suspect they (the priante score) will do so (come on board)
as soon as they have confidence in the
(NFS) staffing (and) policies.

Apart from the venture capital fund
the NEF will have two other components. One part will be responsible for
warehousing" shares from restructured parastaths and selling them at a
fiscount — of as much as 20% — to
previously disardvantaged investors.

The other will operate like a unit trust,
harnessing group sawngs in a bid to develop an investment culture in the
back community.

Both components still need a bit of work. Government is understood to have been told that its concept of a "unit trust style" empowerment could not pass the regulatory test in its present format.





ING STWE BEAC



hant Park proposed

nd tourism department was Adde Elephant Park near Port a — putting the park on the othe Kruger National Park Mohammed Valil Moosa at the London yesterday. Imanne reserve and would ed the Eastern Cape as one of

ention to strike ets. — ECN

(NUM) yesterday handed the nd Labour Council (Nedlac) a stagainst retrenchments by

s satisfied all legal processes to by the NUM eed that there were processes were addresses were addressing the matter. "A der some of the concerns today."

on said a standing committee

after-market.
"It is our aim to assist people from all sectors of the population who want to enter the motor industry to become better qual-ified," said RMI CE Dernck

New body boosts black business

Stan Maphologela

nessmen into the motor industry have been given a boost with a merger of two organisations representing a major part of SA's motor vehicle industry. MOVES to draw small black busi-

The new organisation, the Retail Motor Industry Organisation (RMI), has been established by amalgamation of the Motor industries Federation (MII) and the SA Motor Employers Asso.

ation and the employers association were traditionally white employers. The organisations had high entry barriers and rigid Most members of the feder-

es across the country, many emerging entrepreneurs were barred from gaining formal entry to the industry and the vehicle With the rapid growth in backyard and informal business-

of the motor vehicle sales and af-

business transactions which take place daily in SA will be conducted between members of RMI

anyone offering a motoring ser-vice from set premises would be able to qualify for basic member-ship of the RMI. matters, as well as opportunities to attend motor industry training courses and regional RMI Dixon said that from now on, in the past. Members would have access Johannesburg and three regional offices in the Cape, central and RMI has a national office m KwaZulu-Natal regions.
RMI, together with its constituent organisations which stituent organisations which represent the various sections This would benefit the townbeen excluded from the system to advice on business and trade ship-based

ter-market, and an employer di-vision, represents 64% of the 208 000 people employed in the motor industry.

Most of the 3-million motor

gramme to encourage members to offer a high level of service of fering consumers a wider choice of RMI-backed businesses. Training programmes had been

an accreditation pro-

Dixon said RMI would intro-

developed for new members.

"We will participate in all release to the participate in all release to the participate in the participate to the par

funds, interact with government and participate in all industry imitatives, including the motor industry development plan," Dixon said.



Derrick Dixon, CE of the Retail Motor Industry Organisation, which was formed after the amal-gamation of Motor Industries' Federation and SA Motor Employers' Association. Peaux-Memanions

Project nets R32-m deals SMES

By Shadrack Mashalaba

HE Small Business Project (SBP), a Section 21 company incorporating the private sector, amounced yesterday it has facilitated contract orders to local small firms in excess of R32.9 million in the past 12 months ended

September 1999. SBP project leader, legal and economic research, Keith Herrnann, said under the programme they have assisted 82 small irms owned by people from disadvanorganisation's corporate small and medium enterprises (SME) development

These enterprises are involved in businesses ranging from construction, welding,

Herrmann said in the process, this resulted in the creation of 250 jobs. cleaning, catering to electronics.

He said they have since established lukage centres in most provinces they operate in to facilitate easy access to ten-ders for SMEs.

