INFORMAL SECTOR - 1988
Informal sector provides 3.5 million jobs – Wilson

The Star, Wednesday, September 7, 1988

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masses of the unemployed
Informal sector soaring up

SEAN LINGSHE

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10 myths about small business

MOST people have their own perceptions of what small business is all about — these perceptions are not necessarily correct.

You must have substantial capital to start a business — As far as small business is concerned this is definitely wrong. In fact, the more successful small businesses are based on the skills of the owner rather than the amount of money he or she has available to start. If a person feels, “If only I had money to start I would”, then in most cases they are on the wrong track.

Banks don’t lend to small business — Commercial banks are falling over themselves to lend to small businesses. However, they are not in the business of giving money away. If an entrepreneur has done his homework and can produce a business plan that shows the viability of his venture he will get a loan. In addition to the commercial banks there are other organisations such as Get Ahead, the

THI$ weekMel Brooks, a senior consultant at Wits University’s Centre for Developing Business, examines some of the misconceptions that people have about small businesses.

Colgate Trust and the Northern Ventures Trust that will loan money to aspirant business owners. However, they are not charities and while they might not insist on things such as collateral they will insist on a professional approach by the entrepreneur.

Fall

50 percent of small business fail in the first two years of existence — Rubbish. A misrepresentation or misunderstanding of the statistics by many. The reality is that the statistics show that of all business that failed in a given period 50 percent were less than two years old.

Running a small business is more stressful than working for a large corporation — Not if you are a true entrepreneur who believes that he, and not outside factors, is responsible for his destiny. Individuals that are prone to stress in a small business environment will also be stressed in a large corporation.

Entrepreneurs go into business for the money they will make and what they can buy with it. Most entrepreneurs are not in business mainly for the money they will make. The main motivating factors are the desire for independence, the ability to control their own destinies and to utilise their talents more effectively than they can as employees.

Power

Entrepreneurs are in search of power — The need for achievement and the desire to show direct results from their efforts is a greater driving force than the quest for power. Small and home-based businesses’ products are inferior — One only has to see the crowds of people at flea markets, roadside stands mobile fast-food vendors to know that this is not true.

This statement is particularly not true of small businesses owned by craftsmen who have started up on their own.

Senior managers from the corporate environment always make good entrepreneurs — Firstly, good entrepreneurs normally leave the corporate world before they become senior executives. Secondly, senior people in big companies are used to so many support systems that when they leave they often flounder with doing everything from making the tea to renegotiating big contracts.
80 years on — and still the cafe-hawker row simmers

HAWKERS and cafe owners are arguing bitterly, accusing one another of territorial poaching.

The feud has been simmering since 1997 when hawkers first clashed with cafe owners.

The Catering, Tea-room and Restaurant Association (CTRA), representing the cafe owners, has launched a campaign to restrict hawkers by enforcing health laws.

African Council of Hawkers and Informal Businesses (AchiB) publicity secretary Vicki Sussens says that by disallowing this informal sector to develop, retailers are setting up a monopoly.

“Some manufacturers are supporting these carts, but they are scared to do so openly,” says Miss Sussens.

By Jane Dutton

“Employment provides a stable community. Hawkers do not spend their lives on the streets. Today’s hawkers are tomorrow’s shopkeepers.”

CTRA believes lower standards bring the food trade into disrepute. It says health laws affecting perishable food are difficult to implement and should be more stringent for hawkers.

Chief executive Frank Swarbeck says “It is unfair that cafes and small shops have to undergo strict health checks and not the hawkers.”

Miss Sussens replies “The health aspect is a red herring. If there were a problem, why have the public not complained?”

Hawkers have been receiving “smoke and smell” complaints since 1997 and she believes the underlying grievance is that of unfair competition.

“Cafes complain when a hawker is too close to their business and sells similar goods to theirs. That is silly because cafes have hundreds of different brands and hawkers only a few.”

Hawkers and cafe owners should not be fighting, says Miss Sussens. They could help one another by working together — people buying from a hawker could see something they want in a cafe, both sides benefiting.

Mr Swarbeck says “It is tough on cafe owners who pay a high rent when someone intrudes on their business. Overtrading can be a bad thing.”

AchiB disagrees, saying the success of Tembisa, which accommodates 2,500 informal businesses, is an indication that all groups can survive.

CTRA says “We subscribe to providing employment, but hawkers must stick to the rules.”

Mr Swarbeck says “It is ludicrous to say we don’t welcome competition. Cafe owners also have carts and we encourage this. The war is among the hawkers themselves.”
VEGETABLE PROJECT FLOURISHES

Budding gardeners of the FGU project at Kiptown squatter camp.

More than 100 patches, Mrs Eva Manyacha, kindly lent in her yard to give us a start. Now the garden has expanded into the next yard.

There are still more members clamouring for space. We have promised to start another garden as soon as the yard has a fence. Meadowlands residents have also invited us to visit them.

The vegetable patches can be looked after by the whole family and the excess vegetables sold to generate cash.

Sister Sarah Mohora, who is in charge of the Pinville garden, said it was heartening to see pensioners who were bored at home, given a new interest that was occupying them and giving them a little extra pocket money.

Mrs Nyland of FGU has compiled a step-by-step guide on the project which will be published in the Soweto.
SA businessmen urged to invest in informal sector

By Michael Chester

Investment by business in black education and housing should be matched by investment in the informal economic sector, Mr Lawrence Mavundla, president of the African Council of Hawkers and Informal Businesses, told a conference in Johannesburg at the weekend.

"Unless more blacks are given an opportunity to become economically independent, they will forever rely on the formal sector to provide housing and bursaries for them," he said.

"If a man has a means of earning his own living, not only can he provide housing and education for himself, but he also has the choice of deciding where he wants that housing and education to be, rather than be forced to depend on the choice tied to the requirements of the sponsor."

Addressing an "Update" conference run by the Aiken and Peat firm of accountants, Mr Mavundla said investment in the informal sector could offer businesses a positive profit return by exposure and entry to new and widening markets for their products and services.

He quoted estimates by Professor Brian Kantor, head of the business school of the University of Cape Town, that the informal sector now contributed 40 percent of the national economy over and above the official measurement of gross national product.

In 1984, he said, there were said to be 7.2 million black students at school, but an independent survey had found that accommodation at third-tier level was limited to only 15 900 a year.

"This compounded the problem of unemployment, which Cosatu's unemployed workers' co-ordinating committee believed now stood at 6.5 million."

The solution lay in black economic independence.

Travel agents set for Perth

South Africa will be represented at the 22nd world congress of the Universal Federation of Travel Agents' Associations (Uftaa) in Perth next month, which takes place with the blessing of the Australian government, says Uftaa director Mr B Singer.

Oil firms will ask for more

By Claire Robertson

Oil firms operating in South Africa are to approach the Government to ask for a larger slice of the petrol price so profits will not be threatened by a drop in demand following a recent retail fuel price rise, according to Mr John Drake of Shell.

Mr Drake, who is the managing director of Shell's oil division, said the oil companies were concerned that a number of factors could affect their margins.

These included a possible drop in demand, rising inflation and a sudden change in prices set on the international market.

Oil firms received about four percent of the price paid by the consumer. They did not share in the recent retail price increase and had not had their portion of the price increased for about two years.

Mr Drake said he did not foresee an increase in the consumer price if the adjustment was granted by the Government.

Oil firms' results had been helped by a buoyant demand before the recent increase, but were hindered by inflation and could be further harmed if demand dropped.
DELEGATES at a business seminar in Johannesburg were last week urged to look at factories and identify operations that could be handled by the informal sector.

Self Employment Institute director Theo Rudman told a conference entitled Spotlight on the Black Market: "By farming these operations out, you reduce the resources and capital required for your operation and, as a result, could improve your profitability."

He gave a case of a large importer who wanted 1-million steak and kitchen knives a year and went to Japan to check the production facilities of a proposed supply company.

After some reluctance the Japanese showed him the facilities "There was no factory to speak of other than a large packing and shipping warehouse Their quality products were made in the informal sector."

"He saw numerous backyard operations that undertook one specific manufacturing operation in each. The components were rushed from one backyard operation to another in trailers pulled by motorcycles and in small vehicles."

Rudman told the businessmen: "This is one of the secrets of the Far East. This is one of the solutions for the SA economy. What we need in SA is more jobs and more exports to generate foreign currency."

Call for more use of the informal sector.
How to Grow Your Own Vegetables at Home

A GROUP OF WOMEN OUTSIDE THEIR OWN GARDENS

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WOMAN

SOMERSET, THURSDAY, OCTOBER 11, 1998
Bifsa aiming to open doors to all

By Frank Jeff

CAPE TOWN — Of all the good intentions to emerge from the annual congress of the country’s builders here, the determination of the establishment to strive for a total industry without race barriers was decidedly clear.

And what was of even greater importance was the signal from the informal sector and the “small man” that they were ready and willing to join the club without divisions provided the old traditions are swept away and the black man is brought into the decision-making process and management participation.

Certainly, the industry has been left in no doubt that the time for talking is over and that concerted action is long overdue.

Enthusiastic about the challenges ahead was the outgoing president of the Building Industries Federation, Mr Neil Fraser, who, in his valedictory address told delegates: “The informal sector represents a virtually untapped, potentially limitless growth area in the economy. It’s recognition, accommodation and assistance through planned and controlled deregulation is a priority.”

And, undoubtedly, taking up where he has left off will be the builders’ new top man, Mr Basil Thompson, who made the point that as a labour-intensive industry, the building sector’s goal should be the upliftment, both economically and socially, of its workforce.

“We have been concentrating on industrial relations and loss control and safety and rightly so but I am also committed to getting Bifsa involved with the people factor in a wider sense,” said Mr Thompson in an interview. This has to be done at grass roots level and in areas of education of population control and improvement in the quality of life.”

He made the point too, that the rank and file builders are Bifsa’s people and that the federation must have to show a lot more credibility in its dealings with them.

“If you leave it to the bureaucrats to do that job, they are immediately suspect,” said Mr Thompson.

The new president has the task of addressing the industry’s concern in the areas of small business and deregulation and pledges his federation “to take it a full go”.

Throwing home the point was Mr Reve Khoza, chief executive of Co-ordinated Marketing and Management, when he told delegates, “Your industry is hampered by hearing black aspirations because its management structures are almost totally white.”

Delegates were left in no doubt that deregulation must go hand in hand with informal sector advancement, at the same time, the sense of co-operation and understanding which now prevails was underlined by Mr Solomon Rammula, Town Clerk of Atteridgeville when he said: “The informal sector should thrive even more in the friendlier atmosphere being created.”

He also pointed out, however, that while legislation for Government business only, private enterprise can do much indirectly. “So long as black business sheltered behind and invokes laws which discriminate against black business, there is little incentive for the authorities to change them.”
A DYNAMIC industrial sub-contracting sector needs to be developed to achieve international competitiveness in many SA industries, Board of Trade and Industry (BTI) chairman Lawrence McCrystal said yesterday.

Speaking at a Cape Town conference on opportunities for big business and local authorities in formal and informal businesses, McCrystal said the local industrial sub-contracting infrastructure was relatively undeveloped.

A recent BTI survey had shown nearly 40% of SA machinery, transport and related engineering industries were constrained in respect of local manufacture, design, development and sub-contracting.

Small companies' 19% contribution to the total value added by manufacturing compared unfavourably with other countries, including Japan (58%), the US (37%) and West Germany (44%), said McCrystal.

Their growth could be promoted by introducing a satellite-centre system in which an assembler (centre) was committed to buying from designated sub-contracting suppliers (satellites). The assembler could also provide design and quality control assistance, training and even technical advice.

The intimate satellite-centre relationship could be applied to a raw-material supplier and a variety of processing sub-contractors, said McCrystal.

The sub-contracting sector's undeveloped nature could be attributed to SA's tax system, interest rate policy and inflation.

Demand for sub-contractors' work had traditionally been limited in SA, said McCrystal. Licence agreements, foreign control and attitudes that imported goods were better than local equivalents, mitigated against local industry.
Black business begins to flex its muscles

HELOISE HENNING

The slogan is Keep the rand black. Behind it lies a campaign to encourage black people to save at black banks and spend at black businesses.

The effort to harness black buying power and business enterprise for the further advancement of black people is being co-ordinated by the Federation of African Business and Consumer Services (Fabcos).

Fabcos will be officially launched in February, but already it has a membership of organisations representing a million black people.

Founder members of the federation are the Black Consumer Union — SA’s largest non-political black federation — the SA Black Taxi Association (Satta), the National Hawkers Association, the Association of Stockbrokers, the African Building Association and Sechaba Sawo — a group of small general dealers based in Soweto and the East Rand.

Organisers in Pretoria have already begun with the seminars, are busy planning its first year’s budget of black, and recruitment is already under way to attract all black businesses and the widening of a regional office network.

Fabcos hopes to broad its membership to include black people in the financial, retail, manufacturing, agricultural, mining, medical and publishing sectors.

The African Bank has been approached to be the federation’s bank.

Fabcos plans to keep the rand black by giving every member a debit card, based on its “smart card” technology, that will give the consumer access to businesses that are Fabcos members. Members will also be able to buy from white businesses that have agreed to provide discounts to Fabcos members or, if given their black employees shares in the company.

One of the organisers describes the process as the beginnings of a black economy to complement the formal white economy and the black economy.

“Black business has been starved against chains that have tied it to the kick-off blocks. But the white runner is slowing and the black runner is putting in a concerted effort to catch up,”

Soweto editor Aggrey Klaasen last month launched the newspaper’s Nation Building campaign for black-owned businesses.

Fabcos co-ordinator Mike Ntabling says his reply to Klaasen’s challenge is that Fabcos will be one of the black banks in the building of a new SA. It will use the combined negotiating power of the black economy.

Fabcos has employed its fore-runner and major member, Satta, which emerged from the so-called informal sector as a group of taxi-drivers who managed to break the monopoly of the SA Transport Services and white-owned subsidised bus companies.

Satta has become a prime mover in the retail sector. The 100,000 member body already owns 18 service stations in the soweto area.

Fabcos chairman James Chapman says this has come about through the business’s strength to negotiate the deal.

Chapman himself is a service-station owner supplying petrol and services to a burgeoning black market.

The Marabastad taxi ranks. His business more than doubled with the black trade.

Fabcos says African Bank CE Gaby Magomela says discussions are still being held with Fabcos about organising the “smart card.” It is premature to comment on the issue.

But, he says, it is fair to assume the bank will be in charge of the debt card system for members and admits that “keeping the rand black” will certainly boost the bank, which is small compared with white-controlled financial institutions.

He says the bank is in establishing the Association of Stockbrokers — a black banking method of sharing a revolving pool of funds.

Magomela says the association is still at an early stage. In soweto alone there are more than 2,000 stocks that need to be approached and coped with organisation, the outlets can become mini-banks.

“Securities are only in its infancy, but through strong organisation and following other examples, we will be able to develop a formal financial institution in just a few years. This will only be if there is no interference from the powers that be.”

Organisers say white business ignored Satta when it was formed last year, but cannot afford to ignore the emerging force of black business.

“White business has decided either it gets into bed with the black informal sector, or it goes to bed alone and is doomed,” Ntabling says.

“We need to get a handle on how to gain mass and slow down this velocity. At the bank we do not know how to go about it because stockbrokers rest on the availability of funds and not amusing investment through interest attraction.”

Recently the Pw19 was able to attract him from a BXX stock over a well-designed investment package. Another bank has studied the black banking phenomenon but has not yet done anything, Magomela says. The African Bank is moving slowly but is making a concerted effort.

Founder president of the Black Consumer Union Nestor Kamas says the union has done much to educate consumers on their rights and to demand higher standards of service from black businesses.

She says black business has been blamed for keeping black-market prices. But they are prices that are the result of the disinformation about having to transport goods over long distances from wholesalers and manufacturers. In selling where they did, they had no choice.

Black advancement is, however, still hampered by the lack of free entry through discriminatory legislation and a government commitment to focus on white vested interests.
Hawkers hit at Govt, private sector

By Janet Heard

The African Council of Hawkers and Informal Businesses (Achib) launched an attack against the Government and the private sector at a meeting recently, saying that while they spoke loudly about boosting the informal sector, they did not grasp the problems hawkers experienced.

Reacting to raids on hawkers, Achib president Mr Lawrence Mavundla said harassment affected the economy indirectly.

He cited as an example two hawkers, Mr Kleinbooi Matsegeg and Mr Peter Maluleke, who lost a combined income of R1500 and had R3,000 worth of goods confiscated in a week.

"This money should be pouring back into the economy and not into the coffers of the council, where it is spent on policing more hawkers," Mr Mavundla said.

Mr Matsegeg left his nephew in charge of his stand while he went to buy more stock. His nephew was fined R100 for not having a licence and over R2,000 worth of goods were confiscated, Mr Mavundla said.

Mr Maluleke was fined for blocking the pavement. When he went to retrieve his goods from City Deep market, he said he received only one carrier bag of cosmetics. He said more than R1,000 worth of goods was missing, but he could not prove this because the officials confiscating the goods did not make an official note of his goods.

"When hawkers are primed by many researchers to make a major contribution to righting the economy and solving unemployment, it is a poor show that they are still being treated in this manner," Mr Mavundla said.

An spokesman for the hawkers' squad at the Johannesburg traffic department, Mr Eric Hill, said people were not fined at the scene, but they and their goods were taken to City Deep market, where they were issued with a receipt both parties agreed to. When the fine was paid, the goods were returned, he said.
Call for more home industries

CAPE TOWN — Laws that turn honest people into criminals because they run home businesses or backyard industries should be swept away, says the director of the Self-Employment Institute, Mr Theo Rudman.

Speaking at a conference in Cape Town, he said a rapid expansion of home industries and backyard operators was the only way the country could provide urgently needed jobs and repair its "mortaliy wounded" economy.

Local authority laws stifle this expansion. For decades local government officials have discouraged home operations. He urged big business to use its power and influence to remove unnecessary regulations.

He said the country produced more than two million school leavers between 1980 and 1987, but did not provide one single new job for them in the formal business sector. "In fact we went backwards — there were 150,000 fewer jobs in 1987 than in 1986." — Saps
Suppliers ignore this massive black trade at their cost

A huge informal retail business, with a turnover possibly exceeding R3bn a year, is mushrooming in SA’s black townships. Yet manufacturers, and to a lesser extent wholesale chains, inadequately understand this market and its potential. This is an extract from a study by the Trade Opinion Panel of Perry & Associates.

The wage bill depends on the number of employees at each outlet. This will range from one to six. The smallest outlet could employ three or four assistants in the larger outlets. Wages are usually low, paid weekly in cash, probably with no deduction.

In the early stages of development of a spaza shop, before the necessary licences are obtained, additional costs in the form of bribes are incurred.

The spaza shop is a fairly substantial customer for the wholesaler and a significant distribution channel for the manufacturer. It is big enough to remain profitable and to constitute an important channel for reaching the mass market segment of black consumers living in urban areas.

There are individuals in the township who rent out their vehicles to spaza shopkeepers on an agreed rate per day to transport stock to their stores.

One example was a traffic policeman in Tembisa who rented out his private car for R50 per day, plus the cost of petrol.

Another method is to use ‘runners’ who make their living from transporting goods for spaza shopkeepers from the wholesaler to the shops.

These people often park outside the wholesalers’ cars and tout for business.

Although the majority of spaza shopkeepers appear to pay GST on products at the wholesalers, many say they pay cash simply to the Receiver of Revenue and have a GST exemption certificate for wholesale purchases.

As the minimum turnover requirement to claim a VAT refund is R50 000 per annum, it seems possible that many of the outlets visited may have exemptions.

Most of the business owners interviewed by the author had been visited by a staff member of the receiver of revenue. Companies whose products were stocked in the store had all met with the cold drink distributors. Contact occurred with the driver or salesperson of the dairy and bakery delivery trucks.

It would appear from discussions with manufacturers and wholesalers that the major obstacle preventing expanded business with the informal sector is lack of knowledge.

Representatives from suppliers and the wholesalers should go out into the markets to see exactly what is happening.
Product choice will be limited

By Ann Crotty

In the longer-term the choice of products in SA stores will become more and more limited, says Mervyn King, executive chairman of the Frame Group.

He told delegates that there would be fewer imported goods on the shelves, black spending power will exceed white spending power, the target market will be colour blind and there will be many smaller stores to accommodate the "successful" informal trader as he grows.

In the shorter-term, he said, import surcharges, a weak rand, rising inflation and an economy applying the brakes will impact on the distribution industry.

Mr King also listed a number of factors that would continue to impact on the distribution industry to the turn of the century.

"The spending power of the non-white shopper, the increase in demand for late-hour and week-end shopping and the establishment of secondary shopping centres at major commuter points have resulted in the non-whites and the underprivileged classes generally being able to be more mobile."

The consequence of this increased mobility is that shopping patterns have changed in the CBD areas which has meant that merchandise mixes in stores have had to alter.

"The mix is interesting because the bulk of the trade is done with the non-white shopper and yet merchandise must be kept for the white shopper who does his shopping at lunch times during the week."

Referring to squatters, Mr King stated that it had to be accepted that these people are not going to go away, and "like the pavement traders, one has to start accepting the inevitability of their presence."

The authorities have to try to realise the situation and improve their lot."
Town planner with a mission

Johannesburg's new town planning chief plans to get tough on people running businesses illegally from home and developers who jump the gun before their plans are passed.

Mr Eddie Magid, an independent councillor serving on the National Party management committee and a staunch ratepayer-association man, also plans to encourage these committees' fuller participation in the affairs of their suburbs.

"Let me first dispel repeated allegations of so-called secret planning in Johannesburg. There is no secret planning in this city, but there certainly is a measure of confidentiality in the public interest. This is absolutely necessary if one bears in mind that some plans might never come to fruition but that advance publicity could influence buying and selling of land property," he said this week.

MAJOR FOCUS

"On the other hand, it is important to know exactly what the town planning department is applying its mind to; once decisions have been taken.

Proliferation of businesses in residential areas would be a major focus of his department.

"But first I intend to put the council's side in order, then I will clamp down hard.

"From our side, I have asked planning director Mr Nois Cronje to streamline the processing of plans. In the past 18 months there has been an unprecedented improvement in cutting down on delays for the approval of plans, but there is still room for improvement.

"Once that side is operating with maximum efficiency, developers must take full responsibility if they choose to proceed with buildings before plans have been approved. We will come down hard on them if they transgress the building survey department requirements and we will not hesitate to force them to demolish or rectify if they flaunt the rules.

"Simply put, I will not condone any irregularities," Mr Magid warned.

"We'll then also come down hard on business intrusion into residential areas, using inspectors to investigate on their own initiative instead of relying on neighbours, ratepayer bodies or councillors to complain about illegal home businesses.

"What is happening now is that after an illegal operator is reported, he simply continues with his often long-standing illegal use while entering into a lengthy correspondence with the council. When he sees he cannot get away with it, he puts in a consent-use application and the council backs off while the application is being considered, and another three or four months elapse.

"I intend to obtain a directive from Johannesburg's chief magistrate whereby anyone flaunting the town planning regulations will be fined retro-
Many people take the view that we are in a laissez-faire financial world, where the all-powerful investor in an unregulated and unaccountable market is king. However, this view is misplaced. It is not the market that is the problem. It is the lack of regulation that is the problem. Regulation is essential to protect the interests of the investor and to ensure that the market functions fairly.

The need for regulation is particularly acute in small businesses. Small businesses often lack the resources to hire lawyers and accountants to help them navigate the regulatory maze. They may also lack the sophistication to understand the implications of the regulations that do exist. As a result, small businesses are often at a disadvantage in the marketplace.

The Small Business Development Corporation (SDBC) recognizes the importance of regulation in protecting small businesses. The SDBC's loan criteria are designed to ensure that only businesses that are financially sound and have a good chance of success are granted loans.

The SDBC also requires that the small business must be independent. This means that the business must have its own assets, not be dependent on the assets of others. This requirement is necessary to ensure that the business is able to survive in the long term.

In conclusion, the SDBC's loan criteria and the need for regulation demonstrate that small businesses require regulatory protection. Without regulation, small businesses are likely to be at a disadvantage in the marketplace.
With the build-up of the informal building sector gathering tempo, the country's biggest brick producer, Corobrik has launched a new distribution strategy which will make supply easier.

A change in the pricing structure, too — there will be no impact on the cost of bricks — will also be a boon in stocking back-up service.

Under the new set-up the black builder will get bricks where he needs them and when he wants them.

"Corobrik is breaking away from two price lists — one for the trade and one for retail — and combining both under one price which will carry volume and trade discounts," says Mr Brian Waberski, managing director of Corobrik's Transvali operation.

There will now be a time-and-cost saving for the small builder who will no longer need to go to the factory but will deal directly with a distributor, who in turn, will benefit through discounts.

"The increase in home ownership in the black market has brought major changes to the building industry," says Mr Waberski.

"Large numbers of new contractors have entered the market, leading to a dramatic upsurge in the volume of small transaction brick purchases. Corobrik has established a network of appointed stockists who will be encouraged to offer a wide range of its products and to ensure that the small builder gets top service.

"We have also decided to base all future prices on the retail price schedules which have been in existence for a year," says Mr Waberski.

"Off this price list all customers will be granted discounts based on the volume of their orders. The recommended retail price list will come into effect on December 5.

"The new pricing structure will not affect the price to our existing trade customers and consequently, there will be no impact on the cost of building."
Two million new jobs had been created by the informal sector in its phenomenal boom in the 1980s, Mr Ian Hetherington, managing director of Job Creation SA, disclosed in Johannesburg yesterday.

Although unrecorded in official statistics, the new "people's sector" was an invisible powerhouse that now accounted for at least 25 percent of real economic activity in SA, he said.

And it was growing four or five times faster than the formal sector.

Yet big business had still not fully grasped the enormous potential mutual economic benefits of far closer co-operation with the thousands of mini-businesses springing up around them, he told a conference called to study how to bridge the gap between the informal and formal sectors.

The session was organised by Systems Conferences and the African Council of Hawkers and Informal Businesses.

Mr Hetherington advised South African business to learn from the success of Japan and other Far East economies, where small and medium-sized firms now accounted for 75 percent of total employment.

Two in every three small firms worked as sub-contract suppliers to the big companies - a network of satellites around the industrial giants that had proved the basis of economic success as low-cost, flexible and innovative producers.

Big business in South Africa still had yet to learn that two-thirds of all the best new inventions of the past 50 years had come from individuals and mini-businesses.

"Even those few local giants who are beginning to wake up to the fact that the people's economy is exploding with vitality and growth right under their noses have yet to come to terms with it," he said.

"Too often, they see it as a competitive threat to be curbed with yet more rules and regulations rather than as an opportunity to do profitable business"
Stokvel boss tells of trust fund plan

By Michael Chester

Mr Lukhele said the potential viability of such a trust fund was underlined by the fact that more than R200,000 was now changing hands every month inside black communities via a vast network of stokvel savings clubs.

Stokvels had already made a start in bridging the gap left by financial institutions in feeding credit to informal and semi-formal business ventures, where often the amount of capital needed was a modest R200 to R1,500 to start a hawker or taxi operator or shebeen in business.

At the moment, the Lebowa-based Lehaka Bakery was still the only black-owned company whose shares were quoted on the Johannesburg Stock Exchange and it had been forecast it was unlikely that the JSE would see many more black companies applying for a listing.

"Given a chance, blacks, with their own informal venture capital fund, can turn the tables — and also perhaps allow more blacks to start buying shares in white companies."
Informal sector 'under a mountain of rules'

By Michael Chester

Despite assurances from the Government of moves to relax restrictions hindering black entrepreneurs, the informal sector was still forced to operate under "a mountain of rules and regulations hampering us from making the economy take off", said Mr Neo Ferreira, director of Small Business Advisory Services.

"It is difficult to grasp why it is impossible to get rid of these shackles," he added. "There are obviously people who like to keep them."

South African business had a lot to learn from countries such as Japan where close relations had been cultivated between big and small enterprises.

On a recent tour of Japan, a group of black small manufacturers had been impressed to find large companies operating almost purely as assembly plants - buying supplies of components from numerous manufacturers in a well-organised pattern of production flows, Mr Ferreira told the conference.

Black small industries in SA might not yet be sophisticated enough to fill the role of such satellite suppliers, but big business could play a major role in training them to undertake such contracts.

"The size and role of the informal or unrecorded sector has become so significant that the financial institutions will have to come to grips with the issue."
Black suspicion highlighted by Nafcoc's Negota

Even more than a decade of debate about the virtues of the free enterprise system had failed to win over the universal support of black society, Mr George Negota, of the National African Federated Chambers of Commerce and Industry, told the conference.

The implementation by big companies of controversial clauses in the new Labour Relations Act, such as clearance to sue trade unions, was bound to cause more severe damage to the image of free enterprise as an economic philosophy, he said.

An escalation in attacks by companies on the Congress of South African Trade Unions and the National Council of Trade now threatened to cause deeper alienation among blacks towards the system.

The prevailing poverty in black communities was seen as a failure of the free enterprise ideology to cater for the needs of all citizens. Poverty was also attributed to government policies - "and the government is seen as in cahoots with the private sector."

"The two are coupled as bad players in a political and economic scene that has delegated blacks to the back seat of the economy," he said.

Since blacks had no real access to loans from the financial institutions to take full advantage of deregulation and major business opportunities, privatisation would only serve to increase the economic power in the hands of the whites.

Deregulation was bound to be seen not as serving the interests of black business but rather as an opening of doors by the government to white business to enter black business areas.

"We cannot therefore condone the activities of white business in building shopping complexes around black townships. The truth remains that it is black business that is targeted for suffering."

"Only big business with massive wealth will develop and extend their influence by swallowing black business."

"Deregulation and privatisation, without money, will not make blacks better off."

By Michael Chester
Black small businesses need deregulation boost

By Michael Chester

Pressures for the removal of regulations that hinder the launch of black small businesses were reinforced in Johannesburg yesterday by Dr Pierre Brooks, chairman of the Competition Board and watchdog over monopolies and restrictive trade practices.

Dr Brooks told a conference called to examine ways of bridging the gap between big business and the informal sector that wide-scale deregulation now had to be considered of paramount importance in boosting the degree of competition in the business world.

More competition was vital in a business environment characterised by unusually high levels of economic concentration, he said.

"What we should be aiming for is an imaginative removal — on a predetermined priority basis — of unnecessary impediments in the path of the small businessman to achieve dramatic improvements in the field of business enterprise law."

Dr Brooks said it was clear that barriers to entry into the informal business sector were sometimes not the result of State regulations but resulted from purely commercial factors.
THE plight of the informal sector in the South African economy came under focus during the two-day conference held in Johannesburg this week.

Speakers from hawkers, stokvels, taxi and other organisations blamed apartheid as the main factor that hamstrung development of small business in the country.

The conference called on the big corporations to help the informal sector to eradicate all restrictions imposed on them.

The chairman of the National Stokvel Association, Mr Andrew Lukhele, said his association was helping to bridge the gap left by financial institutions by providing informal credit for either semi-formal or formal business.

The main laws which he said impeded the development of the small business were the Group Areas Act and the Land Act.

The chairman of the South African Long Distance Transport Association, Mr Peter Rabali, said owners of minibuses wanted to develop on their own. They were victims of heavy fines and bribes from the local authorities.

He appealed to the large business sector to help them in their development and creating jobs for the black community.

The executive director of the East Rand Chamber of Commerce, Mr Paul Ntsh, said the youth must be involved in business because "they are the future leaders".
"Informal" beer drinkers spend R1 000 million a year.

Beer sales through liquor outlets in the informal sector, which are classified as illegal under strict South African law, are running at R1 000 million a year, it was said in Johannesburg yesterday.

The estimate was provided by Mr Gary May, manager of public affairs at the beer division of SA Breweries, in his address at the seminar called by Systems Conference and the African Council of Hawkers and Informal Businesses.

Mr May calculated that up to 30 percent of beer retail turnover was now handled by the 30,000 outlets outside the strict codes and regulations of business operations.

"Our understanding of the small business sector, our trading with it and our spending time on it has made us (SA Breweries) what we are today," he said.

Shell Oil SA, sharing the enthusiasm about new trends, has said that the black taxi business is now valued at R3 billion a year in vehicle sales and consumption of fuel, tyres and spare parts.
Traders divided over lease

By KURT SMART

CAPE Town' s flea market traders were divided this week over the council's controversial decision to award leasing rights for a new handcraft market on the Grand Parade to a businessman who already runs a city flea market.

Mr. Hassan Khan, secretary of the Cape Informal Traders Association, launched a withering attack on the council last week, saying Mr. Merwyn Shapiro's winning bid of R6 000 would make the new market inaccessible to small traders.

He accused the council of contributing towards a monopoly, and called on the council to withdraw the lease.

"Keeping the Cape in shape does not mean keeping business right white," said Mr. Khan.

Traders interviewed by the Sunday Times on the parade this week had differing viewpoints.

Monopoly

The owner of a book stall, who did not want to be named, said he was "one hundred percent behind Mr. Khan".

Another trader said "There will eventually be a monopoly with one person running all the flea markets in Cape Town and that's not good for business".

Said trader Mr. Martin Klein: "As far as I'm concerned the best guy got the lease.

"We tendered R2 000 for the market. If Shapiro is prepared to pay R6 000 then best of luck to him."

Mr. Shapiro said he was not bothered by the future. He said all the tables had been let.

"We don't foresee any problems."

He did not think his tender price was high as "we tendered on our usual formula and a council official phoned me to say it was likely that I would get the lease.

Council spokesman Miss Gill Bolton said Mr. Shapiro had a proven track record in running open air markets."
SA must utilise informal sector more

PW blames inflation on poor productivity

By Claire Robertson, Pretoria Bureau

South African business was yesterday urged by the President, Mr PW Botha, to increase productivity.

Addressing the Manpower 2000 conference held at Unisa yesterday, Mr Botha told the gathering of public and private sector and trade union representatives it was clear that in the face of foreign pressure — which had contributed to capital being even scarcer than in the past — South Africa "must particularly look to higher productivity to increase the economic growth potential."

"In South Africa wages and salaries increased so much faster than labour productivity that unit labour costs in the manufacturing sector were 312 percent higher in 1987 than in 1985," he said.

Mr Botha said this disparity was partly to blame for high inflation.

The competitiveness of South African industry came under heavy pressure because pay hikes showed little or no relation to increases in productivity.

He said everyone wanted more money, "but we can only get more by working harder."

Japan's unit labour costs for the same period had actually decreased, he said.

"We must place South Africa on the road of self-sufficiency, self-confidence and progress. There is no alternative," he said.

Training was an important means of increasing productivity, and to this end the Government had set aside R565 million to train the unemployed. Almost one million had been trained for 720 types of job nationwide.

Mr Botha also said South Africa should "make more of our informal sector. These people — or a high percentage of them — must eventually join the formal sector."

And in addressing himself to trade unions — the leading unions apparently having failed to attend the meeting — he said the attempt in some sections to use the sphere of labour for political aims was regrettable, "but is a reality of which we must take note."

The Government was aware of this strategy, and while it appeared that certain sections of the trade union movement occupied itself with pure politics, appropriate steps were being taken to resist this.
Hawkers' Association launched

Pretoria Correspondent

The informal sector had employed 2 million people in its phenomenal 80s boom and had grown four times faster than the formal sector, according to Mr Phal Khumalo, managing director of Business Challenge.

Mr Khumalo was addressing about 400 people during the official launch yesterday of the National Hawkers Association (NHA) in Pretoria.

The State President, Mr P W Botha, and the Minister of Law and Order, Mr Adriaan Vlok, were guests of honour.

Also present were Mr James Ngcoya, president of Sabsa, Mr Godfrey Ntlale, executive vice president of Sabsa, Mrs Philly Makhudu, chief executive of the NHA.

"Although unrecorded in official statistics, the new 'people's sector' was an invisible powerhouse that now accounted for at least 25 percent of real economic activity in South Africa," said Mr Khumalo.

He said businessmen had still not realised the enormous potential and mutual economic benefits of closer co-operation.

In her speech, Mrs Makhudu said she was aware of the moral support the State President was giving the informal sector and of his support for 'deregulation and privatisation'.

President Botha and Mr Adriaan Vlok chat to one of the hawkers at the launch of the National Hawkers Association at the Blood Street taxi rank in Pretoria yesterday.
CBDA wants control changes
Problems caused by street trading

Shopkeepers should be allowed to trade on pavements outside their own premises, the Central Business District Association (CBDA) has said in a new report on hawking and street trading in Johannesburg.

Highlighting the problems of businessmen, the CBDA retailers' discussion group stressed that traders in the formal sector were disadvantaged because their hawker competitors did not have to pay rent, GST or income tax, and were allowed prominent streetside pitches.

ENFORCEMENT DIFFICULT

The group also observed that some of the street trading appeared to be conducted by bigger businesses using multiple drop-off points, but it would be difficult to enforce controls favouring genuinely small and independent street traders.

"Food vending presents particular problems, with the formal trader being subjected to many expensive health and business requirements. Another matter of concern is obstruction of doorways and window displays, a problem aggravated during bad weather.

"Controlled flea markets are acceptable and could include craft-making and displays," the CBDA group said.

Turning to the problems facing hawkers, some of which the CBDA is actively trying to have redressed, the report said that despite the fact that the city council relaxed the by-laws controlling street hawkers in October 1987, there were certain other concessions which could be considered.

The area of total prohibition of street trading could be made even smaller and stands should be allocated to particular traders who would be responsible for keeping that area clean.

BLANKET PROHIBITION

"Current experience shows the unenforceability of a blanket prohibition.

"It would be better to identify specific areas in which street trading is prohibited and to demarcate those by painted markings on the pavement, as was done in London.

"Street trading can in suitable circumstances add life and animation to public places and these vendors could be useful sources of information for crime prevention," the CBDA said.
Small business is now looking like big news

by Michael Chester

The choice between big business and the small entrepreneur is narrowing rapidly and this could boost the few enterprise concept in South Africa.

Plato are being lured by the Small Business Development Corporation (SBDC) to launch a novel contact maker scheme to bridge the chasm between big business and thousands of mini-entrepreneurs aiming to become independent and commercial ventures now in operation.

The SBDC is compiling a series of special trade directories as shop windows on small businesses to guide larger companies on where to find the new generation of mini-entrepreneurs — and see where they can fill the role of sub-contractors in their chain of suppliers.

National network

Most of the mini-entrepreneurs have been lured in the phenomenon of expanding the informal sector since the government started to help to businesses to lower the bureaucratic barriers that have hampered black business initiative.

SBDC managing director Dr Ben Yousoh underscores the creation of a nationwide network in which small businesses can act as satellites around the production hubs run by bigger corporations.

The idea concept of mass enterprise working as satellite sub-contractors is gaining support among a growing host of experts now looking up South Africa to help the entry of the informal sector onto the mass economic mainstream by tapping the potential of closer big-small business co-operation.

Among the advocates of Mr Theun Bosman, executive director of the Self Employment Institute, who believes the system has provided the main thrust behind the economic success of Far-East countries such as Japan and Taiwan.

The SBDC has already begun the preparation of contact maker directories of all the operations at work in networks of informal parks and "industrial" zones which run as incubators where budding entrepreneurs are provided premises to test their business skills.

Expanded catalogues — packed with the details of entrepreneurs, from carpenters and welders to accountants and motor mechanics — are expected to be in circulation next year.

Outer fringes

Many small businesses and black entrepreneurs will find themselves in the outer fringes of the developed business world," says Dr Yousouf.

"Yet, finding a foothold in the big business environment and access to wider markets has become vital to their development now.

"Large corporations in South Africa have tended to be conservative and deal on the whole among themselves. Small businesses especially black informal sector, have some justification in claiming that they are ignored by the white big business world. However, a growing number of small entrepreneurs have managed to penetrate the corporate structure and become suppliers. We aim to encourage the trend.

"Small businesses do not expect handouts, but rather an opportunity to fill a bigger role in the economy. Big business will find that benefits flow in both directions.

"If one examines the remarkable economic achievements which have been made in South Korea, the United States, Japan, West Germany, Taiwan and Hong Kong, say Dr Yousouf, it is notable that almost without exception these countries have encouraged the development of a competitive and well-integrated small business sector.

"They have all channelled a substantial share of their financial and human resources into developing strong and vigorous small business sectors into their economies with close linkages between large and small-scale industries.

"Subcontracting, with all of its mutual benefits, is a commercial practice that still has a long way to go to realise its full potential in the South African market.

"Big business has to concede that, while, and this applies, it can be shown that small businesses are able to provide specialised goods with better quality and at better prices. In turn, closer links provide small businesses with wider market stimulus competition and allow better access to technology.

"The lowering of restrictions and barriers that have started to allow the growth of more small businesses should open new vistas to the South African economy. It could be disastrous to ignore the chance to turn the cogwheel key to start the new economic motors.
Business training boost for black hawkers

Black hawkers are to be helped up the business ladder with a series of basic training courses to be launched jointly by the African Council of Hawkers and Informal Businesses and the Free Market Foundation.

The initial sponsors of the scheme are First National Bank and Nestlé, but talks are in progress with other major corporations about wider support.

"The first courses will be run in Johannesburg and Vereeniging. Training will cover pricing and marketing, consumer relations, guidelines to regulations and laws affecting the informal sector — and basic management principles."

"Our members are natural entrepreneurs who have already scored successes despite masses of restrictions and little or no business background," says Achi's executive Mr. Duncan Mekhlyakulu, co-ordinator of the project.

"Miss Shirley Tait of the Free Market Training Division says hawkers are becoming the backbone of the economy. "They need all the encouragement that big business can provide to help them make an even bigger contribution to overall economic growth.""
THE African Council of Hawkers and Informal Business has appointed the training division of the Free Market Foundation to run a course in basic business principles for its members.

Achib's publicity secretary, Ms Vicki Sussens, said access to the courses was arranged by the hawkers association after requests came from members who wanted to learn more about business.

Founder sponsors are the First National Bank and Nestle. Other major corporations have shown interest in the project.

The courses, which run for three days, have already started in Johannesburg and Vereeniging. The foundation has also made available its other centres in Durban, Pretoria, Port Elizabeth and Cape Town.

"Hawkers are the backbone of the economy. They need to be productive and create employment. This takes a load off the Government and it creates a healthy economy," according to the manager of the Johannesburg branch of the Free Trimming division, Ms Shirley Tati.

"Our members are natural entrepreneurs who have already shown success despite restrictions and little or no business backgrounds. By providing them with training we believe there is no end to heights they can reach," Achib's coordinator of the project, Mr Duncan Mehlomukulu said.
If Namibian agreement succeeds...

SA faces no risk of recession

By AUDREY D'ANGELO
Financial Editor

SA is not facing any risk of serious recession unless the Namibian agreement falls through, says economist Wolfgang Thomas, GM of the Small Business Development Corporation (SBDC) in the Western Cape.

"The outside world will not squeeze us too hard if we reach agreement on independence for Namibia. But if it falls through, of course, it will be another story. I hope the authorities realize this."

Thomas is optimistic about the chances of small business people surviving the downturn expected early in the new year.

"Most of them are too busy making money to notice any downturn.

"Usually, when one is expected, people redouble their efforts to make profit while they can and thus generates enough work to keep them going."

However, in a speech at a party yesterday in honour of the first five regional Entrepreneurs of the Month, Thomas included "meeting loan demands arising out of a possible downturn in the economy, which usually hits small businesses harder than the larger ones", as a key activity for the SBDC in the coming year.

He said the SBDC would "broaden our proactive sector support strategy with particular emphasis on hi-tech industries, tourism, the jewellery industry, higher quality clothing, export, import substitution industries and informal sector manufacturers."

A newly acquired building adjoining the present SBDC offices in Sir Lowry Road would be developed as a hi-tech have close to the city centre and the SBDC would get involved in other hi-tech incubator projects in the Greater Cape Town area.

It would provide more commercial and industrial accommodation for entrepreneurs in the less developed areas and expand training efforts in the small business sphere with particular emphasis on informal sector needs.

Thomas laid emphasis on the need for SBDC help in outlying areas. He said that it would spread its involvement in the Namaqualand rural areas. It would also expand its presence in the Uppington area and open a branch office in the Boland — possibly in Worcester.
Political and economic empowerment inseparable

I want to say economic empowerment must go hand in glove with political empowerment. The two are inseparable. I know that there are people who believe that blacks should pursue economic empowerment first, and the political empowerment would automatically follow. I disagree.

Bridging the gap between the informal and formal sector – which also means bridging the gap between white and black people – will take us a long way.

This is why I strongly believe that the better

ment of blacks in this country should be fought on all fronts.

I want to believe that the purpose of us being here is to try and work out a strategy to normalise the situation in the country. Undoubtedly, a handful of black entrepreneurs have already made headway, but their economic muscle is too weak to make any significant impact on the overall economic mainstream.

Lawrence Mavundla is a good example of a person who stood up against the evil system of apartheid. He does not want any handouts from anybody. All he’s asking for is to be given a chance to stand anywhere he likes.

His problems have not been made easier by big corporations who have shown reluctance in f

This is our God-given land. And all that we are asking for is a fair share of what we produce together. Until this is achieved, I’m afraid we may be having the same of saying:

However, time is still on our side, we can still make a difference.
By Michael Chester

"Spaza shops", run from the backdoors of private homes in the black townships — long hidden away from the prying eyes of the law and the taxman — now account for a combined trade turnover of R3 000 million a year.

The estimate of the phenomenal size of the spaza business, virtually unknown to the white community until lately but a common feature in black society, has been revealed in a survey carried out by marketing consultants Perry & Associates, of Johannesburg.

GIANT-KILLERS

The researchers disclose that spazas command business turnovers whose magnitude challenges the size of sales by such giant supermarket chains as Pick 'n Pay, OK Bazaars and Checkers.

Spaza is a Zulu slang word for "dummy" or "camouflaged", an expression used to describe the way traders were forced to operate out of view because they usually broke all the rules and regulations that held back the launch of black business ventures.

But they are now emerging from the shadows in the vast expansion of the informal sector as relentless reform pressures force the Government and local authorities to relax the masses of red tape.

The typical spaza, say the researchers, consists of a section of a private house that has been converted into a retail grocery store — perhaps a spare bedroom or garage, or even a corrugated-iron shack at the back of the house.

They are rarely spotted by strangers — especially officials. But they bustle with business among neighbours who like the convenience of a shop around the corner to save them travelling long distances to the big shopping centres.

Their clandestine operations have also often solved the problem of the scarcity of land for development of retail services in black areas.

Almost without exception they are a purely family initiative.

"The sophistication of a typical spaza shop would surprise many people," says Mr Mike Perry, head of the marketing consultant firm.

"Often, garages have been converted into extremely adequate stores, with electronic cash registers and freezers to store meat, chicken and beer.

"All items are neatly packed and categorised, with tinned and packaged goods sorted out according to the type of product."

HIGHER PRICES

Prices are usually much higher than in supermarkets and corner cafes in white areas. 1 kg of sugar might cost R1.50 in a spaza against R1.22 in a supermarket, tinned spaghetti, about 40c in a supermarket, might cost R1.20.

The survey found the lowest turnover was put at R100 a day in the week, rising to about R200 on Saturdays and Sundays — meaning a turnover of R3 800 a month.

The top of the range was a spaza in Soweto with a monthly turnover running at R31 000.
Achib looks forward to huge growth — Mayundla

Hawkers to become a force

**Study**

A Perri and Associates study revealed that the average turnover of spaza shops is R15,000 a month and that there are probably over 20,000 spaza shops in the Reef. Mr. Mavunda has described the hawkers as an "economic powerhouse".

And Mr. Mervyn King, executive chairman of the Frame Group, which includes Metro, heralded "The era of pavement liberation is upon us in South Africa."

**Support**

Makro’s financial director, Mr. Jon Laves, has voiced his support for the hawkers as an "economic powerhouse.

**Nation**

"We need now to throw out terminology that divides South Africans into black and white sectors," he said and think about ourselves as one nation.

"To do this we need to have a common goal, which must be economic advancement of all peoples. The gap between formal and informal sectors must be closed by forging closer business ties between the two and bringing the informal sector into the mainstream economy."
R25-m industrial village for city

By MAGGIE ROWLEY
Business Staff

A R25-million industrial village, believed to be the first of its kind in the Cape, is to be built on a 13 000 square metre site in Retreat.

The project, which is to be developed in phases, is a joint venture of Syfrets' subsidiary, Saprafon and Quadex, a development company recently formed by Doug Harrowsmith, Dudley Powers and John Harding.

The development is expected to provide a major boost to the southern suburbs by creating new job opportunities and stimulating growth in the area.

Mr Harrowsmith said the village, which is aimed at a mix of cottage industry, techno-electronic industry and business activities such as service and distribution agencies, would be developed in two phases.

Construction of the first phase, which will occupy 5 000 sq m of the plot at 60 White Road near Retreat railway station and major arterial roads, and which is to be built at a cost of R5-million, will begin in January.

The project will comprise units of 90m² and more are to be sold off plan, he said.

Mr Harrowsmith said the development would offer a congenial environment of appealing buildings with individual identities and would be designed as a combination of offices, showrooms and storage space.

"Research has shown a substantial need for this type of space in a good location in the southern suburbs."

"Currently the greatest demand in industrial space across the country is for units of up to 500 square metres. This is line with the dynamic growth of smaller businesses," he said.

A portion of the site has been ceded to the council and will be developed as a recreational area. A municipal car park joins the site.

Mr Harrowsmith said further phases will push the development value of the project up to R25-million.

When completed a section of the complex will consist of two floors with factory space at ground level and offices above. A fast-food outlet and a coffee shop form part of the plans.

There will also be a two-storey central office tower with linked parking. Each unit will have visitors' parking and there will be ample space for truck manoeuvrability, he said.

Mr David Lees of Saprafon said this was the first joint venture of its kind the company had tackled and he believed it could be a forerunner of other similar developments.

An opportunity to invest in Port Elizabeth high-rise office building Murray and Stewart Centre is being made available by Masterprop, the property arm of financial institution Masterbond Trust.

Yielding an estimated average return of 9% percent a year over a five-year period, the offer is aimed at the smaller investor.
Philanthropy? Support for the ‘informals’ is plain good sense

A PLETHORA of articles in the local and overseas press have given the impression that South Africa’s informal sector is able to offer what the formal economy is unable to provide — employment.

Formal businesses have been encouraged to support the informal sector as part of corporate philanthropy. But scant attention has been paid to the viability of informal businesses in purely commercial terms.

One school of thought regards the informal sector as a form of worker enterprise, allocating resources in a manner designed to benefit the community. The philanthropic view is based on the typical stand of South African business and patronisingly believes the informal sector must be encouraged as a form of social responsibility.

This view ignores the economic fundamentals of supply and demand which are behind the growth of the informal sector. Certain needs exist in black communities and these are being satisfied by members of those communities in an appropriate way. These informal entrepreneurs that typify the informal sector recognised an opportunity and capitalised on it.

Wealth creation is the primary motivating force of the informal entrepreneur — commercial or income allocation or job creation are incidental results.

