

REMARKS BY MEC MICHAEL MABUYAKHULU ON THE OCCASION OF THE
WOMEN AND YOUTH CO-OPERATIVE INDABA COCKTAIL HELD AT THE
PIETERMARTBURG CITY HALL
04 FEBRUARY 2014

Programme Director,

His Worship, the Mayor of Msunduzi Municipality, Cllr Chris Ndlela

The CEO of Yello Dot, Mbuso Madondo

Ladies and Gentlemen;

All protocols observed

It is a pleasure for us to address this evening's gala dinner, an event which precedes a two-day indaba focussing on the salient issues of women and youth economic emancipation in our province and indeed the country.

It is perhaps apt that we first start by acknowledging with gratitude the forethought of Yellow Dot, a youth owned organisation, for convening the KZN Women and Youth Co-operative Business Indaba.

This, in our view, mirrors precisely the kind of stewardship and entrepreneurial mindset requisite to take the fight to the dearth of growth as well as overall economic development in the Province.

Programme director, the tumultuous economic times in which we live, where we daily witness once perceived global economic powerhouses rapidly losing momentum, dictate that those with an entrepreneurial flair are properly guided and assisted in order to take advantage of the opportunities that have appeared as a result of the shifting global economic trends.

The quagmire of the global economic meltdown visited upon the world some six years ago brought with it the need to create a strong SMME and Co-operatives sector, one that is capable of creating jobs and contributing to the economy.

In this regard, we view the small business sector, youth and women owned enterprises to be precise, as a major trump card in the development and growth of the economy. According to recent economic indicators at least 30% of the world's gross domestic product is derived from SMME economic contribution. Countries

such as China and Malaysia have demonstrated that the Small business sector can have a meaningful contribution to the National economy. For example, in China, SMMEs account for 99 % of all enterprises and create 75 % of new jobs in urban areas.

To this end, our government is taking seriously lessons learnt from international best practices. We have made economic transformation an apex priority in our country. Business Development – and as I have already indicated – women and youth owned enterprises lie at the core of our government's agenda to address the triple challenges of poverty, inequality and unemployment. We are encouraged by active participation of other sectors of the society and the private sector in our efforts to transform the economic landscape of our country and province. We have exhorted state-owned entities to also play an active role in the value chain such that we create greater synergies aimed at supporting the development of the SMME and Co-operatives sector.

At the same time, we encourage small businesses in particular, to seize opportunities created by government through initiatives such as the BBB-EE. In our province for an example, the cabinet approved a resolution in 2011 on preferential procurement for the provincial government to spend 85% of its budget on SMME's and Co-operatives from 2012 onwards.

In this regard, the Department of Economic Development and Tourism has maintained a deliberate posture towards broadening the economic participation of youth and women enterprises.

Programme Director, we are already at an advanced stage of finalising the draft KZN Women Economic Empowerment Strategy, a blueprint for further engendering an entrepreneurial mind-set in the province.

The main objectives of the strategy are to:

- Increase provincial, local and district government support for women economic empowerment in the province
- Achieve a greater contribution by women entrepreneurs in local and district economies; and

- The creation of job opportunities to reduce unemployment and poverty.

We have compiled a database of women that are involved in the previously male dominated sectors of constructions and mining. This database reflects no less than 360 000 women and we are also working hand in glove with the SA Women in Construction as well as NAFCOC Women in Construction on the fields of developing skills in Training, Strategy Development as well as Administration Support. Equally, we have also facilitated opportunities in mining for 110 women, who were offered workshop opportunity identification and access to markets.

On the youth skills and entrepreneurship development front, the Department has recently revised the provincial Youth Economic Empowerment strategy resulting in the KZN Youth Economic Empowerment Strategy (YEES 2014-2030). Amongst a number of strategic interventions identified by the YEES 2014-2030 is the **enterprise development pillar which** advocates for driving Youth economic participation through sector focused initiatives with added emphasis on the following sectors:

- Manufacturing
- Maritime
- Agriculture and Agro-processing
- Tourism
- Textile and Clothing

The strategy also identifies Co-operatives as a model of driving massive youth economic participation in the prioritized sectors. Moreover the Co-operative model is also recommended to be linked with the youth employment creation programmes of the province and in this regard, focusing on the “Green Economy Sector”. The strategy proposes the “Green Army initiative” wherein youth from all over the province will be trained on various green economy sub-sectors and be assisted to form Co-operative businesses that would allow them to implement what they will learn and ultimately manage viable businesses in this sector, which will create employment opportunities.

Looking at facilitating access to funding, our provincial developmental finance entity, Ithala Development Finance Corporation, has ring-fenced a sum of R15-million in the form of the Imbewu Loan Fund to be disbursed solely to youth owned enterprises in KwaZulu-Natal.

Nationally, our government also contributed to the signing of an agreement between the China Development Bank and the IDC to access 100 million US dollars for small business lending at favourable terms.

However, Programme Director, I hypothesise that whilst vitally important, funding alone is neither the proverbial silver bullet nor the sole ingredient that it is often made out to be when it comes to nurturing and growing our SMMEs and Co-operatives. We hold steadfast to the view that funding interventions need to be complemented by robust business support interventions, with a strong educational focus that provides SMMEs and Co-operatives with training, relevant information and indeed networking opportunities. Our intention is not to merely throw money at SMMEs and thereafter leave them in the lurch; without the necessary training and support, hoping that they will make it on their own.