SBP's task is to enable business

make a collective contribution in partner-ship with donor agencies, he said. The partnership will address critical

Socuetang 111/99

employment creation through the growth of a vibrant SME sector. issues of local economic development and In turn local small business will benefit

from the partnership with corporate sector through joint venture initiatives such as acting as distributors, Herrmann said. Some of the SBP initiatives included conducting specialised research, project management, policy development and promotion. It also acted as a catalyst for pro-

moting partnerships.
SBP's three key delivery programmes are the corporate SME development pro-

gramme, the rural economic development initiative and policy research, development and promotion.
"Our projects at this stage are mainly concentrated in the provinces which have

depressed areas such as KwaZulu-Natal, Mpumalanga, Northern Province and He said the way forward for SBP was to North West," he said.

consolidate its programmes in all the

between the corporate sector and small businesses while at the same time expanding our geographical activities," he said. provinces where it operates. "We want to

Small businesses under the

eye of Cosatu and Pretoria The minister noted Cosatu's concerns and stated that this was not the intention of the determi-JABOUR EDITOR Johannesburg - A bilateral task

"It was agreed to have further discussions to monitor the unpact of the determination to ensure that there are no unintended consequences. Should the determinanation," said the department. team from the department of abour and Cosatu was set up yes-erday to address the labour federterial determinations on small ations arguments that the minis-

businesses employing less than 10

people announced on Thursday threatened to untroduce a two-tier labour market and a "declaration

tion not meet its objectives, steps will be taken to correct this." A spokesman for the department said both parties agreed on the need for active participation by trade unions in the process leading to the finalisation of other sectoral determinations.

The Membathisi Mdladlana

war against organised labour'

outweighed the areas of disagre-ment. Both parties were strongly of the view that the government's programme of transforming the apartheid labour market needed "The discussion was an extremely constructive one in which the areas of agreement far to be consolidated and taken for the labour minister, had announced the relaxation of some the key provisions of the Basic overtime from 10 to 15 hours a Conditions of Employment Act cluding an mcrease in maximum overtime pay from time and a half to time and a third, and inclusion of the three-day family responsibility leave in the 21 days of annual leave. (BCEA) for such businesses, inweek a reduction in minimum

Cosatu raised a number of

posals on areas in which it wished to consolidate and strengthen current labour legislation where the union believed it concerns and made detailed prowas deficient.

These proposals dealt espe-cially with the issues of employ ment security, retrenchments and matton disclosure; issues concerning the Labour Relations Act; and taking forward unfinished processes on legislation, in-cluding the BCEA adjustments insolvencies; casualisation; infor

The minister had already met with Business South Africa, the Federation of Unions of South Africa and the National Council currently under way of Trade Unions.

However the minister has reto listen to stakeholders concern about the impact of the country's labour laws, they would be no di-lution of basic worker rights peatedly warned that while the de partment had always been ready

Second-hand industry set for a revamp

South African second-hand traders are cleaning up their act, writes **Rowan Callahan**

here are many similarities between the current second-hand goods market and the use 1-car market of old

A few years ago there were thousands of small used-car dealers all over the place offer ng "low mileage, one-owner bargains" out of dingy premises.

What people got in most cases was scrap metal with a motor

That was until big business began to realise the scope of the usedcar market and set about legitimising its tarnished image with better service and guarantees.

The second-hand goods market is in the midst of a similar shakeup.

Companies like Cash Converters, a new franchise operation dealing in second-hand household goods, are introducing levels of professionalism unheard of before and are trying to repair the damage of decades of shady dealers.

According to Richard Mukheibir, managing director of Cash Converters, the main problem is that practically anyone can get a licence to trade in second-hand goods.

to trade in second-hand goods.

The only requirement is that you must not have been found guilty of an offence relating to dealing in second-hand goods and you must have suitable premises to trade out of.

"The greatest problem we have is the public perception of the man in the street that second-hand stores are fences for stolen goods," he says.

"The industry is not going to grow if the perception is that everything in your house is going to end up in a second-hand store."

The chain is trying to change the perception by the professional layout of its stores, their professionally trained staff as well as their computerised audit trail.

"It's professional retailing in an

"It's professional retailing in an environment that's never had it before," Mukheibir says.