The mini-bus owner regards himself first as an entrepreneur providing a service in a highly competitive environment — rather than as a provider of employment and community transport.

Formal sector businesses in South Africa can take one of two views of the informal sector. They can passively regard it as just another customer which, if it wants widgets will have to get them from the formal sector. If this is the view no specific focus on the informal sector is required (except, perhaps, support given for charitable motives).

A more pro-active view is that informal sector businesses as viable commercial enterprises represent an opportunity to establish a commercial advantage at the expense of the competition.

Most informal businesses operate as distributors of goods and services in ways unfamiliar to established South African businesses. But as they meet the requirements of their market more efficiently they cannot be ignored by companies looking to expand sales and profits.

A company which recognises the informal sector as a specific market segment that must be targeted appropriately can increase its current and future market share. And a smaller company that can tap into this may be able to strengthen its market share at the expense of a larger competitor, content to take a passive view of the informal sector.

But companies which do recognise the potential of this market do have to develop specific strategies to take advantage of it.

Informal sector businesses are driven by the profit motive but often lack the financial management and controls that formal enterprises are used to. Bad cash flow management is the cause of most informal sector and small business failures. Cash flow management becomes more complicated when the suppliers and the informal businesses provide credit.

One company which has addressed some of these issues is South African Breweries, which targeted informal liquor sellers as a growth area as early as 1969. SAB actively supported shebeens and taverns with both product and ancillary services. These included business advisors to guide the business management of the taverns, flexible delivery quantities and a flexible approach to the provision of credit.

SAB essentially adapted its approach to secure a strong position in a new market. Today its influence in the informal liquor market gives it a significant advantage over potential competitors.

The informal sector does not warrant special treatment that emasculates its power as a wealth creator by regarding it as a social service. It is a commercially viable means of reaching a market that is ignored by big business at a cost to its own position in the South African economy.
FOCUS ON THE INFORMAL SECTOR

Unions are more cautious ...

Trade union and business perspectives on the informal sector differ. While business prefers deregulation, unions call for the reconstruction of the economy if the informal sector is to grow.

Publicity secretary of the Congress of South African Trade Unions, Frank Mentjes said: "The potential of the informal sector to provide jobs has been highly overestimated. The informal sector cannot solve serious economic problems such as lack of housing or job creation in this country."

Mentjes said the problem was that people were using the informal sector as a way of avoiding the structural economic problems. "Big business wants to point at the informal sector as a symbol of growth in black economic participation, which is not true," he said.

He said the only way the informal sector could only grow if apartheid was abolished. "There can be no black economic empowerment under the present economic system because small business has been wiped out or bought out through rationalisation and mergers," Mentjes argued.

"The informal sector's growth is limited by the lack of capital and resources, he pointed out, were also a major obstacle to the informal sector's growth. "Only a negligible percentage of managers are black and there is still a great deal of tokenism," he said.

A representative of the National Council of Trade Unions said the groups which destroyed the informal sector in the 1950s and 60s, were the same groups encouraging "study groups and lobbies to create an informal sector."

She said the move was an effort to win the hearts of the people to a "capitalist structure."

"Nactu firmly believe that the machinations of monopoly capital in the informal sector need to be resisted vigorously and the real informal sector should be allowed to emerge," she said.

The real informal sector was the one which various progressive people as well as trade union organisations were setting up in the form of co-operatives.

Mzimkulu Malunga
The economics of a layaway taxi ride
There are two wrong-headed positions about the role of small businesses. The first is that our exclusive concern must be with the informal sector, because it is this sector which holds the greatest promise for our future economic development and requires the most assistance.

The requirement of exclusivity is misguided, because for all the potential of the informal sector, we must retain and foster an internationally competitive formal sector within our economy. It is in the formal sector and its high levels of technological and commercial competence that will attract foreign investment again, and make of this region the international playpen that it should be were we not beset by internal political turmoil.

This means that, like any other developed economy, we must encourage small business to venture into those areas of economic life that break new ground and look to existing international standards as the standards that must be met and surpassed.

The second wrong-headed position sees small-business development as a "big push" strategy for upgrading the informal sector and bring it within the formal sector. Of course, one aspect of small business development is to provide a bridge between these sectors for the firms that are capable of making the transition.

The first priority is to ensure that the informal sector and also provide a bridge between these sectors for the firms that are capable of making the transfer.

The first priority is to ensure that the free market functions. People are strikingly resourceful when they are given conditions under which they can respond to the market, prosper and be rewarded according to the success of their efforts in the marketplace.

Therefore, the primary responsibility for this lies with government. Government sets the ground rules. Although progress has been made, there is still an excess of regulation of economic activity, a taxation system that is inimical to the value of hard work and innovation and layers of unnecessary bureaucracy that consume resources for little tangible benefit.

The problem is not that of government policy. Many firms in the formal sector have grown used to the easy life. They dislike competition, for all that is said about free enterprise.

For example, retailers seek to fend off competition from the informal sector and whole sectors of the economy are ripe with uncompetitive practices, from blatant cartels to more subtle restrictive practices. Both government and business should let the market work, because too often it is the small business that suffers from unwarranted barriers to entry into the market.

The second priority is to provide incentives for small business, and the means for those who are likely to succeed to get going and keep going.

There should be tax advantages for those who risk their money in small businesses. But it also seems clear that the capital market will not always be sufficiently responsive to the high risks entailed by many business ventures, most especially when many entrepreneurs offer their talents but no real security.

This is why the need for a specialist agency — with financial backing from government — to make capital available for promoting small businesses is so important. In the context of Southern Africa, this is especially important because the history of economic development has tended to concentrate capital within a relatively small group, leaving the great majority of people with little access to capital.

Without some means of ensuring the greater dispersal of capital, the bridging function whereby firms in the formal sector are integrated into the informal sector will be stunted.

The third priority is education and training. Successful economies have literate and numerate populations. Without massive investment in education, a population will simply lack the basic skills to sustain small business. There is certainly scope for training courses dealing with subjects directly relevant to the running of small businesses, but without a sound general education such courses will have little impact.

The fourth priority is the value of co-operation.

In the successful economies of South East Asia, many of the largest and most vigorous companies contract out their requirements to small businesses which provide reliable and competitive products. Our large firms — and government, too — should also look to small business in this way.

Small business development is not a panacea that is applied to an economy to bring about an economic miracle, as if from thin air.

Small business is an organic part of all economies that allow competition under market forces. And it is the operation of the free market that is best able to ensure that small business will yield its potential.

That potential is to contribute to economic growth and prevent the economy from atrophying.

Small business development is not an end in itself. Small business is a remarkably adaptable form of enterprise that is compatible with different kinds and levels of economic activity.

It must be allowed and encouraged to flourish in all sectors of the economy, not as an open sesame to the First World but as a means of ensuring that all the sectors in the economy perform at the highest possible level of economic activity. We need a number of priorities that should be prominent in the minds of those who formulate economic policy.

We cannot and should not want to develop so as to mimic the economies of Western Europe. That was shown to be neither possible nor a recipe for success.

We must rather put the weight of our analysis not only on the formal and informal sectors — to work in the most effective way.

Small business development is part of that success story.

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Small Business Development Corporation
MD BEN VOSLOO (left) recently pointed out some facts and fallacies of small business.
This is an extract from his address at a seminar in Bophuthatswana
Africa’s informal sector booms despite heavy odds

By Robyn Chalmers

STUDIES by the International Labour Organisation (ILO) show that the informal sector accounts for up to 60% of urban employment in most African countries.

In spite of the fact that the informal sector plays such a vital economic role, an ILO information sheet says governments continue to discriminate against it.

Economists estimate that the South African informal sector’s income is as high as 46% of gross domestic product (GDP), which is about R140-billion.

ILO studies show that the figure is 95% in Benin, 73% in Burkina Faso, 65% in Niger, 65% in Ghana, 55% in the Congo and 50% in Zambia, Togo and Nigeria.

"Most of the informal sector activities are in retail trade, manufacturing and services. However, many of the enterprises tend to die off within a short time because of stiff competition, economic depression and lack of demand for their products."

"The rising cost of raw materials, low productivity resulting from inadequate training and know-how, and insufficient capital add to their problems."

The ILO says official support and assistance to these entrepreneurs could prolong their existence, but the attitude of most African governments continues to be ambivalent.

"While governments place strong emphasis in their development plans on employment creation and basic needs satisfaction, the day-to-day reality is harassment of the informal sector."

"Most governments have been reluctant to implement laws that favour the informal sector or even put it on a par with the modern sector."

The ILO says this can be traced back to official resistance to promoting what are considered inferior-quality products or to encourage the proliferation of informal sector establishments and perhaps shanty towns.

"Western technology is often seen as the foundation for economic growth, it says, and since informal sector enterprises concentrate on home-grown technology, they are considered inefficient and undeserving of government support."

"Upgrading this important segment of national economic activity requires help in many areas vocational and managerial skills training for artisans and apprentices, transfer of appropriate technology to improve quality and easier access to markets for the products of the informal sector."

"Given the required assistance, the ILO says that judging by experience, one should not expect the informal sector to cure Africa's unemployment problem."

"Certainly, it employs much more labour than the modern sector at the same level of capital stock. But the fact is that it cannot be expected to absorb all the migrants, whose share in the urban growth rate of most African countries is about 70%."

"Consequently, the traditional safety valve role of the informal sector cannot be relied on indefinitely."

"..."
Informal sector ready for next step

Small businessmen are the rising stars of South Africa

By Michael Chester

First came the shoeshine stands, which had been missing from the bustling of Johannesburg city centre for years because of a maze of rules and regulations.

As if to proclaim a new era in business enterprise, especially among black entrepreneurs, the Small Business Development Corporation selected the very hub of capitalism as the site for the first two stands it financed the entrance to the Johannesburg Stock Exchange.

Next came the hot-dog stands, at first a few novel newcomers to the office-block canyons of the business district, but soon a familiar feature not only in metropolitan centres but in most suburban centres too.

No more dodging

And, of course, the black taxis — many of them no longer pirate operators dodging bureaucrats and policemen, but splitting new combi fleets, licences and permits intact, names and addresses on proud display on the side panels.

Before long, hawkers and street vendors, who had been hounded almost into extinction by petty-apartment rent, were to be counted by the score, in hundreds, in thousands.

The emergence of the new breed of entrepreneur, in unprecedented numbers, has introduced a giant new element to the South African economy, the informal sector.

In 1988, the sector came out of the shadows, still unrecorded in all the statistics compiled by the mandarins of the civil service but now conceded even by the SA Reserve Bank to be a huge economic force.

The phenomenon was perhaps best described in the idiom that Mr Theo Rudman, executive director of the Self Employment Institute, chose for his book, “The Third World: South Africa’s Hidden Wealth.”

Mr Rudman electrified economists and the business world in general with estimates that the annual turnover of the informal sector was now running at R15 billion to R20 billion a year.

The bulk of the cash, he found, was flowing into the black community. But what was equally stunning was that at least R1,8 billion a year was also flowing into white homes — the earnings of accountants and architects running weekend moonlight operations, housewives baking cakes and knitting sweaters for sale at neighbourhood flea markets, schoolboys running newspaper rounds.

More details were provided by Mr John Wilson, chairman of the Shell oil company. He estimates that the number of black taxis has soared to well over 100 000, carrying 30 times more passengers than the big bus companies.

Mr Wilson also underscores the two-way flow of benefits between small business and big business that has developed. The investment of black taxi operators in vehicles alone has grown to R3 billion or more. On top of that, millions of rand go on petrol, tyres and spares.

All in all, up to four million South Africans are engaged full or part time in informal business operations, according to estimates compiled by the Small Business Development Corporation — a fact heavily underlined by economists and sociologists who note the impact of the phenomenon on unemployment.

Out of the shadows too came the small grocery shops run from the private homes of hundreds of black families — the spazas, a word taken from Zulu slang meaning camouflage that has served well to describe how they have stayed hidden from the prying eyes of bureaucrats.

A recent survey by Perry & Associates, the Johannesburg marketing consultants, revealed that the spazas share a still-growing turnover of more than R3 billion a year.

Nor has the process of new black business initiative reached its limits. For example, a new organisation — the Long Distance Transport Association — announced the launch of yet another black transport service — king-size maxitaxis, carrying 40 passengers at a time, devoted to the longer routes.

Satellites next

The next step, according to the experts, is the development of small black manufacturing units that will serve as satellites to the big industrial corporations — supplying a multitude of components to central giant assembly plants.

“The satellite system has been at the very root of the success of the miracle economies of the Far East — Japan, Taiwan and Korea,” says Mr Rudman. “It can be the basis of a whole new industrial revolution.”

The concept is ideally suited to South Africa, where we have mineral riches galore but without an industrial base large enough to make the most of the industrial potential. Next year, we’ll see the launch of the first satellites. And the informal sector will take another giant leap forward.”
Help black business for fairer future

THOSE interested in developing black market potential should remember that small black businesses must be helped to overcome the inequities of the past.

Then they could play their part in the future economic life of South Africa.

So says Mr Lindile Lavusa, marketing manager of the Southern Africa Bus and Taxi Association (Sasta).

He told advertising and business executives at a Young & Rubicam Executive Insights luncheon that it was more expensive to develop black markets and outlets.

However, it “must be accepted that these higher developmental costs are a deferred debt being repaid” Mr Lavusa cautioned that these developments would not come easily, as cultural differences and historic inequities could cause problems.

He added “No matter how sophisticated in First World terms a producer or ad agency might be, they face a brick wall when approaching black consumers.”

“At the same time, those who have access to market bodies such as Sasta, do not have the black economic sector can push back first the social and then the political barriers which separate us.”

He stressed that Sasta considered its future to be in developing commercial trading agreements.

“If we combine our different talents, expertise and knowledge, we can move to a new South Africa in whose prosperity we all share,” he said.
INFORMAL SECTOR — 1989

JANUARY — JULY — DECEMBER
Hidden Growth Factor
information sector - the

SUNDAY TIMES. BUSINESS TIME. JANUARY 25. 1998
Taverners invited to meeting

ALL Alexandra shebeeners are invited to a meeting at Club Flase Yarona Building on Sunday starting at 3pm.
The purpose of the meeting is to form a local taverners association which will cater for the needs of all shebeeners in the area.

According to the organiser, Mr Prince Mokoena, the primary objectives to form the association are:

- Unity in strength
- Licenses
- Bulk buying
- Pricing structures
- Refrigeration
- Mum bookkeeping, and
- Security
22 arrests after big swoop on hawkers

SIPHO NGCOBO

AT LEAST 22 hawkers were arrested and thousands of rands worth of goods confiscated when a combined force of SAP and traffic officers raided street traders in central Johannesburg yesterday.

The raid took place around 9am in Noord and Wanderers streets, said several of the hawkers.

Hawkers said traffic officers first arrived but did not make any arrests.

Later they returned with the SAP.

A spokesman for the African Council of Hawkers and Informal Businesses (Achib), Vickie Sussens, claimed police impounded the wares of some hawkers without giving them a chance to produce their licences.

Sussens said after their arrest the hawkers were taken to City Deep where they were charged with obstructing the pavements.

Confiscated

Police spokesman-Lt-Col Frans Malherbe said he knew nothing about the raid.

Beauty Nkosu, an executive member of Achib, whose goods were confiscated during the raid, dismissed the charge, that hawkers were causing an obstruction.

"We never have complaints from pedestrians and we are providing a valuable service. The police should leave us alone," she said.

Meanwhile Achib president Lawrence Mayanda fished out at the raid, saying it was an example of "government’s double standard.

"The government is saying the informal sector must be promoted to boost our economy and provide jobs, yet prosecutions take place on a daily basis," he said.
22 hawkers arrested in city centre raid

More than 30 plainclothes policemen and traffic officials swooped on hawkers in central Johannesburg yesterday and arrested 22 on charges of obstruction.

The president of the African Council of Hawkers and Informal Businesses, Mr. Austin Mavundla, criticised the action.

He said the Government was calling for the promotion of the informal sector, but there were still many laws restricting hawkers. — Staff Reporter.
Cops raid hawkers

More than 30 plain-clothes policemen and traffic officials swooped on hawkers in central Johannesburg yesterday and arrested 22 on charges of obstruction.

The African Council of Hawkers and Informal Businesses, said in a promotion of the statement the hawkers were arrested for obstructing the pavement in Noord Street.

Criticising the action, Sapa.
expected to account for 32% of turnover.

De Voest expects unit demand to rise by up to 20% for some items. The duvet market is expected to grow from 1.35m units last year to 1.62m for 1989.

Individual companies say their findings match those of De Voest, particularly those with high exposure to the black market. The Sales House arm of the Edgars group, and Pep Stores, say their forecasts are very encouraging, but white-oriented stores like Edgars aren't so optimistic.

Da Gama CEO Harry Pearce expects 40% growth in money terms for duvet covers and 12%-13% unit growth in the bed linen market.

"This growth is far in excess of apparel textiles where there is unit growth roughly the same as the growth in GDP," he says.

"We've seen duvets turn from an urban English product to a white product and now increasingly to an all-race product.

"Black purchasing has been spurred on by an increase in home buying, and the electrification of the townships."

Moon River Textiles MD Peter Riding says there is a trend towards matching bed linen and curtains. Many people are buying second duvets and changing covers according to fashion. "Gone are the days when the only shades available were lemon, pink, blue and white."

It remains to be seen if the textile mills, many of which are working on full order books, can meet the extra demand. De Voest predicts a further 29m m² of woven and knit textile fabrics will be needed, of which 65% will be in polyester/cotton blends and cottons.

Pearce has no qualms about being able to keep up. He says the industry has seen this as the major growth area for some time and has invested accordingly.

"At Da Gama we've bought the latest Japanese air-jet looms which will more than double output per loom. There may be shortages at first but I'm sure the rest of the industry is also getting ready for demand."

Frame household textiles marketing manager Stephen Woodward says he hopes government won't need to institute tariff rebates to allow imported household textiles into the country.

But the feeling is there is unlikely to be huge demand for cheap household textile imports, as there has been from clothing manufacturers.

Says Pep Stores MD Basil Weyers: "We buy on the local market as it meets our requirements. With De Voest's report, we should be able to fine-tune ourselves to the precise requirements of the SA market."
Hawkers’ chief slams authorities

BLACK Informal Business has been hamstringing the country’s mainstream economy by restrictions imposed on them by local authorities, the president of the African Council of Hawkers and Informal Business, Mr Lawrence Mavundla, said yesterday.

Mr Mavundla said hawkers were getting a “double message” from the government, who were saying the informal sector must be promoted to boost the economy and provide jobs.

He was reacting to the arrest and prosecution of about 22 hawkers in Noord Street, Johannesburg, this week by the police.

Over 30 plain-clothed policemen and traffic officials from the hawkers’ squad swooped on hawkers selling in the area on Tuesday.

Discrētiōn

According to Mr Koos Nel, a senior traffic official from the Hawkers’ Squad, “The law says you are not allowed to display or sell any goods on or across upon a pavement. However, we do not enforce this law strictly. We use our discretion to decide whether or not the pavement is being obstructed.”

Mr Mavundla said what was needed was an urgent reassessment of laws restricting hawkers in Johannesburg and, in the meantime, for a moratorium on all prosecutions relating to these laws.

“We call upon the licence board to look into laws affecting black traders as a matter of urgency. The problem is when a hawker is issued with a licence he is not briefed on the laws. We feel the authorities are taking advantage of this.” Mr Mavundla said.

According to Mr Nel, hawkers ran away when they saw members of the squad. In that instance, the squad was entitled to confiscate goods without asking for licence.

He said most hawkers did not know the laws. The hawkers’ squad would be more than willing to lecture Achibb’s members on the law.
Local authorities have largely ignored the state's deregulation policy. The 900 000 street sellers are still regarded as a nuisance and a health hazard.

By HILARY JOFFE

DESPITE the government's rhetoric of deregulation, local authorities in most of South Africa's cities and towns have not lifted the restrictions on hawkers which have stopped them trading in the streets for decades.

A new study has revealed that outside the major metropolitan areas of Johannesburg, Durban and Cape Town, progress towards deregulation has been minimal.

According to the authors, Chris Rogerson and DM Hart of Wits University's Department of Geography and Environmental Studies, "a considerable gulf exists between ministerial speeches in the favour of deregulation and what is translated into concrete policy action to improve, albeit only marginally, the possibilities for hawkers to secure a better livelihood."

Rogerson and Hart interviewed 900 000 hawkers and informal traders in South Africa - more than the mining industry's total workforce. As a result, they have concluded that the gulf in policy has led to a return to informal sector activities to make a living.

Some forms of hawking generate fairly high incomes - selling flowers or soft-goods for example. But for most hawkers, street trading is an attempt to survive unemployment.

"For the majority of South African hawkers, typically female, typically poorly educated and typically black, returns from hawking are meagre and barely a strategy for household survival rather than advancement," they write.

In their view, hawking has only a limited potential for improving the incomes of essentially the urban poor.

Policy "from above" by the state "forces" from below, by hawkers' associations or community organisations, have an impact on hawkers' income earning potential and hawkers' access to the CBDs of the "white" urban areas, where there are relatively more affluent people to buy their wares, crucially affects their capacity to earn a living.

The researchers surveyed municipal policy towards hawkers in 28 urban centres in South Africa.

They found policy was in flux in many cities and smaller towns. However, restrictions on hawkers' trading particularly in "white" CBDs remained.

Outside of Johannesburg, Cape Town and Durban, where the CBD had been opened up to some extent, hawkers have been allowed to trade only at the peripheries of urban areas if they have been allowed to trade legally at all.

In Cape Town, for example, hawkers in black (African) areas are banned from the CBD. In Johannesburg, however, the CBD has been opened up to some extent, and hawkers are allowed to trade only at the peripheries of urban areas.

Even in towns where policy-makers have been considering policy changes or street trading, progress has been slow and the impact of new policies limited.

In Cape Town by 1987 there were 3 306 licensed hawkers, 60 of these operating in the CBD. In Johannesburg, by mid-1989 there were 7 000 licensed hawkers. This represented a sudden increase - in 1976 there were only 200 licensed hawkers and 1 004 by 1987. Hart attributes this partly in part to pressure from the African Council of Hawkers and Informal Businesses formed in 1986.

Pressure from such organisations can have an impact on informal policy changes. However, they found at least 10 hawkers' associations around the country, operating in an

Street traders ... for most, it's a survival tactic in the face of unemployment.

Picture ANNA ZIEMINSKI, Afreep
Surprise in store

Spazas — convenience stores operating "illegally" from homes in black urban areas — do R3bn a year in business.

This is the finding of a study by the Trade Opinion Panel (TOP). The figure has surprised manufacturers and distributors, who had always viewed informal-sector traders as small fry.

In reality, they represent major — and growing — competition to established retail chains and outlets, and important customers of the wholesale trade.

Manufacturers and suppliers of fast-moving consumer goods can no longer afford to ignore them — particularly now the newly gazetted Conversion of Certain Rights to Leasehold Act seeks to make trading from township houses legal.

Some manufacturers have already introduced smaller, shrink-wrapped product packs than the standard size, and other suppliers are contemplating the introduction of "multipacks," a packaged collection of goods from different manufacturers, or a variety of goods from the same manufacturer, specifically tailored to the needs of the spaza.

TOP carried out its research last year in the Wetwatersrand and Natal. It bases estimates on trade figures from cash-and-carry (C&C) and wholesaler outlets around the country.

The figures show independent wholesalers and C&C chains sell an annual total of R6bn of groceries, toiletries and confectionery products. Of that, about R3,9bn is bought by formal (mostly white) retailers including chain stores.

The other R2,1bn enters the informal sector through hawkers and spazas. Spazas sell more than hawkers: there are up to 900,000 on the reef alone. Spread throughout urban areas, they are accepted as convenience retail outlets by the black community.

Spazas get their name from the township slang for "hidden" or "camouflaged." They operate seven days a week and trade from early morning to late at night.

They range from crude operations with little in the way of fittings other than a few shelves, to more sophisticated premises with freezers, cool-drink refrigerators, freezer display cabinets, glass display counters and even electronic cash registers.

Nearly all stock the same basic ranges: small packs of fresh and leading-brand staple foods, beverages, confectionery, household goods, cigarettes and liquor, toiletries, health and beauty products.

The small packs are important, because storage space is limited — as is capital. They generally buy in small packs to offer patrons as wide a choice of goods as possible.

Two main reasons for the emergence of spazas are convenience and safety. Most black urban residential areas don't have enough formal retail sites, and those that do exist are often some distance from most homes.

Black consumer boycotts have also added impetus to spaza growth. Increased urbanisation and unemployment are also stimulating the movement. Spazas offer easy entry into business because start-up costs are minimal.

They can also be profitable. Prices are up to 14% more than supermarkets and 30% more than the average suburban cafe, according to TOP.

This indicates just how high a premium the black consumer is prepared to pay for safe and accessible shopping.

The TOP survey has made many C&Cs and wholesalers sit up and take notice. Most spaza operators visited by the panel listed C&Cs as their prime source of supply, with some using independent wholesalers and Indian stores.

Many of them band together in buying groups to pool resources, or to take advantage of a representative buyer with access to C&Cs who can negotiate bulk discounts.

For the most part, though, spazas remain hidden from the formal white economic sector, even though they are direct competitors.

This creates a unique problem. Manufacturers and suppliers wanting to develop the market are faced with a lack of solid information.

Says the MD of one large company, "We know they're out there, and we know we have to work with them. But the only way to find them is to actually get in your car and visit each one individually. It's a mammoth job."
Hawkers get jobs boost

By JOSHUA RABOROKO

A MULTINATIONAL pharmaceutical company has donated more than R32,000 to the African Council of Hawkers and Informal Businesses to help create jobs for about 200 hawkers.

The general manager of Eli Lilly SA, an affiliate of Eli Lilly and Company — one of the largest pharmaceutical companies in the world — said that the money was for Achib’s Employment Creation Project.

In the Employment Creation Project companies are asked to sponsor the start-up capital of R160 for unemployed people to become hawkers.

It was launched after Achib had more than 600 enquiries from people wishing to become hawkers but without the money for stock or licences.
Aim is to educate

President of the African Council of Hawkers and Informal Businesses, Mr Lawrence Mavundia, on Monday at 4pm.

Street vendors, hawkers, and members of the small businesses sector, are invited to the meeting, according to Mr Mavundia, who also said "we need to educate our members on a variety of matters affecting their daily operations"
Big boost planned for informal sector trade

By Michael Chester

Innovations planned to boost the role of the informal sector aim at more than doubling the turnover of street hawkers and "spazas" — unlicensed shops run in township homes — in and around Johannesburg and Soweto in the next 12 months.

The African Council of Hawkers and Informal Businesses (Achib) estimates that licensed operators alone — now about 10,000 of them with average sales running at about R2,000 a month in the urban areas — will between them boost sales to more than R500 million a year.

The target total, it adds, should soar higher still if the count also takes in the sales of street vendors operating without licences.

And if the count spreads a wider net to take in the whole Reef, the combined sales total will reach into billions of rand.

Achib president Mr Lawrence Mavundla has made a special appeal to established retailers to cooperate with the rapid expansion of street trade in the city and into the suburbs.

"We hope that pockets of opposition will be replaced by a positive attitude that will see the mutual benefits to be reaped from the merits of black advancement in the economic mainstream," he said. "There are advantages to be gained by everyone from finding alternatives to poverty, unemployment and socio-political unrest — and generating a bigger cash pool from which all sections of the community can win a share.

HARASSMENT

"We also want to encourage the formal sector as a whole to join us in pressing for the removal of outdated laws and regulations that still cause a lot of harassment."

"Even the most advanced nations around the world have learnt how much extra muscle can be provided to their economies by developing small business and the informal sector in particular."

Among the innovations planned by Achib:

- A scheme under which manufacturing companies offer to sponsor the launch of new street traders with R100 packages that leave R100 to buy initial stocks and R60 to cover the cost of licences and administration expenses. It is part of new job creation programme launched by Achib. So far, 600 sponsorships have been confirmed — 200 completed and 400 more being processed.

- Closer links with the big manufacturers for bulk-buying deals to supply direct to Achib depots where hawkers can re-stock at lower prices because of the elimination of most middlemen costs. Discussions are under way or else planned with at least 100 producer companies.

- New approaches to bankers about devising special schemes to cope with mini-business accounts and simplify procedures.

- Talks with insurance companies about devising new systems of cover against such business risks as theft of stock or the confiscation of goods in wrangles with the authorities over by-laws and regulations.

- Achib also intends to enhance the public image of hawkers by triggering an anti-litter campaign among them.

- The Small Business Development Corporation, which formed the spearhead of the drive to dismantle obstacles to black advancement, also has a series of new programmes in hand:

  - The erection of more market stalls — from basic shelter to kiosks — to accommodate hawkers used to selling products out of boxes or sometimes straight from the pavement.

  - The provision of more mobile carts to protect traders and their merchandise from changes in the weather, with central facilities to store them under lock and key at night.

  - The conversion of big steel container boxes, normally used to carry bulk freight shipments, into mini-stores with serving hatches, proper shelving and given eye-appeal to make them look attractive to shoppers. The container mini-stores are intended to create bridges for street vendors to expand, take a foothold in a more permanent business environment and prepare to start the climb into the formal retail sector.
Uproar over plans to sell impounded goods

By Shirley Woodgate, Municipal Reporter

Plans by the Johannesburg City Council to sell off wares confiscated from hawkers should be immediately halted, said Mr Tony Leon, Progressive Federal Party leader in the council.

He was reacting to the advertised sale of impounded items at the Fresh Produce Market at City Deep on February 24.

"The council's unsympathetic attitude towards people who have done more than any other group to cope with the negative consequences of unemployment is horrific," he said.

"At this stage a gesture of goodwill is required from the council, which should immediately return the goods to the hawkers instead of proceeding with the sale.

"There has been more than enough time for the council to institute talks with Mr Lawrence Mavundla and the African Council of Hawkers and Informal Businesses (Achib) to discuss ways and means of dealing with this situation in a sensitive manner.

"I have asked councillor Mrs Rae Graham to contact the chairman of the Health and Environment Committee Mrs Marietta Marx to get an urgent resolution of this matter," Mr Leon said.

Mrs Marx was not available for comment but a statement from Achib's legal department headed by Mr Sonnyboy Mmatli said.

"Both the Transvaal ordinance and the Health laws require anyone disposing of goods belonging to someone else to have due regard to the interests of the owner.

"A Health Act regulation says a health officer may not dispose of goods unless the owner has been notified in writing of his intention to do so and we challenge the city council to produce proof of such letters. We would also like to see the terms by which they are entitled to auction the goods."
SBDC boost for jobless

By JOSHUA RABOROKO

THE Small Business Development Corporation's training centre is to conduct a two-day workshop at its Pretoria industrial park starting tomorrow to help motivate jobless people to become self-employed.

SBDC's workshop chief, Ms Peggy Reid-Daly, said the workshop, called "Strategies for Survival," was important because it would be a start for the unemployed to create jobs at the time when the country was grappled by the soaring rate of unemployment.

She said many unemployed people had been able to set up businesses after they had attended past workshops by the SBDC.

Motivated:

Ms Reid-Daly said the course was a sequel to the decree by the SBDC to help unemployed people become self-employed. It was hoped that many would be motivated to start their own businesses.

One of the successful candidates of the course, Mr Oliver Theologan, who has been out of work for 16 months said he left with a new enthusiasm and during a step-by-step plan he has become a cinema owner in Daveyton.

Oliver had been toying with the idea of showing films in the East Rand township, but because he lacked the know-how and had no money he did not know how to get the venture off the ground.

Finance:

It was not easy for him to get the money, he said, until a film company undertook to finance a cinema for him. His dedication and perseverance has paid — in one year his life changed from "peniless out-of-work to successful businessman," he said.

Booking for the workshop can be made by telephoning Ms Reid-Daly at (011) 644-7751 (office hours) or (011) 644-8992 (after hours).
Achib to hold talks

THE African Council of Hawkers and Informal Businesses is to hold three awareness meetings starting tomorrow.

Achib invites all street vendors, hawkers, hair salon and spaza shop owners in Potjiespruit to a meeting at Mahweleleleng Hall tomorrow at 8am.

A meeting will be held at the YMCA Centre in Mamelodi on Sunday at 8am and another meeting will be held at the Leeufontein Hall near Marble Hall on Sunday.
Achib to hold talks

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Achib invites all street vendors, hawkers, hair salon and spa shop owners in Potgietersrus to a meeting in Mahweli-reng Hall tomorrow at 8am.
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Informal sector overwhelsms obstacles

Money Talk

with REVELATION NTOULA

IN recent months the subject of the informal sector has frequently featured in the media. It has served as the focal point of discussions at meetings and high-powered conferences.

During what was termed “Small Business Week” sponsored by the Small Business Development Corporation (SBDC) towards the end of last year, the emerging informal economy was afforded substantial coverage.

This focused attention on the tremendous size and diversity of this sector as well as the difficulties faced by this less-organised sector and what was being done to assist in dealing with existing regulations.

Over the years the SBDC has developed a variety of programmes appropriate for more informal businesses. These range from loan financing to consultancy and training and the provision of business premises, and in addition, the SBDC has initiated several seed projects aimed at supporting and upgrading the more visible elements of this informal sector, like hawkers, street vendors and shoe shiners.

Hawkers, who for many years operated illegally, are a dynamic group of people representing a large element of the informal sector. Their presence creates a unique opportunity for businesses to associate together. First and Third Worlds through the establishment of informal market stalls.

An SBDC programme aimed at upgrading the environment of the street traders, who are normally found outside railway stations, bus terminals and taxi ranks in townships and cities. These hawkers have become accustomed to selling their products ranging from fruit and vegetables to clothing and trinkets - off barrows, out of boxes and off the ground.

Erection of market stalls ranging from basic concrete slabs and shelters to lock up kiosks, provides traders with protection against the elements and the opportunity to improve their businesses. Various corporations have financed market stalls which the SBDC has developed and in recognition, have been given advertising rights.

One of the more recent projects proving successful is the Heek Street project near Park Station in Johannesberg. Launched in 1986, it has grown tremendously. It was sponsored by Fedfood and had the approval of the Johannesburg City Council.

Another important project began in Manzash, near Pretoria. It was designed in a style typical of Malawi to accommodate many as 93 traders. The stalls were sponsored by SA Breweries at a cost of R156,000 and were completed in August, 1988.

Again in Johannesburg, the Westgate Station stalls, situated in West Street Extension, make good advertising sense and were sponsored by Fedfood for R44,000.

In Dalton Road, Durban, 60 traders, all meat merchants, are accommodated in a R120,000 project. The Dalton Road Meat Market is the only one of its kind in SA and sets an example for minimum health requirements.

Other projects in various stages of development are taking shape in Alexandra township, Empangeni near Ladysmith in Natal, Npo North in the Eastern Cape, King William's Town, and various places in the Western Cape.

Another important innovation has been the hawkers' trolley. The SBDC has investigated equipping hawkers with mobile carts. A pilot project in Port Elizabeth has proved highly successful and has now been extended nationwide.

The major advantages in providing such trolleys are:

● They provide protection for the trader and his merchandise against the sun and other elements.
● Merchandise is kept clean.
● They have good display facilities and hence contribute to better marketing.
● The design enables hawkers to move around with ease.
● Losses due to pilfering are reduced.
● Litter is reduced as the trolleys contain waste bins.
● The trolleys occupy less space than merchandise spread over pavements.
● The general environment is enhanced by the presence of these colourful, eye-catching carts.

Trolleys will be stored in a central lock-up area overnight as required by law, thus providing security for the operator.

In most black townships there is a considerable shortage of retail space. This has occurred for a variety of reasons, including restrictive legislation, inadequate infrastructure and a lack of capital.

The high rate of population growth particularly in the recent tremendous expansion in informal sector activities has further increased the already high demand for trading facilities.

In many areas, good trading sites are available but lack of capital and bad zoning delay development.

Although the informal sector has been criticised for receiving undue attention, there is no doubt that this section of the economy has become an important job provider.

What is needed from the authorities is the speedy removal of all regulations that stand in the way of this sector. It must be allowed to expand unhindered.
Spaza shops turn over about R3bn annually

A LOT is being said about the informal sector these days. In business conferences and seminars, in corporate offices and on the streets, people seem to agree on its importance. Some economists estimate the informal sector could represent 45% of the country's GDP.

There has been a focus on the black taxi industry and on hawkers, but a part of the sector that is perhaps least known and understood by formal business is the one comprising the spaza shops.

Spaza is township slang for “camouflaged” — used for the shops because their trade is usually conducted away from the eyes of the authorities, because many of the shop owners do not have licenses.

The turnover and number of spaza outlets is not known, but there are about 20,000 in the Witwatersrand and Soweto, their turnover overall is estimated at R3bn by Trade Opson Panel researcher Gill Stacey.

The outlets thus represent significant distribution channels for manufacturers.

What is a spaza shop like? I visited one in Meadowlands to find out.

A soft knock on John Chauke's door soon interrupts my interview. John rushes out.

"A loaf of bread, please. Could I have a loaf of brown bread," says a boy of about 12 with cash in hand.

John tablespoons to me, and goes out to a corrugated iron Zozo hut in the backyard to get the bread. The hut is packed with a variety of products — perhaps 50 different lines. It is John's spaza shop — one of seven in this street.

Instructs

It soon becomes clear the spaza shop is a hive of activity, with customers flocking in and out, and thus has been the case since John launched it in 1974.

The interview is constantly interrupted until John instructs one of his grandchildren to take care of the customers. "It's busy every day — they never stop coming," says John, smiling.

Although he is reluctant to say what his turnover is, a rough estimate would be R2,000 a month.

He sells everything from stationery to maize meal, toiletries to floor polish, needles and cotton to sugar, bread, headache powders, tea, soap powder, milk powder, cigarettes — you name it.

John sells few perishables because there is no refrigeration. He does not sell soft drinks for the same reason.

One of the main advantages for John is the location of his house. The nearest shopping centre is three kilometres away, so people find it convenient to shop at John's. He can also supply them at night — long after the major shops have closed for the day.

Another advantage, John considers significant for his business are four primary schools within a short distance.

John has good customers from the primary schools — he stocks wooden rulers, exercise books, rubbers, note books, pencils and half-point pens. His prices are either slightly below or above those of established shops in the area. But the differences do not mean much to his customers.

He makes 5c profit on a 20c pencil, 10c on a 40c pen, but only 10c on a hardcover exercise book costing R1.25.

He charges R2.40 for a dozen extra-large eggs, making a profit of 46c while a tube of toothpaste costs R1.20 (13c).

John does better on cigarettes, selling about 10 brands. Profits on packs are small, but he also divides them up and increases his margins this way — sometimes to 100%.

Where does he buy his goods? John declines to say, except that it is a "private wholesaler" in downtown Johannesburg.

John uses his car to transport the goods and when he is away at work — he is a driver for a Johannesburg company — his son, 28, runs the business.

Future

John says he has had trouble with "the authorities" in the past, some of whom demanded bribes. But they no longer come after being warned off by "comrades."

John thinks the future is bright. The six other spazas in the street are not too much of a threat in terms of competition.

Does he have ambitions of becoming a fully fledged, licensed trader in the future?

"Maybe one day. Yes, maybe one day," says John.
Hawkers paid R960 by Vlok in settlement

By ALINAH DUBE

Mr Adnaan Vlok, has paid out more than R960 to six National Hawkers Association members whose wares were allegedly burnt by the police in Marabastad, Pretoria.

The organisation's chief executive, Ms P. Makhuda, yesterday told the Sowetan that the money will be presented to respective members at a function tomorrow.

The money, she said, was paid out by the minister following a claim for the damages incurred during police action on September 29, 1987.

According to a spokesman for the Legal Resources Centre who was handling the case, a total of R961.60 was received from the Law and Order minister. The money has been divided as follows: Mr Neli Sogamusa (R441.60), Ms Marna Nako (R93.00), Ms Modjadji Nkuna (R121), Ms Maria Letsoalo (R115), Ms Georgina Seema (R89) and Ms Elizabeth Chaka (R83).

The spokesman said the police have denied in papers before court allegations that the police set the hawkers' wares on fire while the hawkers were selling in Marabastad.

However, they agreed to settle the claim.
Vlok pays hawkers for damage by police

By Mkeed Kotolo,
Pretoria Bureau

Six members of the National Hawkers Association, whose goods were damaged during a police raid at Marabastad in Pretoria in 1988, were yesterday given cheques for damages totalling R34,50 paid by the Minister of Law and Order Mr Adriaan Vlok.

The presentation was made by the director of the association, Mrs Phillipine Makhudu, in Pretoria.

"July 14 1988 was the saddest day in our lives when police arrogantly and mercilessly destroyed our goods," she said.

A statement released by the hawkers' association condemned the actions of the police during the raid and at the same time commended Mr Vlok for having awarded the hawkers damages.

"I would like to stress that the police must realise that hawkers are not criminals but people who are of service to the community and create wealth for the country," Mrs Makhudu said.

Law enforcement officials should be aware that hawkers were law-abiding citizens who were trying to earn an honest living. Millions of black people were creating employment for themselves "because industry cannot cope with the booming population and equally rising employment".

Mrs Makhudu appealed to hawkers to act with dignity during police raids.
Informal sector a 'second best' solution

By HILARY JOFFE

THE government's R3-million campaign to promote free enterprise focuses on the privatisation and deregulation - principles to which it believes "the people of this country are favourably disposed," Minister of Information Staffel van der Merwe said at last week's campaign launch.

But a cautionary note has come from Volkskas economist Adam Jacobs, who has warned against a belief in "miracle cures and instant solutions" for South Africa's economic ills, among them small business development, privatisation and the informal sector.

"Television viewers will already have seen the government's campaign in action - the buoyant adverts with the "Free Enterprise is working" In target groups are the officials who have to implement privatisation and deregulation, as well the informal sector, small investors and the private sector who should see the benefits, according to the campaign brief.

Van der Merwe said the government was creating the necessary climate for free enterprise by privatising and deregulating. The benefits would be greater involvement of the private sector in the economy, optimal utilisation of resources through greater competition and efficiency, a reduction in the state's share of the economy, a lower government finance requirement and a broader tax base.

Van der Merwe said the government couldn't create free enterprise - this was the private sector's responsibility.

Volkskas's Jacobs has, however, pointed to the limitations of promoting small business and the informal sector as solutions to unemployment and slow growth. While he supports privatisation, he estimates it would at most add an average of 0.5 percent to the annual growth rate. He describes as "a myth" the idea that "the mere act of privatisation will bring about a utopia of economic prosperity."

"Jacobs cautions against unrealistic expectations of the economic benefits of small business development. Small businesses have a place in the economy but so do large ones. While small businesses may create more jobs for each rand spent, large business enterprises are large foreign exchange earners. They can also pay higher salaries, which stimulates demand and creates more jobs as well as raising the savings and investment levels."

"Jacobs says the informal sector has grown because there has been insufficient growth in the formal sector, and he expresses concern about the notion that it is the miracle solution to and impoverishment. "The informal sector grows precisely because there is nothing better. This implies a subsistence economy, lack of specialisation and a very low level of technology," Jacobs says.

"Obstacles in the way of the informal sector should be removed, in his view, although promoting strong growth in this sector is a "second best" solution only."

In the latest edition of Volkskas' Economic Spotlight, Jacobs concludes: "There are simply no short cuts in our quest for economic growth and progress. Per capita living standards can only be raised on the broadest base possible by implementing sound economic policies, by hard work, the more productive utilisation of production factors, sufficient savings and investment levels and new and improved technology, for which research and development are necessary."
SBDC launches business directory

By HAPPY ZONDI

THE Small Business Development Corporation launched a new directory aimed at promoting relations between big corporations and small companies this week.

The directory, called Contactmaker, was launched at four SBDC centres countrywide and lists 1,160 small businesses based at 62 industrial centres throughout South Africa. It is available free of charge on application.

The directory lists all small businesses ranging from garages, panel beaters, to electrical contracting, steel manufacturing and carpentry workshops affiliated to the SBDC. It also provides names and telephone numbers as well as maps of the location of each SBDC facility.

SBDC spokesman WB Vosloo said: "Contactmaker is intended to remedy the lack of information about the diverse goods and services offered by small businesses - it is a shop window for the small business sector."

Regional general manager James Scott said this approach had helped in the development of South Korea, Japan, Germany and Taiwan where a competitive small business sector existed.
Hawkers' plea to police

THE National Hawkers Association yesterday called on the police to realise that hawkers were not criminals, but law-abiding citizens who try to earn an honest living.

This was said by Miss Phillipine Makhudu, a chief executive of NHA, at a presentation ceremony held in Pretoria West yesterday.

Six hawkers were presented with a total of R961,60 which was recently paid-out by Law and Order Minister, Mr Adnaan Vlok, to settle the damages the hawkers incurred during police action in Marabastad over a year ago.

The police allegedly set their wares on fire while they were selling. The hawkers were arrested on the same day.

After presenting the cheques, Miss Makhudu, stated that there were millions of black people who created employment for themselves because the industry could not cope with increasing population and the equally rising unemployment.

"Law enforcement officers must know that hawkers are law abiding citizens who, against all odds, try to earn an honest living," she said.

Orlando YMCA has space
Council wants the CBD to remain vibrant.

Johannesburg City Council was committed to bringing the formal and informal sectors together to complement rather than oppose one another, the chairman of the transportation committee, Mr Ernie Fabel, and the chairman of the health and environmental committee, Mrs M Marx, said in a joint statement yesterday.

"Although the city councillors are committed to the principle of deregulation and promotion of small businesses, the council also has a responsibility to the formal sector which serves the city, and needs to ensure that its central business district remains vibrant," they said.

The director of markets, Mr Peter Venter, has been seconded to concentrate on effective communication and liaison with all parties concerned in an effort to ease the present situation."
Eric's success story

SINCE taking the brave leap into self-employment two years ago, freelance photographer and African Council of Hawkers and Informal Businesses member, Mr Eric Nanza (27), has increased his weekly earning from R120 — as a salaried worker — to R490.

"It is up to me to make this successful," he says, describing why he likes to be his own boss. "If you are using a camera, you cannot be lazy — if you do not shoot, you do not eat."  

He says working as a salaried taxi driver produced small earnings and little satisfaction. 

"Now when I show people what I have done they like my photos. That makes me happy," he says. 

There is no such thing as a typical day for Eric, who roams the streets persuading people to capture their images on film. He also takes pictures at functions such as weddings and parties. 

Sometimes he travels to his home town of Durban or up to Pretoria — as long as he has his camera and can persuade people to pose along the way, he makes a profit. 

The 5000 pictures he has been commissioned to take over the past two years are testimony to his hard work and motivation. 

Eric is one of the estimated 900,000 informal businessmen throughout the country, who contribute almost 40 percent to the country's Gross Domestic Product.

He is typical of the many bright young entrepreneurs who have carved a place for themselves in the economy rather than wait for someone else to do it for them. 

He is one of the hundreds of thousands of blacks who create jobs for themselves outside the structured realm of pay cheques, job application and tax forms.

Eric, who calls himself "a Jim comes to Jo'burg", says he bought himself a polaroid camera after he realised that his friend was making a lot of money by taking photos. 

"I was inspired when I began getting extra money. I then bought other photographic equipment and today my photos are probably the best," he says with a wry smile on his face.
Hawkers backed

THE African Council of Hawkers and Informal Businesses has called on the communities of Boksburg and Carletonville to give their businesses to hawkers, spaza shops and other informal businesses.

Achib's president Mr Lawrence Mavundla yesterday said in areas where there are boycotts, the community should take the opportunity of uplifting its own business as opposed to those people who were "giving them their backs".

He said hawkers and spaza shops were helping to break a cycle of dependency, crime and poverty by promoting the economic self-sufficiency of communities.

He was reacting to reports that white-owned businesses in the CP-controlled towns were threatening to close down following large-scale consumer boycott launched by blacks.
WE have been led to believe by authors of best-selling books that the secret of the success of the Orient, particularly Japan, is the quality of the labour, their willingness to work hard and their loyalty to their employers.

Captains of industry tell us that is why we can't achieve the success of the Far East "We don't have the same level of education and commitment from our workforce".

However, I believe that one of the most important secrets of the success of Japan and Taiwan is the use of the small formal and informal businesses by big businesses in the "centre-satellite" factory system.

Thus, too, is one of the solutions for the South African economy to create more jobs and to generate foreign currency, which is a critical necessity in South Africa.

Since 1989 we have produced about 2.5 million school-leavers and provided no new jobs for them. In fact, we now have about 150 000 fewer jobs than there were in 1980.

Small business plays an important role in the economic success of most countries, even in the developed countries, and is more dominant in the developing countries than the under-developed ones.

In the present Taiwanese structure, the small and medium enterprises comprise 89 percent of the total number of manufacturers, produce 55 percent of the GNP and hire 70 percent of the total labour force. Even in the US, 66 percent of businesses employ fewer than nine people, provide half the country's existing jobs and produce 43 percent of its GNP.

In Japan the figures are even higher—small businesses there employ 80 percent of the total workforce.

The basic principle is that the centre factory does the design and development, farms out the manufacture of specific components to informal manufacturers, often providing them with the correct material from which the components must be made, with the satellite manufacturer contributing, mainly his labour.

The centre factory only manufactures what it has to. The products are assembled by the centre company where strict quality control is provided. Marketing and distribution is then undertaken by the centre organisation.

This concept is most important in a country where manufacturers are under pressure to improve profits because of high inflation and an undesirable level of productivity from the workforce.

It allows the manufacturer to operate with less capital invested in hi-tech equipment and buildings, and a greater achievement of productivity because of greater use of self-employed people instead of clock-watchers in a big organisation.

This, I believe, was more responsible for the Japanese success, particularly in the '80s when quality left much to be desired, but in spite of this, Japanese products were good value for money because they were so inexpensive.

The method reduces the capital and management resources required by the centre company and creates more jobs, which would not be feasible if all the work was undertaken by the centre company, which by necessity, would have to be more mechanised and computerised.

Opportunities exist too for retailers in selling to hawkers and informal traders. One of the biggest obstacles to obtaining a licence in most towns and cities in South Africa is the provisioning of storage facilities, approved by the health authorities, near the traders' sites.

An example of the co-operation and natural interface that could exist between the third world and first world sectors, is the African Council of Hawkers and Informal Businesses (ACHIB) in Johannesburg which has found formal retailers, near each of the main trading areas, who are prepared to set up wholesale facilities for street traders.

Hawkers purchase their supplies for the day, either for cash or agreed terms. As these shops are close to their sites the traders can easily return to the wholesaler should they run out of supplies.

At the end of the day unsold merchandise is returned for crediting towards the next day's purchases.

There are many formal small and informal business people who, in spite of limited education and training, have demonstrated their commitment and willingness to work hard, in spite of enormous restrictions and harassment. Imagine what they could do in a supportive environment?

To Theo Rudman is the author of The Third World South Africa's Hidden Wealth.
Squatters boost informal trading

THE burgeoning black squatter population is being incorporated in the informal sector, swelling it to unheard of dimensions.