It is for this reason that we came up with the KZN Co-operative Development Strategy.

The strategy identifies the following strategic pillars in support of sustainable co-operatives:

- Promotion and Initiation of Co-operatives
- Capacity Building and Skills Development for Co-operatives
- Support for Co-operatives to Access Finance
- Facilitate access to markets
- Establishment of a Service Delivery Mechanism
- Building of a Supportive Institutional Systems

In this regard, ladies and gentlemen, we seek to create a new breed of entrepreneur – one bent on acquiring skills that will help them improve and grow their business

and, more importantly, one that will create jobs and contribute to the economy of our province.

In this regard, we are continually striving to create a competitive small business sector, and the KZN Province has, during the 2013/2014 financial year, allocated additional resources in support of Small Enterprise Development.

In recognizing that one of the constraints in the success of co-operatives is access to finance, the department continues to budget and transfer funds yearly to Ithala Development Corporation Limited for on lending to co-operatives. To date R314 500 000.00 has been transferred to Ithala Development Corporation Limited. To date Ithala has disbursed in excess of R215 005 220.00 to co-operatives who would otherwise not been able to access finance under normal funding requirements by commercial institutions.

As the KZN Department of Economic Development and Tourism we are constantly looking to forge collaborations with other like-minded stakeholders with a view of further nurturing small business development programmes in the province. This is in line with the New Growth Path, which amongst others, identifies the need to support entrepreneurship with a more rational and integrated institutional framework for small business.

However, we want to say that we are not content with Co-operatives merely operating at a local level. The advent of the creation of two Special Economic Zones in the province, being the Dube Trade Port and the Richards Bay IDZ, as well as industrial economic hubs in all districts which will form a critical element and feeder to our designated special economic zones places the ball squarely in the court of co-operatives to seize the moment. Each and every district will focus on the aspect of economy in which it has strong comparative advantages. More importantly the hubs will have backward and forward linkages with the identified SEZ.

It is our considered view that youth and women owned Co-operatives will gradually undergo a metamorphosis from being local players to being regional and even international contenders where they are able to export their produce to other countries thus contributing to growing the GDP of the province.

Programme Director, according to the Edinburgh Group, a coalition of 14 accountancy bodies from across the world, representing over 900,000 professional accountants in countries from Africa, North America, Asia, Australia, Europe and Latin America, SMMEs and Co-operatives play an important role in the world economy and contribute substantially to income, output and employment.

In every region, SMMEs make a huge contribution to gross domestic product (GDP) and employment.

It is estimated that more than 95% of enterprises across the world are SMMEs, accounting for approximately 60% of private sector employment (Ayyagari et al. 2011).

In countries like Japan, which has the highest proportion of SMMEs among the industrialised countries, SMMEs account for more than 99% of total enterprises. Our BRICS counterpart, India, according to its Ministry of Micro, Small and Medium Enterprises, had 13 million SMMEs in 2008, equivalent to 80% of all the country's businesses. In the case of our country, it is estimated that 91% of the formal business entities are SMMEs.

Estimated data for the 27 countries in the European Union for 2012 also illustrates the importance of SMMEs, where this sector accounts for 99.8% of all enterprises, employs 67% of all workers and contributes 58% of gross value added – an important contributing factor in the overall GDP.

Programme Director, this pointedly suggests the need to nurture and support SMMEs and Co-operatives if we are serious about driving economic growth and employment creation.

We are also acutely aware of the need for us as policy makers to consider the following in order to ensure that our SMMEs and Co-operatives remain relevant and vibrant in the global economy:

- Identify any additional information and support mechanisms that can be targeted toward SMMEs to encourage their involvement in fast-growing economies.
- Look for opportunities to reduce unnecessary red tape and regulations concerning international trade and investment.

- Create clear signposting to help SMMEs identify and access the full range of financial support available for international activity.
- Assess whether additional targeted tax breaks could encourage SMME internationalisation, particularly in the aftermath of the global financial crisis when recovery is proving slow in many economies.
- Provide more proactive support to SMMEs in their planning for internationalisation, including support in identifying the most attractive, fast-growing international markets.
- Develop knowledge and information resources to guide SMMEs through the red tape challenge associated with international activity, and to help them access all appropriate sources of funding.
- Build relationships with banks and other key financiers of international investment and trade, to facilitate introductions between these funding sources and SMME clients.
- Identify where SMMEs are dealing in foreign currency and seek opportunities to provide value-adding advice in areas such as managing foreign exchange risks and forecasting currency needs.
- Consider whether additional networking opportunities exist to build relationships with other professionals or to help connect SME clients with each other to create mutually supportive environments and information channels.
- Assess how the proactive delivery of services targeted at SMMEs with international ambitions could help to grow practice income, as well as strengthening client relationships and the firm's wider reputation.

In conclusion, ladies and gentlemen, allow me to once again thank YelloDot for convening the Women and Women Co-operatives Indaba, we are certain that they will go a long way towards spurring our Co-operatives to make a success of their enterprises. Equally, we would also like to wish all delegates fruitful deliberations over the Indaba's 2-day duration.

I Thank you.