This approach to doing business has even reduced the risk of Cash Converters buying stollen goods. The law requires only that traders keep a written register of who they bought each item from and who they sold it to. People selling goods also need to produce some form of identification.

Cash Converters asks for a copy of an ID, proof that the person is over 21 and that the goods have been cleared (paid up)

"With new goods we even ask for an invoice and call to check if the goods have been paid off," he says

People who are blacklisted are put on a "dodgy characters list" that is placed on the Internet for other stores in the chaln to access

While this system has worked for Cash Converters, the issue remains a serious one for traditional traders.

A pawn shop owner from Brixton in Johannesburg says that there is no way to check if the goods he buys are stolen or aren't naid up.

"I've also lost a lot of goods through hire purchase where people haven't paid goods off and the furniture store comes to collect the goods," he says.

His only recourse is to lay a charge of fraud against the person who sold the goods, but that is time consuming and he normally doesn't do it.

have also bought stolen goods without knowing it," he says.

The police, through a special

The police, through a special second-hand goods unit, routinely go through the store and the register to see if there are any stolen goods. Despite these and other small

Despite these and other small problems, the small second-hand dealers seem to be thriving within their niche markets. But for how long?

Cash Converters is expecting a R60-million turnover from its 25 stores by the end of the year. Along with other similar chains, it is eating into a market that was the preserve of the small corner dealer for decades.

According to Mukheibir, the arrival of Cash Converters in some areas has led to smaller, less professional outfits closing down or revamping their operation. And this can only be good for the industry and consumers.

While the introduction of more

While the introduction of more professional retailers will not wipe out the smaller traders, it will play an important role in legitimising an industry that has never been known for its professionalism.

Once people have confidence in the industry, the potential for growth is huge.

In the United Kingdom, the second-hand goods industry has an annual turnover of £5-billion.

News

TRADE Body will enhance networking and boost investment, says Ramaphosa

Regional business forum in the pipeline

MARGIE INGGS AND SHIRLEY JONES

Durban A southern African business forum would be set up early next year, Cyril Rama phosa, the chairman of Johnnic, the industrial holdings group, said on Friday

The development follows discussions between the government and husiness leaders in the lead up to the Common wealth heads of government meeting in Duiban

The forum would enhance networking among countries with common problems and policy issues Ramaphosa said the formation of the forum would promote hade and investment by ensuring investment flows in up to 13 countries.

Attempts by the Southern African Development Community to set up a co-ordinated business organisation had failed be cause of its top down structure Ramaphosa said "What is needed is a group of 10 to 12 bustness people with direct links to politicians in the region" Recommenda-

tions flowing from the Commonwealth Business Forum (CBF) in Johannesburg last week together with this proposal, were relayed to a southern African heads of government meeting at the Commonwealth

heads of government meeting at the weekend

The CBF focused on promoting Commonwealth business links and investment, fostering policy collaboration between



BREAKTHROUGH Cyril Ramaphosa says the forum will benefit African countries with common problems

business and government and meeting the challenges of globalisation

Recommendations, which were relayed to the Commonwealth heads of government meeting, were based on the urique opportunity that the Commonwealth Wis expected to have on the forth coming World Trade Organisation (WTO) talks in Stattle

It was also hosed that Commenwealth heads would genuinely embrace the private sector as a partner

Recommenda tions on trade policy included pressing for the

pressing for the vigorous implementation of the Uruguay Round of trade talks, ensuring the WTO maintained its focus on trade issues, calling for the Millennium Round of ne gotiations to have a balanced

agenda focusing on market access and calling for the WTO to look into trade facilitation

Commonwealth heads of government were also urged to put into practice a recipie amed at attracting direct foreign investment. This included ensuring political stability, the rule of law and the enforceability of contracts, putting into place macroeconomic policies that progressively reduced inflation and fiscal deficits and that managed exchange rate depressions gradually, and the enforcing of transparent and predictable regulations.