This emerged from a seminar in Johannesburg this week. Window on the Third World was presented by Marknor.

The informal sector is estimated to account for between 6% and 40% of South Africa’s gross domestic product. About 1.2 million people are involved and it generates between R16 billion and R20 billion a year.

Focus Black director Arthur Macoyana estimates that South Africa’s squatter population has topped 1.7 million. With an influx of between 200 000 and 250 000 squatters a year, the informal sector is often the only way in which these people can make a living.

Mr Macoyana says the relaxation of influx control has led to many thousands of people seeking work in urban areas and setting up squatter camps. Living conditions in these camps are generally shocking, but one of the biggest problems is that little is known about them.

As a result, Marknor undertook a nationwide survey of 1 600 households. We discovered that squatter areas can be divided into four categories, each of which is expanding rapidly.

Backyards

Under these categories, 29% of squatters are found in backyards surrounding the main house, 37% on the outskirts of townships, 12% on land inside the township and 23% are independent of the townships.

Although certain squatter areas are better than others, we generally found living conditions to be appalling. There is a severe shortage of water and toilets. It is all unhygienic, rain causes the streets to turn to evil-smelling rivers and overcrowding is common.

However, these people need to be fed and clothed, so a thriving informal sector has emerged. It consists of food vendors, shebeens, clothing manufacturers, hairdressers and repair services.

Marknor director Peter Scott-Wilson says the informal sector was severely restricted until 1985 when there were curbs on 75 activities.
Informal sector generates its own body of laws

HENRICO DE SOTO

This is the second of two articles by Hernando de Soto, author of "The Other Path: The Informal Revolution," on the critical role being played by the informal sector in Third World economies.

The generation of law is a matter that is easy to grasp. The government of Peru produces 27,400 rules per year, which is 112 rules per day. Of these 112 rules, the executive branch of the central government produces 99% while the legislative branch produces just 1%. This arrangement does not provide for much public accountability.

The generation of law is a developed society and economy proceeds quite differently and provides for a systematic check to creating obstacles to economic activity. As an example, people are the system in the US. In the judicial branch, thousands of cases are involved in producing jurisprudence based on the evolution of common law. In the legislative branch, representatives are elected on the basis of their popularity with the voter. Where industrial relations, immigration, medical practice, generate formal law.

The executive branch, the regulatory agencies are subject to public accountability and must defend these cost-benefit analyses publicly. There is freedom of access to public information. The entire system ensures that effective feedback and the evolution of the legal framework of economic activity.

In Peru, winning a case against the state is nearly impossible. The state is not accessible to the public. In the executive branch, there is no public accountability.

There is no access to public information. All of this suggests the central importance of the informal governance to the prosperous functioning of an economy. If our concept of democracy is rooted in the periodic electoral event, then our concept of democracy is rooted in the demands of economic well-being.

The informal sector is yet to emerge as the new middle class, as its predecessors did in Europe and North America. It is far to say the law is common to them. Our analysis of various case studies and objectives The research of the Institute of Liberty and Democracy (ILD) addresses these people in terms of their entrepreneurial interests. Their demand is for private property and constructs. We have also learned to understand their language, and to make use of it.

We have identified the largely unnoticed conceptual references common to the developed economies and use them. We have gained respect for the way the informal have confronted an environment rich in obstacles, and made it work.

History suggests that the structure of law and governance is something that can be reformed. It is a powerful and effective feedback and the evolution of the legal framework of economic activity.

In Peru, winning a case against the state is nearly impossible. The state is not accessible to the public. In the executive branch, there is no public accountability.

We have heard of the need for a legal system to oversee adjudication. We pushed through an initiative that greatly expanded access to banking credit by broadening the definition of collateral. We make policy statements available to the general public and gather signatures to endorse new laws.

Our goal is to start a process for more open rule-making and more responsible limitations on the application of the law. Through this more active profile of ILD, we have learned that pragmatism is politically viable. If politicians are shown that they can be effective in doing the right thing, they will.

The problem can have no long-term resolution if governments have to turn to organizations such as the ILD to tell them what to do. All organizations have limits. The only real solution is for governments to do what people best require. People are much wiser and smarter than they are generally given credit for being.

Our conviction that democracy and market economies are the only way to develop grows out of a pragmatic test of what works and an empirical analysis that offers substantial supportive evidence. The kind of analysis undertaken at the ILD can lead to only one conclusion - a clear commitment to broadened economic and political participation.

Advocates of stable long-term growth in the developing world must use these principles to confront two challenges:

First, many of the conventional

This issue truly indicates that a system that has produced such oppressively dismal economic results throughout the world has nevertheless taken over half of the world's governments. The importance of the fact that political affairs is a subject that should not be left to the Marxists, but that is been their province, but we must lay claim to it. The two first clubs between America and the Indian sector and the old regime in Cuba and Niger are included, and we can see who won. There is no reason why the only people who have to be deliberate are Marxist-Leoninists.

We can also be deliberative by studying the history of the developed world to understand how collaboration, administrative simplicity, and good macroeconomic policy can be translated into the reality of developing countries, as the developing countries produce a language that the majority - a group the developed world knows little about - will support. Economically prosperous and politically liberal systems are beyond the reach of the developing world. People who want real answers instead of dogmatic programs understand the forces at work and address their recommendations to governments and other stakeholders in the developing world whereas efforts are the cornerstone of a better future.
Small firms contribute R100-bn to SA economy

By SELLO SERIPE

SOUTH Africa’s small businesses are an important feature with a turnover of R100 000-million and four million employees last year.

These findings come from Businessline, a new syndicate research service specialising in the collection of information about small businesses, after a survey conducted among 2 000 small businessmen across the colour line with a turnover of R5-million or less.

The syndicate is a subsidiary of Businessline and Marketing Intelligence (BMI), a member of the Information Transfer Group.

"BMI director responsible for Businessline, Bets Nel, said the latter was established because of the market's need for information about the small business sector.

"We focused on the information needs of financial institutions and computer companies during 1988, but are now expanding Businessline to meet the needs of all suppliers of goods and services to small business. This includes stationery, office furniture and equipment, insurance and travel and advertising services," Nel said.

The organisation established that:

- Under-developed businessmen tend to rent, as opposed to own their premises.
- They employ less than five staff members.
- Managing directors tend to have post-matric qualifications and to be English speaking.
- Most owners tend to run their business as sole proprietors.
- Just less than half of small businesses use computers, predominantly PCs made by IBM.
- Small businesses bank predominantly with First National Bank, Standard Bank and Volksbank.

The survey also revealed that:

- 70% of respondents had a bank overdraft.
- 40% of respondents had a bank deposit.
- 60% of respondents had a credit card.
- 80% of respondents had a telephone.
- 80% of respondents had a fax machine.
- 70% of respondents had a company car.
RETAILERS lost an “insignificant” amount of money to SA’s 900,000 hawkers and spaza shop owners, said African Council of Hawkers and Informal Businesses (Achib) president Lawrence Mavundla.

However, the battle between the two camps persisted, and the only way to solve the problem was through an education campaign to show retailers hawkers did not threaten their business, he said.

Achib, representing 14,400 informal traders, would focus this year on encouraging retailers to work with hawkers, he said.

The organisation was launching a media campaign to dispel the myths surrounding the burgeoning informal sector, and would also be arranging discussions with trading associations later this year.

Mavundla said these moves were in response to retailers’ allegations that hawkers provided unfair competition and did not pay rates or sales tax.

Achib is also negotiating with the Johannesburg City Council on the possibility of launching a “Keep Clean” campaign among hawkers.

Retailers needed to understand South Africans were not living in an equal society, and many hawkers were unable to find alternative employment in the formal sector, Mavundla added.
Encourage backyard enterprise

By SOPHIE TEMA

The survival of backyard entrepreneurs depends on support given them by the government, according to the director of Business Challenge, Phil Khumalo.

Addressing a seminar in Mmabatho recently, Khumalo said the “informal sector or the backyard entrepreneur must be kept alive” because with megacorporations merging more people were being retrenched and fewer jobs were being created.

It was evident in many countries the informal sector did not enjoy the measure of government protection normally given to the formal sector.

Khumalo said the constant police harassment of the informal sector was evil, heathen and unacceptable to God.

He asked whether the situation could be condoned where a policeman harassed a poor old woman selling apples—which eventually got tossed into the gutter.

This made a laughing stock of a struggling widow trying to survive, he said.

Khumalo said police often took 24 hours to arrive at a scene of crime, but rushed uninvited to harass street hawkers.

“The law and order portfolio should be renamed the ministry of police and destruction because there is no order about it. There are so many thugs around, yet these officers spend time disrupting progress,” he said.

Calling on the government to change its hostile attitude to the informal sector, Khumalo said, “The authorities should maintain a more positive, sympathetic approach.”

He added that the government should formulate relevant training programmes aimed at existing informal businesses and avoid the academic approach currently used.

“The authorities should monitor programmes and see the credentials of the presenters to get rid of the fly-by-night types,” he said.

Khumalo said banks were reluctant to get involved in backyard businesses and regarded them as a high risk, thus causing a major financial setback.

“The banks are only interested in ventures that have the blessing of chartered accountants—something not easily available for the backyard trader.”

“The government should set up collateral for this sector and a special budget should be aimed at this important sector of the business community.

“There should also be a follow-up to monitor progress and assist with a further bridging loan if necessary.”

The formal business sector needed to co-operate with the informal sector by providing mentorship and know-how.

Big companies could invest in the informal sector by sharing managerial skills, not by dumping on it social responsibility cheques to assuage their guilt.

Khumalo said SA Breweries had at last recognised bootleggers—commonly known in township lingo as “gwevas”.

The SAB had built bridges because they linked the bottle stores to the runners and the runners to the shebeeners, and in the final analysis everyone was in the business network.

The problem was transformed into an opportunity for everyone, he said.

Khumalo appealed to Bop President Lucas Mangope and his Minister of Police to look carefully at police action against the informal sector in Bophuthatswana.

“Instead of having a liquor squad, have an informal business promotion squad.”

“Let police visit backyard operators and help enforce security for these people who work until late at night to give the public a convenient service.”

He said every country which had involved the informal sector had been successful
Draft Bill will ease hawkers' troubles

The new draft Bill gazetted on Friday, dropping licensing requirements for many kinds of businesses, would go some way towards alleviating hawkers' problems, African Council for Hawkers and Informal Business (Achib) spokesman Vicky Sussems said.

But, she said, they still faced a myriad of council by-laws which allowed officials to harass them.

The Bill was "a major and fundamental move" which would certainly speed up the employment process.

However, while Achib welcomed any move to deregulate the situation for hawkers, it did not significantly alleviate the problems faced by city hawkers, Sussems said.

Sussens said even if the Bill became law, hawkers would still suffer harassment from the traffic department for provisions that included that they must move every two hours, be 100m from a general dealer, 10m from an intersection and where they were fined, their goods were confiscated until the fine was paid.

Proposed

The Bill includes provisions to drop controlled trading hours on six days of the week — excluding Sunday — and to remove the licence requirement for businesses except those which constitute a threat to public health and safety.

In terms of the proposed measures, only food traders and caterers, places of entertainment and social meeting places will need trade licences.

Johannesburg management committee member in charge of the licensing portfolio Jan Burger said the council was sympathetic to doing away with licences. It had set up a committee to look at upgrading sites for hawkers.

He said the council would make representations on the Bill, but did not want to comment at this stage.

The Law Review Project's Professor Louise Tager said she welcomed the far-reaching changes the Bill proposed. Particularly important was the dropping of a large number of categories for which licences should be obtained, as it was a major step to removing the barriers of entry into the marketplace.

Tager said it was too soon to be excited as it was not yet law. She said existing licensing laws demanded many onerous procedures and requirements, licensing people rather than premises.

Another major advance was the opening of trading hours.

Regarding the fact that Sunday trading would still be controlled, she said on sensitive issues like that it was better that the local option applied.

The Bill allows for the Administrator to administer the terms of the draft legislation.

Asscom economist Bill Lacey said Asscom welcomed the broad thrust of the Act and said the proposed Bill went a long way in removing regulations and procedures that had unduly restricted private enterprise.

He said Asscom would be making representations on the Bill. Deregulation of licensing seemed "reasonably satisfactory", but he found its provisions for Sunday trading anomalous.

A Ster Kinekor spokesman said they would not be affected by the proposed legislation. Ster Kinekor was a special law that prohibited Sunday cinema...
Bill won't protect hawkers

The draft Business Bill did not protect hawkers from harassment, confiscation of goods or corruption by local authorities. African Council for Hawkers and Informal Business (Achib) president Lawrence Mavundla said in Johannesburg yesterday.

Mavundla said, with the removal of requirements for a licence in certain categories of informal trading, the Bill would relieve only about 18% of hawkers' woes.

Local councils still have their by-laws, Johannesburg still has its requirements that a hawker move every two hours, be 10m from an intersection and 100m from a general dealer and the restricted area where hawkers could not trade was still observed.

The permits local authorities had the power to give could be open to abuse as some black councils charged up to R20 a month for a permit, Mavundla said.

"The TPA has the power to ease things up, but what attitude are hawkers going to get in places like Boksburg?" The Marble Hall (Northern Transvaal) council does not even want to talk to Achib," he said.

"What we propose is a sort of Small Enterprise Promotion Act which will contain certain principles fundamental to the potential renaissance of entrepreneurship in SA," he added.
Hawker’s life is a battle for survival

An estimated 18,000 hawkers ply their trade in the streets of Johannesburg. They work their way through the day despite having to wage a constant battle against the authorities who move them on, the shopkeepers jealous of their trade, and the weather which can rob them of their customers. What is the average day in the life of a Johannesburg hawker really like?

THABO LESHILO took to the streets to find out.

Mrs Sarah Sibisi has one great talent — making ends meet in the face of massive obstacles. For, being a hawker trying to sell fruit and vegetables to the milling throngs at Johannesburg’s Parade has to mean living more than 18,000 registered hawkers in the Johannesburg area alone.

Aged 52, widowed, she has been a hawker for 25 years. Her hours are long and the level of trade unpredictable, made more so by official action against hawkers and bad weather which sends the crowds hurrying past her ‘apar’ with never a thought of buying a mango.

“I start selling at 6 a.m. in the morning and go home at 9 p.m. at night. How much does she earn?

Daily turnover fluctuates between R40 and R60.

“Winter is worst. Few people buy fruit, sales drop sometimes down to R1.”

Traffic officers of the Johannesburg City Council are her greatest problem. She says her goods have been confiscated even though she holds a licence. That licence finally came two years ago, thanks to the African Council of Hawkers and Informal Traders (Achib).

But even with a licence, there are regulations which hawkers ignore at their peril. She recently lost two days of profit trading when her stock, worth about R90, was taken and charged of poisoning. She was told by officers of the Johannesburg Traffic Department that it is only acting in terms of the ordnance governing hawkers and their trade.

Traffic Department spokesman Mr Ernie Holt said officials usually acted on complaints by shopkeepers whose trade was being negatively affected by hawkers’ irregular trading.

The restrictions imposed on hawkers are that they may not cause obstruction to shopkeepers, pedestrians or traffic. They may sell only goods specified on their permits. If they sell goods near retailers trading similar goods, they must move every two hours, cannot trade in a restricted area or within 20 m of an intersection and they must keep their trading area clean.

If a hawker contravenes these regulations, his goods are confiscated — and returned only when a fine is paid.
Enterprise 'not free' to blacks

By Kaizer Nyatumba

The Government's recent advertisements saying free enterprise was working well in South Africa were untrue because it was still difficult for blacks to get into the informal business sector, the managing director of the Get Ahead Foundation, Mr Don Macrobert, said in Johannesburg yesterday.

"At Get Ahead, we do not believe that people should be denied access to the economy because of the colour of their skins, and we believe further that the future of this country lies in the informal sector," Mr Macrobert said.
Laws make life hell for hawkers

PAT DEVEREAUX

HAWKER Mr Lukas Mkhwanazi finds it a constant battle to earn a living from takings at his meagre stall — but what is more frustrating is the plethora of laws with which he is confronted.

This month alone Mr Mkhwanazi collected 11 tickets from Johannesburg's traffic department amounting to R700.

"After losing my job at a bakery about a year ago I began selling fruit and vegetables on the street," said the 29-year-old Lukas. He has two dependents — his common-law wife, Miss Martha Dlamini, and her baby.

In February this year, said Mr Mkhwanazi, he decided to "go legal" and get a hawkers' licence. However, this has not made life easier for him.

Restricted

Mr Mkhwanazi is often seen trading in central Johannesburg's Sauer Street — a restricted trading area — because he said: "I have customers who know where to find me and the areas which are unrestricted are very competitive."

Lukas explained how he got so many fines in one month.

"On April 4, Martha was watching my stall for me as I had to buy stock. A traffic officer arrived and demanded to see the licence — which she produced. However, it appears that as the licence was not in her name the licence was confiscated by the officer who claimed it had been stolen. The goods were confiscated and she was given three fines."

FINES GALORE: Mr Lukas Mkhwanazi this month collected 11 fines amounting to R700.

Four days later, said Lukas, he was once more trading in the same spot when two traffic policemen demanded his licence. He said after he replied that they already had it he was assaulted by them for "being cheeky". He was once more fined and his goods confiscated.

He was treated by a doctor, returned to trade and was fined again on April 11 and 21. The fines relate to trading in restricted areas, being too close to an intersection or general dealer and failing to move on when ordered to.

Mr Mkhwanazi plans to contest the fines and the assault in court and has approached the African Council of Hawkers and Informal Businesses (Achib) for help.

As asked to comment, a spokesman from Achib said: "Mr Mkhwanazi's persistence in trading shows a desperate need to survive for which he is prepared to take the risks and be prosecuted."

The draft Business Bill published in the Government Gazette this month proposing that hawkers can trade without licences (as long as their goods are not a threat to public health or safety) may be passed this parliamentary session.

As asked to comment on Mr Mkhwanazi's alleged assault by two traffic officers, a liaison officer for the Traffic Department Eric Hill said he was looking into it.
INCREASED informal sector activity had led to a move away from shopping at major stores and a trend towards buying at stores, street vendors and spaza shops in black areas, a recent Marknor survey showed.

Marknor said a survey conducted among 70,000 black adults in the metropolitan areas earlier this year showed the most popular activity was selling fruit and vegetables.

Running a shebeen was the second most widely practised informal activity, involving some 56,000 people, closely followed by running a spaza shop (40,000), hairdressing (38,000) and operating taxis (25,000).

Marknor said S.A.'s informal sector had become a major phenomenon in the country and was growing at an unprecedented rate.

It said it was believed the informal sector accounted for up to 25% of GDP and current estimates put the number of people employed at 5 million.
Survey shows
informal sector
still growing

By BRUCE WILLAN

The informal sector in SA is growing at an unprecedented rate according to the latest Metro-Syndicate surveys conducted by Markinor.

In spite of the difficulty experienced in the collection of statistics, it is believed that the informal sector accounts for as much as 25% of gross domestic product (GDP).

Current estimates are that some six million people are employed in the informal sector.

The latest survey conducted by Markinor late last year undertook a study among 1,900 black adult men and women in the townships in metropolitan areas.

Previous surveys established whether or not the person was employed but this time Markinor asked whether the respondent was earning any money for doing any type of job.

According to Markinor this provided a far more accurate measure of the size of the informal sector than in the past.

The results obtained indicated that 25% of women and 21% of men who claimed to be employed, earned money from an informal source.

These figures rise to 28% and 27% respectively with the inclusion of self-employed individuals who describe themselves as being employed.

The figures recorded by this study show a marked increase over previous studies.

Also established in the survey was the trend by consumers to favour stores, street vendors and spaza shops in black areas more as opposed to major stores.

The increased activity in the informal sector over the past few years has also led to the creation and growth of organizations such as the African Council of Hawkers and Informal Business (ACHIB) and the SA Black Taxi Association (SABTA).

In an effort to establish estimates of the number of businesses in some of the more important sectors of the informal market another survey was conducted among black adults in the metropolitan areas.

By far the most popular informal business activity is that of selling fruit and vegetables which involves some 79,000 adults.

Running a shebeen or community tavern is the second most popular with approximately 56,000 people involved in this sector.

These are closely followed by running a spaza shop (49,000) doing peoples hair (35,000) and operating a taxi (26,000).

Markinor states that while the level of activity in these areas is likely to be much higher than the numbers recorded, the new survey provides a vital benchmark of the current level of involvement in the informal market.
Black cash in white hands

‘Underground’ trade comes out of the cold

By REVELATION NTOLWA

The informal economic sector has hit the headlines in recent months. Conferences, workshops and seminars have focused on this sector, which some researchers say handles billions of rands and provides thousands of people with employment.

Although this "underground" business has been operating for decades, it was only highlighted recently when some of the trade regulations were lifted in terms of the government's free-enterprise drive.

Among the people who brought this sector to prominence was Lawrence Masuwo, who founded the informal business association called Achup.

Numerous stalls have mushroomed in cities like Johannesburg and at railway stations since deregulation, which also resulted in beehive-type activity in back yards and private homes, where it was once illegal to trade.

Spaza shops along streets in places like Soweto have become the order of the day. Big white businesses view the emergence of this "sleeping giant" as a fertile market for their wares.

PROBLEM

It seems, however, that deregulation, as much as it is commendable, does not contribute much to the whole concept of black economic empowerment in South Africa.

The core of the problem is that such subsistence economies do not contribute to the creation of national wealth as much as to that of blacks.

What actually happens is that the entrepreneur simply acts as a middleman or ultimate outlet for a white wholesaler and the white producer.

He employs his capital to purchase consumer goods from the wholesaler and sells them to black customers at a profit. But, eventually, he must return to the wholesaler in order to purchase more stock, and so it goes on.

And from the consumer's point of view, those of us (definitely in the majority) who earn our living by selling our labour, do so outside the townships.

In pursuing this ideal and the need for black consumers to buy from others for black empowerment, unprecedented steps were taken to equip black entrepreneurs with professional skills and to create manufacturing zones which received money from blacks, to be reinvested in the black community.

No effort was spared in obtaining capital and keeping it in black hands.

To make this possible, more and more blacks became producers of some of the basic consumer goods and black shopkeepers were almost prohibited from purchasing their stocks from any other producers.

This should be the trend, despite the myriad of regulations standing in the way of aspiring black entrepreneurs.

Perhaps seminars, workshops and black conferences should change the focus to "Towards owning the means of production".

The need to own capital and land is without doubt of paramount importance.

Equally important is the need to acquire entrepreneurial skills so as not to depend on others to fulfill this requirement in society.
Sapoa seminar
Shebeens provided the start

By Frank Jeams
The informal sector was the people's response to the State's incapacity to meet its obligations, Mr Aggrey Klaaste, editor of the Sowetan Daily Mirror, told the Sapoa seminar.

"Oppressive systems cripple enterprise and the blacks have found themselves victims of underdevelopment," he said.

Mr Klaaste, referring to the rise of the small businessman, said that in South Africa his origins began in situations such as the illegal booze trade and its "carpet baggers and gangsters".

Those who managed those shebeens had survived and had created an informal business sector which was now a reality.

Referring to the new black taxi phenomenon of the small business sector, Mr Klaaste said this was an example of the crying need for management so as to end the present "dog-eat-dog" situation.
Survey on informal sector – humble and conservative

A CENTRAL Statistical Service (CSS) survey on the informal sector was a conservative estimate of the contribution of the sector to GDP, informal sector researchers said yesterday.

Free Market Foundation executive director Leon Louw said the objectives of the survey were "very humble", and the figures contained in it were necessarily conservative.

There were a number of factors constraining the research, "no more than a pilot study conducted under adverse research conditions."

One of these was that it did not take into account blacks living outside the townships, such as in Hillbrow.

CSS put the number of informal sector blacks in PWV townships at 560,000 out of a total of 4.7m blacks.

This ratio was "misleading", since the survey measured the informal sector in the townships only.

In addition, there was no attempt to overcome the problem of concealment people were asked to comment on basically illegal activities in which they were involved.

Further, the de facto population of the PWV’s black townships was probably higher than estimated, as people would not admit to having illegal tenants.

Another constraint was the survey’s failure to capture the informal financial markets, subsistence activities or "morally outlawed" activities such as prostitution or drug dealing.

Louw said "informed guesses" estimated the growth of the informal sector to be far higher than that of the formal sector – probably 12%.

Business and Marketing Intelligence (BMI) director Jan Strauss agreed that the CSS figures were conservative.

BMI was conducting a "totally integrated environmental research project" on the informal sector, and the results would probably contradict CSS findings, he said.
Institute to research informal sector value

Sylvia du Plessis

A NEW body, the Institute for Informal Sector Studies, has been set up by the Information Transfer Group (ITG) and associate company Econometrix to explore the "black hole" of information on the burgeoning informal sector.

ITG director Jan Strauss said this would be the first project of its kind, and would result in "true co-operation" between the public and private sector.

He said little that was known about the informal sector was mostly academic:

"We believe that no-one knows what's really going on. Official figures are at best not reflecting the tremendous growth and energy, or the patterns of trade or needs of this sector," he said.

While organisations such as the Free Market Foundation had already expressed support for the study, more help was needed.

"We are currently negotiating for this with key public sector bodies as well as the private sector," Strauss said.

"The public sector is interested in just one thing: what does the informal sector mean to the economy in terms of employment and value added. Businesses in the formal sector want to know how they can help the informal sector to their mutual benefit."

Results

This was the first time a study would take an integrated vertical look at everything affecting a particular sector.

The Institute's first projects would cover the building and DIY market, food and groceries distribution, transport and energy, and alcoholic and non-alcoholic drinks. Initial results were expected in September.

Strauss said spaza and other informal black businesses showed that more and more people would work where they lived.

This meant that more money would circulate within the townships, and might never be recorded in the formal sector.

A Central Statistical Service survey released last week estimated SA's GDP was understated by about 5% because the informal sector's contribution was not included. Free Market Foundation executive director Leon Louw described the survey as conservative. He said "informed guessers" estimated growth of the informal sector to be far higher than that of the formal sector — probably 15%. 
Helping black business

By JOSHUA RABOROKO

THE formal business sector was yesterday asked to help the growing black informal enterprises to prosper and contribute to the country’s mainstream economy.

Speaking at the launch of a hawkers’ clean-up campaign in KwaThema, Springs, Nafcoc public affairs manager Mr. Gabriel Mokgoko said the informal sector held the key to South Africa’s economy.

He estimated that hawkers and spaza shops contributed over R3-R4 billion to the country’s economy annually.

His association has pledged to work closer with informal sector undertakings such as hawkers, spaza shops, street vendors and manufacturers to promote black economic empowerment.

The aim of the campaign launched by the African Council of Hawkers and Informal Business (Achib), is to help hawkers and spaza shops to operate their business ventures from clean premises in order to avoid harassment, arrest and confiscation of their goods by local authorities.

The campaign started in Johannesburg.

"Nafcoc realises the need to talk to hawkers because most of its members started as hawkers. 
Blacks fear business Act change

BLACK businessmen fear that the Government's deregulation policy could lead to the penetration of their businesses by whites.

According to the president of the National African Federated Chamber of Commerce and Industry, Mr Sam Motsuenyane, black businessmen were concerned that the Conversion of Certain Rights to Leasehold Act might increase white penetration rather than free black business of legal restraints.

The Act, which became effective in January, abolished controls on township businesses and allows whites to operate businesses in black areas provided that they form partnerships with blacks.

The Act further allowed the occupant of at least 300,000 township properties to acquire leasehold titles free of charge.

Details of problems facing black business are contained in the latest issue of the social and economic update, published by the Institute of Race Relations.

In terms of the Conversion of Certain Rights to Leasehold Act, whites may own a maximum of 49 percent in business ventures with blacks.
WHITES are infiltrating township businesses and threatening the livelihood of many black entrepreneurs.

Their main assault is directed at the lucrative minibus market. Other sections of the informal sector, seen widely as the exam for racial domination, is also under threat from whites.

Social and Economic Update written by the Institute of Race Relations researcher, Elizur Cassette, points out that at least 20 percent of minibus taxis are owned by whites.

But officials of the South African Black Taxi Association (Sabad) said the two black organizations in the transport industry, say the 20 percent figure is conservative and put their estimate at 50 percent and which they say is growing by the day.

They both warned that deregulation may increase the trend in white ownership.

The burgeoning black taxi industry has created thousands of jobs. Most taxi drivers do not own the vehicles.

They work for an employer and some of the employers are white.

Sabad's president, Mr. James Ngcogyana, told his members their taxis were white-owned.

He expressed that deregulation may have a negative impact on the growth of the transport industry.

Front

He said whites are taking over our industries. As the moment they have to hate behind a black front because they have capital and to the extent which is required for loans.

The trend has operations in which whites have vehicles through hire purchase agreements, and then pass them to white-owned taxi owners must stop.

Sabad president Mr. Peter Rabali said whites buy taxis in their names then register them in the name of black drivers.

On paper he adds, the vehicle belongs to a black person but in reality it belongs to a white man.

'Just want protection from the Government. This is the reason why we do not support deregulation.' Rabali says.

According to Central Statistics Services, racial breakdown of 16,000 new minibus standard delivered in 1986, 4,994 were sold to whites and 11,020 to blacks.

Main thrust aimed at the taxi trade

Of the 11,020 sold vehicles, 11,015 were bought by whites and 11,096 by blacks.

Ngcogyana said the figures indicated a true reflection of the whites who were able to get the market.

He said whites were taking advantage of the government to make money in high numbers.

Sabad has a scheme through which it can help its members to obtain vehicles.

These people must approach us for advice on financial assistance which we run with West Bank, he says.

Rabali said members of the National Taxi Association countrywide can be attributed to competition from white-owned taxi and private operators.

Problem

Another problem for the black taxi industry is that the proposed bill to quantify the number of black taxi operators, which it appears as a private company Transport Holdings may be given the right to operate way may be against the bill.

If transport systems become widespread they can limit the taxi industry's growth.

The problem says it is not enough that a market to accommodate 30,000 taxis is operated a year and one wrong for introducing a system called the 'Deregulation' which it would require to meet continued taxi growth.

White motor companies may now revive this problem and the deregulation for black operators and has seemed potential for instability. It may well be the end of the growing problems that arise between operators. This is the bill.

These problems could fuel demand for continued regulation of passenger transport.

Deregulation is thrown up similar problems where black business is concerned. Government's deregulation report states that the Act may simply increase the number of white operators, enacting the White Control of Business Act.

Certain Rights to Leasehold Act, which was made with effect in January allows the occupants of an estimated 21,000 to 30,000 properties to township to acquire leasehold title free of charge.

The Act also applies a preference of black persons on township businesses and allows white persons to operate in the townships provided that they form partnerships with their white counterparts.

White people hold up to 49 percent of retail and ventures. Previously, township business required government permission to operate in the township.

A president of the National African Taxi Association, Mr. Sam Mhlanganani, said that the Act may simply increase the number of white operators, enacting the White Control of Business Act.

President of the African Council of Taxi Operators, Mr. Lawrence Moseby, said that the Act may simply increase the number of white operators, enacting the White Control of Business Act.

The people who own taxi businesses are often employed in white-owned businesses.
one in which more than R5 000 is cleared monthly — by an estimated 800 people.

In other categories — hawking, scavenging, crafts, homecrafts, services, accommodation and other — large numbers of people net less than R150 a month and comparatively few are found in top earnings brackets.

Statistical quirks which emerge when answers are collated are probably due to small numbers at certain income levels.

Though those involved in transport earn the most, greater numbers are involved in other areas. Biggest contribution to GDP is made by hawking — an estimated R39.4m monthly — followed by crafts (R36.8m), services (R30.7m) and transport (R24.6m).

Total contribution of more than 500 000 blacks involved in the informal sector in the area is put at R168.8m, monthly, about R2bn in 1988, or about 3% of area GDP that year.

While this does not allow for blacks living in white PWV urban areas or other parts of SA, this conclusion does not bear out optimistic estimates of informal sector contribution to GDP, which range as high as 30%.

Conclusions are based on verbal information provided in personal interviews. Few records are kept in the informal sector so figures are estimates by respondents.

The results, however, should be "reasonably accurate," says Paul Fatt, professor of statistics at Wits. "Provided the sample is representative of the population in the area.

The sample used is one established more than a decade ago, and revised in 1986-1987, to assess black unemployment.

The survey does establish that informal activity provides full-time work for only a minority of the people involved: an estimated 74 000 work on their own account while 31 000 work for informal sector employers.

By far the most participants, nearly 200 000, are housewives and scholars. More than 184 000 are involved only part-time, while working full-time in the formal sector; over 65 000 are seeking work in the formal sector.

So far the informal sector seems a source of supplementary or stop-gap income, rather than meaningful employment.

National surveys on informal activity among blacks, Indians and coloureds are due to start in October. No research on informal activity among whites is planned.

INFORMAL SECTOR

Stopping the gap

The success of the black taxi industry is reflected in a comparison by Central Statistical Service (CSS) of earnings of blacks involved in various categories of unrecorded activity. Estimates are based on a pilot survey of 2 200 households (of five to six people) in the PWV rural and black urban areas and is derived, says CSS head Treurnicht du Toit, by inflating results of the sample to match total population, in these areas, of 4.7m.

Of eight occupational categories researched, transport is the only one in which most participants are not clustered on the lower rungs of the earnings ladder. CSS concludes that, while more than 1 000 people engaged in transport-related activities net under R150 monthly, over 3 000 net R1 000-R1 349. It also concludes that it is the only
Informal sector needs support

By Frank Jeans

Central Government, local authorities and the major corporations must join in a thrust at the barriers which are holding back small business.

This was said by Mr. Dane Hough, Administrator of the Transvaal when he spoke at a luncheon of the South Africa Britain Trade Association (Sahbita) in Johannesburg yesterday.

"South Africa's informal sector, or the Underground Economy as it is called, has problems unique to this country," he said.

"Jobs cannot be created fast enough or provision made for unskilled and untrained people and the move to the cities has created problems of overcrowding and joblessness."

The Administrator emphasized that the informal business sector had always been underestimated and that it could be contributing as much as a third of South Africa's gross domestic product.

"More than 300,000 people enter the labour market annually," said Mr. Hough.

According to the Small Business Development Corporation, the segment taken up by the informal sector as a whole may be as high as 42 percent.

Mentioning the fact that Government had "systematically begun dismantling" the many restrictions placed on the "small man", the Administrator agrees with the concept that "bureaucratic and other entrance barriers" should be lowered.

"We will, however, all have to look more closely at the advancement of small business, particularly when one realises that the modern day formal sector of the economy is no longer capable of creating all the jobs needed to provide an adequate standard of living in South Africa," he said.

"Private enterprise can assist by showing that it is willing to see restrictions removed by buying supplies from small business and encouraging sales.

"The informal sector's growth is too strong to be curbed and I see no reason why it should be."
Township boomtime is going to spread

BOOMTIME has come to the townships — and it is going to spread, experts predict. The Central Statistical Service estimates that the informal black business sector contributes millions of rand to the country's economy every year.

Indications are that the boom is rising dramatically.

The Free Market Foundation has engaged The Information Transfer Group (ITG) to do research into the economic structure of the townships.

ITG director Mr Jan Strauss said "We believe no-one knows what is really going on. Official figures are at best not reflecting the tremendous growth and energy of the informal sector."

Mr Strauss said the studies will reveal details of the economic structure of life in the townships.

"The spaza shops, which operate from a homeowner's garage or lounge, were born when boycotts of white shops were enforced in the most brutal ways. But they are not going away now that things are quieter."

"Also, in their off-peak hours black taxis are becoming delivery vehicles for the spazas. This is the start of wholesale hawking. And conventional wholesalers cannot compete because their cost structure is all wrong," he said.

He believed that spazas and other informal black businesses will bring about fundamental changes in the national social fabric.

"They show that more and more people will work where they live," he said.

"It is ridiculous that the city of Soweto has no central business district."

"Once the regulations are changed we will see businessmen buying blocks of houses, renting them and putting up offices, shops and factories."

"Blacks are now aware of convenient shopping."

"If they can shop at a spaza, even paying fractionally more than at a white supermarket, they will not shop anywhere else.

By JOSHUA RABOROKO
BILLIONS of rands in fluid savings are generated annually by the informal sectors' collective groupings or clubs, commonly known as "stokvels".

Yet, with one notable exception, the country's financial community has thus far made few attempts to attract and mobilise this potentially lucrative market.

It is an African phenomenon, well established among the low earning members of the black community, but no precise figure can be made of the size of the stokvel population. One rough estimate is more than 800,000 — each probably made up of between five and 10 individuals.

This estimate is provided by Andrew Lukhele, president of the National Stokvels Association of SA (NASASA), established in February last year to assist and co-ordinate the activities of stokvels. The aim is to mobilise more effectively the funds they generate and channel them in directions which could eventually propel them into the economic mainstream.

Lukhele estimates that the stokvels under his umbrella organisation are mobilising funds potentially totalling more than R200m each month. This figure is regarded as being the tip of the iceberg.

Stokvels, therefore, represent an important source of funding for the creation of employment and small business development at the bottom end of the informal sector. Properly harnessed, the funds these "savings collectives" generate could make a material impact on the economic wellbeing of SA.

NASASA appears to be the first material effort — as an essentially self-help organisation — at providing umbrella guidance and support to mobilise the full potential, earnings and spending capability of the stokvel population.

Lukhele, a Wits University graduate in psychology, is the driving force behind the organisation, which flowed from a study of the stokvel phenomenon on behalf of the Urban Foundation.

He says he recognised the need to provide co-ordination for these small savings groups — which had little access to knowledge of modern, First World savings instruments — so that their potential could be realised.

According to Lukhele, NASASA's approach is to ensure that funds are used to the maximum benefit of members. NASASA intends negotiating benefits and communicating investment opportunities to stokvel members.

Other objectives are to arrange better purchasing terms with shops and other suppliers of goods and services, to provide training to enable members to operate more professionally and profitably, to promote a positive perception of the stokvel concept, to provide an educational counselling service on such subjects as housing, financial management and legal advice, and to serve as a marketing vehicle between the black informal sector and the financial community.

NASASA and its membership has had little support for the stokvel concept from the institutional sector. Only the Perm appears to have seen the need or potential of this massive market by creating the "Club Account" savings scheme a year ago.

The scheme has been a tremendous success, particularly in the Transvaal and Natal, according to a Perm spokesman. "Enormous amounts totalling millions of rands in fluid savings are flowing in from the stokvel movement, he confirmed."
applying for licences
Hawkers told to keep on

Economy a threat

a few years shops licences

a few years shops licences

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Economy a threat

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Economy a threat
Business: Courts Those ignored

Once ignored - Hawkers

The courts have ignored the plight of hawkers, who are part of the informal economy and provide essential services in many urban areas. The government needs to provide them with proper legal protection and support, as they are crucial for the local economy. Without proper recognition and support, hawkers continue to face numerous challenges, including unfair taxation, harassment by law enforcement, and lack of access to basic services. The courts have a responsibility to ensure that hawkers are provided with fair and just treatment, and to protect their rights and interests.

Business

Weekly Mail, June 1, 1999

Page 14
Social club to help traders

BUSINESS Challenge, an organisation which assists emerging black entrepreneurs, has formed a social club to share ideas and educate the informal sector on a variety of skills.

BC's executive director Mr Phil Khumalo said the club will have many influential people with constructive ideas.

Some of the activities of the club include organising parties, seminars, stokvels, after work get togethers, business meetings and special education classes for those needing them.

For more information contact Emily at (011) 23-4968; Mpho (011) 29-2944 or Queeny (011) 54-9912/3.
‘House shop’ owners in battle over licences

By Michael Domar, False Bay Bureau

Mitchell’s Plain “house shop” owners, who have recently been warned or fined by the city council’s business licensing division, have voted unanimously that the Western Cape Informal Traders’ Association (WCITA) should represent them in any further negotiations.

The WCITA was formed two weeks ago in response to the blitz by council officials.

Warnings and fines were issued by the council to proprietors of non-mobile shops in houses. Those at fault had either a hawker’s licence — a general dealer’s licence is required — or no licence at all.

Fines postponed

The council’s action was prompted by informal general dealers who felt it was unfair that they had to go through more red tape than informal traders for basically the same type of business.

It is estimated there are about 700 informal shops in Mitchell’s Plain.

At the Westridge Civic Centre last night, a meeting of about 150 proprietors heard that the city council would postpone all fines to give the offending house shop owners the opportunity to apply for the correct licence.

However, Mr A J Naudé, the senior manager of development services in the Small Businessman’s Development Corporation, cautioned that he and the WCITA steering committee would have to persuade the council that informal traders should be given a special dispensation with regard to certain preconditions which had to be met before a general dealer’s licence would be issued.

Health requirements

“You will have to meet certain health requirements and the present town planning scheme does not allow for retail outlets from houses,” Mr Naudé said.

“The health department will require that you have running hot water, facilities for employees and rodent-proofing measures.

“Many of these are not practical for you and we will ask for these to be relaxed.

“And we will urge the council to allow retail shops from houses in terms of the town planning scheme since it has been allowed in other communities.”

Traders were handed petition forms at the meeting, on which they intend to collect names of customers who are prepared to support their applications.

Said Mr Naudé: “The council will consider objections from your neighbours, but we will investigate these to see if they are reasonable objections.”
Support for informal sector

JOHANNESBURG — Small-scale entrepreneurship can make at least as great a contribution to the developmental and employment needs of SA as large-scale corporate activity, said Gavin Rely.

The corporation and its associates have therefore decided to try to expand their purchasing and sub-contracting links with small business.

In six months they have been able to place some R3.5m worth of business spread over close to 50 contractors.

The reshaping of SA’s “economic geography” is thanks to government policies of deregulation, an even more to the “entrepreneurial zeal” of an urbanising and modernising black population, he says.

The revolution of economic opportunity is enabling black South Africans to liberate themselves from the “oppressive arm” of officialdom and take charge of their lives, thus increasing their self-esteem and dignity.

“As it spreads, that revolution will be felt right through the social and political structures of our country to the benefit of the task of building a nation in SA before the 20th century is out,” Rely predicts. — Sapa
Black consumers are now driving white business

MIKE PERRY

Positive changes in market share which can result from the correct strategies in a restructuring industry are the portents of future improved profit.

Let’s take a high profile example and consider the eventual repercussion for the players and the people who work in the industry.

The spaza store — an informal grocery shop operating out of homes in the black townships — phenomenon is now receiving wide publicity.

Spaza stores, of which there could be about 40 000 in Southern Africa, received a boost during 1985 and 1986 because of political unrest and economic uncertainty.

At a time when boycotts of white-owned businesses were the vogue and retrenchments were rife it made sense to use one’s severance pay to stock a spaza store at home.

Each new spaza store which opened was an inspiration for another entrepreneur.

Despite greater political stability, the spaza stores established that they had a viable economic niche as convenience stores.

Rapid urbanisation — for example Durban, with its reputation for growing faster than any other city except Mexico City, which can be confirmed by aerial observation — is reinforcing the need and economic viability of the spaza store.

Shoppers spend at least R3bn in spaza stores each year, R2bn of this is purchased from wholesalers.

This purchasing power has resulted in a change in the relative growth prospects for the formal retail grocery industry and those of wholesalers.

As can be seen from the chart, the market share of these two sectors of the distribution channel changed dramatically in the period from 1985 to 1988 and it can be predicted that this trend will continue until 1993.

The growing importance of wholesalers/market share

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SOURCE: Trade Gazette Panel

The implications of this change for the food distribution business are extensive.

The era of rapid growth in the wholesale sector is attracting new entrants, so it is likely that there will be a battle for market share and some form of shake-out or rationalisation of the players by 1993.

In the low growth sectors of the market — including the retail sector — only the most efficient and fiercely competitive will be among the winners.

The informal trader purchasing from the wholesaler tends to be black and might have lower levels of literacy. This makes for communications problems which can best be offset by increasing the proportion of staff and managers in these outlets who speak a relevant black language.

As you have got more black managers in the stores it makes sense to have more black salesmen from the manufacturer making the calls on their wholesalers and retailers. Better communication makes better sales.
Cash kings of Khayelitsha

By TOM HOOD
Business Editor

THERE’s a new generation of self-made millionaires springing up from the squatter camps of the Western Cape.

At least one of the nouveaux riches risen from the ranks of the thousands of squatters who came to Khayelitsha jobless and penniless five years ago.

The new millionaires have bid almost R15-million to buy 11 vacant sites — mostly business sites — in the new town centre at Site C, partly a squatter area of Khayelitsha.

The land was advertised by Lingeletlu West town committee. Forty-two tenders were submitted by the closing date, most for the service station. No offers were received for five sites.

Examination of tenders to buy a service station site of 3,235 square metres shows nine local people put in offers totaling R14.6-million, with the highest bid of R16.5-million from Mr M Fusa, backed by Caltex.

However, Mr Fusa’s high bid was turned down, as was Mr J M Mishiwela’s R1.6-million offer, the second highest.

Instead, consulting engineers who analysed the tenders recommended the third highest tender — a R1.5-million (R486/m²) bid by oil company Caltex — on condition the development site is leased to a resident of Lingeletlu West.

“This recommendation has been made owing to the apparent under-capitalisation of the two highest tenderers and to ensure the quality of the development of the town centre is maintained,” said consultants S P Robinson and Associates.

Six tenders by individuals were not recommended.

Average cost of the service station buildings would be R650,000, the consultants estimated.

Mr Fusa planned buildings costing R250,000 and to finance the construction himself.

Mr Mishiwela’s tender had no oil company backing, but the consultants said he gave no information about his financial situation, allowed only R250,000 for the buildings, and appeared to be under-capitalised.

The first individual who had

(See page 3)
Blacks are daily getting convinced that without economic power the prospects of achieving total liberation are nil. Delegates to a recent seminar on black economic empowerment, organised by a firm of consultants KwaMusa and Associates in Durban, confirmed this. Concerns was that black economic power will have been achieved when black people own and control a substantial portion of the means of production in the country.

It was also agreed that it implies the ability of blacks to make decisions that will have a significant impact on the economy.

The president of the Black Management Forum Ms Don Mkwanza, said: "Black economic empowerment means the acquisition of economic power by blacks. The acquisition of economic power by blacks will enable them to take greater control of their destiny and of their beloved country."

"We can no longer perpetuate our dependence on welfare programs instead, we must be seen as contributors in our economic life, not just as beneficiaries, but as equal, if not major, partners in the creation and control of wealth in our country."

It was agreed that blacks must change the mental set - less than one percent of them own and control assets in the economy. They must get larger and commanding salaries so that their money muscles could help cut the political shackles that keep them in bondage.

One of the lessons that emerged at the seminar was that black economic power could be achieved primarily through the efforts of blacks themselves and not secondarily through agencies that have set themselves up to help black business.

Another lesson was that blacks have the capacity to break the barriers and do so - despite all the obstacles which have to be overcome. The process may be slow and require all the patience and tolerance of the people of Africa and the world. The fundamental economic problem in our society is the gross disparity of wealth between whites and blacks.

The road to black economic empowerment

**By Joshua Raboroko**

Bulls began running their own businesses and restaurants and secondly by getting more and more blacks to occupy positions in corporate and public sectors where they are in charge of assets that are in the possession of whites.

The idea is to start small, think big and grow," the executive director of Business Charters Mr Paul Khumalo, said.

Evils

He said black economic empowerment would not succeed without the involvement of the formal sector. He said black economic empowerment must not result in the marginalisation of South Africans' evils of poverty, unemployment and inequality. It means political freedom it was an evil building. The Anglo American Corporation's industrial relations consultant Mr Don Ncube said black business had to transcend the level of role props to which we have in the black townships - the barbershop, the fish and chips shop and others.

Blacks should not be kept in the periphery of the economy, but should be brought into the mainstream of the economy.

The solution is to start small, think big and grow," the executive director of Business Charters Mr Paul Khumalo, said.

Evils

He said the solution would be to create new property for the poor without taking old property from the rich.

The chairman of the Anglo American Corporation, Mr Glenn Ralalic, said big business and government had a role to play in black economic empowerment and in helping to redress the imbalances of the past.

The chairman called for a dismantling of the foundations of the relationship with the black community. Mr Peter van der Walt, the chairman of Santam, said the country's economy had not been able to sustain those interested in black economic empowerment. The economy is open to all, especially the poor, previously disenfranchised, widows and orphans.

Doolie

The director of the Centre for African Studies, Mr Eugene Nyathi, said that blacks identified with economic empowerment programmes promoted by the government and the private sector have amounted to nothing more than half-hearted attempts at selective empowerment of some hand-picked blacks.

The idea has been to carefully choose a selection of doolies and ineffectual blacks who are then given conserved empowerment titles and kept there for public relations purposes. The sum total of the strategy is the creation of a black middle class which will be too small to threaten white control," he said.

He said black economic empowerment must be seen within the context of the continuing quest for political and economic justice in South Africa. The real economic empowerment of black people will take place only after the total demise of the status quo. Some conditions and disinvestment can only hasten this process, but necessary processes, he said.

Sovereign editor Mr Gregory Klausen said: "We see black economic empowerment hatched by white capital. It is my belief that black organizations and those involved in the liberation struggle should get involved in business and keep the initiative in the hands of the oppressed or dispossessed."
Squatters show way to wealth

A GREAT phenomenon is happening in our midst. A phenomenon that holds great promise, not only for the survival of South Africa but for the creation of a prosperous country.

The promise can be fulfilled in the near future, yet it is being missed by most — including the government and the opposition.

The phenomenon is the creation of wealth in the squatter townships that have sprung up around the major cities in the last decade.

The residents of squatter towns are among the poorest in the country.

When the government realized that it could no longer contain the human tide, it approved "sites and services" in many areas. Communal tap water and shared bucket-system toilets or, occasionally, water-borne sewerage were provided.

Only after many of these townships were firmly established was influx control formally removed from the statute books.

The squatters, with little capital, little education and operating in a hostile environment, are now creating meaningful self-employment. I believe the squatter townships are the only places in South Africa where true free enterprise is in operation.

Yet, I fear that, in the few areas where we do have free enterprise, government action may be endangering it. The government-supported black town councils, which have already been established in most squatter areas, are, in some places, starting to impose commercial controls and laws are enforced even more rigorously than by many white-run councils.

There are considerable numbers of budding entrepreneurs earning a reasonable living from self-employment — earning as much as, or often more than, they could expect to earn in formal commerce or industry.

Throughout the country, there are thousands of women earning between R50 and R200 a week selling chickens and offal. In one of the squatter camps, I met several men who have built up a thriving business repairing punctures — mainly for taxis — earning a net profit of between R1 000 and R2 000 a month.

The most successful are running spaza shops and cold-drink wholesale businesses. They are turning over between R250 000 and R500 000 a month, depending on the season.

They are achieving these levels of income and paying their share of GST and, contrary to popular belief, income tax.

Surely, these examples, concerning many thousands of previously starving people, are enough proof that free enterprise works and a foretaste of how prosperous South Africa could be — if only the economy can be freed from the high cost of compliance with the host of laws and regulations that inhibit and restrict growth.