"Foreign direct investment especially large flows, depend on the estent to which governments create these conditions not just endorse them." it was pointed out

The forum also called for stronger action against corrup tion and greater transparency on business transactions

462 SMEs get support from flush Business Partners' fund (30) CT(BR) 17/11/199

Johannesburg - Business Partners, the unlisted financial services group that invests in small and medium-sized enterprises (SMEs), said yesterday that it had managed to grow its business investments by R22,2 million to R682,4 million for the six months to September 30 1999.

"This growing trend in the company's investments indicates that there is currently a positive climate for SME start-ups or expansions," said Jo Schwenke, the managing director of Business Partners.

The company, formerly known as the SBDC, grew its headline earnings a share by 11,5 percent for the period, while its net operating income increased by 12,5 percent to R48 million.

A total of 462 projects amounting to R271,5 million were approved, of which 247 involved an equity stake in the

Schwenke said 32,2 percent of the 462 projects were to manufacturing concerns including abattoirs, bakeries,

bottling plants and mills.

"Investment in manufacturing concerns normally serves as an indicator that there is a positive climate for business, and we also believe that the recent cut in the bank rates have enhanced the positive business sentiment in the SME arena," said Schwenke. The balance of the projects ap-

proved included 27,7 percent in commercial businesses such as supermarkets, general dealers, bottle stores and butcheries, and 42,5 percent in service related businesses including hotels guest houses, service stations, fitment centres and dealerships.

He expected equity based funding to represent 85 percent of Business Partners' investments by the year 2002.

ETHE number of jobs facilitated or maintained through the company's business and property investment activities during the period under review is estimated to be around 7 000.

Programme links large and small businesses

Patrick Wadula

THE Small Business Project, a nonprofit organisation, aims to increase the corporate sector's involvement in developing small- and medium-sized enterprises through a variety of initiatives.

The project, which includes activities such as specialised research, project management, policy development and promotion, also promotes partnerships.

M17/11/99

Keith Herrmann, the project leader for legal and economics research, said that the worst problem confronting SA's young democracy was poverty, the primary cause of which was unemployment.

Economic regenera-tion and employment were vital to SA's growth and acceptance into the global market, he said.

Herrmann said that through the corporate small- and medium-enterprise development programme the project helped large firms to forge links with small businesses.

There are six local development programmes operating in small towns in four provinces and 22 companies are actively involved.

The rural есопотіс development initiative was a success, said Herrman. He said that one project attracted over R10m in investments over the past three years.

Capacity-building programmes were in place in 13 rural communities, which were impacting on the livelihoods of about 750 000 people.

LOWEST LEVEL SINCE 1997

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ANU MANCHIKANTI

LACK control on the Johannesburg Stock Exchange could possibly fall below one percent in the next few months, according to a report by BusinessMap, an investment company that tracks black empowerment

The value of black-controlled firms on the JSE fell from 6,8% of the exchange's total capitalisation to 3,1% in the past year, according

to BusinessMap.

The report asserts that black control is at its lowest level since 1997 and was reduced considerably after New Africa Investment Ltd (Nail) announced a plan for restructuring in October.

Nail, which will merge with insurance giant Metropolitan Life Ltd., previously accounted for 40% of black control on the JSE.

When defining black-controlled companies, BusinessMap considers black representation in equity, management and the board of directors. Simon Segal, a consultant to BusinessMap and author of the report, said that when black people are "calling the shots" at a company, it is considered black-controlled

Segal said unpopularity of these shares and an increase in the total value of the JSE had jumpstarted this trend. Black control could dip below one percent in the near future, he said, if a lack of investor confidence in black empowerment companies, caused by poor performance and bad publicity, continued.

Busi Mabuza, a portfolio manager at Investec Guinness Flight in Cape Town, said that the decline might have been caused by generally negative sentiments toward black empowerment companies feelings that were aggravated by the Nail announcement.

Emmanuel Lediga, CEO of Legae Securities Ltd., said that although the market presented favourable opportunities for these companies, financing was insufficient.