Theo Rudman
Executive director of the Self-Employment Institute, says free enterprise promises prosperity for all.
Taxi rank a threat to security, say residents

By Shirley Woodgate, Municipal Reporter

Plans by the Johannesburg City Council to create a black taxi rank and hawkers' market in Illovo have been condemned by some residents as "ill-conceived" and a threat to security.

They are heading for confrontation with their councillor Mr Christopher Newton Thompson and their local residents' association, who have approved the proposals, which are apparently in line with the development plan for the area.

The move envisages the closure of Cecil, Reform, Jameson and Tyrwhitt avenues at residents' request and the development of the park site bounded by Colett Drive, Oxford Road and North Street for the taxi rank.

Several Illovo, Dunkeld, Melrose and Rosebank residents decided at a meeting in August to lodge an objection with the town clerk.

Committee convenor Mr C E W Hagley said the proposed rank would become a gathering point for taxis in the area.

The committee felt that, together with the hawkers' market, it would threaten security and bring with it a flood of vagrants, muggings, theft and litter with no compensating advantages. It also felt the police would not be able to control the situation.

The proposed market was "not only unnecessary but undesirable" as the area was already adequately served by convenience stores, he said.

The council has not commented on the objections voiced by the committee which will decide on further action after studying the official viewpoint.
Hawkers urge probe into problems

By JOSHUA RABOROKO

THE African Council of Hawkers and Informal Businesses has recommended to the QwaQwa Cabinet to look into various problems facing hawkers, spaza shop owners and other informal traders in the territory.

Achib's general secretary Mr Francis Moleko has also negotiated with local wholesalers to give informal traders buying cards and to help them develop financially.

Speaking at the opening of Achib's new offices in Piuhlela in QwaQwa, Moleko said the organisation had been negotiating with the QwaQwa Cabinet to open its doors to informal traders.

"We need to develop the small businessmen so that they can run big ventures in the future. The hawkers and spaza shop owners contribute millions of rand to the country's economy and the time is ripe for them to develop themselves," Moleko said.

He appealed to the QwaQwa government, the private sector and the development corporation to help hawkers with loans.

Traders are not criminals - Achib

"The government should not grant more and more hawkers licenses to trade freely without any harassment, intimidation, arrests and confiscation of their goods in daily operations. Hawkers were people who were trying to earn an honest living and should not be treated like criminals," he said.

The newly-formed branch of Achib comprises informal businessmen from Bethlehem, Reitz, Harrismith and other areas in and around QwaQwa.
Lenders warned of informal enterprise saturation

Municipal Reporter

The informal sector is already overtraded and banks or other institutions which advance credit are in danger of losing millions of rands, Johannesburg City Council analysts predict.

A spokesman said saturation point had almost been reached through the indiscriminate issuing of permits to comb-taxis and trading stall operators.

"In addition to the existing taxes, 17 000 permit applications are waiting for approval by the Road Transportation Board."

"Each taxi represents an investment of R60 000 upwards, with no chance of those operators doing the necessary business to keep up their loan repayments," said a transport specialist.

The tail-off in black commuter queues highlighted the delusion that there was a limitless demand for this type of service. The situation had changed to the stage where competitors were prepared to kill for viable taxi pitches and combi-touts for passengers at bus stops.

UNSOLVED

In addition, analysts indicated that informal competition against conventional businesses had not solved the problem of black unemployment.

"In practice, the proliferation of trading stalls selling food and drinks coupled with deregulation exempting them from provisions laid down for normal trading licenses threatened the livelihood of shopkeepers in the vicinity."

"Vendors who no longer had to stay a fixed distance from established businesses were taking trade away from nearby cafes bearing the costs of complying with health, fire, wage, tax and other regulations."

"This is counter-productive if cafes are driven out of business by competition from the deregulated informal sector it amounts to a few being put out of work to put one back at work."
Fleamarket gets holiday concession

Fleamarkets at the old market site in Newtown are now permitted to operate on public holidays except Christmas Day, Good Friday, Ascension Day and the Day of the Vow (15th May). All traders must be licensed and there may not be excessive noise, the council said.
THE East Rand exhibition, Expo '89, aimed at allowing small black manufacturers to display their products to the public, is to be staged between September 22 and 30 at the H H Ngakane Hall in Kwa-Thema near Springs.

The "East Rand show" will cater for all sorts of products manufactured by black entrepreneurs in the townships.

Organizer Mr Vuji Mashazi said the exhibition was aimed at helping small businessmen display their products.

NEW GROUP

The newly-formed South African Small and Informal Business Association is to hold a meeting at the Dube YWCA tomorrow at 3pm.

Founder member Mr NE Mbulu said the meeting will report back on the developments and improvements that have been made to involve the small business in the economy of the country.
Achib marches

THOUSANDS of hawkers, spaza shop owners and other groups of the informal sector will march through the streets of Johannesburg on Sunday to celebrate the victory of the proposed scrapping of business licences as well as to protest the removal of laws restricting black business.

The march will start at the headquarters of the African Council of Hawkers and Informal Businesses (Achib), 19 Jeppe Street, and move through to Braamfontein where the organisation will hold its annual conference starting at 10am.

In terms of the draft proclamation published in the Government Gazette last week, as from January 1 1990, the only businesses that will require licensing will be those preparing food - the rest will not be expected to do so.

A spokesman for the SAP liaison office in Pretoria yesterday said the people will have to apply for permission to march from the local magistrate or divisional commissioner of police in terms of the Internal Security Act and the Emergency Regulations.

BY JOSHUA RABOROKO
HAWKERS IN MARCH
Small businesses exhibit at Tembisa stadium

ABOUT 120 township exhibitors from the informal sector will participate in the first small business exhibition show to be held at Mehlareng Stadium, Tembisa, starting from October 5 to 10.

The show, which is to become an annual event, will coincide with the Small Business Week to be observed countrywide starting from October 2 to 10.

The chairman of the organising committee, Mr Sello Namane, said they felt that the local businesses needed the exposure and would help develop them and the informal.

He said after several consultations between the Tembisa Industrial Association and the East Rand Industrialists Association a decision was reached to launch an exhibition in the township.

The main aims of the exhibition are:
* To encourage a relationship between Tembisa residents and the business sector;
* To expose residents to business and provide them with entertainment;
* To advertise goods and services that are supplied by local business and are available in Tembisa;
* To make outsiders aware of the great business potential that exists within the township;
* To invite fair criticism from the formal business sector so as to assist in the improvement of local business; and
* To establish informal and formal relationships with business in the neighbouring towns.

He said the show will be a learning process which should see business hosting a bigger and better show next year.

"We have been fortunate to get the support of surrounding corporations who have given time and services for free. From our relationship with big business we hope to grasp the necessary skills that will enable us to become self-sufficient in the future," he said.
YESTERDAY was a day of excitement for a number of entrepreneurs who for the first time advertised in Sowetan and were able to tell thousands of consumers throughout the country of their wares.

These entrepreneurs were among a growing number that has decided to use the Sowetan Business advert at a 50 percent discount scheme. In other words these entrepreneurs paid half the cost of the advert.

For the first time our traders are now into advertising in a big way. They want to fight for market share and even retain their monopoly of business in the townships.

If you want to use Sowetan to tell the public about your product or service but only pay half the cost of the advert you can do so in next Thursday's Sowetan Business. But your advert must be in by tomorrow, or Monday before 10 am at the latest. Phone us at 474-0128. The person to speak to is Paul Tshabalala, who handles all discount advertising.

The offer is only open to entrepreneurs in the townships. These include those operating from home, the industrial parks, churches and the many outlets found in the township.

Lastly, if you want to make an announcement in our business pages about a coming event or meeting please phone Joshua Raboroko at the above number.

Business Diary, our special service for the business world, is published every Thursday in Sowetan Business. There is no charge for the announcement.
Red tape still bars the way to free enterprise

By Robyn Chalmers

THE commitment of the authorities to deregulation has been well publicised, but huge barriers still stand in the way of would-be entrepreneurs.

Many small businesses are thwarted by red tape. One of those pushing for speedier deregulation is Sunnyside Group, a lobby of 40 agencies promoting small enterprise.

Gwynne Maim, spokesman for the group, believes SA has yet to realise the dynamic potential and job-creating ability of its small business sector.

She says the reason is simple — small business is so regulated that it is stifled before it ever starts. When it does get going, it is squashed, stamped on, fined and sometimes forced out of existence.

Engine

Although she welcomes the recent proclamation on licensing laws whereby only food will require a licence, she says many regulations still need to be overhauled.

"The informal sector has been subjected to a host of constraints — more so than normal business. Yet small business is the engine of job creation," she says.

"In Britain between 1979 and 1987 the number of self-employed people rose from 1.8-million to 2.9-million." Resilience

Small Business Week arms the public to get SA talking, learning and moving to acknowledge the importance of small business and opening opportunities for entrepreneurs.

In addition, it will link big business with small, change attitudes to small business and generate interest, excitement and opportunities for potential and existing entrepreneurs.

Small Business Week was launched in 1981 with a capital of £1.7-million. It has since become the largest property developer in black townships and other destitute areas, created more than 200 000 jobs and put about 22 000 people in business.
LONDON — More fundamental change in South Africa is imminent "and it's going to happen", the Department of Foreign Affairs says in a full page anti-disinvestment advertisement published yesterday in the conservative London Daily Telegraph.

Headlined "How to finance the South African revolution", and displaying pictures of products mainly sold by black entrepreneurs — home-brewed beer, soups, razor blades and various tonics — the advertisement's theme is that disinvestment robs black people of economic power: their most effective means of negotiation and political leverage.

"To say that disinvestment hurts the people it's meant to help, is to obscure the truth. In reality it's much worse. If anything, it robs South African blacks of their most effective means of negotiation and political leverage: their economic power."

It should be realized that the economy was the people and not the government.

Sourcing statistics to the University of South Africa's Bureau of Market Research, the Department of Foreign Affairs says, "Consider that in seven years from now — unless the economy is crippled beyond repair — black spending will represent over 70 percent of the gross national product."

There were 20 000 black-owned backyard shops in the townships of Johannesburg and Pretoria that had achieved a combined turnover equal to that of South Africa's largest supermarket chain.

"Even more remarkable is that they've achieved this turnover selling no more than the basic odds and ends you can see scattered over this page."

The advertisement refers to the SA Black Taxi Association (Sahba) as another example of the power of the emerging "black rand", saying it had in

under 10 years become the country's largest private consumer of fuel, motor oil and accessories.

"As a transport company it is 20 times larger than its state-subsidised equivalent, directly providing work for 300 000 people, transporting two billion passengers a year and supporting a mushrooming informal business sector so large no one has dared to estimate its size."

"This is the economics of change. The revolution which is putting apartheid out of business."

By supporting the many South African companies and organisations fighting for a free economy, rather than supporting the systematic destruction of the economy, Daily Telegraph readers would help South Africa achieve its goal, the Department of Foreign Affairs says.

This goal was the creation of a free and democratic society for all. — Sapa.
SA ad promises more change

LONDON — More fundamental change in SA is imminent, SA's Department of Foreign Affairs (DFA) says in a full-page, anti-disinvestment advertisement in yesterday's Daily Telegraph.

Headlined "How to finance the South African revolution," and displaying pictures of products mainly sold by black entrepreneurs, like home-brew beer, snuff, razor blades and various tonics, the advertisement's theme is that disinvestment robs blacks of economic power — their most effective means of negotiation and political leverage.

"To say that disinvestment hurts the people it's meant to help, is to obscure the truth in reality it's much worse than that. If anything it robs SA blacks of their most effective means of negotiation and political leverage their economic power."

Quoting Unisa's Bureau of Market Research, the DFA says: "Consider that in seven years from now — unless the economy is crippled beyond repair — black spending will represent way over 70% of the GNP."

**Black rand**

There are 20,000 black-owned backyard shops in townships of Johannesburg and Pretoria that have achieved a combined turnover equal to that of SA's largest supermarket chain.

The advertisement refers to the Black Taxi Association (Sabta) as another example of the power of the emerging "black rand," saying it had in under 10 years become the country's largest private consumer of fuel, motor oil and accessories.

"As a transport company it is 20 times larger than its state-subsidised equivalent, directly providing work for 300,000 people, transporting two-billion passengers a year and supporting a mushrooming informal business sector so large no-one has dared to estimate its size. This is the economics of change. The revolution which is putting apartheid out of business."

By supporting the many SA companies and organisations fighting for a free economy, rather than supporting the systematic destruction of the economy, Daily Telegraph readers would help SA achieve its goal, the DFA says.

"This goal was the creation of a free and democratic society for all — Sapa"
GROWING black participation in small business may offer employment opportunities for some, a chance to make a decent living for others and maybe the road to riches for the lucky few. But the notion that small business and the informal sector is the answer to South Africa’s economic problems is optimistic to say the least.

A tour this week of the Small Business Development Corporation’s projects in Soweto highlighted that “pitching oneself up and getting ahead” are not that easy — even with the help of the SBDC and with new incentives on the part of banks and other businesses to lend a hand.

The tour, hosted by the SBDC for business people and diplomats, was one event in the week’s Small Business Week, organised by a wide range of organisations involved in small business development around the country.

The first stop was Pennyville Industrial Park — the SBDC’s most impressive venture. Here 200 entrepreneurs produce their wares in a 5 500 m² factory complex. The building is dotted into “cathedral”-type varying sizes and rental is charged according to the number of square metres.

The idea behind the industrial complex — one of the many converted factories owned by the SBDC all over the country — is that people can conduct their trade in a communal and educational environment where they can share machinery and receive financial help and technical training. Some businesses are on a fast track, with at least two helpers and there are currently 800 people working in the complex, which stays open seven days a week, 24 hours a day.

“We are pro deregulation” says SBDC assistant manager Danny Jones, stressing this is a pilot project. “The idea is that people expand and move out. We measure our success by the number of customers who leave us. Then we know they can stand on their own two feet.”

One fact is that most don’t move out. They find the rent cheap but conditions favourable and business expansion slow.

Even one of the most successful entrepreneurs here, Rurokwe, who owns a “Millennial Trading” sign, has struggled. He started in a large clothing stock but has evolved from employing two to 20 machines in two and a half years, trading as Rurokwe general store, and has no room to expand. He has considerable experience in corporate clothing for large companies and says besides the favourable family environment, his workshops are low cost with the help of the SBDC. He can also contract to others.

Another clothing manufacturer, Rosina Deo, has also prospered. She says the SBDC has provided a lot of help. “We were taught how to turn our businesses into small county. We were working here because we help each other.”

Deo says business is bad and profit at most R500 per month.

All entrepreneurs have their stum- mng. They come to the SBDC because they have been stranded or are too young to start any business environment. Most get bridging finance rather than long term lending from the corporation paying back money for two or three or four years.

“Africa is such a disaster,” says Jones, who is optimistic about the Pennyville environment.

The SBDC, which buys in bulk for the entrepreneurs who are too small to do so by themselves, is as young as to run an big business and have added value. It has developed a sub-contracting scheme whereby large businesses pay out work to the small entrepreneurs.

So far in the complex, there are only five enterprises have shown significant interest. A contract was recently signed between a textile entrepreneur and Anglo American — the latter ordering about 500 dozen of shirt caps for its contract workers.

With a training and administrative building which provides offices for the factories, links between the entrepreneurs and the SBDC are evidently good.

However, at two other complexes, Orlando West and Dobsonville Industrial Park in Soweto, people seem disillusioned, and few ready to sing the praises of the SBDC.

The Orlando West complex has 12 buildings which house a total of 66 diverse small businesses — ranging from Rhoatla Construction, a building and panel bearing services, clothing manufacturers, a woodchop- per, products, and the people behind the “Take-Outs” restaurant.

Renting here is safer — the reason for the disillusionment expressed by many.

Johanna David, who makes bridal clothing, says they have no problem in the pocket-sized working area. She received an initial loan from the SBDC and has no problem in the rental. She has had no problem with cash and her business is as scruffy.

Though they showed as long ago as 1996. They received money, help and advice, but they have not been able to do well. For example, they have no advertising help and do not seem to be doing much.”

Radebe says the entrepreneurs do the right thing. “Either they don’t or they can’t or they don’t want to.”

Many say the conclusion is not as favourable as “admittedly on their behalf” and they have done enough. For example, we have no help and assistance in the middle.”

Radebe says she has repeatedly tried to do much, but in vain. “Either they don’t or they can’t.”

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May there always be good food on your table.
Shebeen king’s life
‘not a bed of roses’

By JOSIAH NABOIKO

TWENTY years ago Sam Sibuye Milwana (56), sold beer on trains. Today he runs one of the busiest taverns in Soshanguve.

While trading on the trains he sold everything from matches, peanuts, live chickens, liquor and many other items to have an income of about R700 per week.

This was good trading for today he sells an average of 1000 dozens of beers, and lots of sweets and waxes which has turned his house into a mini liquor market.

Encounters with the police can lure a threat in his life. While trading on the trains the police a few days ago threatened to seize the house for taverning licence in Soshanguve.

He left school while boarding Standard 5 because of family problems. He says, he was an employer on the gold mines, could not afford to support one of us at home.

He was born in Buscati’s old section and sold vegetables, beer and fruit on trains for a living. He quickly realised the art of purchasing and knew how and when to get the best goods. He normally spent most of his income in a public bar in Soshanguve.

Business Challenge aimed at helping small township entrepreneurs acquire money to turn their businesses, was to launch a caravan project to assist members of the informal sector to transport their goods conveniently to sell out points. The project will be officially launched at the Dunswart Business Challenge Social Club in Benoni on October 15.

According to Thami Mazwai

Licences

As Bophuthatswana, Milwana says that he can’t operate without a licence and licences were given to him for the location. After all he must make sure that his profit margins are

Contractors in for a windfall

The Township Building development contractors in the Pretorius-Werfstad-Vaal complex are all in for a windfall of between R12 500 and R35 000 to improve their homes or build houses, when work up to R3 billion will be available from January next year at housing sites.

Protestant Church building developers in the Pretorius-Werfstad-Vaal complex will get a windfall of up to R300 million in building contracts before early next year, once the Urban Foundation’s R3 billion housing scheme gets off the ground.

Developers

Of the R3 billion, about 60 percent will be spent in the PWV complex. Of these, at least 10 to 20 percent could go to Israeli developers. The amount from 100 to 350 million could be available to three to five developers.

The Urban Foundation has said that although specific figures could not be given in this stage, black contractors were in for a windfall when with other developers in the country there is going to be work for builders, developers, contractors and artisans, although at the stage is difficult to give figures. Pretorius said:

According to Thami Mazwai

Although the large and non-accurate, the magazine’s analysis of the township’s economic woes is the old story of the township economy. In many of Africa’s other countries, there are a lot of workers and government revenues. Unless South Africa’s words are taken seriously as ANC, PAC or BCM Government will find itself protecting the Bantu homeland of this world.

Are we not already even before liberation, potential victims of the enormous international funds trap?

Currency

The government is in dire need of the dollar. The dollar shortage in the country is the main reason why the dollar has been exported.

The government is in desperate need of the dollar. The dollar shortage in the country is the main reason why the dollar has been exported.

Our organisations thrive on assistance pro-
grammes. Representatives leave for overseas coun-
tries for the sole purpose of begging. “Please pay us for we are victims of apartheid,” is the common chant. And the overcharging locals of the same world, none for their own sufferings reasons, pour funds into their coffers.

When a close look is taken at the income state-
ments of some prominent organisations in the country, donations and subscriptions from members hardly make up 10 per-
cent of the income. What is the moral of this story?

What the story is about is that some members of the board of commerce are concerned with the state of the country.

And are we not already even before liberation, potential victims of the enormous international funds trap?
Focus on small business legislation

 OWN CORRESPONDENT

Johannesburg — Manpower Minister Els Louw announced yesterday he had requested the National Manpower Commission (NMC) to investigate SA's labour legislation as it pertains to small business.

The proposed investigation appears to represent a major leg of government's deregulation drive, and could lead to legislative amendments, which would wholly or partially relieve small businesses of various legislative obligations they face.

The official NMC brief is to examine the influence of legislation on the establishment and functioning of small business, the costs incurred by small businesses as a result of dispute settlement and litigation in terms of the LRA; whether the same principles should apply to them as to large businesses, and the possibility of specific legislative amendments.

A statement from the Manpower Department stressed that "Fundamental rights of employees and employers will still have to be protected, and the complete abolition of protective measures cannot be considered."

NMC chairman Frans Barker said yesterday he did not envisage the commission recommending, for example, removing from employees of small businesses their rights to unemployment insurance and workmen's compensation.

However, it may be that a way could be found to relieve the administrative burden the relevant Acts impose on small employers.

The Labour Relations Act and the Basic Conditions of Employment Act would also be under the spotlight.

But Barker could not say at this stage whether the NMC would examine only the effect of minimum conditions of employment laid down by the BCEA and wage instruments regulated by the LRA, or whether collective bargaining provisions would also be examined.

"It depends on the evidence we receive," he said.

The NMC has called for evidence on this matter to reach it by January 10 next year.

The Manpower Department also said the NMC was calling for evidence by the same date on its previously announced investigation into the consolidation of the LRA.
Playing a bigger role?

Big business is increasingly assuming small business development — but less through charity than by "win-win" deals that benefit both parties.

Major groups like Anglo American, JCI, Mondi and Highveld Steel are now seven or more in prudent subcontracting deals worth millions of rand with small entrepreneurs who, until recently, operated only in the informal sector.

The new initiatives are being undertaken in conjunction with the Small Business Development Corp (SBDC) and other organisations which provide the business contacts. The idea is to emulate the example of the Pacific Rim economies where subcontracting has created millions of jobs and broadened economic growth.

Underlining its commitment to the new initiative, Anglo has launched a major advertising campaign.

Says Gareth Penny, co-ordinator of Anglo's small business unit: "Since the beginning of the year we have contracted out orders valued at well in excess of R3m to small entrepreneurs. These are not handouts — we also benefit by getting acceptable, quality products and services at lower cost than can be financed from larger concerns, which invariably have higher overheads."

Co-ordinator of the SBDC's subcontracting programme, Andrew Rolfe, maintains "phenomenal" opportunities could be opened up for small businesses if more large corporates joined in.

This is a non-charitable, win-win programme, with cost-savings for big business and expansion opportunities for the small guys. And, while charity does not last forever, a good business relationship can have long-lasting results," he says.

The programme was launched in April and already the SBDC alone has helped sign up manufacturing orders worth R2,5m for various tenants at its "industrial hives" like Pennyville in Johannesburg. Service contracts worth a further R500 000 have also been signed. While these figures might be small potatoes in national terms, Rolfe sees it as the beginning of bigger things.

"Our challenge is to incorporate the small black entrepreneur into the mainstream of the economy. Big concerns like Anglo help to streamline cashflows by paying 15 days after invoice. We render administrative, marketing and logistical support," says Rolfe.

Part of the exercise involves the SBDC in liaising with the big groups and identifying potential producers and sales opportunities.

"We now have a full-time infrastructure at Pennyville to help market tenants' products. Through bulk discounting we get better prices for raw materials and we help our manufacturers to establish firm records. Our aim is to make successful businesses into champions," he says.

However, SA has a long way to go if it hopes to emulate the examples of Japan, Taiwan and South Korea. In Japan about 67% of the GDP is contributed by the small business sector. In SA the figure is a mere 17%.

Says SBDC GM, development services, Sonny Tarr: "The proof of success would be the number of informal businessmen moving into the formal sector. There is a significant imbalance in SA that needs to be addressed."

Trade and Industry Minister Kent Durr also strongly supports the initiative. "We need to multiply the successes so that the wealth-creating role of the private sector can be broadened. I also started off as a back-yard businessman and will do all I can to help. I believe a rising tide will lift all ships," he says.

Durr claims that while 75% of all new jobs are created by the small business sector, which employs about 70% of the labour force, its contribution of around 15%-20% to GNP is still too small.

Tarr says the SBDC now operates 19 industrial hives (dissused factory buildings and other properties which it buys, refurbishes and divides into operating cubicles, let to small operators) countrywide and another
US to sponsor Achib legal team in fight

THEO RAWANA

THE US government is to sponsor a legal team which is to represent African Council for Hawkers and Informal Business (Achib) in its fight against laws adversely affecting hawkers.

Achib president Lawrence Mavundla said at a briefing session in Johannesburg on Friday there was still a host of restrictive laws that needed to be removed despite the planned scrapping of the licensing laws.

Mavundla said Achib's legal team was to be headed by human rights lawyer Raymond Mashazi.

Mashazi said he saw his appointment as a continuation of his human rights campaign since the hawker was one of the most defenceless victims of harassment.

"We aim to protect the rights of the hawker at central and local government level and are starting a legal training centre where hawkers will be taught their rights and laws they should observe," said Mashazi.

Distributing

Mavundla also said Achib membership had swollen to 20,000 in the PWV, Northern Transvaal, Eastern Cape, Free State and Natal and 1,500 jobs had been created since the council's inception in 1987.

Achib Chemicals, a two-month-old project manufacturing dishwashing liquid and fabric softener had started distributing to outlets such as Soweto's Blackham.

Many manufacturers' products had gained access to Achib members through the council's Company Promotions Project, whose in-house calendar lists branches' weekly meetings where products can be exposed.

Achib Trading Company, as the trading arm of the council, was a link between big and small business.

Getting produce directly from producers and control boards, the company was able to sidestep the high handling fees that tended to shoot up prices.
Your home could be the next

By ZB MOLEFE

A DRAMATIC rise in the number of home repossessions this year is making many township homeowners nervous.

Alarm has been expressed by the country’s major black business federation, the National African Federated Chamber of Commerce.

Nafeco said in a statement the increase would place a heavier burden on the South African community, particularly on black people who are “disadvantaged in real terms.”

Property experts quoted this week said repossessions had jumped from 677 in June to 850 in August.

These increases could be seen in perspective when were compared to the 475 repossessions in November last year, said Peter Hibble, general manager of a leading building society.

Major building societies and banks increased their home loan rates by one percent earlier this month.

Interest on most home loans now varies from 19.75 to 21 percent.

Property economist Neville Berkowitz was quoted as saying people seeking home loans should seek professional advice on what they could afford — preferably from an independent attorney — before committing themselves to a home loan.

Berkowitz pointed out most repossessed houses had been bought when interest rates were 12.5 percent.

The problem of fixed incomes and rising interest rates has killed affordable bonds for many, he said.

Businessmen slam new licence laws

By ZB MOLEFE

THE National African Federated Chamber of Commerce this week blew the whistle on the government’s latest move to stifle business by removing the need for trading licences.

According to Nafeco public affairs manager, Molefe Mokgoko, the suspension of business licences, announced last week under the Economic Activities Act of 1986, “does not carry with it any protection for the black entrepreneur.”

Another pressing question, according to Mokgoko, is whether black business will be protected from the many “predators who have emerged and have seen the lucrative nature of the black consumer.”

necessary discrimination.

“Both we interpret this as a form of affirmative action whose aim is to allow black businesses to grow to comparable heights and thereby address the socio-economic and political inequalities at the marketplace in South Africa.”

Mokgoko said protection was needed for both formal and informal black businesses.

Unless some form of protection or enabling legislation is put in place, all lucrative black businesses anywhere in South Africa will fall into the hands of whites.”

Recent abuses show the need for legislation to protect black business, said Mokgoko.

A clear example is the government’s 51 percent majority shareholding in the lucrative sorghum beer industry.

Black nominees have also been used by whites as fronts to purchase business sites in traditionally black areas, he said.

“The question of protection or enabling of black business may be considered by some as un-

Nafeco’s Molefe Mokgoko.
Building a business from scratch

(From page 1)

The shack and shop expanded into a mini-supermarket and they and their three children now live above the shop.

A year ago he got a franchise to sell Coke, a product with high demand but “not much profit,” he says.

Fellow traders suspect his profit could be better if he did not have to compete against the company’s own trucks selling cold drinks directly to his customers.

However, Mr Mbauli manages to sell 10,000 cases a month. His record was 3,000 cases in one week last December.

Empty bottles and containers are stored in his “warehouse” – the street, with little security. A theft means he must sell 17 cases to recover the cost of one case.

For all his efforts, Mr Mbauli finds time to help local soccer and fellow traders – but to an outsider, this looks like a kind of self-protection. He financed Site C United FC – buying jerseys, shorts and boots – after being “leaned on” by town councillors.

He was also a founder of Khaba, the Khayelitsha Business Association, in September — again with the aim of negotiating better conditions for local businesses with the town council and getting better deals from suppliers as competition from white and Indian capital began to be felt.

Uplifting the standard of local business people through business skills training is a most important aim of Khaba, as a result a close relationship has developed between Theo Rudman whose self-employment institute undertakes basic practical business skills training in the townships.

Fifty-five traders went to the initial first meeting and 54 joined. The association has grown to 230 trader-members in a few weeks and Mr Mbauli hopes it will reach a powerful group of 1,000 within six months.

With Khayelitsha’s population estimated at 600,000, he sees this as a good possibility.

Khaba has a passport-type membership card containing each member’s photograph for identification. Members decided on a logo of a baby crawling – “that is what we are in business, we are learning to grow. Not many business people are willing to admit they can learn.”

Khaba has also taken on a social responsibility to raise the whole standard of the community. Even people outside Site C are calling and asking members to provide work.

“We need more business sites for stalls in locations that can provide business so that people can work for themselves. We are trying to work with the councillors about this.”

Mr Mbauli received only a standard seven education in the Transkei and built his business without assistance or capital. He is self-taught and is attending business skills courses.

Biggest gup of Khaba members is lack of freedom to create a business and growing competition from outsiders, be it from Guguletu or Cape Town.

They believe trading rights in Khayelitsha should be reserved for the local people, a policy apparently shared by the local council.

“When Khayelitsha was created, we thought these small businesses would grow and some would become big businesses like Pick ‘n Pay,” said Mr Mbauli.

A colleague said: “We have never been exploited so much as now. White business people have discovered how many thousands live here and see it as a new market to exploit to make up for falling sales in the white areas. They want to come in and clean up.”

Outsiders, they claim, are going in and using blacks as “fronts”.

“We are not sure how much is genuine partnership and how much is fronting. They are not coming to help us. They are coming to oppress us. We cannot compete with people with money who can put up better buildings.”

Khaba members feel so strongly that they plan to seek a meeting with the appropriate authority and put their case, said Mr Mbauli.

While voices elsewhere are calling for the ending of the Group Areas, Khaba supports the opening of white areas but not the opening of black business areas – “the outsiders would be too strong for us to compete,” says Mr Mbauli.
Building a thriving business from scratch

By TOM HOOD
Business Editor

RETRENCHED from his job as a building labourer, Victor Mbuul decided he would not dip into his last pay packet and spend money on train and bus fares to try and find another job.

Instead, he ploughed his last few rands into buying stock for the tiny shop his wife ran in Khayelitsha’s sprawling Site C.

Now, after four years of seven-day weeks — usually 15-hour days — the business has grown into the well-stocked Abesuthu supermarket with proper tills, record books, fridges powered by his own generator, and nine employees.

Grown so well, moreover, that 34-year-old Mr Mbuul is moving into a new R79,000 house and thinking about buying a R130,000 business site in Khayelitsha.

That 649 m² business site, incidentally would cost him R200/m² — more than treble land prices in the more classy neighbourhood of Tokai (R62) and double those of good parts of Grassy park (R82).

His housing site of about 150 m² costs R9,000 — at R60/m² slightly cheaper than Tokai.

He came to Cape Town from the Oskar 16 years ago and worked with one building company most of the time. Business began with R200 of stock — and his wife Nokuzo ran it from their shack.

They have been in Khayelitsha right from the beginning in 1985.

"I earned R50 a week and it was a big job to get the R200 together." (See page 3)
Informal up-dater

A PUBLICATION about the informal sector was launched this week. It is sponsored by the Small Business Development Corporation and Avis Lease.

Written by University of the Witwatersrand Professor Keith Beaven, it gives a comprehensive account of the place of the informal sector in the economy.

SBDC managing director Ben Vosloo says the informal sector should be accepted as an economic fact of the first importance.

The book is available for R20, including GST, from SBDC head office in Johannesburg. The telephone number is (011) 613 7251.
New hotel for Randburg CBD
DAVE LOURENS

THE Randburg Town Council has made land with a market value of R10m available to the developers of a R150m hotel and office complex in the heart of the Randburg CBD for a nominal amount, believed to be around R100.

In terms of the deal, development company Gulfcon International is required to provide a replacement for the 548-bay parking lot which will make way for the 29-storey, 117,000m² complex. Management committee chairman, Frans Lourens, said the project "will not only fulfill a desperate need but will also stimulate further development in Randburg as a whole."

Present

The four-star, 200-room hotel will incorporate conference facilities for about 1,000 people as well as extensive recreational facilities.

At present there are only two hotels in the area.

Twenty-two storeys of the building are to be used to provide 22,000 m² of office space.

Gulfcon director Bob Parker said a consortium of financial institutions would finance the project, but he would not identify them yet.

Maize crop will need R2,5bn investment

PRETORIA — Farmers will make a huge R2,5bn investment in this season’s maize crop, according to the National Maize Producers Organisation (Nampo).

The bulk of the funds needed will be channelled from the Land Bank to the co-ops, but a substantial amount will come from commercial banks.

Some producers claim, however, that commercial banks have become less eager to finance the crop because of what they see as the high risk and the enormous debt burden of most farmers.

Interest payments comprise a major segment of total production costs. This season farmers will pay more than 17% for the funds.

According to Nampo, about 35,5-million hectares will be planted to maize this season.

Last year’s costs were about R600 a hectare. This year the figure will rise to near R700.

For the past two years, since the introduction of the land conversion subsidy scheme, Nampo has been pressing farmers on marginal land to switch to pastures.

In the two years the target of 25,000 hectares was passed. However, Nampo stresses this is not fast enough.

It is hoped the process will be speeded up after the increase in the subsidy from R100 a hectare to R130 a hectare in November.

Meanwhile, the maize board’s price scenario for the coming season is a price of R110 a ton on a 10-million-tonne crop rising to R261 a ton on a 6-million-tonne crop.

This, says Nampo, is against an average production cost per ton of between R200 and R250 on yields of at least three tons a hectare.

Bank probes figures for informal sector

TO ASSESS the informal sector’s contribution to GNP and national employment, the Development Bank of Southern Africa has assessed 44 community-level studies.

Development Bank policy analysis director Stef Coetzee said there had been widely differing estimates of the importance and extent of the informal sector.

A Central Statistical Service survey of the PWV area suggested the omission of informal activities from official statistics involved a 5% under-statement of the GDP in the region, while other surveys suggested as much as a 40% contribution to total employment nationwide and a 20% contribution to GNP.

Coetzee said the lack of a reliable figure posed problems for the formulation of economic development policies. An over-estimation could be as misleading as an under-estimation.

He said an over-estimation could lull policymakers into the belief that SA’s economic dilemma, particularly the poverty problems of a large part of the population, was less serious than was actually the case.

To achieve greater clarity on the importance of the informal sector, Development Bank researcher Marrie Kirsten examined 1975-1985 studies in SA, the TBVC states and the self-governing territories.
Nafcoc undergoes restructuring

By Jabulani Sikhakhane

The National African Federated Chambers of Commerce and Industry (Nafcoc) will gradually phase out its present structure of regional chambers affiliated to the federation in favour of specialist national business organisations categorised according to different economic market segments.

Nafcoc's restructuring follows a major study sponsored by the US Agency for International Development (USAID), aimed at achieving a greater measure of organisational effectiveness, financial independence, efficiency in administration and increased representativeness of the black business community.

Among recommendations were the restructuring of Nafcoc to enable the organisation to affiliate and give representation to other specialist business organisations, adoption of sound financial and management systems to strengthen administrative capacity and a major fund-raising drive to ensure the financial independence of Nafcoc.

The first step towards a new-look Nafcoc, was taken last week when nine independent taxi associations, including the Southern Africa Long Distance Taxi Association (Salta) and the Busato (Black Union of Taxi Operators), formed a new national transport body affiliated to Nafcoc.

Others were Nataco, Mafiosoana Taxi Operators, Majelathoko of Parys, Federated International Taxi Organisation (FITO), the Vaal Taxi Owners Federation, Majakathata Taxi Association and the Alexandria, Midrand and Sandton Taxi Association (Amata).

The Nafcoc transport wing should have close to 40 000 members, with Salta, Busato and Fito accounting for a very large share.

With an increasing number of associations splitting from affiliates of the Southern Africa Black and Taxi Association (SaBata), Nafcoc is expected to consolidate them into what might potentially be another massive black transport association in South Africa.

Finer details of its workings have not been worked out, but it is understood the new Nafcoc transport wing will concentrate on lobbying the authorities, negotiating discounts and generally acting on matters of national interest. Affiliates will continue with their day to day affairs.

The president of Nafcoc, Dr Samuel Motsepe, said the unity of the nine transport bodies was a significant event in the history of black business. "This must be seen as an imaginative and innovative development of black people for their benefit under black leadership."
Franchising could help bridge the gap

CHARLOTTE MATHEWS

FRANCHISING could and should play a major role in bridging the gap between big business and the informal sector, Kessel Pestemer (KP) partner Graeme Victor said in the latest issue of The Bottom Line.

Franchising, which used to be described as a licensing arrangement, combined the infrastructure, skills, training resources and business methods of big business with the flair of small business.

"Most successful franchises are businesses where a high degree of personal service to the customer is important, for instance, retailing, fast food or quick printing, and they require the personal presence and commitment of the franchisee at the point of sale," Victor said.

For big business the system offered the advantage that a large injection of capital was not needed to achieve rapid growth as each outlet used the financial resources of the individual franchisee.

Franchisees would be more motivated and eager to minimize costs while maximising sales than a manager.

The parent company did not hold the responsibility for the assets of the trading outlet, which were owned by the franchisees.

But among the disadvantages Victor identified were that the franchisee could become too independent, or that some franchisees were not alive to the opportunities of the business.

There could also be problems in enforcing standards consistent with the parent company's image, or poor communication between the two parties.

Victor said the overall aim of franchising business should be to simplify control and not to rescue an ailing business.

"Another objective must be to provide franchisees with a back-up service and information which no single trader in a business with highly aggressive, low margin 'competitors' could ever hope or expect to match."
WORKING capital is the source of funds available for the everyday running of your business. Without it, any business will undoubtedly fail within a short time. This column explains how to manage your working capital in a manner which can help ensure the survival and possible expansion of your business.

Components: Working capital is made up of current assets, such as cash on hand, cash in the bank, debtors and stock.

From this is subtracted all current liabilities, which include a bank overdraft, trade creditors and other short-term liabilities such as taxation and lease or hire purchase instalments.

Cash management: Cash flow can be controlled by giving attention to the following elements.

- Ensuring debtors comply with payment terms
- Tightening debtors terms of payment
- Taking full advantage of credit terms made available by suppliers and negotiating more favourable terms with them
- Keeping stock levels as low as practically possible
- Monitoring capital expenditure
- Having additional short-term finance available for crisis
- Not distributing after tax profits in the form of dividends or drawings unless the working capital needs of the business can bear the outflow of funds.
- Investing excess short-term funds in more profitable short-term investments
- Ensuring prompt payment by indicating on invoices that you are a small business and your survival depends on it
- Preparing short and long-term cash flow forecasts and monitoring these against actual performance
- Banking receipts promptly
- Credit control: This means controlling debtors by insisting on trade references for new customers and doing credit checks.
- Allocating credit limits to your debtors
- Having documented proof of delivery on hand.
- Re-evaluating credit terms once a debtor starts paying late
- Sending out statements as soon as possible after month end.
- Making sure invoices and statements are accurate and easy to understand. Errors and confusion regarding these give the customers excuses to delay payment
- Giving discounts for prompt payment.
- Ensuring debtors promptly comply with payment terms
- Charging interest on overdue accounts—do not become a cheap source of finance.

Taking stock: Stock control is complex. This is merely a simple guide that is applicable to most businesses. The subject will be dealt with more fully in a subsequent column.

- Keep stock holdings down to a practical minimum level.
- Excessive stock levels tie up much needed cash in non-interest earning investments. In addition, stocks cost money to hold in the form of warehousing insurance and handling charges.

Costs of obsolescence:
- Forecast sales
- Determine lead and delivery times from suppliers
- Establish what risks may arise from stock shortages
- Determine possible seasonal fluctuations in demand or supply
- Attempt to identify changing sales patterns.

All stock movements and their cost prices should be controlled and accurately recorded to ensure that:

- Records properly reflect stock on hand and its movement to enable management to set appropriate re-order levels and selling prices.
- All movements of stock are invoiced at the correct prices.
- No obsolete and redundant sales are identified.
- You know which items move fast and which move slowly.

Creditors: Use your own creditors to aid the cash position of your business by:

- Establishing favourable terms of payment with them. This includes obtaining the best discounts for early payment.
- Paying strictly in accordance with those terms and claiming maximum discounts.

Taxation: Use professional help to ensure that your business

- Claims all expenses and maximum allowances to reduce that tax liability as much as is legally possible.
- Pays the lowest amount of provision tax legally possible.
- Claims the outstanding debtors allowance in its monthly/annual GST returns.
- Is the right type of legal entity for your circumstances—company, close corporation or partnership.

Checklist: Finally, here is a checklist of the sort of basic requirements needed for proper working capital control.

- Keep up to date and accurate books of accounts.
- Have a competent bookkeeper prepare the following on a monthly basis—cash flow forecast for three months, income statement, balance sheet, debtors age analysis.
- Keep on good terms with your bank, suppliers and customers—if you anticipate delays in payment to your customers, inform them in advance; don’t issue bad cheques. If you anticipate problems in collecting cash, inform your bank and manager in advance. Keep a close eye on possible bad debts and do not overtrade.
Informal Sector - 1990
By CONNIE MOLUSI

BLACK business will be watching the Johannesburg City Council meeting on Tuesday with great interest.

At the meeting a decision will be taken on whether to open trading areas to all races.

The National Party caucus chief whip Hen Kruger said if the council agreed to the management committee recommendation, this would make Johannesburg the first South African city to allow blacks to own business property.

Kruger said the decision arose from an approach by the Department of Planning and Provincial Administration.

Most black business organisations have welcomed the recommendation.

Fabco public affairs director Mike Mtshali said his organisation would encourage participation by the informal sector in order to bolster black economic muscle.

"We hope this move will set an example to other town councils, who are afraid of accepting black businesses."

Greater Johannesburg Chamber of Commerce and Industry president LB Mhlomekulu, said the recommendation was a victory for his organisation which had fought for the opening of trade areas to all race groups since it began.

However, Mhlomekulu had reservations that the move would only be significant if it also allowed blacks to own business property in the area.

Soon black businessmen may own their own business properties in Johannesburg.
The cost of ‘informal’ pension fund

CAPE TOWN — An interim report released yesterday by the Moston committee, which is investigating retirement funding in SA, estimates that R2bn a year will be needed to make pre-funded retirement provision for the informal sector.

The committee’s findings are based largely on estimates of the sector’s size provided by the Small Business Development Corporation (SBDC) and the state’s Central Statistical Service.

Its interim report is one of two released for comment yesterday. The second deals briefly with the administration of social old age pensions and steers clear of the controversial preservation debate which caused a major uproar when the report of Moston’s predecessor, the Merin committee, was released in 1989.

The investigation into pension provision was instigated by evidence of inadequate retirement planning, especially in the informal sector. While research had shown that 70% of the formal workforce had some form of pension, provision for retirement in the informal sector was negligible with most simply providing for their immediate needs.

LESLEY LAMBERT

The committee found that while an annual R2bn was needed to provide for retirement in the informal sector, the unrecorded, unregulated and unorganised nature of the sector meant savings were the only means of providing for old age.

“If savings have been invested for a pre-determined period of say ten years, and withdrawal coincides with retirement, that would be fine. This seldom happens and people turn to the state,” the report stated.

15% Increase

The committee’s informal sector findings were based on 1990 estimates that the sector employed between three and four million people out of a total labour supply of 13 million, with 5.5 million employed in the formal sector and about 1.5 million unemployed. With the TRC countries included and subsistence farmers excluded from the statistics, the informal sector was estimated to account for around 23% of the economically active aged.

The SBDC estimated that of the one-million business concerns in SA, South Africa, including government and quasi-government corporations, as many as 690 were in the informal sector.

Broken down into different activities, the SBDC estimated that the informal sector accounts for 44% of commercial, catering and accommodation business activities, 22% of transport, storage and communications and 17% of manufacturing.
Bank supports deregulation

TRUSTBANK supports deregulation and privatization which promote free enterprise and the development of the informal sector.

The bank says it believes that all South Africans should have equal access to economic opportunities.

Mr Kobus Reetz, says of their Community Development Programme involves the support of job creation organisations such as the Foundation for Entrepreneurial Development, African Council of Hawkers and Informal Businesses, and Triple Trust (which is particularly active in Crossroads and Khayalitsha).

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
No place for hawkers in free market Bop

"BLACK economic empowerment" is a phrase doing the rounds these days — but it is unheard of in Bophuthatswana.

Thus much is evident at the bustling Mahopane Railway Station, which stands like a skyscraper on the border of Bophuthatswana and South Africa, at Soshanguve township.

On the South African side of the station premises, dozens of black people are economically empowering themselves by hawking every kind of article to the thousands of commuters who throng the station daily.

But on the Bophuthatswana side of the border, not a single hawker is in sight.

The only explanation offered by Mmabatho licensing board officials is that hawkers can acquire a licence only if Mahopane becomes a "municipality", whereas at present it is under the direct control of the Department of Local Government and Housing.

"You dare sell on the other side, you end up in a police cell," says Mogomotsi Selepe, a Bop resident who crosses the "border" daily to sell boiled eggs on the South African side.
Cape Town's not just a dump by the sea

AFTER years of pessimism about the socio-economic future of Cape Town, some economists are now painting the future in glowing colours.

In the 1980s Cape Town experienced a population explosion that had its economists and planners scurrying for cover. After 50 years of economic decline relative to the rest of the country, it looked as if the city could never find jobs for the hundreds of thousands of new residents who had scaled the walls of influx control.

Still more people poured in after the pass laws were scrapped, in the depths of the post-Rhodesian depression. Many feared that Khayelitsha would be nothing but a huge, untapped, explosive reservoir of labour. Worse still, in spite of the existence of Khayelitsha, informal settlements continued to grow from Fish Hoek to Brackenfell.

Yet local economists talking to a conference this week on "Development in the Western Cape" were remarkably optimistic about the economic future of the region.

If one looks at the central business district and the inner suburbs — the view visitors often get — Cape Town still appears a comfortable, smallish city. An aerial view of the Cape Flats, however, tells a different story, that of a sprawling metropolis.

Wolfgang Thomas, regional general manager of the Small Business Development Corporation, estimates that in 1990 the population of metropolitan Cape Town is about three million. In 1995 it will be about half a million larger, and by the year 2000 more than four million people will fall within the city's functional boundaries.

Projections like these led a Cape Town City Council investigation into regional economic trends to conclude that the region could not absorb the growing population and that unemployment would rocket. By 2000 two thirds of a million Cape Townians would be looking for jobs, guessed the 1987 study.

Thomas, in a dizzily upbeat presentation to the conference organised by the Regional Development Association, argued that the City Council projection was totally wrong.

The problem was that the model contained static assumptions about the economy and took no account of the informal sector.

Though Thomas projects an even higher population figure, he suggests that of the half a million people out of formal work, only about 200 000 people would be "genuinely" unemployed.

Aside from making a (rather large) allowance for the informal sector, Thomas argues that the growth prospects for Cape Town are good, particularly when compared with the rest of the country.

When Cape Town slipped from being the economic centre of the country early this century, the reason was the massive production of precious metals in the Transvaal. Now, as South Africa's gold production slips, and as the world market in raw and semi-processed minerals slumps, Cape Town goes steaming on while the heart of the country bleeds.

In a related presentation to the conference, Wesgro executive director, David Bridgman, noted that according to the most recent figures available, while South Africa had an annual growth rate of 0,01 percent between 1981 and 1984, Cape Town scored a steady 2,8 percent.

Cape Town's appeal for business is obvious. It is attractive to tourists and middle-class professionals. It has a strong educational base, a relatively large, relatively skilled, and low-paid manufacturing labour force, a growing number of unskilled workers and an adequate physical infrastructure.

Growth can be expected in construction, in the tourism industry, and in manufacturing, particularly those sectors where value added is a major component of the product (high-tech, high-fashion products).

These are all expected to be growth sectors in South Africa in the 1990s. Though there is nothing wrong with a little boosterism, Wolfgang Thomas' figures seem immoderately optimistic. There is little evidence in past trends to suggest a 25 percent increase in manufacturing, construction and tourism employment by 1995, and the factor by which he reduces unemployment through accounting for the informal sector seems much too large. Planners and social workers point to the terrible poverty in many townships and on the fringes of the metropolitan region. And Cape Town's black education system is in a complete shambles.

Yet it does seem as if Cape Town's position as the economic laggard among South Africa's major centres might already be a thing of the past. Whether this indicates the city's strength, or the weakness of the rest of the country, is less clear.
Honesty must be SA's policy, says SAB chief

By JOSHUA RABOROKO

SOUTH Africa needed honest leadership in business, politics, government, in opposition, in the professions and in selling, the managing director of SAB, Mr Meyer Kahn, said this week.

Speaking at the launch of the Holiday Inn Sales Manager of the Year Award in Johannesburg, he said the environment needed honest leaders for the development of the country.

He said the country was facing a productivity problem. "We all know that relative to all our conventional trading partners throughout the world our productivity is low and declining.

"Meanwhile, there is the popular view that because we are a developing country and because our society is going through substantial change we should sit back and accept a drop in standards." Mr Kahn said big business inevitably created small business and good small businesses became good medium-sized or big businesses. So the two were totally interwoven - there were big dollops of both.

"You cannot have one without the other. We cannot therefore sit back and say 'what will be will be'." Productivity does not diminish job creation - it is the only sure way to long-term prosperity and improvement in living standards." He congratulated those who received awards and said he hoped they would improve the community in its development.

The Sales Manager and Salesperson of the Year will be announced at an awards banquet at the Sandton Holiday Inn on April 25 - all six finalists and their partners will be invited as guests of honour.
First black broking firm launched

What is believed to be the first Black controlled insurance broking operation was officially launched in Johannesburg yesterday.

Named AfSure, it will be helped by an existing broker in the initial stages and is associated to the Foundation for African Business and Consumer Services.

The initial target for the first year of operations is premium income of R10 million.

The chairman is Mr. Gaby Magomola and the managing director is Khehla Mfembe — Sapa.
Threatened squatters deal with lawlessness

Squatters have found a way of dealing with alleged criminals — by means of "people pro-tect", reports WINNIE GRAHAM.

They drove into the squatter camp in two cars. There were four men who, the residents say, had come to rob.

As they left their vehicles a silence descended on the shack. The men were strangers to most but those who recognised them were afraid. When they came to the camp trouble came too.

The men made their way to a fly-shut spaza shop and ordered beer. The woman served them.

The squatters smiled down saw a spaza van and started gambling. As they played they watched the two little shops nearby.

The evening shadows grew long and fewer people moved along the rates lanes of the camp. The spaza owners waited and watched.

They had reason to be fearful. On December 10, one keeper of a little shop had been robbed and his wife injured when the same man shot him in the arm. It was a severe blow to the small business.

Less than two weeks later, when the store had been restocked for Christmas the man returned again one night, ripped the cash out of the fragile door and held up the yelevin guarding it. They stole the cash, taking the young men's blankets, emptied the contents of the shelves on to them.

The owner, Klaas Pienaar, had a bleak Christmas. In January they restocked their shop again. This time, however, the community had mobilised its resources to protect residents.

The study among the people is a new phenomenon. It emerged when the authorities started demolishing the shacks early this year by standing together the squatters found they had been able to prevent the further destruction of their little homes.

Encouraged, they decided, too, that something had to be done to protect the people who were becoming increasingly vulnerable to robbers and rapists.

No police action

A spaza owner said: "If you are kind and hard the robber in the police they return him after a few hours and he returns to steal again."

A system was introduced whereby anyone in trouble had only to blow a whistle to signal for help.

On Tuesday, January 30, the people in that particular corner of the camp moved round suddenly. The man they knew to be robbers had not made a move and it was late. At 9.20 pm, the owner of a spaza shop started to close her business. The four" men objected.

"Stay open," they commanded. "We have not finished drinking."

A man produced a 25c note and asked for a cigarette. (They are sold here at 15 cents each in the camp.) It was a play the owner recognised. If she produced her box of money she would be robbed.

"I have no change."

They were not easily deterred. They had been watching the coming and going of customers. Now, as the shacks situated and people settled down for the night, the woman knew they were about to strike. A reveller appeared. The man grabbed the young man who helped her. She screamed.

"People in the street heard and knew I was in trouble. They blew the whistle."

Within minutes, dozens of men armed with knob-knives were on the scene. The "robbers" fled, but they had no chance. One got away. The other three were beaten to death by enraged squatters. Their cars were set on fire.

The bodies of the dead were removed 24 hours later. There was no report in the newspapers.

But, the people believe justice had been done. No one would come in a hurry to rob them again.

Asl asked to comment, a spokesman for the police said two bodies had been found in the void near the squatter camp on January 31. One, a man identified as "Gabriel" had a stab wound in the chest. The other had burns on the back. The matter is being investigated.
Black business divided over nationalisation

WILSON ZWANE
INFORMAL sector spokesmen last week rejected an economic system which does not encourage free trade.

Responding to ANC hints that sections of a future SA economy may be nationalised, many black entrepreneurs approached by Business Day were non-committal and said they wished to study the matter further.

However, African Council for Hawkers president Lawrence Mavundla said his council was in favour of free trade because it made people more competent through competition.

"We have fought against laws preventing us from operating freely as the informal sector — a clear indication that we are committed to freedom to trade.

"And we don't want to go back to where we come from," Mavundla said.

Other businesses, among them, the SA Black Taxi Association, were non-committal.

Saba's projects co-ordinator Tebogo Radebe said on Friday that the issue had not been sufficiently discussed by Saba's members.

"We understand the reasons why Nelson Mandela and the ANC called for nationalisation but we don't want to debate the matter in the media before meeting with various political groups," Radebe said.

Majority

Black Management Forum's (BMF) Johannesburg Branch chairman Lot Ndlouv said the forum had not met to discuss the issue.

"However, it was in favour of an open and fair economic system from which the majority of the people would benefit and which would work for the country.

"If the majority of the people opt for nationalisation, the BMF will fall in line with them," Ndlouv said.

Richard Mabonya, a black businessman, was quoted last week by a Johannesburg newspaper saying the ANC's nationalisation policy was the organisation's bargaining strategy, a trump card, to take to the negotiating table and with which it hoped to win concessions.

Mabonya was also quoted as saying he did not believe the ANC would make the same mistakes as SA's neighbouring countries.
Informal sector rejects restrictive economic system

JOHANNESBURG — The informal sector yesterday rejected an economic system which did not encourage free trade.

Responding to ANC hints that sections of a future SA economy may be "nationalised", many black entrepreneurs were non-committal and said they wished to study the matter further.

However, African Council for Hawkers president Lawrence Mavundla said his council was in favour of free trade because it made people more competitive through competition.

"We have fought against laws preventing us from operating freely as the informal sector — a clear indication that we are committed to freedom in trade — and we do not want to go back to where we came from," Mavundla added.

Other businessmen, among them, the SA Black Taxi Association (SABTA), were non-committal.

SABTA’s projects co-ordinator Tebello Radebe said on Friday that the issue had not been sufficiently discussed by SABTA’s members.

“We understand the reasons for Nelson Mandela and the ANC’s call for nationalisation but we do not want to debate the matter in the press before meeting with various political groups,” Radebe said.

Black Management Forum’s Johannesburg Branch chairman Lot Ndlouv said although the forum had not met to discuss the issue, it was in favour of an open and fair economic system from which the majority of the people would benefit and which would work for the country.

"If the majority of the people opt for nationalisation the BMF will fall in line with them," Ndlouv said.

Richard Maponya, a black businessman, was quoted last week by a Johannesburg newspaper saying the ANC’s nationalisation policy was the organisation’s bargaining strategy, a trump card, to take to the negotiating table and with which it hoped to win concessions.

Maponya was also quoted as saying that he did not believe the ANC would make the same mistakes as SA’s neighbouring countries.

Nelson Mandela issued statements shortly after his release reaffirming the ANC’s adherence to a “nationalisation” policy.

However, when concern reigned in the business world, Mandela compromised saying the issue would be negotiated with all interested parties.
MR Ntsiki Mbundu, founder of the South African Small and Informal Business Association, is to distribute the Sowetan to spaza shops on the West Rand.

Sasiba was formed in August last year and now has a membership of 500 in the PWV area.

The association has also established a wholesale distribution company, Ntsiki’s Spaza Distributors, to help owners of spaza shops buy goods at reduced prices.

Mbundu said every member of Sasiba would qualify to become a shareholder at NSD.

Active

"This company has been formed to help the spaza owners and for it to become successful, the owners must play an active role," said Mbundu.

He said the NSD would help the owners with buying goods at reduced prices, warehousing, distribution, merchandising, promotions, general advice, and general advice.

"We are also planning to provide a savings scheme, loans, insurance and personal funeral schemes to all our members," Mbundu said.

The cause

The mushrooming of spaza shops in black townships has been mainly caused by unemployment, Mbundu said.

"In an attempt to make a living, people have turned part of their homes into spaza shops serving the local community." 

By MZIKAYISE EDOM

There are about 20,000 spaza shops in the country, growing an income of about R2 billion a year. These shops provide convenient shopping for basic commodities and have been aided by the lack of conventional modern shopping centres.

Failures

Mbundu said the inability of these shops to organise themselves into a modern trading arm has resulted in many being unable to purchase products at competitive prices.

They also lack the knowledge to run a profitable business. There is room for improvement in the spaza shop business, Sasiba hopes to close this gap by helping the owners improve their businesses by offering training," he said.

Mbundu is the second black business owner in the Witwatersrand to be given a contract by the Augus Printing and Publishing Company to distribute its newspapers.

Excited

The first was Mr Sydney Mavimbela, who is based in the East Rand. He is responsible for townships like Katlehong, Tokozzi, Vosloorus and Tembisa.

Mavimbela has been distributing the newspaper for more than 15 years, dating back to the days of the now defunct World and Post.

Mbundu said he was excited to be involved with Sowetan and would ensure that its readers get their copies everyday.
AcHib to create new jobs

BY JOHNS NABORO

13:00
Small business ‘can help’

PRETORIA — Current economic inequality would be a potent source of political instability in SA if it were allowed to persist, Small Business Development Corporation director Ben Vosloo warned here yesterday.

Speaking at a Pretoria University international conference on economic development in a changing socio-political environment, he said the informal sector had a vital role to play in improving the socio-economic prospects for millions of South Africans.

The current environment was marred with high unemployment, skill shortages, high population growth, shortages of foreign capital and housing and retarded rural development.

He said as much as 40% of SA’s total economic activity went unrecorded.

This would include a large amount of understated economic activity for tax purposes.

It also suggested, however, the informal sector or the second economy was much more significant than most people realised, he said.

GERALD REILLY

This led to major distortions and inaccuracies in official statistics and distorted perceptions of economic reality.

Vosloo said although progress had been made there was still too much regulation, a taxation system unresponsive to the value of hard work and innovation and unnecessary bureaucracy.

However, it was not all government’s fault, he said.

Retailers sought to fend off competition from the informal sector and whole sectors of the economy were rife with uncompetitive practices, from blatant cartels to more subtle restrictive practices.

Vosloo stressed there was a need for a specialist agency with government financial backing to make capital available for promising small businesses.

He said excessive government growth had to be cut back and a tax system provided which would encourage equity investment.
Hawkers are trading in a freer climate

Pierre du Preez

Hawkers traded in freer conditions than in the past, African Council of Hawkers and Informal Business (Achib) president Lawrence Mavundla said last week. This was because police could no longer confiscate goods, traders did not have to pay licence fees and had access to legal protection, Mavundla said in an interview. Achib, which began with 250 members in 1986, now claims more than 26 000 members at more than 70 branches. Last week it launched a magazine called Traders Talk. Mavundla said some hawkers lived from hand to mouth, but others could make as much as R300 a week. Achib’s objectives this year were training members and provision of loans through a guarantee fund. He objected to nationalisation, saying people who called for such moves “had never run an economy before”. Monopolies were not what was needed to create a freer economic society. The redistribution of wealth was of paramount importance as SA moved towards a new future.
Huge exhibition by retailers planned

Retailers from the formal and informal sectors will together meet with manufacturers at the National Exhibition Centre (Namrec) in Johannesburg in the retailers exhibition being organised by Exib-it for the week of June 13 - 17.

The exhibition has been endorsed by Get Ahead, the National African Federated Chamber of Commerce, the Traditional Heaters Council of South Africa, the Johannesburg Chamber of Commerce and Bureau for Market Research.

Said Mr Israel Skosana of Get Ahead: "We fully support what the retailers exhibition are trying to do. There has been little communication in this country between big and small business and there is a desperate need for this kind of direct interaction.

"With the new spirit of development in South Africa, the timing for such an event is right," Skosana said.

According to Mr Tim Reilly, chief executive officer of Exib-it, the idea for the large scale exhibition was sparked off by the relaxation of the stringent legislation which previously inhibited the growth of black entrepreneurs.

"As legislation is relaxed, so too is the lid being lifted on a sector of the business community which for many years had operated in the dark for fear of official reprisals," he said.

He quoted the example of the spaza - small grocery shops operating from garages, kitchens or back-yard shacks in the townships.

"Manufacturers and suppliers want to get closer to these customers but don't know how. The retailers exhibition will be the first step in bridging the gap."

Support

This support is proving vital in terms of reaching the greater part of the formal as well as the informal business community.

"Combine this with the visitors that the companies already exhibiting will attract and we're gearing up for South Africa's biggest interface between buyers and suppliers," said Reilly.

Although the turnover of these spazas range from as little as R100 up to R31 000 a month, the combined buying power of the about 20 000 spaza shops on the Reef is estimated by the African Council of Hawkers and Informal Businesses to be in the region of R3.5 billion.
Trade must be on equal terms
— Magomola

WILSON ZWANE

ECONOMIC freedom for all meant the ability for everyone to trade on equal levels without restrictions, Gaby Magomola of the Foundation for African Business and Consumer Services (Fabcos) said yesterday.

The "new economy debate" started when ANC deputy president Nelson Mandela stunned local big business and potential overseas investors by stating — shortly after his release from prison — that the ANC's policy was to nationalise SA's key sectors, such as mines, as a means of restructuring the economy.

Magomola said that to achieve economic freedom for all, obstacles like laws restricting black businessmen and inferior education for blacks should now go.

He said "Such obstacles prevent black businessmen from competing on an equal footing."

However, he conceded it would take time before real economic freedom was achieved.

African Council of Hawkers and Informal Businesses president Lawrence Mavundla has said previously that the informal sector has reaffirmed its economic stance by saying it rejects nationalisation and that it is in favour of an economic system that favours free trade.

He said he was totally against any system that stifled freedom to trade.

"We have fought the laws that impeded us as the informal sector, and we don't want an economic system that will push us back to where we come from."

"We want freedom to trade and people should not be forced by government to work."

"They must want to work themselves. That bolsters competency," Mavundla said.
SBDC to spend R40m of its grant on job creation

THEO RAWANA

The Small Business Development Corporation (SBDC) would direct the R60m cash injection from the Budget towards its five-year programme of job creation and erection of buildings in underdeveloped areas, GM development services Sonny Tarr said yesterday.

Tarr said R40m would go towards the Programme Funds set up for job creation projects and R20m would be allocated to the Pioneer Project Fund, used for erecting buildings in underdeveloped areas.

Using a growth base of 20% a year, the SBDC projected in November last year that R196,6m would be needed for job creation funds over a period of five years.

One of the job creation projects was the Support Fund, established to help businesses out of financial trouble. "Since March 1985 this fund has granted 2 035 loans worth R92,2m and created 41 600 job opportunities," Tarr said.

The Small Builders' Bridging Fund for small builders had given 5 658 loans to date worth R105,1m, creating 86 000 jobs.

The Entrepreneur Training and Development Fund had done much to improve the skills of new entrepreneurs in industrial areas like Pennyville in Johannesburg and Wadeville near Benoni.

"The R20m allocated to the Pioneer Fund will be used for the erection of buildings and much-needed infrastructure in underdeveloped areas. These are high-risk, low-yield areas that could not be financed through normal financial programmes," said Tarr. He said the fund would grant mini-loans "to provide simple and fast finance up to R5 000 for very small developing businesses."
Cut prices for hawkers

THE launch of a chain of cash and carry outlets for hawkers and spazas is a milestone in this embattled sector's struggle for recognition.

This was said by the executive director of Business Challenge, Mr Phil Khumalo, after it was announced that Metro Cash and Carry is to open Syikhulu, the first wholesale outlet to cater for the needs of informal traders.

If it is successful - and Metro’s research shows the market is big enough to warrant this - Syikhulu will open in all major urban areas.

Research

Neither license nor GST certificate will be needed to apply for a buying card.

Khumalo, who is to open the store, says this is victory for informal traders. “We have battled for years with wholesalers over the need for a licence to get a buying card. Free enterprise should mean everybody who wants to sell should be given the opportunity to and it is gratifying to know Metro have headed this,” he said.

Metro has conducted extensive research to determine the needs of hawkers and spazas.

“It was evident that wholesalers could not offer the service smaller traders need, especially as products were packed together in large pack sizes,” said Mike Solomon, informal sector manager at Metro. “This meant the trader had little money over to extend his product range.”

Among the special services Syikhulu will offer are:

- Smaller pack sizes,
- Product lines not normally available at wholesalers such as ice cream, fruit and vegetables and bread rolls,
- A monitoring service to ensure the right products are being sold.

* Year-round promotions with drastic price cuts,
* Informal sector organisations on the premises,
* Free product advertising posters and stands,
* Competitions with large prizes, and
* A mailed leaflet telling customers about price-cuts.

Hawkers and spazas are not the only ones who can buy at Syikhulu. There will be stock for hair saloons, shoe-shiners and other small-scale operators.

Syikhulu’s name, its logo and wall murals which depict the hawkers and spazas’ struggle were all designed in a brainstorm session with spaza owners, hawkers and black artists.

“Syikhulu, which means ‘we are growing together’, is symbolic of the relationship between hawkers, spazas and Metro,” says Solomon, adding, “We need the hawkers and spazas trade to expand our markets and they need us to expand theirs.”
Sorting the myths from the facts on the informal sector

Greta Steyn

Myths and realities about the informal sector emerged this week with the release by Central Statistical Service (CSS) of a survey of unrecorded economic activities.

The survey, believed to be the first of its kind in the world, found unrecorded activities amounted to R15bn in 1988, or 8% of GDP. Other estimates of the sector’s size have been much higher.

The reason for the focus on the size of the informal sector is obvious: the sector provides relief from official unemployment. A rough estimate of a realistic unemployment rate is about 20%, according to the Urban Foundation’s Charles Simpkins.

SA needs real economic growth of an average 5%-6% a year to avoid a major unemployment problem. But economic growth at the peak of the business cycle in 1988 was below 4% and 1% for the 1980s as a whole. The informal sector will provide a living for some workers who cannot be accommodated in the modern sector.

To what extent is the informal sector taking up the slack? UCT’s Prof Brian Kantor’s claim that unrecorded economic activity could represent as much as 46% of GDP is well known. He based his view largely on the relationship between cash in circulation and official spending figures.

The CSS survey, although somewhat narrow in its definition, seems to disprove the claim that the informal sector accounts for 46% of GDP. Reserve Bank economists have for some time now tried to dispel the myths and place the informal sector into a proper perspective. They were key speakers at an Economics Society seminar on informal sector issues in Johannesburg this week.

Bank economist Berne de Jager said he was there “to defend the integrity of the national accounts”. He said, “Some pseudo-national accountants arrived at the scene with estimates on the size of the informal economy amounting to as high as 46% of the officially estimated GDP. This is obviously a very ambitious estimate that casts a shadow over the accuracy and validity of the entire set of national accounts.”

De Jager pointed out that if the level of SA’s GDP was underestimated to such a massive extent, it implied that government spending as a percentage of GDP was only 18% in 1988 (instead of 22.4%) and SA emerges as a country with a very small government sector. The case for a slowdown in government spending and lower taxes would simply disappear.

De Jager’s colleague Joseph van Dyk pointed out that not all economic activities are excluded from the national accounts. The official statistics combine the formal sector figures with other information into a comprehensive set of accounts covering formal and informal activities. He also stresses that care should be taken not to compare turnover in the formal economy with measured GDP.

According to the Reserve Bank’s calculations, informal activity cannot amount to more than about 10% of GDP.

Van Dyk bases his calculation partly on the “statistical discrepancy” method of measurement (the deviation between the GDP calculated from the production/income side and the GDP calculated from the spending side). This yields about 2% of GDP that remains unmeasured by the national accounts, while the measured informal activity is also about 5%.

De Jager uses the difference between the number of blacks who are officially “economically active” and the number who participate in the formal economy. By subtracting the figures, he arrives at the number of blacks active in the informal economy (2.6 million people). Assuming the average wage is well below that of the formal economy, he draws the conclusion that the black informal economy amounts to about 5% of GDP.

“An estimate of this magnitude is well within the margin of acceptability set by national accountants,” he said.

However, Free Market Foundation executive director Leon Louw held the view that estimates of the size of the sector depended on how one defined informal sector.

“The CSS findings, read with other research, suggest that the unrecorded sector — depending on how it is defined — may contribute an additional 15%, 25% or even 40% to the country’s economy.”

The CSS survey had established an absolute minimum but not an estimate of the actual size of the unrecorded sector. Louw regarded the CSS definition as narrow, although this did not imply a criticism of the survey.

A wider definition would have included the TBVC states, white unrecorded activity, blacks living in white areas in SA, and groundwater, money-lending activities of the “stokvels” (communal groups contributing to a central fund for the members’ benefit).

“The problem in quantifying economic activity can be illustrated by asking whether do-it-yourself tasks at home, including domestic work, should not also be included in the figures?”

Louw said the debate on the size of the informal sector had, to all intents and purposes, come to an end.

“As we move towards a freer economy, the need to prove the importance of the informal sector has diminished. Stressing the size of the sector was relevant when we were trying to persuade government to deregulate. The intention has now been to discredit the national accounts,” he said.

Louw said it was hoped his well-known stance on the size of the informal sector had not been misinterpreted.

“I do not see informal sector activity as our savour. Its encouragement cannot replace sound macro-economic policies. It is a fool’s paradise,” he said.

De Jager said elevating the informal sector to the status of the leading employment-creating force in SA was tantamount to claiming that the formal economy was failing dismally as a wealth-creating engine.

“Even if our national accountants decide to adjust their estimates of national income by 46% and we end up statistically much more affluent than we are now, this country will still have to face high inflation, a foreign debt problem, a balance of payments constraint and, most importantly, abject poverty in many regions.”
Black business has poor record

Now it's acting to put house in order

By PATRICK MAFATO

TRACK records of black businesses are not impressive. Take the story of African Development and Construction Holdings (ADCH), which started back entrepreneurs in 1977. The company incurred losses from the start and when it closed last year it owed R200 000. What happened? There were three main problems. The first was cash. It took eight years to raise R200 000 from its 400 black shareholders. The blacks to acquire a meaningful stake in this sector, capital investment will be necessary. Secondly, the company lacked quality management and thereby, falsely assured that since the company was black owned, the entire management had to be black. Realisation is dawning that to be taken seriously, blacks have to get its house in order. And rhetoric is being replaced by action. Taking the initiative is the African Builders' Association (ABA), an affiliate of the newly-formed Foundation for African Business and Consumer Services (Fabco).

The strategy is four pronged addressing management skills through training, creating a skills pool through its membership, lobbying government to simplify its systems of allocating land for black township development and also to dismantle economic policies tied to political policies in the building and construction industry. Ben Mogale, spokesman for ABA and president of its Transvaal affiliate, Tabu, says many large companies now give preferential contracting to black business, coupled with assistance in costing and pricing, ordering, delivery and settlement tasks. There are, however, serious drawbacks. "The main point is that it is not really their job and they might get tired of the idea and the cost to themselves." To overcome these problems, says Mogale, the training process will have to be intensified. But are organisations such as the Urban Foundation and the South African Housing Trust not providing these services? Mogale says so far they have failed. "In their own right they have had to get property developers and financiers. Typically liberal, they are doing for blacks. Instead of doing with blacks, he says: "Instead of lack the foundation for the black master builder to enter into the mainstream of the property industry through their actions they serve to cut down such development." He says it is for this reason that ABA has secured sponsorship from the US Agency for International Development (USAID). The grant of over R500 000 is subject to review every three years and will be used to develop a training programme for its members. As the chapter's membership is estimated at 5 000 and includes architects, planners and bricklayers. Mogale says the programme will cover tendering, drawing of plans, assessment of quality, finance, order and delivery and contract management. These can be grouped into getting the job, financing the job and carrying out the job.

The problems in getting the black building industry into the mainstream is not the lack of technical and craft skills, he says, but the lack of business skills. "Unlike other black master builders in South Africa Regrettably, few work for themselves. They often are employed by white-owned building firms. The black builder may do everything in respect of the actual building operations with little or no input from the owner of the business. Why then, does he find it difficult to strike out on his own as an independent builder?"

To finance black operations, Mogale says, the organisation is to adopt the Ibba Foundation model, which creates a finance pool. A percentage of profits from projects completed by each member will go into a trust fund, which will be used to finance projects.

International aid will also be sought, particularly from the World Bank. He says that during the fourth stage, besides concentration on economic policies which are tied up with unworkable political policies, concentration on the Department of Development and Planning, particularly the National Housing Commission which allocates about R5 000 000 to housing projects.

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Business programme in danger of collapse

By Winnie Graham

The Sowetan Business Development Programme is in danger of collapse through lack of financial support.

Though hundreds of would-be entrepreneurs are desperate for training, few companies have been prepared to sponsor the programme, adopted last year by the Sowetan as part of its nation-building campaign.

Mr Mel Stamelman, managing director of the Workwise Business Development Group, said he was dismayed at the limited response from the private sector.

HAD TO WITHDRAW

"Until recently, the course was sponsored by NCR who have regretfully had to withdraw," he said. "Despite great enthusiasm for the courses and appreciation of their necessity, few companies have been prepared to put their money where their mouths are."

One corporation, he added, was considering sponsoring the finance and administration section, and firms such as JCI, Mobil and the Trust Bank, along with a few other companies, had made welcome donations.

The programme, initially launched to help bridge the gap between black and white business and to help create one single, effective work ethic, needed R400 000 a year to operate effectively.

Mr Stamelman added, "The Sowetan has poured its heart into this programme."

"The editor, Aggrey Klaaste, agreed it is essential that all South Africans have a common work ethic in order to facilitate economic growth and self-empowerment."

"If businessmen are not talking the same language and operating within the same parameters, what hope is there? Unless sufficient sponsorship is received within the next few months, the programme will have to be terminated."

HOME IMPROVEMENTS

Members of a women's group enjoy themselves at a skotvel.

Stokvels may be used to advance home loans

The popular stokvel and joint saving system can be used by the private sector and financial institutions to advance housing loans to those in the lowest income bracket. This is according to the manager of Group Credit Company Christine Glover at a seminar on low-income housing which was recently held in Johannesburg.

Glover said the high risk factor had kept financial houses away from helping the market that needed most help and comprised 60 percent of the overall population.

"The challenge to the private sector is, therefore, to develop a financial product that is firmly responsive to the realities of the needs of that market section and that is also sustainable and economically viable as a financial mechanism," she said.

"Local research shows that in this country, like in most developing countries, money lending and the Rotational Credit System (RCS) - better known as the stokvel - is one of the most common forms of financing popular among low income groups."

Rates

Glover argued that high interest rates paid to money lenders, and which range between 100 and 300 percent, show that the market is already used to paying high interests.

And the fact that the RCS is controlled and administered by participants themselves can help reduce administrative costs, which keep the private sector from giving out small loans.

"It might therefore appear to be entirely feasible to release money to individuals through RCS at the interest rates which are appreciably lower than those charged by money lenders but higher than those charged on hire purchase agreements by formal institutions," she said.

The Group Credit Company - a subsidiary of Urban Foundation - was launched in August 1989 as a pilot project to test the feasibility of channeling finance to individuals through the RCS.

Project

The pilot project is financed by Urban Foundation and the Development Bank of Southern Africa.

According to Glover, the method has been successfully tried in India.
Skills training for small entrepreneurs

By Winnie Graham

The men at the Tokoza Advice Centre, knowing something had to be done about the unemployment,

With 2000 people wanting help in finding jobs, there seemed only one solution — they would have to organise skills training for the more desperate.

Mr Mafatshe Mokoena and Mr Fandile Matamba started in small way. With the help of the Foundation for Entrepreneurial Development in Rissik Street, Johannesburg, they invited four young women on a six-week sewing course.

They were taught to sew without charge if they could find their way to town every day. The Tokoza Advice Centre paid half the cost of the course and the Foundation the other half.

Last week, Fupelo Matlou, Francina Makhethe, Ellen Mondonsela and Lindiwe Mondonsela graduated. They are now qualified needlewomen — with Lindiwe voted top student. But at the end of their instruction, they were abandoned to make their own way.

"We will help them establish a small co-op," Mr Mokoena said this week. "But, first, they must learn how to run their own business."

The men will help the women with money to buy sewing machines, which they will repay when their businesses begin to take off.

In the meantime, Mr Mokoena and Mr Matamba have negotiated with a Reef company to train artisans. The firm is willing to take matriculants with science as a subject and train them in a range of skills without charge.

Excited at their initial successes, the Tokoza men have now embarked on a major fundraising project to raise money to train others.

"We looked around the township and saw plastic everywhere," Mr Mokoena said. "So we approached Nampak and asked if they would buy plastic and cardboard from us for recycling.

The company agreed. Now everyone in Tokoza is collecting — and using their homes as storage points. Because Nampak knew the people have no transport, it agreed to collect at regular intervals.

If the campaign is a success, Mr Mokoena will approach the town council for a collection site.

"After all, we are helping to keep Tokoza clean at the same time," he added.
ing outside the formal sector, these categories provide work for more than 1.7m (965,000, 602,000, 161,000).

Because of the high income earned from transport, there is no correlation between the number of people involved and money earned.

In terms of numbers, the category which ranks third is home crafts with 326,866. It is followed by services 249,000, other jobs 237,000 and scavenging 164,000.

This research revives the debate on the contribution of the informal sector to GDP. It has been variously interpreted. Some see the results as supporting the argument that its value may be as high as 40%, others that it is more likely to be as low as 10%.

So it provides no conclusive evidence on whether the informal sector can be a meaningful substitute for jobs in commerce and industry, or only complement employment opportunities in the formal economy. What it does is give a useful insight into a world previously ignored in official statistics, except for the pilot project in 1988.

That related only to blacks in the PWV area, while the latest research extends to coloureds and Indians and nationally. Neither includes whites, or other population groups in white urban areas.

CSS estimates a total of 2.7m in the informal sector, in the following groups:

- Blacks 2.5m out of a total 21.3m.
- coloureds 117,000 of 3.18m, and
- Indians 55,000 of 931,000.

More than 2m of them are self-employed.

**Informal Sector**

**Taxi trove**

Roots of the vicious war between black taxi associations can be clearly traced to the income generated by the industry. It is disproportionately high compared with that derived from other occupations outside the formal sector.

A Central Statistic Service (CSS) survey of the informal sector, made in October, confirms a pilot survey a year earlier, which showed three categories — trade and hawking, crafts and transport — generate most revenue outside of formal employment. By far the highest average net monthly income is in transport.

- Blacks R2,827 (compared with an overall average in the informal sector of R5,346).
- Indians R2,022 (R7,852), and
- coloureds R1,776 (R4,267).

This puts it well ahead of all other work categories. For blacks and coloureds, closest is trade and hawking with average net monthly income of R489 and R460 respectively, and for Indians, services, with R1,046.

Moreover, it is one of the few routes to affluence, with 18,000 blacks, 106 Indians and 306 coloureds earning over R6,000 (working on their own account) in the informal sector.

So incentives are high in an environment providing few opportunities to these groups.

Of the R13bn estimated monthly contribution of the informal sector to GDP, the three top categories contribute more than R1bn (respectively R429m, R367m and R291m or, as a proportion of total contribution from the informal sector to GDP, 32.1%, 27.5% and 21.8%). Of the 2.7m people work-
SA's informal sector expanded by at least 10% last year over 1988, compared with "flat" growth in the formal sector, a survey by research organisation Business & Marketing Intelligence (BMI) has found.

It implied current gross domestic product (GDP) growth rates were incorrect and that the potential of the country's economy was being consistently underestimated, BMI MD Jonathan Harrod said yesterday.

The survey, conducted last year into four key segments of the sector, follows a recent study by the Central Statistical Service (CSS) which found informal sector activity amounted to nearly 8% of GDP in 1988.

Harrod, who headed the BMI study, said in an interview the major difference between it and the CSS study was that BMI had not viewed overall size as an issue.

"If the informal sector is not growing faster than the formal economy, it's irrelevant how big it is. What is important is the picture that has emerged about growth in the informal sector and the needs of communities where informal business is prevalent," he said.

Undertaken in eight black urban areas, including Soweto, Khayelithsha, and Tembisa, the study found the share of informal activities in overall economic activity varied widely.

"In motor repairs and building materials distribution, for instance, the informal share is less than 10%. In food distribution to black consumers it is between 10% and 20% and in liquor distribution to black consumers it rises to about 40%".

Researchers had detected a groundswell of new business activity in black urban areas, Harrod added.

"Twenty percent of those questioned actually work in such areas. Of all foods disseminated throughout the economy, half are distributed by businesses in black areas, as opposed to being 'imported' from the formal sector outside these areas.

"And of this 'internal distribution' 20% to 40% is done through informal channels such as spaza shops and hawkers".

Harrod said black city dwellers had shown they wanted more business facilities closer to home, but many lacked the necessary capital and skills.
Black traders getting bigger slice of market

Politically-motivated consumer boycotts, improving black lifestyles and higher transport costs have helped black traders increase their share of food distribution to black urban consumers to about 50 percent or R5 billion per year.

This figure is expected to grow by another 20 percent within the next five years, according to a study by the Business & Marketing Intelligence (BMI) among 1 200 self-employed people and more than 3 000 consumers in eight black urban areas.

Of the total figure of R5 billion, saphaza shops and hawkers accounted for between 20 and 40 percent.

The BMI estimates that the retail food distribution industry is worth some R25 billion, with black urban households accounting for R16 billion and rural households contributing another R5 billion.

Boycotts

Project leader, Jan Strauss said that black consumer buying patterns had changed because of forced circumstances, particularly consumer boycotts.

BMI chairman, Jonathan Harrod said black city dwellers have shown that they want more business facilities close to home.

"They are not concerned whether these are formal or informal. They are prepared to pay, provided these facilities offer the right quality," he said.

The impact of the change in food buying patterns of black consumers means that big food retailers have to seriously consider going into joint ventures with black entrepreneurs in the black urban areas.

Joint ventures might benefit black traders more because of their current problems of lack of capital and skills to develop their businesses.

The study also found that in motor repairs and building materials, the informal sector share is less than 10 percent, while in liquor, distribution to black consumers it rises to around 40 percent.
Blacks entrepreneurs can now operate industrial enterprises at Alrode South in Alberton, which was a white preserve until it was deproclaimed by State President PW de Klerk last month.

This breakthrough has been welcomed by East Rand industrial township development company, Investron, which has been advocating open industrial areas for the past 10 years.

Managing director Allan Goldring says "This deproclamation heralds a new era for the black entrepreneur who wants to develop a strategically located factory. "He can now enjoy the privileges and advantages of white industrialists."

Alrode South is one of the major industrial growth points on the Witwatersrand and is ideally located near major residential townships with their labour resources.

The black businessman is now able to buy land on a freehold basis and then build his own factory, or secure a ready-made workshop.

Mr Goldring believes this latest government move on reform will have a ripple effect across established industrial areas and create not only more opportunities for black business, but also more jobs.

"Traditionally," he says, "there have been too many restraints on black entrepreneurs who have to invest in proclaimed black industrial areas, most of which are too remote from established markets."

"The black industrialist, too, has had too little contact with other industrialists, many of whom would, in other circumstances, have become important stakeholders - either as suppliers, associates or customers."

Investron is now in the process of arranging total financing for black industrialists.
Sata flexes its financial muscle

By PATRICK MAVAFI

THE sleeping financial giant that is the South African Taverners' Association (Sata) is starting to wake.

Projects worth close to R40 million are planned for this year, and these will be owned by an estimated 30,000 Sata members. Membership includes licensed and unlicensed taverns as well as bootleggers.

First of these projects is a R4.2 million two-star hotel and nightclub at Tumahole, Parys, in the Free State.

Construction on the project, to be developed by Quantum, will begin in June and be completed in November. The loan was provided by the Cape Investment Bank.

Sata deputy chairman Sydwell "Four Boys" Molefe said ownership of the development would be through a member-share scheme.

He said capital would be collected from members only when the project was complete as most shebeeners had been ripped off through share schemes.

Molefe said negotiations were at an advanced stage for a multi-purpose entertainment centre at a well-known, but as yet undisclosed, resort in Johannesburg.

City Press understands that a major white liquor wholesaler is planning a joint venture with Sata in the townships. This follows a recent meeting of the wholesaler, the Sata chairman and the Cape Investment Bank.

There are about 100,000 licensed and unlicensed shebeeners in the country.

Sydwell Molefe
New move on
hawker's fees.

The Licensing
Board is considering
reducing the fees
paid by hawkers.

Mr. Lee commented
that the board is
looking into the
matter further.

The Board's
recommendations
will be
discussed at
the next
council meeting.

For more
information,
contact the
Board office.

Appeal

[News article]

[Image of a map or diagram]
Tilt towards recession now apparent

THE economy's downward tilt into recession has become glaringly apparent in several key consumer-sensitive industries.

They have suffered from the low growth in real private consumption expenditure — nearly 3% in 1989 compared with 1988's real growth of 5%. The situation worsened towards the end of the year when spending on durables nosedived.

The subsequent heavy drop in imports has substantially lifted the balance of payments into surplus, providing further evidence of a slowdown.

Total new vehicle sales for the first quarter of 1990 declined by 1.7% compared with the same period in 1989 and manufacturers expect difficult conditions to persist.

In 1989 the lack of personal disposable income also hit the SA hotel industry with top hotels experiencing a 3% decline in total real sales.

Major clothing retailers report dampened sales, while road construction companies are suffering from cutbacks in the allocation of contracts by government authorities. These fell by a year-on-year 8% for the three-month period from December 1989 to February 1990.

The home building industry, strangled by high interest rates on mortgages, is also looking towards a 20% to 50% drop in turnover in 1989 over 1988.

An indication of the state of the household appliance industry is indicated by the 139% drop in earnings by Picardi Appliances for the six months to end-December.

See Page 3
Wholesale outlet for informal sector

By JOSHUA RABOROKO

IN the first significant move by a wholesale giant to do business with the informal sector, Metro Cash and Carry has opened one of an anticipated chain of wholesale outlets for hawkers and spaza shop owners in Johannesburg.

The chain, to be called Siyakhula (we are growing), is a response to the growing informal trade sector and the need by suppliers to find effective distribution. Metro's informal sector manager, Mr Mike Solomon, said during the opening of the chain.

He said Metro had invested a large, but undisclosed amount of money in the venture. A shrink-wrap machine was bought to wrap the smaller pack sizes preferred by informal traders.

According to him, the launch of Siyakhula was a risk as accurate information on the informal sector was scarce.

Informal traders, who are small-scale buyers with specialised product needs, are not being properly serviced by wholesalers.

Other Siyakhula services include: special product lines, condition-free buying cards and year-round promotions.
New store to meet hawkers' needs

By JOHNNY MASILELA

WHOLESALE giant Metro Holdings has added a subsidiary company to its fold aimed at cashing in on the informal sector traders.

The company, Siyakhula Cash and Carry, has opened its first branch in Newtown, Johannesburg, in premises which used to house a Metro branch.

Metro informal sector manager Mike Solomon believes the Newtown store will soon generate a turnover four to five times that which used to be generated by the Metro branch.

Siyakhula opened with an initial stock of R1.5-million.

Solomon said the new venture, which aims to serve hawkers and spaza shop operators, was started because existing Metro branches were too big and their packaging unsuitable for the small dealer.

"For instance, at Metro stores a big dealer can spend around R200 on two to five big packages of a specific product but for a hawker, he needs that R200 to spread it thinly to order anything from 10 to 50 small packages in order to service a wider spectrum of clients," Solomon explained.

Siyakhula — which means "we are growing" — is the first store of its kind to be launched by a major public company. Further stores are planned.

The new store has also undertaken to set up a training centre in the near future where small business people will be given lectures on subjects such as merchandising, stocktaking, selling, auditing and banking.
A touch of spice

It's been a long time coming but at last Durban once again has a purpose-built Indian market for hawkers and traders.

The original market, established in 1910, was destroyed by fire in 1973 and this hit the livelihoods of hundreds of small traders. Rumours of arson were rife at a time when the market was in financial difficulty and an irritation to Durban Corporation.

An inquiry found, however, that a tailor, warming himself on the pavement, let newspapers that blew into the building.

The market has operated from Warwick Avenue, on the fringe of the CBD, for the past 17 years but the arrangement was never satisfactory. Controversy surrounding relocation has led to many squabbles involving trader associations, the House of Delegates and municipality.

Now the R22m new Indian market is virtually complete. Shopfitters have moved in and the market opens officially in June.

The project, financed by the SBDC, is a joint venture between it, Grinker and JH.

FINANCIAL MAIL APRIL 13 1990
Two new magazines boost black economic empowerment

PERIODICALS aimed at black business people in the formal and informal sectors are springing up as publishers respond to the call for black economic empowerment.

Two full-colour monthly magazines have been launched within the last two months, bringing the total number of black business journals to five in the Transvaal alone.

The latest additions to the newsstands are Traders Talk, a Trustar publication aimed at the informal sector, and Travellers Friend, mouthpiece of the South African Long Distance Taxi Association. Both are distributed free of charge.

And another journal, targeted at black tavern owners, is said to be on the drawing board.

The mass circulation daily, The Sowetan, also recently introduced a weekly business section.

Traders Talk and Travellers Friend seem to be attracting healthy amounts of advertising — something which would have been unheard of just a few years ago in black business publishing. But with the rapidly increasing purchasing power of black consumers, the trend is changing.

The success of the two new publications is likely to be judged against the well-established Black Enterprise, African Business and Drive-On magazines.

Travellers Friend is competing directly with Drive-On for advertising, since both target the black taxi industry. Drive-On is the official publication of the Southern Africa Black Taxi Association.

On the other hand, Traders Talk finds itself sandwiched between the successful Black Enterprise and the oldest of them all, African Business.

Traders Talk managing editor Dee Sinclair, who claims a pilot circulation of 20 000, believes the market is wide open for growth. "With the emergence of the (black) informal sector, the possibility of more black business journals coming up cannot be ruled out.

"Our long-term target is to reach a circulation of 100 000 copies," she said.
Adelaide Council has adopted a new policy in dealing with people who operate businesses illegally from private houses. The council's chief executive, Peter Majeske, says that from the beginning of this year, the council has received reports of businesses locating in residential areas, "who blatantly ignore the bylaws and come into conflict with the public interest."

"The council has been severely criticized in the past for inaction in these areas, and now the ability to take action again is paramount in operating these operations."

[Note: The text is partially obscured and difficult to read due to the quality of the image.]
Young businessman going places

Young businessman going places

Molefe is a hurry

BY PATERICK MARAIO

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Workers await strike response

By S'BU MNGADI

WORRIED staff of the KwaZulu Department of Justice in Vulindlela, Maritzburg, this week apprehensively awaited the official response to their two-week long strike which ended on Wednesday.

The civil servants called off the strike after the department did not respond to their demands. They are now waiting for a response to letters sent to KwaZulu Chief Minister Mangosuthu Buthelezi and the KwaZulu Public Service Commission.

The civil servants fear the department might transfer them to other magisterial districts as punishment. They also fear their strike might have contravened the mandatory pledge of loyalty to the KwaZulu government.

The civil servants, ranging from general cleaners to magistrates, went on strike earlier this month – an action unprecedented in the history of the homeland’s civil service. They demanded, among other things, intervention by the KwaZulu government to calm the situation in strife-torn Maritzburg.

In a memorandum sent to the Secretary for Justice, they said:

"Until the KwaZulu government addresses the situation in and around Maritzburg which has caused mass destruction and loss of life, we will not continue with our duties."

An alternative demand was for staff of the Vulindlela office to be transferred to South Africa or "the KwaZulu government service be reincorporated into South Africa."

They also demanded a halt to victimisation of those involved in work-stayaways. They said such protests were due to the escalation of violence in the region.

The staff said they were members of the Maritzburg community and therefore felt bound by its decisions.

According to the spokesman for the workers, only the security police and one white clerk declined to sign the memorandum. He said Vulindlela staff received several solidarity messages from other departments of the KwaZulu government.

He warned that if the homeland government failed to address the problems it would head for a showdown with its civil servants.

Secretary for the Department of Justice CG Jordan declined to comment.

Meanwhile, about 10 000 teachers in the Durban, Hammarsdale and Maritzburg regions are poised to embark on a "chaklas-down."
Pensions for informal sector investigated

WAYS of incorporating the estimated 4-
million people in the informal sector into retirement schemes are being ex-
amined, says Professor W L Mouton, chairman of the Mouton Committee in-
vestigating the SA pension situation.

The unemployed would have to look to the state for a pension, he added in a
speech at the Pensions Institute Confer-
ence in Durban last week.

Retirement schemes covered nearly 80% of formally employed people (in-
cluding the self-employed) which was much higher than in most other coun-
tries. The committee had established that in 1987 there were 12 000 retire-
ment funds with membership of 6 mil-
on, compared with 700 000 in 1980.

"According to our calculations more

than one-million of the nearly eight-
million people working in the formal
sector do not belong to retirement
funds." The industry, he said, had shown a
growth of 9% in the sixties, 12% in the
seventies when many funds extended
membership to semi-skills and un-
stilled workers and 3% in the eighties.
Membership remained almost static for
the years from 1985 to 1986.

Of concern, however, was the low
level of pensions.

"One of the factors that has contribut-
ed to low pensions has been job swop-
ing without retirement assets being
conserved." Mouton said it was accepted that the

state would make limited provision for
those, especially the aged, who could
not provide for themselves.

"On the other hand the percentage of
the population of certain groups above
the age of 65 was increasing at a greater
rate than the population between the
ages of 15 and 65."

Another aspect under investigation
was the means test used for old age
pensions, Mouton said.

It "is a disincentive for low-income
and short-service people to belong to
pension funds. Contributing to a pension
fund could result in disqualification
from a state old age pension and posi-
tively being in a worse financial position
than they would have been. It has also
led to the demand for provident funds."
By Jabulani Sikhakhane

In an attempt to penetrate markets in neighbouring African states, 14 black manufacturing companies will display their products at Botswana's annual industrial trade exhibition this week.

The 14 companies will display products ranging from clothing, furniture to car tyres and beadwork's in Bitex'90 show at the Gaberone show grounds, under the banner of the National African Federated Chambers of Commerce (NaFco).

Gabriel Mokgoko, NaFco's public affairs manager, says Bitex'90 represents the first attempt to build bridges between black business in South Africa and neighbouring countries with a view to establishing an economic relationship in preparation for a post-apartheid SA.
Developing small business

One of the crying needs within the ceramics industry is for skills and making a major contribution to providing those skills, mainly in the design field, is the Witwatersrand Technikon.

Ceramics department head Mr Eugene Hon says the main objective is to train people to open small businesses. To this end students are taught a wide range of ceramic skills from brick carving to pottery and sculpture.

"Our students are trained to a high level to be ceramic designers, producers and marketers of their own wares. One of the things we are looking for in our students is entrepreneurial spirit which usually means attracting more mature students.

"Over the past three years all the students who have passed our course have gone on to open their own businesses - and done well," he says.

He cites the example of Miss Janita Nelson who left the technikon about three years ago. She now has her own business, supplying curio animals to game farms, hotels and other tourist targeted outlets.

Mr Hon points out that other professions tend to be trained to join an established firm.

"After three years they would still be working for someone else and be towards the bottom of the salary ladder."

"Janita is self-employed and earning considerably more with the potential to grow even further."

Students are given a basic overview of the different techniques and materials. They are taught to formulate ideas and experiment.

Mr Hon says students are encouraged to develop in a fine arts sense, such as sculpture, but there is a strong practical current underpinning the course.

For the exam at the end of the second year students are required to design one item for production purposes. Students are marked on the design and how many units can be produced in one month.

He says: "The item chosen will often be one which was designed in the course of the year. However, usually the design is not practical for batch production purposes and the student will have to adapt the design — an important lesson for any artist. Usually the students sell the products afterwards at one of the markets. This gives them an indication of market response to their idea."

Mr Hon: "It is not just pottery but includes techniques such as brick carving for creating murals and crests."

One of the problems facing both the technikon and the studio ceramic artists is that South Africa does not tend to have the consistent quality of raw materials required.

"Our students tend to move into catering for exclusive niche markets. But the raw materials available are not generally up to standard for the more sophisticated applications, such as making high-quality studio ceramics like plates and teapots."

"Different batches of materials will respond differently producing product which warps or cracks under the same conditions as previously produced quality finished items."

"There is a need to set industry standards coupled with consistent and reliable testing. There is also a need for materials aimed at the studio market. For example, unlike overseas, at present there is no South African company producing a clay and a glaze designed to suit that particular material," he says.
Black street traders show huge growth

By Michael Chester

The turnover of black street traders in the main urban centres is now close to R10 billion a year.

This phenomenal surge by the informal sector is revealed in estimates released last night.

Studies by Mr. Theo Rudman, director of the Self Employment Institute, put the total at R9.84 billion, equal to 49 percent or perhaps even 50 percent of total sales of similar goods by retailers in the formal sector.

In Johannesburg alone, the number of licensed hawkers has mushroomed from 1,000 four years ago to well over 14,000 now, without counting traders not on record.

If all business operations were taken into account — township spaza shops, backstreet workshops, shebeens and home industries of all sorts — the informal sector now handles as much as 33 percent of the total spending power of the entire black urban community.

Harassment

Mr. Rudman told a small business conference in Empangeni that the dramatic spread of the informal sector had been scored despite extreme harassment by the police and municipal officials.

There was a huge reservoir of hidden wealth to be tapped if South Africa allowed the unrestricted integration of the Third World and First World elements of its economy.

"It would turn our black population from what many people see as a huge liability into an enormous asset," he said.

See Page 11.
THOUSANDS of black entrepreneurs in the informal sector will benefit from a pending project aimed at improving their economic performance.

"One-Up Business Training," unofficially known as Township MBA, will offer training to people in business practice. Nothing will be taken for granted.

**Modules**

The programme consists of modules covering all aspects of informal sector business management, starting at the most basic level, according to its director, Mr Tony Davenport. Market investigation, purchasing, costing, merchandising, capital requirements and management of weekly cash flow and stock control, are all covered.

"Particularly useful is a one-page book-keeping system which has been described as brilliantly simple," said chief executive officer of MBA, Mr Kenneth Mqamqo.

Davenport said training would be available to anyone interested. The carefully evaluated venture, he said, had been tailored to meet the needs of trainees "who come from a severely disadvantaged background."

**Correspondence**

In conjunction with the Small Business Development Corporation and Get Ahead Foundation, hundreds of people have completed the programme in Cape Town, where it originated. Their businesses have improved greatly, Mqamqo said.

Davenport said they were considering making the course available through correspondence. Township MBA should be launched before June. The course will extend for 40 hours and certificates would be issued to successful candidates.
Informal activities adds 50%

New estimates for blacks’ per capita incomes

Own Correspondent

JOHANNESBURG — Informal sector activity could add as much as 50% to blacks’ per capita incomes — reducing the racial income chasm somewhat, according to Stellenbosch University academic Seroes van der Berg.

In a paper delivered to a symposium on the production and use of socio-economic statistics in Durban at the weekend, Vibeke Berg used a recent Central Statistical Service (CSS) survey on the informal sector to arrive at new estimates for black per capita incomes.

"Black compared to white per capita income (R16.551) rises from 3.3% to 12.7% when provision is made for unrecorded activity." The informal activity raises black incomes from R706 a year to R2 105.

Although Van den Berg believed unrecorded economic activity provided some relief from poverty, he agreed with conference delegates that it did not alter the fact of a heavily skewed wealth distribution to any significant extent.

Van der Berg added his voice to the Reserve Bank in criticising overly optimistic estimates of informal sector activity.

"If the (extreme) free-marketeer view is correct, there is reason for much optimism about SA economic growth, and then poverty reduction and improved income distribution is a mere matter of waiting for further growth along free market lines. In such circumstances, policy attention to matters such as employment and poverty... becomes superfluous."

Van der Berg's paper noted the Small Business Development Corporation's Wolfgang Thomas had admitted the danger of overstating informal sector job creation potential "as much of the informal sector is merely a fall-back position (‘survival entrepreneurship')."

Van der Berg notes that estimates of labour force participation in the informal sector varies from 5% to 31%, with a median estimate of 19%. The CSS survey, which excludes whites, found that 21% of the labour force (2,778 people) were involved in informal sector activity.

UCT's Professor Brian Kantor came in for criticism for his well-known claim that unrecorded activity could amount to as much as 40% of Gross Domestic Product (GDP).

Kantor responded during discussion time by pointing out the figure was an upper limit.