"The government has to come in here." he said. "If you look at other countries like Malaysia and Singapore, the empowerment movement was helped by the government, both in terms of funding and the opportunities.

"One way or another, the government has to supply some of the funding and persuade financial institutions in this country to invest in black economic empowerment.'

The government launched the National Empowerment Fund to sell historically-disadvantaged investors discounted shares in enterprises.

A study released in August by Legae Securities found that companies with a strong black influence on the JSE had increased from five percent in December 1996 to 17% in June 1999, indicating a growing spread of black corporate ownership.

Black influence, as opposed to black control, indicates that 10% of voting control of a company can be traced to black people, according to Legae Securities.

Legae also found that there had been little focus within many of these companies, with only a limited number demonstrating ability to add value to their investments.

The lack of focus of many of the black empowerment companies had been problematic, said

The success of these outfits would depend on how the companies chose to focus and develop, as well as long-term commitments by individuals within the financial community to black empowerment, he said.

Lediga said he was unsure whether black control, would fall below one percent in the next few months. "Every person who works on BEE (black economic empowerment) works on different numbers," he said.

Between 1985 and 1995, five companies - Anglo American, Sanlam, Liberty Life, Rembrandt and SA Mutual - controlled 80% of the JSE's total capitalisation.

Meanwhile, Sapa reports that nervousness about employment equity legislation comes from white South Africans, not international investors, according to Trade and Industry Minister Alec Erwin.

"We must stop being our own problem," he told the National Council of Provinces in a special debate on the economy.

"In fact what the international investors say to me is: 'Your business people really amaze us — that after so many years they haven't woken up to the fact that they're still too white'."

Anyone in business in a country such as South Africa, who after 20 years had only one black manager, had to know they were doing something very wrong. He guaranteed that anyone who could not comply with the act would be out of business in five years.

Seibsa a major boon for SMEs

Peibsa (Services for Enterprise Improvement and Business Start-ups Africa) was officially launched on October 22 this year. Apart from South Africa, the International Labour Organisation's (ILO) Start and Improve Your Business (SIYB) Programme is available in more than 40 countries (20 in Africa) where it has achieved success in developing a culture of entrepreneurship.

The ILO established operations in South Africa more than five years ago to deliver its courses locally.

Wawa Damane, the chief executive of Seibsa, explained its focus: "Part of South Africa's aparthed legacy is a structural weakness in job creation. We have witnessed growing unemployment in South Africa, exacerbated by the fast-changing business environment.

"The removal of various controls and protective import duties has caused many retrenchments in affected industries. The large corporates are shedding jobs rather than creating them, and only the small and medium enterprises (SME) sector offers the hope of job creation."

Large corporations throughout the world have a poor record of job creation. Under pressure to improve shareholder returns and productivity levels, they have been engaged in continuous bouts of right-sizing, down-sizing and retrentments.

What South Africa needs is a vibrant small business sector. It is the most obvious gap in the commercial fabric of the country. Growth in the small business sector has been insufficient to offset job attrition among large corporations. Some estimates are that as much as 40 percent of the po-



SUCCESSFUL VENTURE (from left) Wawa Damane, Seibsa, Ken Kwaku, MIGA and Judica Amri-Makhetha, ILO

tential work force fall outside the formal sector

Government's stated goal is to bring closer together the formal and informal sectors. But lofty ideals are severely hampered by a paucity of small business support institutions catering to the development needs of small-scale entrepreneurs.

The biggest constraint to the

The biggest constraint to the development of a viable small business sector is the skills shortage in South Africa

skills shortage in South Africa.
Recognising this constraint, Seibsa stepped into the breach by offering affordable management training programmes for emerging and small-scale entrepreneurs in southern Africa, which are nevertheless robust and flexible enough to meet the needs of virtually all small-scale entrepreneurs from retrenched workers to university graduates

According to research, about 30 percent of SIYB trainees go on to start their own businesses and some 10 percent of SIYB trainees improve their business on completion of the training course

Since being introduced to South Africa in 1995 by the ILO, there have been more than 15000 emerging and small-scale entrepreneurs, a large percentage of them women, who have graduated through the SIVB course, The courses were presented through 135 SME training service provider organisations.