He stuck to his view that the discrepancy between GDP calculated from the expenditure side and GDP from the income side indicated substantial levels of unrecorded economic activity.

However, Van der Berg was also critical of the Marxist view that "the informal sector was of little consequence and was only a means to hide poverty or not to address its consequences."
Black income: a new perspective

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Achib sets up marketing arm

THEO RAWANA

The African Council for Hawkers and Informal Business (Achib) has established a marketing arm to facilitate trade between established business and the informal sector. Achib Marketing was founded as one of Achib's satellite companies which would, besides generating finance for the council, link big businesses with the 26,000 members of the council. MD Gerhard Visser said yesterday.

"Through Achib Marketing services the corporate world gets a chance to penetrate the black market and the hawkers and spaza shops are introduced to companies which are prepared to offer discounts and sponsor the little man," said Visser.
people running home businesses.

Two Johannesburg traffic officers have been trained to issue spot fines to transgressors of the town planning scheme; all they're waiting for is their pink tickets to be printed.

Instead of patrolling the city streets in search of parking offenders, these law enforcement officers will seek out homes that are being used illegally for business. They have the authority to issue spot fines of between R300 and R1000.

Johannesburg planning director Rudi Erasmus explains the use of traffic officers is part of a campaign to understand better and control the problem of businesses operating from dwellings.

Public participation

“We plan a clampdown on illegal home businesses but also seek public participation and guidance on home businesses and, if so, to make the legislation of operating from home easier.”

Planning committee chairman Eddy Majid says the objective is to discipline the town planning scheme. “The council is being taken for granted. People are causing intrusions into residential areas and complaints from neighbours tend effectively to stave off council action while the complaint is being dealt with.

“The result is that until April 2, those operating illegal businesses from their homes had between a year and 18 months’ grace before being brought to book. Now spot fines can be issued followed by further fines for persistent offenders.”

Erasmus says the council wants to clamp down on unauthorised use of dwellings for business while streamlining procedures for gaining permission for activities which are acceptable home businesses.

He says traffic officers are being used because they have the authority, under the Criminal Procedures Act, to issue spot fines, whereas town planning inspectors (for the time being) do not.
A showcase for black business

By PATRICK MAFATO

BLACK businessmen will exhibit more than 30 different categories of industrial goods and services at the fifth Matchmaker show at Nasrec near Johannesburg from May 16 to 18.

The show aims to help small black-owned firms establish contacts and increase business with American subsidiaries and other large companies in South Africa.

The event is sponsored by the US Foreign Commercial Service with support from a working group comprising the Anglovaal Business Trust, the Get Ahead Foundation, the Small Business Development Corporation, Sullivan Signatories Association and the Urban Foundation.

Since it started in 1986, the event has drawn company buyers and contacts and this has led to important business for small black-owned companies.

According to Matchmaker Services executive director, Zuko Tobias: "From 50 stands in 1986, the event has grown to include more than 100 exhibitors. Many of them are regulars. Others have grown too big for the event."
‘Human resources
our greatest assets’

South Africa’s assets lie not so much in its mineral wealth, nor in its factories, nor in its roads and bridges. It vests with its people — people of the calibre we have in this room tonight,” Mr Harvey Tyson, editor-in-chief of The Star, told the guests.

“If we cast our minds back over the past few decades, retrospect reveals that we have blundered.

“Had we played our cards right we would today be boasting an economic growth rate to rival those being achieved by the Pacific Rim countries. We blew it because we failed to unlock the productive power of all our people,” he said.

“Hopefully, it isn’t too late to correct our mistakes. The politicians must do what is necessary, but they can provide only the framework for a possible solution.”

He said a crucial factor in achieving full potential — and he had no doubt that South Africa had enormous potential — was for business consciously to adopt new strategies, new attitudes and new policies for what was increasingly emerging as the New South Africa.

“You, as prominent business people can, indeed must, show the way.

“Small business — in particular, black business — has to be given the necessary breathing space and encouragement, not only to survive, but to thrive. For our salvation lies in participation,” he said.

“This is what I meant when I referred earlier to the need to unlock the productive power of the people.

Last night The Sunday Star and Ernst Young honoured those selected as “Business Personality of the Week” during 1989 at a banquet in Sandton. The two main speakers were David Shapiro, senior partner at stockbroking firm Max Pollock and Freemantle and the Editor in Chief of The Star, Mr Harvey Tyson.

“Yet it is a process that goes further — a lot further. Not every black South Africa is an entrepreneur, just as every white South African isn’t an entrepreneur.”

He said he was convinced that there were thousands of black South Africans who, given the chance, would develop into outstanding business managers — right across the spectrum of the management hierarchy.

“The mindset that tends to exclude our black people from advancement within large corporations has to be destroyed — never to return.

“I appeal to all businessmen to devote their efforts and energies to helping ensure that such a departure from the old habits of a bygone era becomes part and parcel of business practice — and that the momentum is vigorously extended into the future.”

Nationalisation

“We’ve all heard a great deal about the ANC’s policies of nationalisation and land redistribution.

“Understandably, the ANC wants a greater slice of the economic pie. Given the conflicting factors in our nation emanating from that desire, confrontation seems highly probable.”

Mr Tyson said one of the solutions lay in the creation of new owners of wealth, at every level, from managers to trade unionists.

Individual businessmen had to create a system that would allow all South Africans to participate in the process of wealth creation.

“The magazine Black Enterprise quotes a Russian ministry official as saying in Moscow recently ‘In 1917 we made a mistake — we went for the creation of jobs and the distribution of wealth. We should have concentrated on the creation of wealth and the distribution of jobs.”

“Everyone, whether he be an owner, manager or worker, has a responsibility to take part in this process.”

The special business of the business community was not only to create wealth, but to distribute jobs, he said.

The challenge was to apply imagination and determination to achieve what would surely be an end that would satisfy the aspirations of all the people.

The business community must not only educate potential managers and administrators — it had the task of re-establishing a work ethic among South Africans who felt they had been dispossessed and were therefore owed a living.

Nobody was owed a living, he said. Everybody was owed an opportunity to make a living.

That was what the business community needed to ensure.

He said it was a daunting task, but had no doubt that members of the business community were the very ones who were equal to it.
Angie wants to help others

By Winnie Graham

Angie Makwela started Ultimate Computer Training — a firm that teaches secretarial and computer skills — against all odds.

After 15 years with a big company, she felt she was ready to pass on the skills she had acquired.

So last August she went into business. She had her problems.

"One was the lack of capital," she said. "It is not easy for a black woman to get assistance from a financial institution. My husband still has to co-sign documents with me."

Ms Makwela decided to start on her own to make computer training more accessible to black people.

Her courses include business English, effective communication, secretarial practice, assertiveness, public relations, time management, wardrobe co-ordination, skin care and etiquette.

She helps her students prepare CVs and prepares them for interviews with prospective employers.

She has four reasons for taking part in the Matchmaker Fair. She wants to establish a working relationship with big business, gain maximum exposure for the services she offers, demonstrate that black women can be as professional as men and encourage women to venture into business.
Fair generates business goodwill

By Wonne Graham

One of the biggest generators of goodwill between black and white business in South Africa — the annual Matchmaker Fair — opens at the National Exhibition Centre (NASREC) tomorrow.

Designed initially to help small black-owned businesses wanting to do business with large (white) corporations, the Fair has succeeded in bringing together the two dynamics of business in one country: the persisting and established success of the white business world, and the eager fast-learning generation of developing black businesses.

Zuko Tofie, director of Matchmaker Services, the non-profit company behind the successful annual Matchmaker Fair, said this week he had been bowled over by the number of big companies wanting to get involved with small businesses.

"It's incredible," he said. "Big business — which in this country means white business — has indicated it wants to do more than just give money. It wants to get involved in helping small businesses which, of course, is invariably the biggest." 

The three-day fair, he added, was generating an enormous amount of goodwill which was increasing the number of companies wanting to do business with small businesses to "walk that extra mile".

Not only that, but white businesses were showing an increasing interest in giving to the townships to see how black people lived.

New mood

Since the State President, Mr F W de Klerk, had made his opening of Parliament speech, there was a new mood in the country. Many hearts had been opened.

"If this is what the new South Africa will be like, I am most heartened," he said. "However, we must realize when apartheid goes there will be no magic wand we will still have to fend for ourselves.

"Job creation remains a major issue, so do the changing of skills and the acquisition of a business culture. If every company did what it could to create more wealth in the community, the jobs so desperately needed would follow, and with stability in the country.

"Matchmaker" outlined the importance of the work big corporations were doing to assist small businesses. Apart from giving them contracts, big business was helping them "deliver the goods".

US ambassador to explain policy

The United States Ambassador to South Africa, William J. Swing, will talk on "US economic policy as changing South Africa" when he visits the Fair tomorrow.

The Matchmaker Fair will open to the public from 1 pm to 9 pm tomorrow, and again from 9 am to 5 pm on Thursday and Friday.

The annual Matchmaker Fair is just five years old. It came into being in April 1990, when the South African Chamber of Commerce and Industry and the American Chamber of Commerce held South Africa's first business-to-business show in an overseas market.

In contrast with trade promotions, the Matchmaker Fair was designed to assist small black businesses establish contacts and develop increased business opportunities with American subsidiaries and other large companies in South Africa.

The first event was planned and organised by the sponsors under the auspices of the US Foreign Commercial Service with the support and participation of a working group, including the Get Ahead Foundation, Joint Business Development, the Small Business Development Corporation, the National Signet and the Urban Foundation.

The Anglo American Corporation, for instance, had realized that some of its small suppliers could produce what it needed but was having difficulty getting the goods to its warehouse. To solve the problem, Anglo had acquired a van to collect stocks directly from them.

In the same way AngloVaal was helping certain of its suppliers by buying the raw materials for them.

Quite a few companies had established outlets to buy directly from black business.

Mr Tofie said this year Matchmaker Services would follow up after the fair to ensure that business was transacted. It would keep a check of the 1990s results.

"There is much that can be learned from past ventures," he said. "I dream of the day when we no longer talk of 'black business', but simply of business."

Those taking part in the Matchmaker Fair include white-run companies looking for products and services where black business might be able to provide black-run businesses who offered products and services their associates in the white business world can use.

Mr Tofie added: "If you are looking for new sources of supply and services, Matchmaker may be able to introduce you to black suppliers whose prices and quality may be just the new business you need. The black suppliers, who, because they don't have the marketing budgets of comparable white-run firms, may not otherwise come to your attention."

Matchmaker is regarded as an important and positive contribution to the development of a prosperous new South Africa anchored in a healthy and open free-enterprise economy.

Zuko Tofie, director, Matchmaker Services.
MORE than 66 hawkers who were hounded out of the Klerksdorp's Central Business District can now trade in the western Transvaal town, but only from designated areas.

Town clerk Mr Jan Muller yesterday confirmed that the decision was taken after a meeting between the council and the African Council of Hawkers and Informal Businesses (Achib) last week.

**Developer**

Muller said the parties agreed that a developer would be appointed to look at possible spots where the hawkers could erect their stands in the city centre. He emphasised that the process would take some time and "not a matter of days".

The move has been welcomed by Achib's marketing manager, Mr Francis Moleko, who confirmed that their members were earlier restricted from trading in the town. They were arrested, harassed and their property confiscated by the authorities.

He said that the council had agreed to suspend the fines - ranging from R50 to R100 - which were imposed on hawkers for trading.

"We are happy that the council has at last allowed our members to ply their trade in the town. Some of them are unemployed people trying to earn a decent wages," he said.

**Warned**

He said they had also asked the council to investigate complaints about harassment and intimidation from black local authorities on the East Rand, and warned of possible legal action if this continued.
Recipe for restructuring aid

The main ingredient is a boost for small business

The misdirection of Western development aid to Africa is legendary. In an International Freedom Foundation publication, author Richard Sincere suggests how assistance programmes could be restructured to achieve their aim of building a more secure, more prosperous and more humane world.

Political Reporter ESMAE VAN DER MERWE reports

People like to think they are doing good, providing development aid assists them in that. But foreign investment is much to be preferred.


His analysis of US aid programmes in seven sub-Saharan countries - South Africa, Botswana, the Ivory Coast, Kenya, Senegal, Ghana and Swaziland - resulted in a conclusion often reached before that the programmes, essentially government-to-government transfers, are mostly doomed to failure.

Noting that these programmes are for political reasons here to stay, he examines the question: What can and programme do in Africa that will not constitute a transaction of decline and will encourage genuine economic development and prosperity?

Drawing from the experience of the industrialised West and Japan, Sincere argues that the developed world prospered without the assistance of foreign subsidies.

What the developed world did have was the gradual growth of conditions that made development possible - including legal regimes that respected private property, the free movement of labour, freedom to negotiate contracts, relatively low taxes and tariffs, people who were willing to work hard, and political climate that encouraged foreign and domestic investment.

"This implies that the most useful role donor agencies can play is the transmission of the values and policy prescriptions that make democratic capitalism possible."

Donors should play a "watchmaker's role" in the booming informal sectors of Third World countries - providing the gears and wheels, setting them in motion, and then leaving the watch alone.

Sincere suggests three ways in which the informal sector can be tapped at relatively low cost:

- Training and skills that small-scale entrepreneurs need should be provided, with additional education as they move up the scale to become medium- and large-scale producers or service providers.

A more important educational function, however, is persuading African elites to accept the fundamental concepts of free enterprise. Although the free market is indige-
Financial aid for the small black business

By PATRICK MAFAGO

ONE of the biggest impediments to the growth of black business, besides capital, is lack of skill.

It has been noted that while the black entrepreneur might have the makings of a great businessman, he falls short in areas which demand a high level of financial expertise.

To fill this gap a joint venture company, with offices nationally, has been formed to provide financial services to black business.

Chair by Jeff Van Rooyen, Guarantee Trust (GT) has introduced an innovative franchising concept to southern Africa.

The company provides a comprehensive range of financial and administrative services to small and medium-sized businesses.

It also provides pension, medical aid and insurance benefits to individual businesses for their employees.

Emerging companies which do not have a full-time financial director, but which have a financial function and require overall control and direction, will find GT's services indispensable.

"We provide computersised accounting, bookkeeping and all related financial management services required in these businesses," Van Rooyen says.

Prospective franchisees must have accounting qualifications such as B Compt, CA, CIS, CMA or IAT.

"A franchisee can elect to pay R7 000 and settle the balance over five years. (The full franchise fee is R25 000)."

Besides gaining access to group facilities, expertise and pooled research, the prospective franchisee will also benefit from GT's advertising power, bulk buying abilities access to an overseas company, trust services and money desk facilities.

Included in the franchise fee is marketing, training and orientation.

Van Rooyen is a chartered accountant and founder, president of the Association of Black Accountants of Southern Africa (Abasa). His scheme is backed by Abasa executives, including current president Israel Skosa and founder member Willie Ramashaba.
Self-made man makes top profits with store

By PATRICK MAFDO 153A 1193/80

IT HAS been said the biggest hindrances to black business advancement, from township retailing to the mainstream of the economy, are capital and skills.

What has been ignored is the failure of black businessmen to collectively mobilize their capital.

But there are rare cases. Take Reggie Hlongwane for instance. At 39, he has been in business for himself for 20 years.

A graduate of a fish and chips cafe, a norm in black business, he says, he was the first to open a clothing store in Soweto.

From clothing he moved to the hair business. Again, he says, he was the first to open a formal salon.

From that he moved to distribution. Again, he says, he was the first to obtain distribution rights from Revlon for their hair-care range.

Hlongwane is presently director and principal shareholder of Pep Reef, an associate company of Pepkor, comprised of retail outlets in black townships.

The company has posted outstanding results this year. Turnover increased by 168 percent to R3,768 million, while profit increased by 407 percent to R142,000.

The additional outlets were financed from retained income and further issues of shares. The black controlling interest of Pep Reef is represented by 1,200 shareholders.

Hlongwane says the company plans further expansion in the coming year.

He says the expansion programme, which will make the company a national chain, will have a favourable impact on profits in the long term despite an increasingly competitive market.
Being ‘small’ is now big business

A NEW-LOOK central business district for the new South Africa is springing up in downtown Johannesburg.

Once the domain of retail giants, swanky head offices and corporate blocks, the city centre is being occupied by small black businesses.

Landlords of buildings that housed corporate tenants — most moved out of the area surrounding the railway station because of security and parking problems — are taking advantage of the trend.

They are encouraging budding entrepreneurs to take space at low rents and are turning buildings that stood empty for months into hives of money-making activity.

Apart from generating income from rent in otherwise untenable buildings, the new pattern has opened avenues for businessmen starting with little capital.

Letting agent I Kuper & Co — in the Investee stable — is responsible for several buildings close to the station.

I Kuper has let Automutual House — sold for R4.5-million after the AA Mutual short-term insurance company was liquidated — by using the tenant base.

For nearly a year, much of the building stood empty after advertising efforts failed to draw suitable tenants.

Kuper breaking division chief Steve Grupel says: “We tried to let it as a school, but the building was unsuitable.”

“Finding a single tenant was impossible. We thought that by broadening the tenant mix we could fill the building. It’s working well.”

When the owner bought the building, he had an 8% return — from rentals paid for the ground and first floors, taken by a clothing retail company.

Needs

“Now that we have opened up the other eight floors to small businesses, he is assured of at least a 16% return.”

Many little shops are open 24 hours a day, seven days a week, to meet the needs of commuters using the nearby taxi rank and station.

Automutual House’s second floor houses a taxi training service, a licensing office for the Taxi Association, five hairdressing salons, two dressmaking academies, a herbalist and a cash-register training school.

Then there are hawkers who use the offices to store stock. Three small trade unions have also rented space.

Mr Grupel says a 24-hour security service — for which the tenants each pay a small fee — has been introduced.

Tenant Glyde Nance and four of her friends got together to open five hairdressing salons.

Letting agent Adrienne Carriger says: “The women chopped in for a hot-water geyser and banner. They are industrious and it’s a pleasure to watch them develop their little businesses.”

Rent in the upper floors is R112 a square metre. Space on the ground and first floors costs big retail outlets up to R108/m².

Cash

Mr Grupel says: “This means that the average ‘office’ costs about R125 a month with an additional R25 for security.”

He admits that for the first few months, until the new tenants settle in and begin making money, there is sometimes a problem with late payment of rent.

“But as soon as business improves, they pay — in cash. We insist on two months’ deposit and the first month’s rent upfront so that the owner is covered if anyone defaults.”

Most leases are for three years, but there are some monthly tenants.

“We discourage monthly agreements because the owner prefers stable tenants.”

The area is ideal for a differing tenant mix, especially because parking space is at a premium and few tenants or their customers have cars.

Many blocks of flats in the area are also being converted to take hawkers, fast-food outlets and other small businesses.

Mr Grupel says: “Some blocks of flats have long waiting lists. In others, we have stripped out the baths and basins and turned the bachelor flats into offices and storerooms for hawkers and non-retail tenants.”
Shares in new brewery project offered to shebeen owners

Special Correspondent

Black liquor retailers and shebeen owners will be offered shares in a small German brewery to be established soon in South Africa.

The brewery is not revealing its identity yet, but discussions have already been held in Germany with South African engineers.

The German company will not clash directly with South African Breweries by building large breweries serving large areas.

It will start with a R50 million plant – a small amount compared to SAB’s latest R200 million Pipersburg brewery.

Although a majority interest will be offered in the company, technical control will remain in the hands of the German holding company.

It is believed the new brewery will attract loyal support from black traders who want to be independent from SAB.

Blacks consume about 85 percent of the country’s beer production.

The German company intends expanding from its initial brewery by building several small breweries in various parts of the country. Each will have the same shareholding structure.

The company is aware that it will cost more to produce its beer than its costs SAB, because of lower production volumes, but this could be offset by lower transport costs. The smaller breweries would be closer to their markets than SAB plants.

Managing director of SAB’s beer division Graham McKay said he was aware foreign breweries were investigating the local market, but that lower transport costs of a small, well-placed brewery could not cancel higher production costs.

South Africa has drawn the attention of foreign breweries because it has one of the fastest-growing beer markets in the world. But since the market has only grown 10 percent a year in the past two years, SAB managing director Meyer Kahn expects a small increase in volume of four to five percent this year.

Beer sales in developed countries tend to stagnate due to anti-alcohol groups which have lobbied to enforce limits on liquor advertising.

The World Health Organisation is campaigning to reduce the world’s alcohol consumption by 20 percent a head.

Heineken of the Netherlands and Guinness of Ireland are other breweries apparently interested in entering the South African market. Guinness has recently opened up in Namibia. Kirin of Japan is apparently also interested, but its plans could be thwarted by Japanese laws which limit investments in South Africa.

One observer said the time was ripe for competition because the local market was growing and the political climate now made it possible. A year ago, when Ansett in the Netherlands was embarrassed about its links with SAB, the establishment of a foreign brewery was unthinkable.

An official involved in the new project said it has been introduced in the manner in which blacks have succeeded in other markets – by thinking small.

“The collective turnover of black spaza shops is now larger than that of certain chain stores. Small taxi operators are successfully challenging giants like Fulco.”

He said SAB’s programme of continuous expansion discouraged large competitors, but would not prevent entry by a number of smaller breweries.

“Should SAB be allowed to maintain its near monopoly, it could be pressed by a future black government to nationalise the white-controlled industry which has made a fortune.”
Small businesses hit by slow payers

By Jabulani Sakhakane

Big corporations are pushing an increasing number of small businesses to the wall by slowing down on payments in order to improve their cashflow positions.

With prevailing high interest rates, big companies are turning to trade credit which is the cheapest form of borrowing. But this impacts negatively on the cashflow of small companies, which in most cases, lack large cash resources.

Slow payers lead to reduced profitability for small companies, slower growth and increase the number of companies going bankrupt, says Information Trust Corporation chairman, Paul Edwards.

Research by the ITC shows that some 80 percent of small businesses have either a medium or high exposure of credit sales to large companies.

A significant 42 percent of these small companies say they have problems getting paid on time by large companies and half of these claim that their cashflows are then significantly affected.

Most worrying, says Mr Edwards, is that some 56 percent of the respondents say the future of their companies could be threatened by slow payments.

ITC estimates are that if a R100 000 30-day account is delayed by a further 30 days, the bottom line profit loss of a small company is R416 with a borrowing rate of 25 percent.

If delayed by 90 days, the loss increases to R625 and where margins are small the loss can wipe out all profits on the deal.

When large companies are contacted about outstanding accounts, some 25 percent of the small businesses say the large groups are disinterested and unsympathetic while 11 percent reckon they deliberately avoid paying timely.

"Large companies and sometimes government offices seem to be breaking their trade contracts with impunity by not paying promptly and small companies are disadvantaged if they try to negotiate interest on overdue accounts," Mr Edwards said.

He notes that in the European Economic Community (EEC), companies are now allowed to claim interest on overdue accounts.

"We rely on small businesses to fuel future economic growth and to create urgently needed employment. They need protection to claim prompt payment which is clearly their right."

Small businesses can write to the ITC's marketing department at PO Box 4332, Johannesburg to receive free "Prompt payment please - support small businesses" stickers for placing on their invoice statements.
THE formidable power of the black market has roused the interest of developers and retailers alike — but they are being held at bay by vested interests within the urban black community.

Retailers have responded to the political resistance to "putting township money into white pockets" by offering partnerships to black businessmen, while developers have offered participation to private investors within the community.

But the general attitude within the property industry is optimistic. Leadenhall partner Philip Vermeulen says: "Once the political situation is normalised, a lot of resistance will fall away."

"Local shopkeepers would prefer to keep competition out, while the taxi industry stands to make a lot of money as long as people have to travel into white CBDs to shop."

"But the consumer wants brand names, and he wants them in convenient locations."

Scraping of the Group Areas Act is expected to have little impact on shopping trends in established centres, where retailers and developers pitch their products at an income-based market rather than one defined by race."
THE black consumer holds the key to the future of SA's retail trade, yet development for this market is a minefield of contradictions.

The developer sits on the horns of a dilemma. On the one hand, by has a social obligation to help meet the aspirations of the black retailer — and sometimes political pressure is brought to bear on him to do so.

On the other hand, he must satisfy consumer demand, which strongly favours the national trader.

McCormick Property Developments MD John McCormick says: "The philanthropist approach would be to develop a centre entirely tenanted by black entrepreneurs — but it would be a guaranteed failure."

McCormick has built nine successful shopping centres in rural areas during the past seven years. "I aim to achieve a balance. By bringing in the brand-name retailers, I draw people to the centre and they flow over into the shops owned by local traders."

"We also encourage the informal sector to come in and at Isithebe have provided washing and storage facilities for them. There is no reason why their presence should conflict with the standards of a First World retail centre."

**Watchword**

First World quality is the watchword in such developments. It is a condition of tenure for his food majors, for example, that it offers a full range of services, such as a bakery, butchery and delicatessen.

In addition to constructing new centres, McCormick is involved in reviving a number of unsuccessful developments.

"Some rural shopping centres are built like fortresses. They are unwelcoming and their facilities — such as ablution blocks, public telephones and open spaces where people can relax together — are either non-existent or totally inadequate."

"Black people living in rural areas are accustomed to travelling as much as 150km to shop. They would have no hesitation in boycotting a centre which failed to bring them the right products or which they believed was of inferior quality," he says.

"The market does not only have immense buying power, it is also exceptionally sensitive to political pressure. The developer of retail centres in rural areas needs to be a skilled diplomat seen to be bringing at least as much into the community as he is taking out of it."

"In many of our centres, the national tenants effectively subsidise the smaller traders — in a reversal of the usual situation. They recognise that for a local business to fail because the rent is too high could be disastrous for the entire centre," says McCormick.

"We also encourage involvement in schemes aimed at upgrading the community. For instance, my company is active in developing schools and promoting education. "Centres like ours provide an opportunity for First World traders to share their knowledge with their Third World counterparts," he says.

"We are increasingly seeing partnerships between local businessmen and national chains. All our fast-food tenants are local franchise holders and the trend is developing in the liquor and hardware lines."
Stokvel crackdown row brews

THE National Stokvel Association of South Africa is up in arms over a demand by the police that when a member gets his turn, he must first get police permission to sell liquor to club members.

Many stokvel members claim they are being harassed and their liquor confiscated during raids by police.

The president of the National Stokvel Association of South Africa, Mr Andrew Lukhele, yesterday confirmed that hundreds of members have paid fines ranging between R50 to R100 for selling liquor during their stokvels.

Offence

A spokesman for the Police Liaison Office in Pretoria, L.N. Bartehuzen, yesterday said that anybody who bought liquor for the purpose of selling without permission was committing an offence.

The spokesman said it would be advisable if the people obtained permission from the local police station to avoid police action.

This was also confirmed by Soweto's Police Public Relations Officer, Captain M. Ngobeni, who said even if stokvel members sold liquor for a day, they still needed permission.

He advised their organisation to make representations for them.

Lukhele said that their members normally buy liquor to sell to their colleagues during stokvel meetings.

"These people earn decent money at the time when the country is faced with high unemployment. The police should be looking out for evil-doers and lay their hands off our members," Lukhele said.

According to a survey conducted through Markinor Research last year about 680 000 black adults - a quarter of the black metropolitan population - are members of stokvels or communal buying groups.

The stokvel can be formed either as savings club or a burial society.

The stokvel movement has developed a significant pressure with the formation of NASASA, comprising some 7 000 stokvel groups. Of the estimated 24 000 black stokvels in the metropolitan areas, 41 percent are savings clubs and 29 percent burial societies.

An average of 80 people belong to a burial society, while there are an average 16 members in other types of stokvels. About 60 percent of stokvel members are female, and most are employed in the lower-income bracket.

"Meeting procedures of stokvels vary from one type of group to the next. Institutions involved in investing ventures meet most frequently. Two thirds of stokvels meet once a month, while one third involved in savings for major items meet once a week. Liquor is normally sold by members to make extra savings."
Conference highlights black achievement

THE extent of black achievement in the face of apartheid was highlighted yesterday at a conference organised by the SA Institute of Race Relations.

Entitled Winning Against Apartheid and Surviving in the Future, the conference featured speakers who "beat the system" in the areas of mass media, art, mixed suburbs, squatters, mixed schools, shebeens, hawkers and black taxis.

It was part of an initiative by the institute to inform the business community of successful strategies used to bring about practical change in SA, while outlining difficulties and possibilities for the future.

Sowetoan newspaper business editor Thami Mazwi told of the black Press's resilience in the days of "granite apartheid" and problems faced by black journalists over the years.

He said the pressures were from "government, elements in the liberation movements, the newspaper proprietors, and self-censorship".

He estimated that "more than 60% of what was happening did not reach the public" during the most restricted years.

New Era Schools Trust director Steyn Krige called for the formation of a single education department.

"We need to start from scratch. To try to reform our existing education system is like trying to reform apartheid."

Other speakers included African Council of Hawkers and Informal Businesses president Lawrence Mavundla, Southern Africa Black Taxi Association executive member Knox Matula, SA Taverners' Association president Sam Tumbe and writer Kaiser Nyatumba, Weiler's Farm Residents' Committee chairman Olga Luu and spaza owner Sydney Thembu.

See Page 6

SAIRR vice president Lawrence Schlemmer, left, and executive director John Kapp-Berman at yesterday's conference on Winning Against Apartheid.

* Photo: ROBERT ROTH
US firm pulls out seeds, despite reform

DESPITE reforms and hopes that the political and economic situation in the country will improve, yet another American company has abandoned the country.

This week Upjohn Limited announced that it was selling its South African seed operation, Agrow South Africa, to the local management.

However, Upjohn will continue to operate its South African human pharmaceutical and animal health business.

Agrow's managing director, Pieter Jansen, said the change of ownership was prompted by "constraints experienced by American companies operating in South Africa."

He mentioned two laws which made it difficult for American companies to operate efficiently in the country.

Although South African is nurturing reform, there isn't always growth — an American company has just withdrawn its seed operation from the country, reports MIZIMKULU MALUNGA

One was the Rangel Amendment to repatriation of earnings and dividends (tax benefit — which means the investor is taxed both in South Africa and the United States) The other was the comprehensive Anti-Apartheid Act which prohibited American companies from investing in South Africa.

Jansen said the fact that Agrow's products were banned in the US also contributed to change of ownership.

Get off our case, stokvel body tells the police

THE National Association of Stokvels (Nasacc) of South Africa is demanding that police stop "harassing" its members for selling beer at stokvel parties.

Nasacc president Kehla Lukhele said that while government and big business were putting emphasis on the informal sector, calling it the market of the future, participants were still being harassed.

A recent study by Markour indicated there were an estimated 2 400 stokvels in major metropolitan areas, generating more than R52-million a month.

Were stokvel members arguing for the legalisation of their liquor sales?

Lukhele said: "It depends how that legalisation is enacted. If it interferes with the culture of stokvels, then it is out."

"The authorities have to recognise the existence of stokvels and accept the role they have to play."

Police representative Captain Peet Bothma said squads would continue to raid stokvel members because it was illegal to sell liquor without a licence.

He said the only way stokvel members could evade arrest was to apply for temporary licences at the offices of the local police commissioner.

on people with Aids

...to carry the burden of acting fairly to... any one except those who have an... interest in... those being... shareholders and policy holders.

By entrenching an agreement, the,... creates a unified approach to... a matter, and there are good reasons why... a cartel should be required to... show greater circumspection towards... individuals than a single company... operating in a freely competitive market.

The exclusion clause gives rise to the possibility... of a type that should not be permitted... organisations which enjoy economic power... and favourable tax treatment.

The alternative of requiring a negative test is fairer but presents different problems. The test is only one... part of the process of ascertaining the risk the insurer is undertaking. You will be asked if your lifestyle, past or present... put you in a high risk category.

If your answer is negative and it is discovered that you did fall into such... category, then the insurer may be entitled to declare the contract void. The application you sign will contain a declaration permitting a doctor, medical practitioner or any other person to disclose information relevant to your health and which permission will remain in force after your death.

Three positive HIV tests using the same blood sample must be recorded before an applicant will be declined on the grounds of Aids. Such a person's name will be entered on a register along with those of anyone who refuses to take a test. In its pre-test information leaflet, the LOA disingenuously fails to mention that latter fact. It is a cornerstone of the agreement that confidentiality must be maintained. Where group schemes are involved this could prove impractical.

When a person is declined for reasons other than a positive test... it must be recorded on the acceptance form that the test was negative. Insurers should be able to enter into contracts... with the knowledge that the risk they accept is the risk it appears to be.

Some blame lies with the government in allowing such monopolistic action but what is at fault is the insurers' laziness in meeting the challenge. They have survived two world wars, an influenza epidemic and civil unrest, each of which has presented unquantifiable mortality experience.

The exclusion clause demonstrates a primitive approach to underwriting whereas the requirement for a negative test and... anti-homosexual underwriting present something more insidious. If you test positive it may take 10 years for full blown AIDS to develop. In that time you may die from a motor accident, heart disease, a stroke or cancer. You will not be able to insure your life against these risks with any insurer in this country and, if the insurers' approach is logically extended, all high risk groups will be excluded until life insurance is the privilege of married, middle aged whites.
SA can lead new Africa, says publisher
There was also concern from newspaper editors about the "moguls" who could have been an "influence" on the ANCP. Some of the concerns included:

- The newspaper's influence on the vote was expressed.
- The newspaper's support for the ANC's PAC was questioned.
- The newspaper's coverage of the government was monitored.

This was in the context of the ANC's influence on the media.

"The ANC's PAC is often referred to as the "ANC's Media.""
Black consultants help big business

THE burgeoning black consultancy business has become the modern multi for business survival in South Africa.

Until a few decades ago, black businessmen used traditional doctors, herbalists and even ‘prophets’ in an attempt to inject adrenaline for the prosperity of their businesses.

However, modern times have forced them to change this archaic practice as they have resorted to black consultants for business advice.

The importance of seeking consultants for blacks when starting business will be effective and efficient if they are to compete favourably with their white counterparts who are experienced and have the expertise.

Black consultants, few as they are, are undoubtedly today the main source of increasing black participation in the economic mainstream and encouragement towards economic empowerment.

The few that are already in existence include the Coordinated Marketing, Ebony Management, Consumer Behaviour, Manchu and Associates, Perfect Mafimela and Associates, S M Communications, Goza Business Consultancies, W R Consultants and Thambaletlu Financial Services.

Most started their operations in the mid-1980s.

Several others are mushrooming as there is an increasing desire for people to get into big business while the informal sector is also playing a leading role in the country’s economic growth.

One of the cardinal things they have done is to go through a re-education programme to gear themselves for the black market which has taken a long time to recognise their importance.

Director of S M Communications Mrs Suzette Mafuna says blacks notion of the herbalist has become a relic of the past.

Blacks are now seeking the help of consultants before engaging in business, adding, “this has become a challenge to us.”

Mafuna, who started her own business in 1985, says public relations in business has replaced the usage of traditional doctors. Blacks are slowly realising the intricacies of modern business and engaging special consultants in different fields.

Mr Joe Manchu, of Manchu and Associates, says they focus on strategies and changes in various business sectors. His business helps to provide management skills for black and white business, although he started with small entrepreneurs three years ago.

“I am hopeful that black business is on the way up the ladder and given the opportunity they will contribute more to the country’s mainstream economy.”

Mr Willie Ramostaba, director of W R Consultants, says the wheels of knowledge are turning the modern black businessmen. When he started as director of Ebony Management in 1982, they ran around knocking at the black businessmen’s doors to explain the importance of their services.

Today, they are running after consultants because they have realised their worth.

Mr Eric Mafuna, of Consumer Behaviour, says the issue of black consultant is becoming a “hot potato” as many are mushrooming, apparently for the sake of making a “quick buck.”

He says just like in the taxi and spaza shops business every available person is running for this job, and he expresses fear that “this may lead again to the failure of black business.”

Mr Samuel Baloyi, of Goza Business Consultancies in Gyani, says although their operation started this year, they are reaching many emerging black businesses in the area. They help to provide them with finance, prepare their financial statements and advice on many issues. “The business is good,” he says.
Inflation rate dips but battle is not yet won

By Sven Lünsche
Reserve Bank Governor Dr Chris Stals is reaping the first benefits of his tough monetary stance.

The news that inflation in May fell to 13.9 percent from 14.6 percent in April is certainly a result of his persistent tough economic policy, but economists warn that the tough measures will have to persist if the back of inflation is to permanently broken.

However, it now seems that the Reserve Bank's indicated policy to lower rates again towards the end of the year is on track, despite warnings by some economists that the lower gold price could delay this move until 1991.

The news came too late to affect the financial markets but it is likely that long-term gilt rates on the capital market will reflect the fall in inflation when the market opens today.

The decline in inflation has been expected for some time, but rising food prices had forced the rate to hover around the 15 percent levels for almost a year.

The fall in inflation, as measured by year-on-year rises in the Consumer Price Index (CPI), to 13.9 percent in the first time the rate has broken through the 14 percent level since April last year.

Dr Stals used the two major monetary tools at his disposal to keep a tight rein on price increases: interest rates and exchange rate policy.

The fact that interest rates were kept at high levels and liquidity in the money market kept tight despite resistance by commercial banks certainly had the required effect.

Price increases in most retail sectors, with the notable exception of food, have slowed down.

On the exchange rate front the rand has held remarkably steady in face of the falling gold price. The rate of increase in imported producer prices has fallen from an average 18.3 percent last year to 10.1 percent in April this year.

The overall producer inflation rate in April fell to a remarkably low 11.6 percent and these benefits should filter through to the consumer level in two to three months, albeit with a less drastic effect.

Despite the decline in May, economists are sceptical that inflation will decline significantly towards the year end. Forecasts vary from about 13 to 15.5 percent, which would result in an average inflation rate for this year of just under 14 percent compared with 14.7 percent last year.

This does not seem significant but if the Reserve Bank can convince the government to keep as tight a control on public sector expenditure as it has over the past few months further declines are on the cards.

The crucial question now is whether the private sector (employer and trade unions) responds to repeated calls by both Dr Stals and Finance Minister Barend de Villiers to keep wage and salary increases as low as possible.

Economists agree that a combination of the three crucial factors - a tough monetary stance, fiscal discipline and low private sector wage increases - will break the back of the vicious inflation cycle.

The inflation figures released by the Central Statistical Department yesterday show that on a monthly basis consumer prices rose by 1.1 percent from April to May.

Food prices continued at a high level rising by a year-on-year 15.6 percent in May compared with 16.8 percent in April.

On a monthly basis food price increases slowed to 0.9 percent (April: 1.6 percent) with large contributions from seafood (4.8 percent) and fruit and nuts (6.4 percent).

Other large monthly raises were registered for clothing and footwear (2.4 percent), textiles (1.2 percent) and vehicles (6.4 percent).
Informal sector now gets support

By JOSHUA RABOROKO

Discussions were under way to merge the activities of the small business support organisations - both private and public - to obtain better cost-effectiveness in the application of State and private funds.

He called for all informal sector organisations to unite in an attempt to develop business, adding, such unity would be needed if “we are to forge ahead with the black economic empowerment.”

THE Transvaal Provincial Administration has been called upon to caution Black Local Authorities’ law enforcement units on the new legislation cancelling licences affecting majority members of the informal sector.

The Foundation of African Informal Business Sector (Faibs) made the call after receiving numerous reports from hawkers and spaza shop owners that the local authorities have continued unabated to clamp down on them by arresting, confiscating their goods and generally harassing them on their market places.

Variety

Faibs, the rapidly growing small business organisation, made the call at its conference that was attended by a variety of personalities, including TPA’s John Mavuso, former Daveyton mayor Mr Tom Boya, law review editor Professor Louise Tager, SDC’s economist Mr Edwin Basson and Premier Milling’s Mr Philip Mayeza.

The foundation’s general secretary, Mr Mhlangabezi Ngubulana, said that after several representations were made to the Government it was decided that the majority of small businesses did not need licences to carry out their ventures, except in few operations that included selling of foodstuffs.

The move was hailed by members of the informal sector who were making an honest living at the same time creating employment opportunities for thousands of people at the time when the country was faced with large scale unemployment.

However, Ngubulana added that despite these reforms by the Government some of the local authorities were still arresting hawkers and spaza shop owners. His organisation had held talks with most of the authorities, who were ignorant of the law.

Decision

It was in the light of these facts that the conference took the decision to caution their law enforcement units to stop treating hawkers as if they were criminals and to concentrate on curbing crime, especially in the townships and cities.

Ngubulana also made an appeal to the State President, Mr FW de Klerk, to be serious in taking a new look at the financing of small business development in order to use limited resources more effectively.

SAHT’s Small Builder of the Year competition winners: Mr Fesi, Mr van der Colt and Mr Glyose.
R16m extra loans
granted by SBDC

THEO RAWANA

The SBDC board would allocate an additional R10m to small businesses until the end of March, senior manager (development promotion), Dawie, Croes said this week.

Croes said the allocation was over and above the normal allocation of R20m a month to small businesses.

"Of the amount voted, R7m will go to small builders, and R3m in mini-loans to the more informal sector."

Since its inception in 1991, the SBDC had granted loans to the value of R914m to 27,796 entrepreneurs, he said.

Security requirements for the informal sector were not as stringent as in the more formal sector; the entrepreneur, his viability and a commitment to repay the loan were the important factors in granting loans "since the SBDC sees the need to promote those who are excluded from the mainstream of the economy."

He said the bad debt ratio was higher in the mini-loan section, but this was offset by increased interest in the more formal loans.

The total bad debt was 8% in value of all borrowings, he added.
Informal sector ‘will not solve Africa’s problems’

SELF-employment in the informal sector can be only a partial solution to African countries’ unemployment problems, says the International Labour Organisation (ILO).

This is because the sector’s share of the total urban labour force is declining steadily, it says in a review of studies of the sector in Africa, outlined in an International Finance Corporation discussion paper. It found working conditions in the sector were “extremely poor”.

The traditional apprenticeship system did not facilitate evolution towards more efficient organisation of the enterprises.

Training was imparted on the job, and no theoretical backup on the use and maintenance of machines was given.

The typical informal sector manager could not perform a correct cost-pricing exercise. Only a third of informal enterprises kept records of any kind. This resulted in an average enterprise life expectancy during the past decade of five years.

Furthermore, “the lack of accumulation of experience in specific activity has kept the quality of the products at relatively low levels”.

These factors helped to explain the informal sector’s declining share in the total urban labour force in African countries.

That share had dropped from 65% in the 1970s to 58% in 1983, and projections for the next decade reflected a further decline of the total urban labour force to 56% in 1990 and 51% in the year 2000.
Achib plans huge survey in Vaal

ACHIB will conduct a census survey that is aimed at collecting information on informal businesses in the townships, with a view of creating effective communication channels between the informal and formal businesses.

BY ALI MPHAKI

Called "Project Who is Who," it will be conducted on a house to house, street to street basis in order to identify traders, the nature of their business and the product ranges being traded.

The first phase will be launched in the Vaal Triangle, specifically in Sebokeng and Evaton, in January next year.

Saul Gerhard Visser of Achib Marketing said, "Often informal traders do not know where to find a product or company. They also do not know how to contact them."

"In the same vein, the formal business sector experiences great difficulty to launch promotional and marketing campaigns aimed at the informal traders and manufacturers," he said.

Private companies, institutions and associations will be in a position to subscribe to the project.

Subscription will imply the following:

* Access to the mailing list of informal traders;
* Access to the Achib database on the informal business sector; and,
* The opportunity to include questions in the questionnaire.

Visser believes this project will be of particular interest and value to anyone who is serious about business.

"As a community based organisation, we have the infrastructure to supply interested parties with the most comprehensive information database system ever introduced in this country," he said.

Mr William Mahlangu (centre) is R1 000 richer after predicting the winners of the Sowetan/Sanlam Entrepreneur of the Year award. Making the presentation is Sowetan business editor Mr Thami Mazwai and Sanlam PRO (Southern Transvaal) Mr Fannie Terreblanche. Pic PAT SEBOKO
Home industries project gets underway in Soweto

CAKES, cookies and other delicious home-baked edibles will be on sale tomorrow at Tshabatsi Enterprises in Diepkloof at the launch of the first home industry in Soweto by Snowflake.

The concept of home industries has developed overseas and in the white community and it is now being launched among the black community.

It basically is about helping women to make some money out of baking by providing them with a place to sell their cakes and cookies on a regular basis.

The project will benefit mainly unemployed women, but employed women can also use it to make extra cash.

They can bake at night and deliver their produce on their way to work and the grannies staying at home can bake all day long and have someone else to sell for them.
Workshop aims to start new venture

By ESANN van Rensburg
Staff Reporter

AN Atlantis workshop for the handicapped and disabled could become the only manufacturer of wooden golf tees in South Africa if it could buy an expensive German lathe.

The lathe is at a shop in Parow and is waiting to be returned to Germany on December 14.

Director of Orion organisation, Mr Melville Segal, said: "We have R30 000 at the moment and the Small Business Development Corporation is willing to lend us a few thousand rands.

"But we need another R30 000 to pay for the machine."

THREE FACILITIES

The Orion organisation runs three facilities for handicapped children and adults in Atlantis.

Acquiring the lathe would boost the income of the workshop, which has 130 handicapped employees.

"It would be so good if we would hear from one of other businessman who would help us bring our production into a whole new dimension," Mr Segal said.

Anyone who wants to donate money can contact Mr Segal at (0228) 72201/2.
**Who's Who for Hawkers**

**THEO RAWANA**


The organisation’s marketing arm, Achib Marketing, will gather information on small businesses on a door-to-door basis, identifying traders, the nature of their business and products.

Achib marketing director Gerhardt Visser says one of the main problems experienced by the formal and informal business sectors is a perceived lack of effective communication channels.

“Achib, being a community-based company, has the infrastructure to supply interested parties with the most comprehensive database ever introduced in this country.”

Project Who Is Who will be launched next month with the first phase in the Voel Triangle.

Subscribers will have access to the mailing list of informal traders and the Achib data base on the informal business sector.
Stokvels gaining more clout

By Malcolm Fothergill

In the past, joint ventures between the formal business sector and black business tended overwhelmingly to be one-way streets, in which black funds were channelled into white projects, says National Stokvels Association of South Africa president Andrew Lukhele.

However, he says in a new book, Stokvels in South Africa (Amagl Books), this is about to change.

Stokvels are mutual aid and savings associations.

Mr Lukhele says “The stokvel movement, formerly unorganised and powerless, is now united and strong, and can deal with the formal business sector on an equal footing, thus ensuring that blacks as well as whites benefit from all mutual undertakings in the future.”

He quotes research by Marknor showing that in October last year there were about 24,000 stokvels in major metropolitan areas.

“These have developed significant purchasing power, with contributions totalling about R52 million a month.

“About 600,000 blacks – a quarter of the black adult metropolitan population – are members of a stokvel or communal buying group.

“Of the estimated 24,000 stokvels in metropolitan areas, 41 percent are savings clubs and 29 percent are burial societies. On average, 80 people belong to a burial society, while other types of stokvels average 16 members.”

Dealing with the different types of stokvels in South Africa, Mr Lukhele says that in the Western Cape townships, members of umaglelo clubs can expect fairly big sums of money.

One member in a group received R149,000 on his turn and bought six busses and nine small businesses. Another received R147,000 and bought a farm.

In Diepkloof, Soweto, there’s even a stokvel, the Tiger Society, for children between the ages of four and six.

On the relationship between stokvels and big business, Mr Lukhele says “It is not enough just to tinker with the existing culture and procedures of the big financial institutions.

“They require changes so profound and radical that minor adaptations will not suffice.

“Successful lending to the rapidly emerging black entrepreneurial sector requires local, on-the-spot, in-depth knowledge.”
Mrs Jemina Tladi is involved in one of the Sechaba projects. She makes African dolls to promote Black consciousness.

Sechaba - a story of success in aid

FROM a backyard room to a modern training centre, that is how the Sechaba training programme has grown.

The self-help scheme, which operates under the auspices of the Inter-denominational Prayer Women's League, moved into its new premises in July.

The spacious and airy centre, which can house 100 workers at a time and has two industrial sewing machines - one overlock and 12 domestic machines - is a far cry from the township backyard rooms where only one machine could be fitted and in which only one member could work.

Unemployed women from different denominations do handcrafts, sewing and fabric printing.

The products, school uniforms, clinic attire and traditional hand-crafted wares, are sold to curio shops and to the public on order.

Sechaba has also trained 17 women on both printing and basic sewing skills since its launch.

Director Mary Mabaso said the self-help scheme, initiated in 1983, was part of the IDPWL's attempt to teach people to do things for themselves even though they still had projects that offered assistance to the needy in the form of clothing and food.

"Our policy is to teach people how to catch fish so that they can be self-reliant. We show them options on what they could do to alleviate their problems by giving them skills that would help them earn a living," Mabaso said.

She said the women were screened before training to check if they were "deserving and would be dedicated to improving themselves and others when they had been given the skills.

The screening discouraged people who would only go back to sit at home with the skills they had acquired from training.

Women at Sechaba, which relies solely on sponsors, are paid from profits made on sales. The profits are also used to buy materials to run the different projects. The women get from R30 to R120 a week.
Soweto women set new trend

By PEARL MAJOLA

A group of innovative Soweto women calling themselves Sweet Dreams have taken a brave step to combat unemployment by launching a unique project offering work opportunities for unemployed women who can sew and have their own machines.

These women go around the townships teaching others to make hand-printed duvet sets, designed to create a new ethnic cottage-type look for duvets under the Roots of Africa Collection label.

Tomorrow they will be joining artists like Hargreaves, Nkquwana, Godfrey Ndana and David Motedi at an exciting exhibition of African art at the Rural Craft Centre, 18 Admirals Court, Tywhirl Avenue, Rosebank, from 9am until 3pm.

They will be exhibiting the duvets and pillows they make.

So if you are not doing anything around that time tomorrow or you happen to be around that area, drop by you might find something you like or even an ideal Christmas gift for somebody special.
Violence hits black business hard, says report

BLACK entrepreneurs reported massive losses after the political violence that swept through SA's townships and rural areas this year, according to Job Creation SA's (JCSA's) year-end report.

JCSA, a consulting firm specializing in entrepreneurial development, said the economic downswing was also taking its toll and, until things settled down, the future for township entrepreneurs looked bleak.

Civic structures in townships were no longer in place, adding to the confusion and making it impossible to run businesses.

More than 500,000 businesses were suffering because suppliers refused to enter strife-torn townships, and if supplies were bought outside the townships entrepreneurs ran the risk of hold-ups.

JCSA's Int Hetherington said many of his clients in the townships had been victims of youths who dictated the hours when businesses should operate.

The Small Business Development Corporation reported a sharp decline in larger loans to small enterprise businesses.

However, National African Federation of Chambers of Commerce's (Nafcoc's) Motasi Lekota believed that there was closer co-operation between black business and political organisations.

Five years ago the black businessman was perceived to be a sellout, working within the system.

Today, Nafcoc had forged close contacts between its local representatives and political organisations, resulting in a reduction in damage to business property during riots.

"Politicians are beginning to understand that it is when there are consumer boycotts that black business has the greatest role to play."
INFORMAL SECTOR

1991

JANUARY - OCT.
No Jacket Required in This Line
Achib offers free stalls

THE African Council of Hawkers and Informal Sector (Achib) is offering free stalls for enthusiastic people and companies to sell and promote their products in Tembisa's Thhepo Section.

The project is very similar to a flea market and is adopted for the needs of informal traders and to ensure marked progress in ways of running business.

Achib's marketing spokesman, Mr. Fighter Moloanton, said the flea market is open to everybody who manufacturers goods in their homes, including those who operate at industrial parks.

A minimal fee of R1 a day will be charged for each stall for the hiring out of tables, chairs and an umbrella.

The flea market will open on February 2 and those who would like to register can contact Moloanton at (011) 23-0542/3 or Adelime Phiri at the same number between 8.30am and 4.30pm daily.
Women need to flex business muscle

If small businessmen find the going tough at times, what about the women who are venturing out to start up their own businesses? Lynda Loxton spoke to some of those who have fought to succeed, and won the battle.

Not only do women have to deal with the legal, financial and other hurdles facing any small business, but they have to operate in a sexist society where women have difficulty in getting banks loans in their own name and men don't always like the idea of having women bosses.

But, according to several successful businesswomen interviewed, it's all a matter of the "power of positive thought."

"If people see problems for women in business, this will become a self-fulfilling prophecy," said conference and tour organiser Pam Herr.

"If women have a good idea, pour time and energy into it, don't expect to do just the traditional women's things and don't let their husbands dominate them, then they will succeed."

"Anyway with the African National Congress' awareness of gender issues, maybe women's battles might be over soon and the white male who has so long dominated the business scene might become an endangered species."

Company director and head of the Cape Town branch of the National Association of Women Business Owners, Margaret Macfarlane, agreed that one of the biggest problems facing women in business was their own opinion of themselves.

"They think they can't do as well as men in business, but if they do think like that, it will be even more difficult for them to succeed. They have to aim high and act with confidence."

Once they get over the self image hurdle, the next most common problem facing women in business is finance.

Bank managers are often wary of lending to women who want to start their own business. But the secretary to the management committee of the Women's Bureau and company director, Dorothy Reid, believes that this is goods for less than the real cost of making them — and never make a profit to pay back your loans or survive as a business.

"You won't get finance if you go in on a wing and a prayer. You won't look professional and will not be able to 'sell' your ideas to the people who count — the banks."

Macfarlane said it might be worthwhile for businesswomen to employ a good financial adviser to help them prepare a financial package to present to the banks.

Women were generally more compassionate as employers, said Reid. "This is probably because they have had to work their way up the hard way."

"But, once they do get to the top, they can meet resistance from men, especially the older ones. Very often, especially when unpopular decisions have to be made or if they really want something to be done, women bosses have to adopt strong-arm tactics, saying 'You WILL do this'."

Several groups have emerged to provide women with support and advice. The Women's Bureau is an umbrella organisation that acts as an advice line for bureau and reference point. It can put women in touch with the organisation that can best help them.

Further details can be obtained from Women's Bureau on 05-8911 ext. 2297/8. This is aimed specifically at women who own their own businesses, be they one-woman operations or more established small to medium-sized companies.
SBCD can help in many ways

Small Business Issues
News and Advice

The Small Business Development Center (SBDC) is a national network of centers dedicated to helping America's small businesses succeed. Each state has at least one SBDC, designed to provide a full range of management assistance services to small businesses. SBDCs are funded in part through a cooperative agreement with the U.S. Small Business Administration (SBA) and are also funded through state and non-state funds. The SBDC program is administered by the U.S. Small Business Administration. SBDCs offer a variety of services, including business planning, market research, and access to capital, among other things. The SBDCs are located on college and university campuses, in economic development organizations, and in other locations where they can be of service to small businesses.

For more information about the SBDC program, visit the SBDC National Office website at sbdconline.org or call 1-800-988-0670.
Pretoria cracks down on fruit and veg vendors

The Argus Correspondent

PRETORIA — A City Council blitz on vendors has resulted in an almost total absence of the fruit and vegetable sellers from the city centre. A council spokesman announced that 36 had been arrested and held until they appear in court.

This has resulted in the vendors not returning to Vermeulen and Church streets, declared forbidden areas.

Pretoria's traffic chief, Mr. Rob Ehlers, said the arrests seemed to be the only effective way of getting vendors out of the central parts of the CBD. There had been complaints of untidy streets.

Members of the public have contacted The Pretoria News complaining about the absence of the vendors, who they said were selling quality goods at reasonable prices.
Training plan for hawkers

By JOSHUA RABOROKO

The Johannesburg City Council's high regard for the role of the informal sector in creating jobs and wealth for thousands of people made it imperative to implement a training programme for hawkers, the council's director (Markets), Mr Peter Venter, said this week.

The objective of the programme was to create an environment in which hawkers could trade without lowering acceptable health standards and in harmony with the formal sector, he said.

He added that by implementing the programme the council hoped to tell the informal sector that the maintenance of health and environment standards was of major importance to the city and community.

The council wished to explain to the formal sector that the economy desperately needed the informal sector to exist and grow, Venter said.

The training programme started this week with the distribution of 30 000 pamphlets to hawkers all over the city. Graphics illustrate to hawkers how the council would like them to operate.

Officials of the markets department will distribute the pamphlets by hand. At the end of April a team of trainers will take to the streets to check on the progress made by hawkers and to start "hands on" training.

Training will be done by specialists from many council departments, who themselves are undergoing a training course at the moment on the council by-laws, handling of complaints and training methods.

The council has initiated a project to publish a monthly newspaper for hawkers. The first issue of this newspaper, called Street Talk, will be distributed to the hawkers by the markets department at the end of April.
Business links forged

A MEETING of the SA Chamber of Business and the Foundation for African Business and Consumer Services on Wednesday recognised the need for closer cooperation between the formal and informal market sectors.

The meeting in Johannesburg acknowledged the vital role business had to play in meeting the challenges of a post-apartheid South Africa.

The parties agreed to set up a joint committee to identify areas of common ground. - Sapa(336)
Informal jobs rise by 23%

The informal sector produces an average rate of employment growth of 23.9% a year.

This is one of the findings of the survey commissioned by the Get Ahead Foundation, an organization promoting small business, and supervised by Michigan State University Small-scale enterprises in the townships of Mamelodi and Khuzwelile were surveyed.

The survey tried for the first time to obtain a complete list of all small enterprises in specific research areas.

Investigations into the informal sector have been few in number and based on limited samples.

A third of households surveyed were found to be involved in informal activity, providing 11 150 people with jobs.

Thus, however, is only half of that in comparable urban areas of other African states.

Although the informal sector contributes to more than half of the household incomes in the surveyed areas, in Maseru and the surrounding area, its activity accounts for more than 75%.

Another finding of the Get Ahead survey is that trading is the dominant activity, manufacturing accounting for only 16.9%.

Dressmaking, brewing and shoe repairing are the leaders in manufacturing.

Informal manufacturing in SA accounts for half of that found elsewhere in Africa, for example in Maseru and Nigeria.

Street vendors make up about 30% of all enterprises in the surveyed townships.

The next 10 most common activities are shebeens, spaza shops, brewing, shoe production and repair, traditional healing and knitting.

Another finding is that more than half of the small-enterprise labour force consists of women.

The enterprises employ an average of 2.1 workers - about the same as in Lesotho, Nigeria and Zambia.

However, what is unusual in SA is the size distribution. There are relatively fewer at the extreme upper and lower ends of the small enterprise scale. Most are in the two-to-10 worker range. Only 2.8% have six-to-10 workers and 0.5% employ between 11 and 50.

About 70% operate from home, typically without any outward sign of activity.

The survey found the most frequent problems and constraints facing the small businesspeople relate to finance, market difficulties, government policy, work space or location inadequacies and transport.

Most businesses rely on some form of credit to start. Almost a fifth of the owners received loans for business.

Stokvels (informal savings schemes) generate a surprisingly large pool of funds - at least 20% of respondents were stokvel members.

Many of the underlying distortions reflected in the survey can be attributed to earlier regulatory and legislative restrictions. For example, until 1975 it was illegal for blacks to manufacture anything.
The informal sector a vital player in SA

MUCH debate surrounds the contentious issue of the size of the informal — or unrecorded — sector of our economy. Estimates range from the discredited eight percent of the CSS, to as high as 40 percent in some instances.

Ian Hetherington, managing director of Job Creation, a firm of management consultants specialising in entrepreneurial development, argues that there are at least four elements making up the so-called informal sector.

He breaks these down as:

- The morally legitimate but unrecorded segment
- The huge and often ignored DIY element
- The immoral and unrecorded element (such as dagga dealing and prostitution)
- The barter trade

Mr Hetherington says the DIY phenomenon is spreading through all sections of society and not only among the poor, who have always practised it.

Mr Hetherington says that if all four elements are included, an educated guess of 25 percent as the informal sector’s contribution to the GNP is probably too low.

"But leave out DIY and it’s getting close." Leon Louw, director of the Free Market Foundation, said this figure related only to the informal sector in black townships and did not include any financial market transactions — so stockbrokers, funeral societies and money lenders were all excluded.

He argues "The informal sector accounts for — using their figures and extrapolating them conservatively to include everything they have excluded — at least 25 percent of GNP. Others have said it could be as high as 40 percent. This is the degree to which the size of our economy is understated.

"This is good news because it means there is not as much poverty or unemployment as the national accounts suggest."

Mr Louw estimates that there are about a million informal — or semi-informal — enterprises providing livelihoods for some four to five million people and constituting 25 percent or more of economic activity.

Creators

Professor Louise Tager pointed out that "small businesses" employing up to 20 people accounted for by far the majority of all business enterprises in South Africa.

"Small businesses are the main job creators. A proliferation of small business and the development of entrepreneurship are very important for our economy. But small businesses are labour intensive and job creation opportunities are much greater." This has been demonstrated throughout the world.

"South Africa was in reality a dual economy."

The real issue is that there is a whole economy operating outside of the law, maybe not qualitatively, large, but quantitatively involving thousands of businesses of all kinds. The economy is much bigger than spaza shops and backyard traders and hawkers. It includes shebeens and what might be termed the informal banking sector.
Skills guidance for small business

THE Small Business Development Corporation (SBDC) has embarked on a nationwide initiative to provide management guidance and skills training to new entrepreneurs and small business to help them in making a success of their enterprises.

The counselling scheme is known as the Mentor Advisory Programme (MAP), and is available not only to SBDC learners and tenants, but also to other small businesses which may require guidance on any aspect of business management.

An objective of MAP is to harness the specialised expertise and experience of established business executives, many of whom may also be retired personnel, with the purpose of:

- Stimulating local entrepreneurship and job creation projects,
- Improving productivity and management skills of new and infant enterprises,
- Providing a reliable counselling service which will encourage entrepreneurs to seek advice from outside experts,
- Assisting clients in preparing applications for finance, and providing problem-solving advisory services during the application of the funds,
- Identifying the training needs of small businesses that can be solved by using part-time counsellors.

The SBDC's Western Cape region currently has some 20 MAP counsellors throughout the area, and has an ongoing recruiting drive to increase that number, particularly in the rural towns.

mentors prepared to provide a part-time consultancy service are paid a consultancy fee by the SBDC.

Fields in which these MAP counsellors are currently active include sales, marketing, credit control, administration, materials management, and production.

MAP counsellors are still being sought who have expertise in the areas of marketing, store layout and merchandising, factory layout, and building disciplines.

A particularly vigorous recruiting drive has been launched in the field of accounting and bookkeeping. In the knowledge that most small entrepreneurs do not always have the time to maintain a good set of books, and make it even more difficult to interpret his results and take remedial action timely.

The SBDC has chosen to tackle its recruiting campaign by first approaching the various professional and accountancy bodies to encourage their members to participate in the project, which has been labelled the "SBDC (Western Cape) Accountancy Scheme."

The specific aims of the project are to:

- Introduce and maintain efficient and easily understandable accounting systems in small businesses.
- Provide feedback to the small entrepreneur on a regular basis on the financial position of his/her business in order to achieve efficient management.
- Train the small entrepreneur in the need for accounting discipline.

It is stressed that applicants should preferably be members of a professional body, have the ability to understand the problems of the small entrepreneur and be able to communicate with him, and be able to provide financial statements on a regular basis.

An annual registration fee of R20.00 is to be levied which will entitle participation in the scheme.

Those interested can contact Dawie Thunor or Tony Roux at the SBDC in Cape Town at (021) 402-1910, or write to the Manager, SBDC, Support Services Department, PO Box 4596, Cape Town 8000.

A further project launched by the SBDC in the Western Cape is the "Rebate Consultancy Scheme," which is aimed at appealing to professional people such as lawyers and accountants who are still in active practice to offer their expertise and advice to small businesses.

As the name entails, the SBDC is prepared to pay a proportion of any consultancy fee, with the remainder for the account of the client.

The aim is to provide the smaller businesses with the means of accessing proper professional advice.

Supportive of the direct counselling services offered to the small entrepreneur by the SBDC, the corporation has also begun to build up a comprehensive database of all the useful information a small businessman is likely to need.

Located at the SBDC's head office in Johannesburg, it is immediately accessible through all the organisation's regional offices.

Described as a "treasure trove" for entrepreneurs, the Information Bank is being created with the assistance of organisations such as UNISA's Bureau of Market Research, Central Statistical Services, BM Industrial and Commercial Registers, which include mines, industrial, construction, trade, hotels, financial and insurance institutions, business services, the public sector, dry cleaners and importers.

The Information Bank also sponsors the Personal and Household divisions, which entitles it to free copies of all research reports published in those divisions, and encompass income and expenditure patterns for all major areas of South Africa and the independent states.

The bank is also able to produce clients in touch with a company which has developed a database of records on more than 28 000 companies within the country, offering information on:

- Their corporate or trading name,
- Name and title of the principle decision-maker and other key personnel,
- The company's physical address, telephone and tax number,
- Type of business,
- Number of employees,
- Its bankers and fleet size.
Black businessmen suffer heavy losses

LAST year was grim for black entrepreneurs.

Ian Hetherington, managing director of management consulting firm Job Creation SA, says: "Caught in the turmoil following political change, businesses in townships and rural areas have been burnt, looted, boycotted or run out of town."

"The economic downturn is also taking its toll. Until things settle down, the future looks bleak for entrepreneurial development."

Mr Hetherington says "only recently, economic empowerment was an important banner behind which thousands of black businesses rallied. Development organisations burgeoned and the informal sector was placed squarely on the economic map."

"Big business began to court small business entrepreneurs seemed poised to grab for the blacks the economic freedom they had been denied. Nobody was waiting for apartheid to end in 1994."

Mr Hetherington says that today politics and macro-economic issues occupy centre stage.

"Talk of black economic empowerment through entrepreneurial development has faded and notions of nationalism, redistribution and socialism versus capitalism rule."

"Violence has swept through townships and rural areas and businesses have suffered heavy losses."

The SA Special Risk Insurance Association estimates that two days of roiling cost business R150-million in damages - including losses through looting - in Ciskei in March 1990.

"About 50% of commercial businesses were destroyed in a one-day protest in the Soweto suburb."

The breakdown of law and order, which has affected the economy in general, will adversely affect the chances of people finding jobs."

"Powerful"

"The small-business sector is a powerful job creator. In England, for example, a decade-long effort to encourage small business has resulted in the number of self-employed people rising by 50% to more than 3-million."

"By 1998, 30% of all employment in Britain was in small firms employing fewer than 20 people."

"In that year, 310,000 jobs were generated. Firms with fewer than 20 people generated 310,000 of them."

"We have to learn from overseas models and adapt them to suit our conditions."
Turbulent year took heavy toll

1990 was a turbulent year for small business. Lives were lost; so too were millions of rands in destroyed property and disrupted markets.

In its end-of-the-year brief, Job Creation takes a look at the grim year for black entrepreneurs who were caught in the turmoil following political change. Business in the townships and rural areas was hit by arson, looting, boycotts or traders ran out of town.

The economic downturn is also taking its toll and things settle down, the future looks bad for entrepreneurial development, according to a number of articles by key players in the field.

Only recently, economic empowerment was important. It had been a key goal of thousands of black entrepreneurs. But Development organisations are being forced to reevaluate.

The informal sector was placed squarely on the economic map. And big business began to court small businesses. Entrepreneurs seemed poised to find a market for their goods in the community. But the state was running for apartheid to end.

Then came February...

Today politics and macro-economic issues occupy centre stage. Talk of black economic empowerment through entrepreneurial development has faded and populist notions of nationalisation, redistribution and social versus
capitalism rule the press.

Violence has swept through townships and rural areas of South Africa and businesses have taken massive losses.

In Cape Town, the SADC Special Risk Insurance Association estimates that two days of rioting cost businesses R130 million in damages - this included losses through looting. Ninety percent of commercial businesses were destroyed.

In one-day protest about reincorporation in Bophuthatswana in March, millions of rands' damage was caused when council property, two financial institutions and various shops were damaged and looted.

Trend

A trend in 1990 when violence has caused damage to business is that local civic associations have come out strongly against such action and in some cases assisted the police in arresting looters, says Colleen McCaul, survey research manager at the Institute of Race Relations.

However, business still remains cautious about political involvement.

Job Creation asked players in the black economy to develop their political views on the impact of political change on entrepreneurial development and the role of black entrepreneurs in the economic debate.

Executive Director of Business Challenge, Mr Phil Khumalo, says: "Yesterday we could talk about a glorious future for black entrepreneurs. Today we are battling to survive."

"Violence, which is usually sparked off by political issues, has an immediate effect on business. If there is trouble in the townships, businesses close down. And violence can flare up anywhere."

He says his members' businesses are suffering because suppliers are not coming into the townships. If members buy their supplies outside the townships, when they bring them in they run the risk of hold-ups.

Job Creation managing director Ian Hetherton says many of his clients in the townships have been victims of unruly youths who seize cars during political funerals, dictate when businesses should close and demand donations for organisations.

According to the Small Business Development Corporation's James Scott, applications for loans have declined sharply this year.

Sabta president, Mr James Nceoya says spreadays on Fridays and Mondays - the busiest days for taxis - are detrimental to businesses. 'When they organise political marches, taxis are stoned.'

According to Gaby Magomola, chairman of Fabcos Marketing, the phenomenal political events of 1990 have, understandably, eclipsed all other events. Issues relating to black economic advancement, in comparison, are unfortunately, regarded as peripheral.

Violence would continue to be a hurdle for entrepreneurs in the townships. But the informal sector would not go away. Most affected would be formal business who, encouraged by the turmoil, would be cautious about expanding their activities.

For Mr Peter Morrison, director of the Small Business Advice Centre in Empangeni, violence in Natal has given him more work than he can cope with.

Flee

"Unrest in the rural areas has forced many people to flee their homes and urbanise. With three out of four households in the rural areas economically active in the informal sector, these skills are being transferred to Durban, Pietermaritzburg and Empangeni."

The result is a boom in hawking and other informal activities. Trading conditions have sharpened, especially for hawkers and spaza. Increased competition has sometimes led to lower turnover and profits.

But Morrison believes the informal sector is resilient. "When politics and the economy come right, the informal sector in Natal will be poured for a massive take-off."
Bill allows those in informal sector to enter business

The Government was committed to a policy of deregulation aimed at ensuring ease of entry into the economy for all South Africans, Deputy Minister of Trade and Industry Dr Theo Alant said in Parliament yesterday.

He was speaking at a joint sitting dealt with the second-reading debate on the Business Bill.

The House of Representatives, which has now suspended its action of boycotting debates, was also present.

The reason for the boycott was to put pressure on the Treasury for additional funds from Wednesday’s Budget. This action has resulted in 23 Bills waiting for voting.

Consensus

Dr Alant said: “Deregulation is not merely the repeal or deletion of existing measures. It is a systematic and thorough analysis and review of existing provisions,” he said, introducing the second reading of the Business Bill.

There was international consensus that there could be no progress in the endless struggle to convert poverty to prosperity unless there was the maximum participation in the economy.

“This requires the identification and elimination of unnecessary or excessive restrictions on entry into, and participation in, economic activity.”

Controls, indispensable in the interest of order, the health and safety of the country’s inhabitants and the protection of the environment, would always be important.

“Business, which exceeds, or is more embracing, than, that which is absolutely necessary impedes entry into the economy. Cumbersome systems of control and often multiplicity of controls inhibit development.”

Deregulation could be viewed as a process of modernisation designed to ensure that necessary regulation would work cost-effectively and efficiently.

“When deregulation helps to reduce the direct and indirect costs of government regulation, it makes a contribution towards economic progress,” Dr Alant said.

The four provincial licensing ordinances were being replaced and consolidated into a single Act by the Business Bill.

“The fact that four systems are being replaced by one will in itself reduce costs.”

Both people in business and consumers would benefit from the Bill, he added.

It introduced a fundamental departure from the existing system of control over business activities, and the business community had fully supported it.

The Bill standardised the procedures in the four provinces and reduced the number of businesses required to obtain a licence. Licensing boards would be abolished.

Dr Alant said: “I emphasise the essential measures will be retained. The Bill is therefore anything but a green light for disorder and licencelessness.”

It confirmed the deregistration of business hours during the week and Saturdays. Existing controls over business hours on Sundays remained.

The chairman of the Ministers’ Council in the Department of Defence, Dr N N Reddy, said the Businesses Bill made it possible for those in the informal sector to enter into business.

He said the licensing laws had been created to deny certain sectors of society from competing in business.

“The cost of licensing applications effectively barred any hope of the small man from entering into business.”

The Bill would promote economic growth, provide employment and contribute to the reduction of inflation.

Challenges

The Solidarity Party supported the Bill.

Brian Goodall (DP Edenvale) said his party believed one of the greatest challenges facing South Africa was how to reduce the tremendous economic inequalities in the country without destroying its economic growth potential.

He said he hoped political apartheid would not be replaced by economic apartheid.

Until such time as blacks felt they also could enjoy the benefits of the market system, they would have no reason to support it.

The DP supported the Bill.

S P Barnard (CP Hereulds) said it was not possible to have a healthy economy without laws. The Bill was aimed at easing entry into the economy, he said – Sapa.
SBDC plans big Cape expansion

By PIETER COETZEE
Financial Editor

THE Western Cape branch of the Small Business Development Corporation (SBDC) has strong expansion plans for 1991, regional GM Wolfgang Thomas said yesterday.

This includes expanding and strengthening the small industry hive network and related services, providing a range of small business support services in sub-areas of greater Cape Town and in the towns and villages in the region.

Thomas said: "Aside from expansion plans currently underway in the Paarl and Blackheath hives much of our attention during 1991 will go to the development of the newly acquired Philippi hive.

"In addition, a wide range of possible hive structures are considered in smaller towns in the Western Cape (including places like Prinska, Ceres, Montagu, Wellington and Lwandile/Strand) and in metropolitan suburbs with inefficient industrial infrastructure (including Khayelitsha, Atlantis, Retreat and Blue Downs/Delft)"

Sub-regions

Thomas said to achieve this goal two sub-regions will be formed — False Bay and Tygerberg.

"Furthermore individual business advisors or small teams will assume responsibility for all the support and catalytic functions within clearly demarcated local areas in the sub-regions such as Khayelitsha, Mitchells Plain, Guguletu/Nyanga, Atlantis, Bellville and Stellenbosch.

"At the same time, care will be taken to maintain sector specialisation skills in all the key industries of the regional small business scene including clothing, tourism, hi-tech industry, boat building, jewellery, retailing and catering."

Six countryside branch areas have been identified for business support — Namaqualand (Springbok), West Coast (Vredendal), Boland (Worcester), South West Cape (Caledon), Central Karoo (Beaufort West) and Lower Orange (Upington).

"In addition to the existing office and hive in Springbok a new, fully-fledged branch office is scheduled to open in Upington by mid-1991, existing hive activities in Beaufort West and Worcester are to be expanded, new hives are envisaged for Vredendal and Caledon, and the current practice of monthly information days is to be expanded to include all centres on a regular basis," Thomas said.

He said the SBDC will also work towards attaining a new "balance" between informal and formal retail and service activities in the black townships.

"Not only do we have to expand our support for spaza-shops, hawkers and other informal sector operators, but we may once again be called upon to play a catalytic role in the development of modern shopping centres inside middle class suburbs of black townships."

Institutions

"The prime task will be to mobilise institutional investor funds and negotiate partnerships between black entrepreneurs and the national chains and franchise groups.

"Several potential projects are under consideration and it is our hope that private as well as institutional investors will support us in this." he said.

"Given the relatively recent move of Africans into the Western Cape, training, business infrastructure, finance/accommodation and individual mentoring as well as networking needs are particularly urgent if growth, job creation and capital accumulation aspirations of black entrepreneurs are to be met.

"In particular, we have to focus on non-exploitation partnership arrangements between big/small and white-black enterprises, with franchises, subcontracting relations and contract financing as one of the priority instruments," Thomas said.

In the past year the regional loan portfolio grew from R83,7m to about R110m spread over 3 400 loan clients. There was also an increase of 7% to 162 000m² in the total rental space to 760 small business tenants.
All odds to challenge
A new breed of business

SOWTAN-BUSINESS
Book on new wave of black managers
LONDON — Next week South Africa may be shown some innovative ways to solve unemployment — a growing and worrying problem for the country as it moves cautiously towards an uncertain future.

When UK Small Business Minister Eric Forth arrives on Monday for a five-day visit, he is expected to bring with him some encouraging statistics and a clear picture of the way to create jobs.

Worrying spectre

In Britain, as in South Africa, unemployment has become a persistent and worrying spectre in recent years.

In Britain it forced the Conservative Party government to devise a number of creative, and sometimes controversial, ways to slash the figures.

Regular redefinition of what constituted unemployment was perhaps the one that caused the biggest fuss, the development of a flourishing programme to encourage small businesses has been one of its most adventurous and successful.

Some 96 percent of all businesses in Britain are small firms by definition, employing fewer than 30 people.

Between 1965 and 1987 small firms created more than 500,000 jobs, compared with larger firms which created just 20,000.

"It is no exaggeration to say that small firms are the engine of our economy," says Secretary of State for Employment Michael Howard. "They are characterised by a remarkable flexibility and adaptability and it is significant that, despite the difficult trading conditions of the past year, the number of small firms has continued to grow."

The Department of Employment admits that the reasons for these changes are complex and the result of many interrelated developments. General economic growth, changes in economic structures, increased sub-contracting by larger firms and growth in services and technological developments have all been credited.

But Government policies and action have played a significant part.

Weekly allowances

A key part of its strategy to date has been the work of the Training and Enterprise Councils and the Local Enterprise Companies in Scotland — launched by Mrs Thatcher in 1989 — which offer a range of training programmes and services.

Allied to these are the Government's Enterprise Allowance Scheme, which pays new small businessmen a weekly allowance during their early months of trading, a loan guarantee scheme to help people who would otherwise have difficulty in raising finance, and the Small Firms Service which handles inquiries.

Speaking at a small firms conference in London last week, Mr Howard outlined further policy developments.

These included new strategies to help people start up, greater coherence in the advice and support groups for the small firms sector, improvement in the accessibility to finance for small firms wishing to expand, new ways that owner-managers can be supported, and a programme to help small businesses invest in people.

"Although this is a formidable challenge, we must accept this is a battle we must win," he said.
Govt votes R75-m for SBDC

An amount of R75 million was being made available to the Small Business Development Corporation to enable it to continue and expand its important activities, it was announced in Parliament yesterday.

But during the debate on the Supplementary Budget, Dr Frans Jacobz (NP Helderberg) said the Government should give attention to long-term financing of the corporation. The ability of the SBDC to grow depended on the amount of funding it received from the Government and the private sector.

The Government was making its contribution, and he hoped that the private sector would continue to provide funds so that the SBDC could expand its activities.

"The potential market it serves is far larger than it can meet with the finance it has available," Dr Jacobz said.

This was ascribable in large measure to the uncertainty in the SBDC over the availability of financing in the long term, a matter which should receive the attention of the Government.

The more business undertakings that were created among less privileged people, the more rapidly would there be success in distributing wealth according to merit and raising the living standards of all." -- Sapa
Magomola to head venture

Stokvels to underpin new black bank

A NEW bank, aimed at competing with major existing banks by drawing billions of rands from black businesses, trade and consumer organisations, is to be launched in August and is expected to open for business in October.

The bank is a joint venture by Wesbank and the Foundation of African Business and Consumer Services (Fabcos). It will be headed by Gaby Magomola, former African Bank CEO and current chairman of Fabcos Marketing.

The Fabcos link opens huge potential business for the bank — from taxi associations to taverners and savings organisations.

The 24,000 stokvels affiliated to the National Stokvels Association — a Fabcos affiliate — are expected to channel their R7bn funds through the new bank.

The stokvels association is one of 14 black trade and consumer organisations affiliated to Fabcos. All are likely to support the new venture.

It is understood the bank’s corporate offices will be at Bank City, First National Bank’s new headquarters under construction in Johannesburg. Wesbank is a wholly owned subsidiary of FNB.

Branches of the new bank will be set up in major centres throughout SA, a move which could sideline the African Bank which has failed to make any impact in its natural market, the townships.

The new bank will also be a formidable opponent for national banks operating in the black community.

Magomola was cagey about the venture when he was approached for comment last night.

“We have reached an advanced stage of a project started over a year ago. We are not yet in a position to make any disclosures,” he said.

Wesbank spokesman Neville Watchurst said yesterday that nothing had been finalised, and refused further comment. Fabcos media manager Fanyana Shuburi said only Magomola could comment on the issue and he was not available.

It is understood, however, that Magomola and two Wesbank officials, Ronne Watson and Watchurst, have worked on the project for 14 months.

Sources say the bank’s operations will aim at using stokvel money and black savings to stimulate entrepreneurship in the townships. The Fabcos affiliates with a membership of 1.3-million will be the core of the bank’s client base, while the stokvels provide the cash to make these loans.

Its main and guaranteed business will be the funding of blacks to buy minibus taxis. The SA Black Taxi Association is Fabcos’s main affiliate, and will indirectly benefit from the establishment of the bank.

Other-Fabcos affiliates include the African Builders’ Association, the SA Taverners’ Association (shebeens), the Foundation of African Informal Business Sector, the
Red tape still blocking small business ventures

finance staff

Although racial laws were disappearing, a "rat's nest" of red tape still existed which created barriers for people starting businesses, president of the National Industrial Chamber (NIC), Johannes Mogodi said in Johannesburg yesterday.

Mr Mogodi was addressing members of the NAFOCO-aligned NIC on small manufacturing at the chamber's first national conference.

He said his organisation had, for many years, fought for the elimination of licensing requirements which hindered many people from starting businesses.

"About two weeks ago, a new act was passed in Parliament eliminating the requirements for most licenses (from) next year," he said.

There were also many kinds of subsidies and protections enjoyed by big manufacturers which were not available to small manufacturers.

Another of the chamber's campaigns was to get entrepreneurship taught in schools, colleges and universities.

Such education, he said, would help school leavers start their own businesses.

NAFOCO's president, Sam Motsuanyane, told delegates that small manufacturers had an important role to play in creating employment.

There were many opportunities for export for black businessmen especially in Africa, he said.

"Our destiny is in our hands. Crying about the oppressive system and not doing anything about it will not help us.

"I hope that if the country does attain freedom, it will find itself in free enterprise," Dr Mot- suanyane said.
New bank to target on black business

Own Correspondent

Johannesburg. — A new bank, aimed at competing with major existing banks by drawing billions of rand from black businesses, trade and consumer organisations, is to be launched in August and is expected to open for business in October.

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Its main and guaranteed business will be the funding of blacks to buy minibus taxis. The SA Black Taxi Association is Fabcos’s main affiliate and is solidly behind the establishment of the bank.
Banking could go back to grassroots

By Jabulani Sikhakhane

Informal financial structures such as stokvels, credit unions and the co-operative banks could in the future be accommodated under the new Co-operative Banking Act, which the Department of Bank Supervision proposes should be based on the principles of the Mutual and Building Societies Act of 1965.

Dr Nico Maria of the Office of Deposit-Taking Institutions confirmed yesterday that the idea of replacing the Mutual and Building Societies Act was being considered.

He said the idea was not to stifle informal financial institutions, but to develop banking from the grassroots.

The concept being explored was one of self-regulation, whereby associations would lay down guidelines for members.

Information on the number of stokvels, average membership and size of contribution from each member would, for instance, be collated.

Dr Maria said informal structures could be the solution to financing the informal business sector.

He cited the Grameen Bank of Bangladesh as one example of an informal financial arrangement, which had developed into a bank for rural people.

A study by Markmur found that about 3.3 million changed hands within stokvel groups in the major metropolitan areas.

It also found that about 680 000 black adults — one quarter of the black metropolitan population — were members of stokvels.

The use of informal financial arrangements to finance business was one of the suggestions in the World Bank's Development Report 1989.

The report suggested that informal financial arrangements should be upgraded and linked to formal institutions.

The report said formal financial institutions were often not well suited to the needs of the informal sector.
SBDC hands out more merit certificates

IN a second major "graduation" ceremony of its kind to be held in the Western Cape, the Small Business Development Corporation (SBDC) has just awarded certificates of merit to 56 aspiring small business entrepreneurs.

The certificates indicate that these winners have demonstrated the potential to fulfill their dreams of successfully taking on the often daunting challenge of going independent and becoming self-employed.

They declare that the holders have successfully completed a training course on "How to Start Your Own Business", run by the SBDC. Since its introduction two years ago, the course has attracted an increasing number of candidates from all walks, and with a variety of skills and disciplines. More than 370 individuals have in fact been certificated in that time.

The common element among all participants generally is that overwhelming desire to move out from the cowered and relatively safe environment that often accompanies the lot of the wage or salary earner whose lives are dictated by the decisions taken by others.

In some instances, there have been candidates who perhaps facing re-trenchment - have to seek alternative ways of making a living imposed by the failure of their employers' inability to adequately counter the contractions taking place within the economy.

Students who came top of their courses included:

- **Jean Pierre Rossouw**: A civil engineer with three years experience. He came on the course after deciding to use his interest in amateur photography to start up a supplementary career making videos for small businesses. He reckons the programme gave him an insight into how to calculate the potential of his proposed new business, install a realistic market projection, and create a business plan. Since going on the course he has started Videotique Productions and, as sole proprietor, is building a living from premises in the City Bowl.

- **Chris Harris**: A chartered accountant, who once ran his own accountancy practice, set up a dealership, Infinity Business Systems, selling computer hardware and software business systems. He took the course to learn a bit more about running a business. His partner and brother believes he has introduced elements that have improved the efficiency of the operation, and plans are now in the pipeline to expand.

- **Lita Futeran**: Started preparing for her career at Stellenbosch University, dropped out and went to secretarial college. Her jobs ranged from receipt formatter to personnel recruitment. She decided to set up on her own providing a bookkeeping service to small businesses. The took the SBDC course not knowing quite how to get started. After completing the programme, she set up shop in Sea Point working from home. After three months in business she has employed two other people and believes the business is already reaching a point a position of "going into the black."

- **Cindy Pearce**: Personal Assistant in her mid-20s, who took the SBDC course. After deciding she couldn't see herself working for someone else in a mundane job for the rest of her life. She recognised she had some organisational ability and got excited about weddings and functions. A perfunctory market survey revealed there was demand for someone to organise weddings, from booking a venue through to catering. The SBDC course indicated her ideas were potentially viable. She has since opened up a part-time business World of Weddings, which extends to arranging functions for companies and others requiring her particular organisational services.

For further information concerning the SBDC course programme contact Rosebelle Riese at (021) 462 1910.
Move to assist informal sector

New bank may be launched

A STRONG institution with a financial base estimated at R2-billion aimed at assisting the rapidly growing black informal sector is to be launched in South Africa, possibly in August this year.

The bank - believed to be financed by local and foreign investors - is a joint undertaking by the Foundation of African Business and Consumer Services (Ffabsco) and the West Bank.

It is believed that the new bank will be an important milestone in the history of Ffabsco which is a major re-alignment of economic sources taking place in South Africa, that will profoundly affect the course of events in this entire region.

No official confirmation has been received from the Ffabsco and Westbank ranks on the issue, but sources have said that the planned move will probably take place in August, with implementation in October after the Sabsa - an affiliate of Ffabsco - conference in September.

Westbank Managing Director Mr Neville Watchurst yesterday said that they held discussions with Ffabsco on the issue in the past, but was not prepared to comment at this stage because the matter was still under consideration.

Tipped

He would neither confirm nor deny that the "intended bank" would start operating this year.

"If there is anything about the bank, we will call the Press to announce it," he said.

Ffabsco marketing chairman Mr Gaby Magomola, who is tipped to head the new financial institution, was not available for comment, nor was any official of the organisation available to cast light on the move.

However, it is a well-known fact that Ffabsco has been planning to establish its own bank that will rival the African Bank, previously headed by Magomola.

The African Bank is a branch of Nafox. Nafox's executive director Mr Mofasi Lekota said that he did not see the new bank as a problem because it would serve as competition.

He did not believe there was any rivalry between Nafox and Ffabsco. He said, adding, "in fact we have held talks on many major issues with them.'

Agents

"We will continue discussions in pursuance with what is in our agenda to develop our economic development," he said.

The manager of the Bank Supervision Department of the Reserve Bank, Advocate Johan de Jager, said that three applications from agents, including one Future Bank Limited, were still to be approved within three weeks.

It was procedural that the Reserve Bank would normally not divulge the name of the applicant before authorisation.

He would not say whether Ffabsco was one of the applicants.

It was difficult to ascertain whether the applicants were black or not, he added.

In order to understand the significance of the task facing Ffabsco, it is necessary to show how the balance of economic power in South Africa is shifting steadily and irrevocably towards blacks.

Success

The key to Ffabsco success, however, is unity. Without it, the black businessman and consumer will continue to struggle alone in disparate groups against the historical corporate interests of neo-colonial wealth and self-interest.

Central Statistics reports show that between 1973 and 1999, the income of blacks grew from 20 percent as opposed to 15 percent for whites.

Between 1986 and 2000 earnings growth is projected to average 5 percent for blacks as against 10 percent for whites.

It is estimated that by the year 2000, blacks will constitute 84,1 percent of the economically active population, and 10 years later, will hold some 80 percent of the disposable income.
Case for appropriate rules

KEITH FOSTER and GWYNNE MAIN

The complete absence of regulation is as undesirable as excessive regulation. The goal is appropriate regulation - a level of regulation which maintains standards where necessary, provides protection against sharp practice and lubricates the relationships in business. But the Italian example does illustrate the need to re-examine obsolete regulatory frameworks. When legitimate businessmen in great numbers resort to civil disobedience and we have plenty of this in SA - they are showing us that the regulations are inappropriate.

Italy is a sophisticated, educated, relatively wealthy country with a developed commercial infrastructure more or less equally accessible to all in a homogenous population. Black SA entrepreneurs, by contrast, are emerging from three centuries of deliberate undereducation, artificially imposed poverty and unfair obstacles in business.

Yet, in asking for appropriate regulation, they are not asking for privileges or compensation, they only want equality of opportunity and the removal of bureaucratic obstacles which mostly have their origin in an ideology which no longer applies.

This will have positive effects for the economy as a whole. Appropriate regulation means that an inefficiency in the economic system is eliminated, state expenses are reduced and resources previously tied up in non-productive and counterproductive policy become available to be employed usefully.

Louw says "it is a tough, competitive world out there. Firms in the more successful countries have spent the past few decades sharpening their claws. Once again, he is unwittingly making a strong case in favour of appropriate regulation, because this stimulates the competition he recommends for SA.

Much of the existing regulation inhibits the establishment of a new small enterprise, and in so doing, protects established businesses from competition.

If our small enterprises were relieved of all the inappropriate regulation that strangles them, the very wolves Louw calls upon to shake up the sheep of the existing business community would emerge from their ranks.

Finally let us address the successful specialisation and global marketing he refers to. We are a little vague on the Danish furniture industry, but certainly the example of Silicon Valley supports our case. The personal computer boom began with one person, Stephen Jobs, who dropped out of college when his garage business, Apple Computers, started to succeed. As well as the rapidly emerging software companies, had the advantage that their industry was developing faster than anyone could hope to regulate. It is the classic example of the potential of individual entrepreneurship and small enterprise.

LETTERS
**Goliath loves David**

The closeness of links between corporate giants and budding mini-business ventures has played a major role in the economic miracles of several Far East nations.

The phenomenon common to the economic miracles of several Far East nations has been the close interdependence between the giant corporations and the thousands of mini-business operations that have been spawned.

Dr. Pierre Vanier, managing director of the Small Business Development Corporation, found one of the most spectacular examples inside the Sony electronics empire in Japan.

He discovered that Sony's production lines needed the supply of more than 70 or 75 percent of all components from scores of outside small factories, which handed orders on a sub-contract basis.

**Combat**

Rather than engage in competitive combat, the Davises and Goliaths were pooling their particular roles and talents to develop new products regularly to take world markets by storm.

"They have discovered that team power and the best production methods are not the exclusive preserve of multinationals," says Vanier.

"Small, informal and semi-formal businesses have a lot to contribute as well."

The joint approach to production success was similar at most of not all of the big corporations in Japan. The pattern has now been copied with success by neighbours who form a growing list of domestic giants emerging among the Pacific rim - from Singapore and Taiwan to Hong Kong and South Korea.

**Secrets**

"Every time one derives optimum success results," says Vanier, "the adage pattern is found a crucial business core, packed with research and marketing know-how, surrounded by scores of small components that act as supplier satellites."

"It's significant that, normally, all the Western m..." — a quote from the United States and Canada (1991) in Britain and Canada — are now following pattern..."
Big and small are now looking for

The closeness of links between corporate giants and budding mini-business ventures has played a major role in the economic miracles of countries in the Far East. South Africa is being urged to follow the pattern.

The formula, of course, is ideally suited to South Africa now that bureaucratic red-tape is being removed to release the full potential of the latent talents of a new generation of small entrepreneurs.

The first impetus has been provided by the SBDC with the creation of a special unit at its Penrynville industrial hive, between Johannesburg and Soweto, to concentrate on the single assignment of developing closer links between big and small business and more sub-contract work.

The order books are already fattening as the corporate giants learn the value of the budding entrepreneur, especially an increasing number of black businessmen struggling to find a toehold in the economic mainstream.

SBDC central region chief Jo Schwenke can immediately name such business titans as the Anglo American Corporation, Barlow Rand, Anglovaal, Iscor, Eskom, Sascor, JCI and Anglovaal among the new customers coming to small business operators with sub-contract orders.

"The concept is spreading with enormous speed," he says.

On recent counts, the value of sub-contract orders has already climbed as high as R38 million — and it seems the sky is the limit.

"Our projections show the total could soar into hundreds of millions of rand inside the next few years. There is even talk of hitting a R1 billion packet by the mid-1990s."

Mr Schwenke says the list of sub-contracts already stretches from overalls and maintenance services to engineering components and transport networks.

Exchanges are so brisk that the SBDC now produces special publications such as its own "Contact-maker" and "Business Link-up Directory" to encourage more contact between big and small businesses.

The potential of sub-contract work has been selected as one of the main themes of the Small Business Week that starts on September 29 with a nationwide programme of events to highlight the role of the informal and semi-formal sector.

Experts from both the Anglo American and De Beers conglomerates, who have formed their own small business initiatives unit, will be joining SBDC executives to run special workshops in Johannesburg to examine ways of cultivating many more small/big business links.

The first workshop will be held at the SBDC City Hive on October 1, and a second at Penrynville on October 5.
Vat threatens jobs in small businesses

Several corporations say they will deal only with registered vendors. This is a blow to the sub-contracting bridge being built between big and small businesses.

The UK cost-benefit study showed it could cost the Government up to 0.5% in the pound to collect Vat from small businesses. No estimates have been disclosed for SA.

Mr Hetherington proposes these solutions:
- Raise the annual turnover threshold for Vat registration from R150,000 to R500,000 a year.
- Compensate small business for compliance costs by a monthly cash rebate against verifiable claims on a sliding scale for owner-managed businesses only so that it falls away altogether for those with taxable supplies of more than R3 million.
- Soften penalties for non-compliance.
- He also proposes that goods and services bought by Vat-registered businesses from non-registered small ones (which do not levy Vat) should be deemed Vat-rebatable by the Receiver of Revenue.

Mr Hetherington lists the main disadvantages of Vat:
- The Act is complex and difficult to understand.
- Penalties for non-compliance are draconian and could close some businesses.
- The threshold level for Vat registration is too low. Small enterprises have to register if their sales exceed R3,000 a week. Many hawkers, spaza owners, builders, taverners and backyard manufacturers will be hurt.
- Corporate customers cannot reclaim Vat on supplies from non-registered entrepreneurs although these businesses pay Vat on inputs.

Complex
‘Mentor’ plan for small businesses

By Maggie Rowley
Deputy Business Editor

A MENTOR programme to train consultants to meet the needs of the small business sector in the Western Cape has been launched by the Triple Trust Organisation.

Mowbray-based TTO, a non-profit organisation formed in 1986 to focus on job creation in the informal sector, providing skills training, mini-loans and the marketing of goods produced by trainees under its guidance, has so far trained 90 consultants and aims to increase this to 200 within the next eight months.

TTO’s Margaret Malloys said they aimed to recruit volunteer community business consultants who would meet on a one-to-one basis with community businesses.

“Consultants help evaluate the business and assist self-employed people — mostly those who had passed through other TTO courses — to identify problem areas and possible solutions.”

To date about 24 companies and organisations have sent representatives on the Community Enterprises Service (CES) courses.

“CES provides companies with an ideal vehicle to fulfill their social responsibility programmes.”

“Rather than giving charity handouts, companies can make a very real contribution to bridging the great divide between the formal and informal sectors by allowing employees to do the course and follow up consultations with clients during office hours and thereby help to create employment.”

Malloys said the only qualifying criteria for participation was a privileged background — both educationally and environmentally — and a desire to share this privilege.

“We are not just looking for those with specific skills. Very often much of the information required by clients is practical advice and ideas. Having a privileged background gives a person access to information people in less privileged circumstances have not had — including simple things such as how to use the Yellow Pages or have electricity installed.”

The orientation course for consultants takes between 15 and 16 hours over three days. Consultants are then expected to visit clients every two weeks for three to six months.

The training programme includes an introduction to Xhosa, basic accounting, interviewing skills and discussions on bridging different cultures and backgrounds.

After hours courses will be arranged if necessary.

Unemployment

Virginia Ogilvie Thompson, executive director of Southern Foundation which is sponsoring the TTO’s initial CES courses, said unemployment levels in the Western Cape were estimated to be about 40% and the formal economy was unable to accommodate these people.

“With the large influx of unskilled labour from neighbouring areas and the expected return of exiles, there is a great need for job creation and skills training in the informal sector.

“However job creation alone is not enough and the business community needs to empower these unemployed and unskilled people,” she said.

The next course is to be held on October 7 to 9.

Malloys appealed to the textile industry to donate waste materials and offsets to the organisation which could then be passed on to trainees.
Irresponsible estimates by State — free market leader

MICHAEL MORRIS
Political Correspondent

GOVERNMENT statisticians have been accused of "irresponsibly" under-estimating the size of South Africa's informal sector, causing "massive inaccuracies" in economic planning.

In a sharp criticism, author and political analyst Mr Leon Louw said the Central Statistical Services' assessment that the informal sector amounted to no less than eight percent of the economy was helping to "perpetuate a myth" and was undermining economic planning.

"This is irresponsible. The underestimation of the informal sector has harmful policy consequences," Mr Louw, director of the Free Market Foundation, said last night.

His research had shown that the informal sector amounted to between 15 and 25 percent of the economy.

Mr Louw was speaking after giving an address on black empowerment at the inauguration of a regional council of the Free Market Foundation.

He cited the rapid growth and vitality of the informal sector as an example of the high degree of self-stimulated empowerment in the black community.

Research indicated that economic empowerment was a natural product of a free market and the best contribution a government could make was to cease intervening.

Mr Louw said the CSS figure created the impression that a "sophisticated statistical analysis" had been used to establish the extent of the informal sector.

However, the CSS research was deficient because of:

- The exclusion of the multimillion rand informal money-lending industry — including burial societies and stock-vendors;
- The fact that it took account of informal activity only in the townships and excluded widely divergent and successful activities in the rural areas, in white areas and activities such as fleamarkets and hawking in cities;
- The fact that it did not take account of the black factor when much of the research involved illegal or irregular economic activity; and
- The exclusion of the extensive rental and boarding sector.

Mr Louw said one of the consequences of the underestimate was a dismissive attitude in government circles to the need for further deregulation in the informal sector.

"When we lobby them they say: 'Why bother — the sector's negligible.' However, they would be much more inclined to scrap unnecessary regulations if they were aware of the importance of this sector," Mr Louw said.

Another speaker, US businesswoman Dr Ophelia Jatta — an aide on President George Bush's campaign and White House transition team — urged South Africans to "stop feeling sorry for ourselves and making excuses for being unsuccessful".

South Africa had a rich potential for economic development. It was up to South Africans to grasp whatever opportunities arose to prosper.

"Let's stop being a nobody and get out there and make as much money as we can."
SBDC panned for neglecting blacks

Definitely not, said many of the delegations to the Small Business Week conference held at Sun City this week.

At the three-day conference, which had the theme of "Unlocking Hidden Opportunities", the SBDC was criticised for having "unlocked" business opportunities for mainly white entrepreneurs.

Black entrepreneurs said the SBDC had not provided the same scope for black businesses.

Said SOUTH business manager, Mr Hilton Veldsman: "What was particularly telling about the criticism was the fact that about 70 percent of the conference delegates were black."

The attack on the SBDC came immediately after its managing director, Dr Ben Vosloo, had spoken about the development strategy for small and medium business enterprises.

He said Veldsman "Management consultant Eric Mafuna criticised the SBDC for giving loans to black entrepreneurs and then letting go of their hands immediately they are out of the starting blocks."

He said development agencies also came under fire for not properly tracking the performance of black entrepreneurs.

"It was also raised that when black businesses failed it merely confirmed the perception among certain agencies that they were a high-risk group," said Veldsman.

The thrust of the argument was that the SBDC was not doing enough to develop strategies to assist black businesses," he said.

About 60 percent of assistance provided by the SBDC goes to white entrepreneurs and black businesses are generally considered by the SBDC to be a high risk, said Veldsman.

In his address Mr Eugene Nyati of the Centre for African Studies said one of the fundamental flaws to current development of enterprise in South Africa was the inadequately thought-out structural support to small business, particularly those in the public sector.

"Partly because of its unstructured nature, but also because of institutional prejudice, financial lending to the informal sector remains constrained," said Nyati.

"Most of the development agencies are apartheid artefacts that have failed to adjust to the changing times and remain frozen in terms of their focus."

He said while some development agencies could be restructured or modernised, many more may need to be scrapped.

Nyati called for the appointment of an independent body to review the relevance and desirability of the many development agencies that exist in South Africa.
Growth prospects unlimited

The hawking and vending community is the very backbone of the South African economy — the backbone of what is loosely termed the "informal" sector.