The ILO follows a novel methodology - it enters a country with the goal of eventually handing over the running of the programme to a locally based gramme to a locally based gramme.

gramme to a locally-based agency.

Damane said: "Our licence arrangement is unique for the ILO. In the 40 countries in which it operates, it transfers the re-

sponsibility to manage and mont tor the programme to an existing training sector institution. In recognition of the unique history of South Africa and the educational disadvantages suffered, it was decided not to follow the traditional route, but to hand over delivery to a non-profit organisation."

This is where Seibsa came in It has taken over the presentation of the courses from the ILO under licence

Seibsa is a membership-based, non-profit organisation which is li-censed to publish and distribute the ILO's SIYB training materials and to market their use. But it does not train prospective entrepreneurs directly. Trainers from the member organisations are li-censed to do the training, a method the ILO has adopted throughout its global network.

Judica Amri-Makhetha, the deputy director of the ILO in South Africa, said: "We conduct programmes in various countries on the basis of building capacity within a specific time frame in that country, at the end of which we hand over the operation to an organisation within that country it is an existing training institute that fits our criteria

"Because of the historical lega cy in South Africa, there were no organisations fitting our criteria at that time, as many institutions were in a state of transition

So we sought an alternative route. We were running our programme independently of any organisations, and we brought together all the users to form an advisory board which tooked at how South Africa could take ownership of the programme.

ership of the programme.

"The users decided to form themselves into a non-profit company to house the capacity to de liver SIYB to southern Africa"

In this manner, Seibsa was born Seibsa has now severed the umbilical cord with the ILO, and is a self-sustaining business

The ILO continues to provide technical assistance, its primary goal being to facilitate Seibsa's expansion into neighbouring countries, replicating the formula established by the ILO in South

Africa Seibsa already covers South Africa, and distributes materials to Namibia, Botswana, Swaziland and Lesotho on demand

"We want to be the catalyst for Seibsa to help other countries," said Amri-Makhetha

The ILO is keenly following Seibsa's progress in southern Africa, hoping to develop an alternative means of disseminat ing its programme to the world.

Swedish-SA fund to help SMEs

By Shadrack Mashalaba .

NEW fund to assist the small and medium enterprises (SMEs) in both Sweden and South Africa is to start operating next month.

The R70 million initiative, under the aegis of Swedish-South African Business Partnership Fund (SSBF) will offer support to SMEs to effect cooperation, supply, production and marketing of products between the two countries.

SSBF chairman Dr Gabor Bruszt said the fund will provide risk guarantees to both potential and viable SMEs.

The fund will be launched today by Swedish prime minister Göran Persson.

Its primary objective is to stimulate economic growth by creating sustainable and viable business partnerships between the two countries. SSBF will also speed up transfer of technology and management skills and bring entrepreneurs from historically disadvantaged groups into the mainstream of business.

Bruszt said the fund "will have a bias towards black business". The fund will target Swedish companies looking for business in South Africa and also local companies who want to extend

their business to Sweden.

He said up to R45 million of the fund's capital will be invested in businesses as part of a joint risk sharing scheme. The balance will be used on promotion and administration activities.

According to Bruszt, only businesses with long-term viability will qualify for assistance. These include businesses operating locally and those that are involved in the export market.

While the fund will offer no minimum assistance, SSBF deputy chairperson Pam Mgulwa said assistance will be limited to R1,85 million.

Bruszt and Mgulwa said they were looking at other local financial and developmental institutions to partner SSBF.

Established as a section 21 company, SSBF has been in existence for a month. It has seven board members – four are South Africans and three are Swedish. It is a bilateral government venture.

"The two parties are father and mother of the fund. The fund will operate independently at arms length from the bureaueracy," Bruszt said.