It is represented by Achub (African Council of Hawkers and Informal Business) No one knows with any certainty how many of these street vendors there are. But, according to Achub president Lawrence Mavundla there are probably around 690,000 across the country.

If each of these in turn employs an average of one to three people in the enterprise the number of people working in hawking alone is between 2,5 and three million — compared to about 1.1 million in the manufacturing sector, for example.

There are far more people employed in the informal business sector than in any other facet of the economy. They do not have a government minister to represent their interests in Parliament. Mr Mavundla points out.

Training and the lack of infrastructure are also major problems. Perhaps only 1% of all hawkers have ever attended training courses, he says.

Mr Mavundla argues that if one opens these avenues, the prospects for growth in the informal sector are unstoppable.

"Once we have access to funding and training, and restrictive laws go, then we will have the resources needed to redirect these informal economies and encourage others to get involved in wealth creation."

Mr Mavundla says there are still local authorities, especially in CPF-controlled cities, which are practicing and imposing restrictions and applying outdated Group Areas laws. There are also problems in the homelands — such as Bophuthatswana where Mr Mavundla alleges restrictions are still being imposed and hawkers prosecuted.

Hawker have also been directly hit by the current recession. Mr Mavundla believes that up to 50,000 "mone hawkers" have been put out of business as a result of retrenchments on the mines.

Mr Mavundla believes the government should put money into the further training of existing informal businessmen who have an infrastructure in place and so realistically create jobs.
VAT will be ‘nightmare’ for some

The basic problem is the compliance costs for the small people. They would have to keep, for them, relatively sophisticated records for five years. It is unlikely to cost less than R5 000 a year.

"VAT is going to split the economy permanently into two — with very little interface between the two. The small and legally unregistered, and the large who want tax invoices or a price that is 10 percent lower than the VAT inclusive price." The SEDC’s central region chief, Jo Schwenke, said that as the cut-off for VAT registration was R150 000, it was highly unlikely that a business not doing a turnover of R12 000 a month would be in a position to satisfy the business in any case.

"However, if there were a case where a small business wasn’t going to get the contract solely because he wasn’t registered for VAT purposes, we would intervene somehow by registering a special marketing company for that purpose by negotiating with the big business, or ensuring that the three conditions for registration are fulfilled:"

"We believe that even the smaller businesses that is one with a turnover below R150 000 which is involved in sub-contracting, should register — and can register with our aid."
Bringing the Japanese miracle to SA

INTERACTION between giant corporations and thousands of small businesses has been part of the driving force behind the economic miracle that is Japan. (S3N)

Instead of engaging in fierce and futile competition, big and small businesses in Japan - with other Far Eastern countries taking the cue - have pooled their particular talents and resources to mutual advantage.

In the process, they have often scooped rival competitors "by successfully exploiting gaps in the world market."

In a bid to develop business interaction between group companies and smaller businesses on the lines of the Japanese model, Anglo American and De Beers' Small Business Initiative was set up as a joint venture in January 1989.

The SBI, as the initiative is known, has three aspects to it, says Philip Baum, divisional manager in the chairman's office at Anglo American.

"The first is contracting, whereby smaller businesses supply a wide range of products and services to the group. Then there is Liatet, an investment company owned jointly by Anglo and De Beers, which takes minority equity stakes in emerging businesses and provides them with financial and managerial assistance.

"Thirdly, there is an advice and assistance programme in which smaller businesses interacting with group companies are mentored and assisted.

"Group employees are encouraged to share their expertise with smaller businesses in an effort to bridge the country's skills shortage. This is done by identifying potential business opportunities, assisting with feasibility studies, helping with production techniques and costing and book-keeping."

Mr Baum says that currently well over 100 small businesses are involved in doing business with Anglo and De Beers through the SBI. In 1989 alone, the total value of contracts placed amounted to R22-million.

Mr Baum says "Of course there were problems in establishing the programme. However, once commercial advantages had been noted, they often initiated their own schemes."
NEWS FOCUS

Informal sector is the key to job creation — Sacob

DEVELOPMENT of the informal sector was the key to job creation, new SA Chamber of Business (Sacob) president Hennie Viljoen said in an interview yesterday.

While trade prospects for the country in the year ahead were exciting, Sacob was concerned about the unemployment situation.

"Sacob is concerned at how we can, through our initiative and support, ensure new opportunities for job creation," Viljoen said.

"We have to think about the wonderful opportunities which are creating jobs in the informal sector."

Sacob would like to help members start expanding into those areas where there were opportunities.

"It is important to develop the existing business structure in SA. The process can now get off the ground because for so long there wasn't business confidence and that is what counts," Viljoen said.

Prospects for an export-driven recovery were brighter and SA was definitely going to witness an economic upsurge in the first quarter next year.

"Sanctions are yesterday's problems and we now have to ensure that we are up and going," he said.

The green light given by Japan when it lifted sanctions was the most positive thing that had happened to SA recently.

Over the last six months Sacob trade missions visited Sacob offices and people had indicated that they were not interested in viewing SA in isolation.

"They see SA as a key player and a gateway to southern Africa," Viljoen said.

People were inclined to underestimate the buying power of Africa, but there could be so many trading opportunities which weren't there when sanctions were in place.

"SA will have to ensure its industrial strategy is in place. SA technology and productivity must be of such a high standard that it can be competitive in world markets," he said.

Sacob would be critical of both the government and the ANC if they did not recognise the important role of business.

Viljoen took over from John Hall of Barlow Rand as Sacob president at the chamber's annual convention last week.

He is a director of National Beverages Services, the company that succeeded the Coca-Cola Export Corporation. He was president of the Witwatersrand Chamber of Commerce and Industry and the Transvaal Chamber of Industries.
Banks strict lenders

IN seeking loans to set themselves up in business, potential entrepreneurs often complain that they are confronted with a seemingly unsurmountable wall of bureaucracy.

But what are the criteria which banks and other financial institutions consider in screening credit requests from applicants with little or no financial track record?

Rod Cussen, senior manager of First National Bank's Small Business Unit says, "We look closely at the viability of any proposed venture, in addition to the collateral and security required in terms of normal banking criteria."

"We also look at the contribution which the individual is prepared to make towards the proposed business venture, what his qualifications are and whether he is able to make the sacrifices required of an individual who goes into a new business venture."

"This is particularly so bearing in mind the competitive nature of small businesses, many of whom are duplicating existing services in the market. One also has to look at the proposed location of the business and the demand for the product or the service."

"We would rather decline an approach where we see that the competition is already too advanced and the players in the market place already suitably equipped to counteract any new entrant."

Reacting to criticisms that banks are sometimes too inflexible in considering applications for credit, Roy Polkmgthorne, a senior manager of the Small Business Development and Advisory Department (SBAD) of Standard Bank said: "Banks are often criticised for hindering the development of small businesses by being too strict in lending. The assumption is that this stops small businesses from growing."

"Our research shows that small businesses need more than capital and sometimes the need for capital masks a need for better management. Throwing money at the problem is counter-productive."

"Our aim is to help growing small businesses keep growing if the management is defective, they need support and advice and that is one of our roles."

of clients
Rent boycott at SBDC premises

The Small Business Development Corporation has run into problems at its Dobsonville Industrial Park in Soweto, with tenants refusing to pay rent because of the adverse conditions.

By FERAL HAFFAJEE

SOWETO entrepreneurs in the Dobsonville Industrial Park have refused to pay rent because they say conditions in which they have to work are ruining their businesses.

The industrial park, owned by the Small Business Development Corporation (SBDC), is not insurable and some tenants lost all their equipment in two fires this year.

They also claim many of the small businesses located there are going insolvent because the SBDC provides no back-up services to the tenants after they take up occupancy in the park.

Ike Diale, who manufactures sorghum beer, lost printed plastic, equipment and sorghum in the first fire. His business took a battering which saw production slide from 400 tons a month to the present 60-70 tons.

A second fire in August this year damaged cars which were at the panelbeaters which hire space in the park.

Diale says many clients lost cars in the fire and they are hesitant to come back to the park panelbeaters. The word has spread and park leaseholders are losing clients every day.

When the tenants complained to the SBDC they were told that there was nothing that could be done and that they should have secured their own insurance. But Diale complains that no company will insure the park. It is a high risk because the partitions are made of corrugated iron, there are no fire hydrants, no hoses and no firewalls.

The insurance company told them that premiums would be too high to be a viable contract.

SBDC general manager for the Witwatersrand Joe Schwenke admitted that the industrial park presents insurance difficulties. He says that to ensure rental payments were kept as low as possible, the buildings were built cheaply.

He says the SBDC can change the structures but tenants would have to pay higher rents. He adds that he offered to find insurance for tenants by using SBDC shareholders, many of whom are insurance companies.

After the first fire, four of the tenants started a rent boycott in protest at the SBDC's refusal to compensate them. They owe the SBDC some R100 000 in arrears.

After the second fire, they were joined in the rent boycott by the remaining four tenants who owe R70 000.

The SBDC took the rent boycotters to court where judgment was given against them, compelling them to pay their rent and arrears. Schwenke says that the SBDC is hesitant to evict the Dobsonville tenants. Instead he has set up a meeting with prominent businessman and SBDC board member Nhato Motlana which he hopes will solve the crisis.

Both the tenants and Schwenke agree that the only way out of the acrimony is for the park to be sold to the tenants. He says that the SBDC offered to provide 100 percent loans to the leaseholders but that this offer hinges on them setting their rent arrears.

But Diale and the other small business owners also complain that many of their colleagues in the mini factories have gone bankrupt. "The SBDC says that it is interested in developing business people but developing someone is not just providing them with money," complains Diale.

He says there is no back-up for the tenants after they take up occupation in the parks. "They are people who only know how to work with their hands, they have no business sense," he adds.

Schwenke admits that this has been a problem at Dobsonville. He says that the SBDC is moving away from the industrial park concept and increasingly using the hive idea.

Hives are warehouses sub-divided and rented to small businesses and have a full time adviser on the premises. But the parks only have a business adviser who is supposed to visit each tenant once a week and help them to sort out their problems.

"We understand clearly that loans alone are not the answer. But ultimately, the SBDC can only assist, the client must ultimately run the business. Whether that business makes it depends on the entrepreneur," concludes Schwenke.
Sowetan Business

VAT a blow to informal sector

By JOSHUA RABOROKO

MOST small businesses have been hit by Value Added Tax and are facing closure.

Organisations representing the informal sector, including hawkers, spaza shops and dressmakers, intend to make representations to the Minister of Finance, Mr Barend du Plessis, about their plight.

Most said they were unable to register for VAT because they did not have sufficient funds and demanded the Government reconsider reducing requirements to register.

In terms of VAT regulations, the informal sector should be able to buy stock/ goods valued at R12 300 a month in order to make a profit margin of R4 000 a month.

"Failure to meet this requirement means that you cannot charge VAT on goods you sell," said Mr Mlhalangabezi Ngubuluza, secretary of the Foundation for African Informal Business Sector.

He said the irony was that the informal sector was expected to pay VAT whereas they bought goods from the big corporations.

"This is killing most hawkers and spaza shop owners who cannot afford to pay."

Many hawkers and spaza shop owners - the majority of whom were unemployed people trying to earn an honest living - have been forced to close their operations and to seek work at a time when the country was ravaged by large-scale unemployment.

The director of the National Industrial Chamber, Mr Ian Hehejington, said because of severe educational disadvantages many small and family business proprietors were unable to cope with the "rat's red tape" arising from complex economic laws, including the tax laws.

As a result many were forced to operate in the so-called informal sector.

He said small business organisations have been making proposals for simplified tax laws for small businesses since 1987; and for realistic modifications to VAT, but these have fallen on deaf ears.

The proposals made include:

* Modifying the present draconian penalties, which give the Commissioner of Inland Revenue the effective right to close down non-complying small businesses.

* Permitting registered buyers to claim input credits against invoices from legally unregistered small suppliers.

* Compensating small businesses in full for their extra costs in acting as the State's tax collectors.

* Lifting the VAT registration threshold from its present level of R3 000 sales a week to R10 000 a week; and

* Launching, at the State's expense, a massive educational and practical assistance programme to help the thousands of disadvantaged to comply.

A leading Soweto tax consultant suggested a reduction from R150 000 to R30 000.
SIGNIFICANT progress could be made in alleviating South Africa's dire housing shortage if a plan to empower black builders comes to fruition.

Devised by Johannesburg-based Promatra training Services, the plan involves a combination of Third World "stokvels" and First World trusts to financially enable thousands of black builders to learn the finer points of the building trade.

According to Mr Tjaart van Staden, Promatra's managing director, the stokvel and trust concept will be merged to form a "trustvel" which will finance black builders.

"Many black builders have poor credibility and are denied access to funds because their management expertise does not match their building prowess," he said.

"We have developed a totally practical training course that enables black builders to earn a diploma after they have come to grips with the administrative aspects of contracting."

The course includes tendering, estimating, planning, and executing contracts; marketing, finance, general administration, and manpower.

Van Staden envisaged that initial funding for the scheme would come from sponsors, including quasi-Government entities, members of the private sector and foreign sources wanting to assist in upgrading the country's housing situation.

"Sponsor bodies will pay for the builder's training. The builder will pay back the sponsor, who will in turn pay into the trustvel, which will also receive some bridging capital," he said.

"Access to funds in the stokvel for building purposes will be strictly controlled as it is in the traditional stokvel system."

Promatra's training courses hinge on the competency-based modular methods which ensure that students only graduate once their practical understanding has been thoroughly evaluated.

Apart from enabling black builders to gain easier access to capital, the course is also designed to equip them with business discipline and controls.

"Our aim is to develop specific competencies and at the same time provide valuable collateral security," Van Staden said.

"We have already had many inquiries from black builders wanting to undergo our training courses," he added.
Going to pot

THE homely environment inhabited by the 16 workers at Phylib's Pottery in Bramley may soon be a thing of the past.

The two-month-old pottery business will have to close down, sending the workers back on the streets if sales do not pick up

Equipped

Phylib's, in Bramley's industrial area, was started by two British women, Phyl Lognorish and Janet Chadderton, who have both settled in South Africa. It is fully equipped with kilns and moulds. The workers, who did not know anything about pottery, have been trained well. They make beautiful coffee mugs and pots, ornaments and vases, starting from an affordable R2.

"We wanted to do something different and we decided on pottery. This would also give us the chance to help those who cannot afford to buy coffee sets or ornaments because they are too expensive," said Chadderton.

However, it has not been all that rosy for the struggling pair and their team of 13 women and three men.

"We are going to have to close down soon, because we just have not had the support from the people. We suspect that this is largely due to the fact that people do not know about us. We put out pamphlets, but that still did not help us much," she said.

Support

"The support that we do get from the people who know about us and come to buy here occasionally is not enough to pay the salaries of these men and women, who work so determinedly here."

As a result of the situation, Chadderton and Lognorish have to keep evening and weekend jobs. But that does not seem to bother them much.

"We want this place to continue and, if we have to do extra work, we will. In the short time that we have all been here we have grown close to each other."

"This is not a factory, we are all like family and we all enjoy being here. This morning Gilbert, one of the workers, came in and announced that his wife had had a baby girl. You should have seen the great excitement in all of us," Chadderton said.
Cash flows in the back roads

BRIEFING

The Star Monday October 21 1991

Cash flows in the back roads

Exports have long pondered the real potential of local black business initiative. New studies claim success stories galore, reports MICHAEL CHESTER.

The formal sector has so far had three solid years of solid growth thanks to the strong economy. In recent years, the South African economy has been characterized by high inflation and interest rates, which have made it difficult for businesses to operate. Nonetheless, some entrepreneurs have been able to succeed despite these challenges. One such entrepreneur is Mr. X, who started his own business with just a few thousand Rand. He has now expanded his business to include several branches across the country, employing hundreds of workers. His story is just one of many that demonstrate the potential of local black businesses.
KNITTING NOVICES . . . trainees at Nyanga's Zolani Centre learn to use a knitting machine during a training course which has helped boost the income of unemployed people in the townships Picture: AMBROSE PETERS

Learning money-making skills

By KURT SWART

UNEMPLOYED township women are keeping their families clothed — and selling garments to improve their income — after gaining skills at training workshops run by the Triple Trust Organisation.

The TTO, founded three years ago to stimulate self-employment in the informal sector, is a non-profit body providing skills training, mini loans, marketing support and ongoing monitoring of trainees. It works among the most destitute communities of the Cape Peninsula.

"Over 2,000 people have been trained by the TTO at 13 centres around the townships of Cape Town, including Noordhoek. We will soon start working in Hout Bay," said TTO spokesman Mrs Jill Ritchie.

She said the most obvious result was new entrepreneurs started producing goods and supporting their families were monetary gain and improvements to their standard of living, but equally vital were gains in self-esteem and self-worth.

"For many this represents their first experience of stability — opening previously unimaginable opportunities of home-ownership, education for their children and much of what white South Africans take for granted," she said.

The TTO was formed from three separate trusts: The Neighbouring Training Trust (NTT), the Self Help Financing Trust (SHFT) and the Africa Trading Co-operative Trust (ATCT).

Through the NTT unemployed people are selected and trained — in their own language by members of their own communities — in an appropriate skill as well as in basic business administration.

Successful trainees are provided with mini loans through the SHFT to buy the equipment and materials needed to get started in business. The loans are repayable over one or two years.

The ATCT undertakes the bulk buying of raw materials and marketing of the finished goods, which pass through stringent quality controls.
Stokvelds and trusts joining forces for black builders

SIGNIFICANT inroads could be made into SA's dire housing shortage through a locally developed mechanism to empower black builders.

Devised by Johannesburg-based Promatra Training Services, the mechanism involves the combination of third world "stokvels" and first world trusts to financially enable thousands of black builders to learn the finer points of the building trade.

According to Tjaart van Staden, Promatra's managing director, the stokvel and trust concepts will be merged to form a "trustvel" to provide finance for entrepreneurial black builders. "Many black builders have poor credibility and are denied access to funds because their management expertise does not match their building prowess. We have developed a totally practical training course that enables black builders to earn a diploma after they have come to grips with the administrative side of contracting."

Course contents include tendering and estimating, planning and executing contracts, and the management of marketing, finance, general administration, and manpower. Mr van Staden envisages initial funding for the scheme coming from sponsor bodies including the Government, quas-government entities, the private sector, and foreign sources wanting to assist in upgrading the country's housing situation.

"Sponsor bodies will pay for the builder's training, the builder will pay back the sponsor, who will in turn pay into the trustvel, which will also receive some bridging capital. Access to funds in the stokvel for building purposes will be strictly controlled, as it is in the traditional stokvel system."

"We have already had many enquiries from black builders wanting to take our training course but we feel that the sponsored trustvel route will enable many more individuals to benefit and become more effective builders."
It's bedtime at the station

The destitute find a home at 'Parkie'

A FRESHLY "bathed" woman saunters casually to the just-cleaned toilets, with her long white gown sweeping the filthy floor of the mainline passengers' waiting area of Park Station.

A giant Okapi knife is tucked under her arm. There has been a lot of fighting and ambush lately.

A few minutes later, she leaves the toilet with the same knife menacingly held in her right hand.

My attention is rudely dragged from this figure to the far end by the sudden blare of music from a portable cassette player. The boozing session is underway.

In one corner, vagrants fight over a pile of flattened cardboards which suffice as beds.

This is Johannesburg station at night.

At the entrance a group of Hare Krishnas in bright orange attire try to brighten the gloomy area.

By PHANGISILE MTSHALI

As they gyrate to their singing and spiritual chants, a young man serves a hot meal from a gas stove not far from the scores of Zimbabwean women who have made their beds on the cement floor.

This is the scene that greets you on entering the mainline waiting area of "Parkie." You feel as if you are entering a township with a life of its own and its own special residents.

Shebeens

The famous Johannesburg Railway Station is fast becoming skidrow.

As dusk falls, shebeens open up, fast food vendors prepare supper for the "permanent passengers" at the same time scores of Zimbabwean and Swazi women hawkers gather to prepare their beds.

Some are there by choice, others just don't have anywhere to go.

Most are there to earn a living for their children.

Mama Mamba is one of them.

Every month for 14 days Parkie becomes her home. She is one of the hundreds of Swazi women who flock to Parkie to sell their handicrafts.

Peddle

Since 1987, she has been leaving her two children in their grandmother's care while she comes to Johannesburg to peddle her wood and grass work.

She starts her day by washing herself with toilet water from a soft-drink can.

"This is a dog's life but we cannot do otherwise because we need the money," she lamented.

However, Mama Mamba thinks the life she lives half the year at Parkie is much better than starving to death at home.

She also rejoices because the days of police raids, being blasted with teargas and the seizure of their goods seem to be gone. This year, they have not been raided at all.

"There were times when we went without sleep for up to a week because every time we tried to sleep police poured water all over us and we would be up and running until 5am," she laughs as she re-lives their misery.

"I do not care that people look at me as if I am nothing. I am doing it for my children," she says.

There are Zimbabwean women who have turned their hawking into Johannesburg into something like an annual pilgrimage.

Selling

Fifty-one-year-old Mrs Rosemary Malingamso has been undertaking the journey to these shores for six years.

Unlike their Swazi counterparts, Malingamso and her countrywoman usually spend 21 days in South Africa every year. During those days they move all over the country, selling their knitwear to locals.

"People do not want to pay us," she said.

Malingamso says things are so bad at Parkie that they sometimes have to go for days without washing and eating proper food.

Sometimes she has to wait for days before she can get a place in the bus, which is always booked in advance. But even then, the bus is better than the train. The train is delayed by customs officials but it is not the same in the bus, because there are whites as well.

And tonight, as thousands of people haste about rushing to their homes on the underground platforms of the station, hundreds of others who are less fortunate head for the upper level, where they will spend a night on a flattened cardboard box.
Kretzel a champion of small business

WILLIAM BARKER
Business Staff

PAUL KRETZEL is managing director of Plascon Paints (Cape), a company which is owned by Barlows, in turn owned by what he calls "one of the handful of oligopolies which owns most of industry in South Africa." But Surplus Number 1, Mr. Kretzel is a fervent supporter of small business.

"Seventy percent of people in successful economies are employed in outfits with 10 or fewer employees," he says.

"We should learn from their efficiency. But in South Africa the big companies would rather buy up a competitor than compete with them. What you have at the end of the day is reduced efficiency, because there is no competition."

"We would like to make more use of small companies with special expertise, but it's a chicken-and-egg problem because there are very few of them."

Mr. Kretzel has just completed his first year as MD.

A youthful-looking 39-year-old, he emigrated to work in a Germiston factory in 1973, but his point of entry to the country was Cape Town, and he never forgot the beautiful beaches, and laid-back cosmopolitan society - heightened by the culture shock of the East Rand industrial town.

After six months he joined Plascon Cape as a laboratory chemist, and rose to technical director in 1986, the operations director and the MD a year ago.

"The company has achieved a six percent volume growth in the past year - which Mr. Kretzel says is "incredible" given present market conditions "Even our own group companies elsewhere have not done as well," he says.

"There are two Transvaal companies, one in Natal and one in the Eastern Cape. The Cape Town factory is unique - Mr. Kretzel believes in the world - in that it manufactures products across the board, in the industrial, domestic and contracting markets."

"The 12 million litres produced each year are divided between over 2,000 different packs and colours. Sales exceed this figure, because the company imports some specialised product from its other South African factories."

But Mr Kretzel sees future growth as the biggest challenge ahead.

"We have to make everything, because we serve such a small market, about one-thirtieth the size of paint factories in Europe or America. To sustain growth we are looking at export markets in sub-equatorial Africa and the Pacific, including Taiwan. Our strategic plan calls for 15 percent of our product to be exported in five years' time."

Political changes have launched South Africa into the world, he warns, and some industrialists are ill-equipped to handle the challenges this has brought. Others, he predicts, will take the gaps and leave the competition standing.

Surplus Number 2 Mr Kretzel wouldn't mind having to compete with overseas paint manufacturers, who may be able to land some products here at very competitive prices.

"Protective tariffs should all be scrapped, immediately. Industry has sheltered behind them - if a 30 percent import tariff was slapped on a commodity, the first thing the local manufacturer would do would be to push his prices up by 30 percent."

"Protectionism has been a disaster - it fostered inefficiency. Some was necessary, to reserve foreign capital outflow for strategic materials such as oil, but much was self-inflicted, the price we paid for 40 years of Nationalist rule. Towards the end, Bothaism brought industry to its knees."

"What we need now is a lifting of just about all import controls. We must do business with the world, or we are sunk. South African industry must be measured against world standards."

The only area where South African industry is generally on a par with that overseas is in financial control, he says. "We have the accountants, but we don't have the technicians, and we don't have the competition which would make our factories efficient."

Plascon could meet this challenge, he says. In spite of sanctions, the company had fostered and maintained contact with international manufacturers. The company had had to employ some 150 foreign technicians in some spheres, such as in the move towards formalise containing volatile organic compounds, they were up with, or ahead of world leaders.

Apart from export growth, Mr Kretzel sees Cape Town's dockyard repair service as a major potential new market, particule...
Trade unit to promote smaller businesses

Own Correspondent
PORT ELIZABETH — A special unit will be established in the Department of Trade and Industry to promote small and medium-sized businesses in SA.

Deputy Minister David de Villiers Graaff will be given specific responsibility for the unit.

This was announced in Port Elizabeth last night by Trade and Industry and Tourism Minister Org Marais in his opening address at the annual congress of the Afrikaanse Handelsinstituut.

He also disclosed that other sectors which would receive attention were the motor industry, tourism and the beneficiation of minerals. A draft white paper on tourism was already on its way to the Cabinet.

Self Correspondent
PORT ELIZABETH — A plea for increased exports and a reduction in the waste of scarce production resources was made in Port Elizabeth yesterday by National Productivity Institute executive director Dr Jan Visser.

In a paper delivered at the AHI sectoral trade conference he said SA’s living standards were low and declining because its productivity was not up to standard. As a result,

inflation was high, growth was low and unemployment rising.

"Successful concerns do not prosper easily in 'losing' countries. A successful country, on the other hand, creates the right climate for successful concerns which, in turn, assures successful countries."

"It is clear that we in SA have squandered capital and equipment in a disgraceful way."

He said the outcome was that productivity declined by more than 10% between 1970 and 1990.

He said the most important function of the small and medium business unit would be the co-ordination of the activities of the different interest groups. Among others it would have to

- Legislative bodies about the possible altering of laws which affected those businesses negatively.
- Training bodies in the public and private sector for the provision of market related education and training.
- Financial institutions for the provision of risk capital for economically viable projects, and
- Trade unions to obtain their co-operation so that a specific growth rate could be attained.

"It is further envisaged that the proposed unit will investigate and make recommendations about specific incentives for concerns involved like tax concessions, interest rate subsidies, where possible exemption from trade union requirements and exemption from minimum wage legislation and rent subsidies."

He said he hoped that more finality about certain facets of the local content programme for the motor industry would be reached soon. Other growth industries were also being identified.

The functions of SaTour were described in detail in the draft white paper on tourism. The paper also contained proposals aimed at establishing improved coordinating structures at regional and local levels.

In addition attention was also being given to deregulation, overseas passengers, travel costs and possible assistance to national parks by the Industrial Development Corporation.
Jump-start for hauliers

THE South African Hauliers' Association (Saha) all over southern Africa this week received a R250-million boost from Finansbank — a Nedbank subsidiary — to finance contracts with black hauliers. Saha president Sydney Mahlangu said the scheme would benefit at least 700 members. Anyone wanting to join the scheme had only to increase membership to join Saha (Saha)
Bureaucratic shackles slowly being shaken off

THERE has been a considerable shift in the deregulation of small business since the mid-1970s, in spite of enormous resistance to change from various lobbies and vested interests.

Leon Louw, director of the Free Market Foundation, says that on a scale of 0-100 (100 being the starting point in the mid-1970s and zero being the ideally deregulated situation), the shift has probably been from 100 to 50.

The executive officer of the Wits Law Review Project, Professor Louise Tager (currently chairman of Vetlaw), said the new Businesses Act, recently passed by Parliament, would abolish all trading licences, except in certain instances relating to the preparation of food where health and safety issues were at stake. She described this as "a major step in the deregulation process."

Order

But Professor Tager cautioned: "The process of deregulation has just started. It is not something that can happen overnight. What has to be achieved are appropriate laws. We obviously need some type of legislation in order to have an ordered society."

"But there is a tendency in health regulation to write laws that prescribe aesthetic standards, when it is necessary only to look at cleanliness and hygiene."

Conversely, every shop owner is entitled to hawk and vend on his or her shop front - with the same rights as every hawk and vendor.

The one remaining adverse control, says Mr Louw, is that relating to food handling. These provide opportunities for inspectors to harass and intimidate traders and vendors on the streets.

Mr Louw says conventional restaurants are a potentially greater health hazard, because food is stored and served off the premises, whereas hawkers and vendors do not have storage facilities, which sell their entire stock every day.

Hawkers

Restrictions on small businesses, other than hawkers and vendors, vary in degree.

Taxi regulations have been relaxed but not abolished, Mr Louw observes. "Black taxis have succeeded - despite restrictions, lack of subsidies, harassment and obstruction - in smashing protected monopolies such as Putco in the classic David versus Goliath scenario. All those who hawk after nationalisation should observe that with the small amount of freedom granted to the poor, they have smashed a big white, subsidised and protected monopoly."

Road haulage has been almost totally deregulated to the extent that virtually anyone can now get a road haulage permit, says Mr Louw.

With regard to businesses that occur on properties, such as bakeries or small service industries and the like, much remains to be deregulated.

The main constraints on these businesses are not licensing laws, but zoning laws, building standards and occupational licensing laws. Mr Louw says zoning laws are being used by local authorities who are reluctant to deregulate, as a means to re-regulate small businesses by not allowing them to carry on business - except on properties approved by the local authority. These in effect are "licensing laws in disguise."

Mr Louw argues that these should be replaced with the common law of nuisance, or "neighbourhood law."

This should be strictly enforced by the courts, easily accessible to the ordinary man, which would bear complaints in the form of a summary hearing, with legal costs not being subject to the limitations which obtain in the small claims courts.

Building codes had been extensively relaxed, but there were still considerable constraints on small businesses, especially those operating in townships.

There remained about 280 professions and occupations with unreasonably restrictive entry laws. For instance, a motor mechanic requires either a standard 7 or 8 education, plus three or four years of formal apprentice training regardless of competence.

Entry

Mr Louw notes: "This immediately excludes 80 percent of all blacks from the prospect of lawfully becoming motor mechanics."

However, even some industries, such as construction, formal entry requirements had been replaced with a competency test.

The simple law of contract and fraud, whereby anyone who misrepresents himself as being suitably qualified will be deemed to have committed fraud and breach of contract, would do away with the apparent need for occupational licensing barriers, says Mr Louw.

He says there is room for more deregulation in traditional professions such as medicine, law and architecture. These professions should be allowed to advertise and to specialise.

Paralegals should be permitted, for example, to collect debts. A practitioner would not require an LLD degree, but a diploma and certificate at a technician level.

The stockel system basis of success story

A UNIQUE blend of First and Third World financing, which offers credit to aspirant black businessmen without the traditional credit criteria, is provided by the Pretoria-based Get Ahead Foundation.

Based on the traditional stockel system, a form of township "co-operative" consisting of family members or friends who contribute cash into a pool on a monthly basis to fund mutually agreed projects, or special social occasions.

Thabo Makgabo, credit manager of Get Ahead, says loans ranging from an average of R500 up to a limit of R1 000 are granted to individuals who form part of a group numbering between five and ten people.

"We do not get into details of credit checks and such like. We depend basically on peer pressure between the people themselves. We say all the group members are jointly and severally liable for the whole debt."

Mr Makgabo says that if the recovery rate for a particular area drops below 90 percent, Get Ahead will consider stopping credit to that particular area until such time as the situation improves. But the recovery rate is more than 95 percent.

Mr Makgabo says Get Ahead considers applications from groups who were formed for "income generation and business-related purposes" who would multiply their initial outlay, very much on the five leves and five fishes principle.

"Peer pressure is our security which we would like to strengthen by forming established stockel associations. Then we believe our recovery rate could be 100 percent." (153A)

The basic interest on stockel loans is 32 percent. But 10 percent of that is a compulsory "saving initiative" that Get Ahead has introduced for the client. Ten percent is put aside for the client and once the loan is repaid the money is refunded. Now get a road haulage permit, says Mr Louw. With regard to businesses that occur on properties, such as bakeries or small service industries and the like, much remains to be deregulated.

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Championing the cause of all SA’s little people

SOUTH AFRICA has seen a very close association between the State and big business and it is about time that the policymakers in the State discover the remainder of the team.

The man speaking is Dr Ben Vosloo. He typically forceful champion of small business has been managing director of the Small Business Development Corporation for a full decade now.

Ten years on, there is a renewed sense of urgency. Entrepreneurship and small and medium enterprise development (SMEs) have become the leading themes of world development economics in the '90s. But South African decision-makers, Dr Vosloo explains, are dragging their feet.

"In this country's command positions there is a total lack of realisation of the key role to be played by SME entrepreneurs in building a prosperous future," Dr Vosloo said.

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Sabta’s breakthrough success leads to an economic evolution

FABCOS (the Foundation for African Business and Consumer Services) was quick to take advantage of the evolution which followed the success of the South African Black Taxi Association (Sabta), now one of its main affiliates.

This evolution became a veritable explosion of black enterprise. Once the other informal business operators saw the success of Sabta they sought to go the same route.

There was a proliferation of black organisations — including the African Builders’ Association (ABA), the African Hair and Beauty Association (Abasa), the Black Travel Agents’ Association (Bataa), and the Black SA Insurance Brokers’ Association (Sabbi). This latter body has established a ‘banking company called 1SA’.

Also formed was the National Association of Stokvels, based on an informal financing scheme that blacks traditionally evolved by virtue of their deprived access to institutional funds.

Says Fabcos secretary-general Josi Mogale: "We decided ourselves that if Sabta could mobilise and become successful, we could, too. Therefore, we brought together all black informal business sector leaders.

AABA, under Mr Mogale’s presidency, together with the National Black Consumer Union (NOCB) which is the umbrella body of grass-roots women’s organisations, joined forces with Sabta to found Fabcos — which became the overall umbrella body of black business organisations.

Its objective was to mobilise a force of black business, focusing particularly on the informal sector.

Mr Mogale says "We realised there was a need for massive intervention of capital and skills because that was the constraint on the growth and development of black business, more so in the informal sector."

**Strength**

"We identified a critical need for seed funding for start-up capital. On the other hand, these were largely rule-of-thumb operators without any formal training of any kind in business, to say nothing about business management. This also inhibited growth and development and access to markets.""}

But the strength of the informal sector, as Fabcos saw it, was its bargaining strength. Its mission now was to mobilise the forces of black business so as to take advantage of their bargaining strength.

Along with this went a pooling of resources and a sharing of facilities — fax lines, photocopiers, computer terminals and the like — and a drive to improve business methods byorganising proper offices with suitable infrastructure.

Fabcos began to establish a network of regional offices across the country to improve communications.
SECURING a network of reliable customers and forming a liaison with big business is perhaps the biggest challenge facing the newly-established small business entrepreneur.

The trend in recent years, particularly in the Far East, has been for a close interaction between big corporations and the myriads of small business operations.

The Small Business Development Corporation believes that this formula is also well-suited to the South African working lifestyle.

The marketing department of the central region of the SBDC is a three-person pro-active unit which seeks out opportunities for small business by scanning the tender bulletins and electronic tender boards for the latest updates on the requirements of big companies.

Acting on the information, the marketing department talks to the principals, then makes use of the SBDC's ingenious "hive" network to get in motion a chain of events which could result in a lucrative contract for a small businessman.

The "industrial hive" is a special phenomenon created by the SBDC. Essentially it amounts to a cluster of workshops in a large number of workstations.

There are such hives on the Rand stretching from Springs and Benoni on the East Rand to Wadewille, the City Hive in central Johannesburg, Penyville on the outskirts of Soweto, Orlando West in Soweto, Tower Hive in Industria and another in Vosloorupark in the Vaal Triangle.

The two largest hives, Penyville and City Hive, each accommodate 300 individual small businesses.

Mr. Schwenke says that not only have the hives provided the means of stimulating self-employment and job-generating opportunities, they have provided a platform for spawning a host of infant businesses which were beginning to have a material influence in the regional economies where they are located.

The SBDC believes the hives are playing an important role in facilitating subcontracting partnerships between big and small businesses.

The value of sub-contract orders at Penyville has already reached R36-million -- and this is only the beginning.

As a further impetus to forging links between small and big business, the SBDC publishes its own "Contact-maker" and "Business Link-up Directory".

Sub-contract work, and its seemingly unlimited potential, was one of the main themes of the recently-concluded Small Business Week.
Sacob puts small business up front

(SACOB) THEO RAWANA

Sacob would call on government to extend the Trade and Industry Deputy Minister's portfolio to include small business, the chamber said yesterday.

The chamber's annual convention in Pretoria on October 15 and 16 would highlight the importance of the small business sector as a job-creator, Sacob said in a statement.

"A motion will be introduced calling on the government to launch a major initiative to support, supplement and promote the efforts of small business support agencies, and to extend the portfolio of the deputy minister of Trade and Industry to include small business," the chamber said.

"A considerable small business support network has evolved in SA over the past 18 years and the development is a recognition of the importance of the small business sector."

Sacob deputy director-general Ron Haywood told a Small Business Week conference at Sun City on Tuesday that talks with Trade and Industry Minister Org Marcus and director-general Stof Naudé had resulted in government ordering an investigation into the possible involvement of that department in small business development.
Appeal to nurture small businesses

THEO RAWANA

EXISTING economic policy tended to favour large corporations at the expense of small and informal businesses, SDPC MD Tom Vosloo said yesterday.

He told Small Business Week conference delegates at Sun City that about 65% of SA's estimated 800,000 formal businesses could be classified as small or medium enterprises.

"Their estimated share in terms of GDP stands at about 35% and they employ approximately 2,4-million people, about 17% of the economically active population," he said.

These figures excluded the informal small business sector, which probably involved an additional 4,6-million people, accounting for another 15% of the GDP, bringing the small- to medium-sized enterprise sector's total contribution to GDP to 45%, he said.

Vosloo said the sector's political influence and its effect on public policy-making was "not even remotely commensurate" with the importance of its contribution to society.

This was because "large businesses have a much larger input in the formulation of business policy, and as a result of this, stand to gain much more from the subsidies and other incentives the government pays out as part of its economic policies."

There were indications that large corporations were paying taxes at a much lower average rate than smaller businesses - again the result of tax-related incentives favouring large business, Vosloo said.

"It is absolutely essential that economic policy should not continue to be biased in favour of the large business sector. There is a need for a small- to medium-sized business development strategy." This would provide equal opportunities for all businesses, he said.
End of a wonderful year ends for Ruth

AS outgoing Sowetan Woman of the Year Mrs Ruth Machobane hands over the prestigious trophy to this year's winner, Ms Olga Lutu, and speaks proudly of the wonderful year she has had.

"My year was probably the most meaningful and exciting. I was proud to be associated with Sowetan projects, among them the peace initiative," Machobane said.

"The award also helped me gain the trust and respect of other women. They came to ask for advice and spoke to me about different things.

"But it did not just benefit me personally, it also promoted my organisation, the National Organisation for the Blind in South Africa."

Since she was honoured last year her organisation has opened a branch in Port Elizabeth. The branch started a detergent-making project and another where members make cane baskets and sun hats.

By PEARL MAJOLA

The Soweto branch of Nobza managed to buy a loader for the ashblocks project from funds she raised.

Two other projects are planned. A sewing project for the Soweto branch is on the cards and five machines have already been donated for this project.

Candle and roof tile making projects are planned to help the blind in neighbouring countries.

"Before I even approached certain organisations for donations, they knew about me and that made things easier," she said.

"I wish that my winning the award encouraged other women to do something for their communities despite difficulties.

"I hope it made them think that 'if that blind woman could do it, nothing can stop us'"

RUTH MACHOBANE
Small can mean large profits

The quickest route to economic recovery and towards stemming the alarming rise in unemployment in South Africa is through the expansion of small business, says Southern Life executive director, Mr Arie van der Zwan.

The Southern, the major sponsor of this year's Small Business Week, is committed to small business development. Through this sponsorship the company seeks to make all communities aware that small and medium enterprises can make a massive contribution to the creation of jobs and a healthier economy.

According to Van der Zwan, compared with developed nations in the west, South Africa has a low rate of self-employment.

"Small business is the most important generator of wealth and forms the cornerstone of any successful economy in the world," he said.

"It is therefore vital that people with the courage and foresight to start small businesses should be encouraged to do so.

"The Small Business Development Corporation (SBDC) has been a major driving force in assisting the small entrepreneur. Since its formation in 1981 the SBDC has been responsible for generating over 300 000 job opportunities."

The Small Business Week aims to change the perception that small business means small profits and hopes to encourage a sizeable portion of the community already running small businesses in the informal sector to progress to formal and medium-sized businesses.

"Job and wealth creation flow from a vibrant small business sector. It is in the national interest to encourage potential entrepreneurs in every way we can," adds Van der Zwan.

"The ability of our country to create jobs has dropped drastically in the past five years, so that only 12.5 percent of new job seekers can be absorbed into the economy.

"Roughly 1 000 people enter the labour force daily, and only 125 of these will find employment."

"Even though our population has grown at an alarming rate, we still have the same number of job opportunities today as in 1980."

"Job creation is not keeping pace with the birth rate."

"Every year more than 250 000 black matriculants are added to the more than four million existing work seekers.

"This figure does not take into consideration other population groups seeking employment," says Van der Zwan.

"Statistics such as these highlight the need for our country to promote and actively support a buoyant small business sector."

"The more people are encouraged and assisted into businesses of their own, the bigger the private sector will grow, which in turn will provide employment, a healthier economy and an atmosphere for lasting peace."
Economic community on cards for the New Africa

THE first all-Africa business and leadership conference, including 150 South African business leaders, will be held in Cameroon at the end of October.

The conference, which has as its central theme "Exploring Opportunities in a Changing Africa," hopes to foster regional and continental cooperation. In terms of the Lagos Plan of 1980, Africa is aiming for an African Economic Community by the turn of the century.

At present, the continent has 11 regional economic blocs, as opposed to three for Europe and one in Asia. Economists believe the continent has to streamline and improve regional and continental cooperation. It is not to be completely

By CHARLENE SMITH

marginalised and cut out of the major economic blocs developing in Europe, the Americas and the Pacific Rim countries.

The conference is organised by the Movement of Dialogue and Co-operation. Eight hundred delegates, of whom 600 will be businessmen, are expected to attend from every country in Africa.

There will also be delegates from major international non-governmental organisations and businessmen and government representatives from Europe, Asia, Latin America and the United States of America, according to local organiser, Mr Jacques Verster.

Dr Ian McRae, chief executive of Escom, will be one of the main speakers.

A number of SA companies are sponsoring black businessmen to ensure that any benefits are not restricted to the corporate sector — in fact, small business and the informal sector will be a key part of the talks.

Daily workshops will enable businessmen to debate a variety of topics, including agriculture and rural development, energy, mineral and hydro resources, computerisation and development, African markets and obstacles toward economic expansion.

The conference will be opened by President Paul Biya of Cameroon.
Privatisation 'will help blacks'

SHARON WOOD

STELLENBOSCH — Privatisation would make an enormous contribution to helping empower blacks and reduce the size of the public sector, Economic Society president Prof Strydom said at the society's biannual conference yesterday.

"Unless more blacks become involved in the production of GDP, the economic transition is unlikely to be a success," he said.

Big companies would have to provide the employment projects needed because the informal sector was too small and SA could not "dump people in the informal sector".

In addition to privatisation, business alliances should be established which would mutually benefit business and other players in the economy, and government would have an important role in stabilising markets, particularly in providing social security.

Strydom suggested various areas in the Budget which should be readjusted to release the resources needed to finance the new SA.

Police spending would have to be upprated and funds should be reallocated from defence and constitutional development to housing and health.

SA's expenditure on education was relatively high by world standards.

He rejected the common statement that SA was under-borrowed, saying that foreign debt levels were still extremely high and government should privatise the cost of state debt.

Combating inflation was an essential prerequisite for an efficient, market-driven economy.

"SA has made great progress with monetary policy but is dragging its heels with fiscal policy, which is causing excessive inflationary pressures," Strydom said.
A good friend for small business

THE ISIBANE Resource Centre's mission in life is to help small and informal businesses overcome some of the daunting problems they face in their struggle to survive.

Already, it organises regular flea markets for small-scale producers in the townships, provides advice and counselling on a wide range of issues, and helps formulate funding proposals for those concerns needing an injection of finance to start up or expand.

The centre's director, George Penxa, would love to be able to do a great deal more. Holding him back is the fact that he just does not have the money to employ more staff to help him.

Isibane was established in late 1988 by the Mobil Foundation, the community involvement arm of Mobil Oil that has been particularly interested in promoting black entrepreneurs.

The funding provided by Mobil, welcomed though it is, just about covers the salaries of Penxa and his secretary and the rent of Isibane's Charlesville offices.

As a result, like other grassroots organisations in South Africa today, Penxa and his advisory committee of community leaders are seriously having to consider ways of becoming more self-reliant and securing additional sources of finance.

Additional funding would particularly help Isibane to employ more staff members to advise and counsel small businesses, write funding proposals for them and actually provide basic technical and business-skills training rather than merely referring people to technicians and the like.

"One of my biggest problems is that so many of the people wanting help in running their businesses are illiterate. So I have to sit down and construct proposals for funding for them, or explain that issues such as costing and pricing could affect their ability to sell — all of which takes up time," said Penxa.

He would like to expand this work to provide basic training courses at the resource centre.

Apart from needing to know the basics of how to run a business, another major problem facing the sector is funding markets. So Penxa hit on the idea of flea markets in the townships, with the first being held during Small Business Week last year.

Further details about the Isibane Resource Centre can be obtained from George Penxa at 934-0806/0595.
Bigger image for small business

ONE aim of Small Business Week 1991 is to change the perception that small business means small profits.

The organizers of the week hope to achieve this by encouraging larger ventures in the informal sector to progress to the formal sector and to become "medium-sized business", says spokesman Sonny Tarr of the SBDG.

The week, which features 200 events nationwide, got underway on Saturday with a ceremony at Highgate Shopping Centre.

Included in a three-day small and medium enterprise conference which started at Sun City yesterday were speakers including SBDG MD Ben Vosloo, Transkei University rector Wiseman Nkuhlu, Centre for African Studies director Eugenie Nyanin and Jacob's Ron Haywood.

Other activities include a golf day at

Rondebosch Golf Course on October 4, a three-day Small Business Ways workshop and exhibition at the SBDG's City Hive in Johannesburg from today to Wednesday.

The week is an annual event whose main purpose is to promote a culture of entrepreneurship leading to self-employment among South Africans.

Organizations represented on the Small Business Week national co-ordinating committees include the SBDG, the small business development units of the Standard Bank and First National Bank, the Witwatersrand and Potchefstroom Universities, Anglo American, De Beers, Southern Life, Foundation for African Business and Consumer Services (Fabcos) and Get Ahead Foundation.
HIVe OF ACTIVITY: Mitchell's Plain Hive

Hives free busy bees

YOU HAVE THE SKILLS and some seed capital — but where are you going to start your small business?

For would-be entrepreneurs, this is the million-dollar question and many have no option but to brave the weather and go for open air stalls while others brave the wrath of their neighbours and set up shop in their backyards.

For those who opted for the streets, life used to be unbearable, with municipal officials of every kind dogging their footsteps and fining them whenever they could.

But Charl Adams of the Cape Town Chamber of Commerce reports a welcome change of attitude by the authorities in recent years.

Hawkers and vendors now have more freedom to set up shop, albeit still under certain conditions, especially in summer when the tourist season is at its height and the city fathers want a "clean city".

Many businesses, however, cannot operate in the street, especially when they are involved in making goods for sale. But rents can be high, even if space is available, and backyard industries have flourished, much to the displeasure of fussy neighbours and old-fashioned council authorities.

The Small Business Development Corporation has come up with an eminently practical solution — the development of industrial "hives", or large, partitioned-off factory floors where small businesses can rent their own space for a relatively modest sum. These hives have proved very successful and there are plans to build more although some people are critical of the fact that they tend to reinforce the separation of the races by their very location, usually in or near black or coloured townships.

But some small businesses don't just want to rent their factory space, they want to own it, and the SBDC is now considering ways of helping small businesses buy their own premises.
Bad regulations or bad employers?

Labour regulations can help prevent exploitation, as LYNDAL OXON finds out. But sometimes they just hamper entrepreneurs of small or informal businesses.

SMALL OR INFORMAL BUSINESSES have been touted as an important weapon in the battle against unemployment — but are they good employers? "There is no such thing as a good or a bad employer," says Charl Adams of the Cape Town Chamber of Commerce.

"There are just ignorant or informed employers and many of your smaller business people are purely ignorant. They do things and then discover afterwards that they should not have done that or could have done something else." This is one of the main reasons that the chamber tries to educate its 3 200 members, 80 per cent of which are small businesses with between one and ten employees, through its monthly bulletin and quarterly Small Business Forum Bulletin insert.

"But it is important not to preterb to the finest detail how they should go about their business. They are there because of their entrepreneurial ingenuity in the first place, so we must allow for that to develop within reason."

One reason why small businesses are criticized by some as being "bad" employers is that they sometimes pay below the going rate as determined by other groups.

In one case that hit the headlines recently, a man who had been re-trenched started up a backyard mechanics shop, quickly expanded and was soon employing 14 people. "But he was not registered with an industrial council and when the authorities caught up with him, they virtually threw the book at him — so much so that he had to reduce his staff to seven people and is now faced with the real possibility of closure," said Mr. Adams.

"I think that this particular industrial council is being extremely bureaucratic about this."

I know that there are some ICs that are very accommodating and will help the small businessman, but some just "go by the book," which is shortsighted, especially under present conditions of widespread unemployment.

Regulation with an IC is seen as being important because then employers deduct Unemployment Insurance Fund contributions and are obliged to pay minimum wages agreed to between employer and union bodies.

"The unions' attitude to this is an ambivalent one. One understands that on the one hand they want to make sure that members or employees in general have a good wage and are not being exploited. On the other hand, they are also concerned about job creation.

"At the time of this incident, a spokesman for NUMSA was quoted as saying that their research had shown that wage concessions to small businesses and in rural areas resulted in very few jobs being created. So he is saying that these small businesses and backyard operations do not really create jobs.

"I doubt that because they are labour intensive."

The chamber has submitted recommendations to the National Manpower Commission that the present, relatively intricate and involved labour regulations should be amended to cater for the needs of small businesses.

"I know that it could lead to some confusion if different legislation applies to different kinds of businesses, but the small businesses have very different needs and skills levels that should be catered for," said Adams.
WHEN Raymond Ackerman left Greaters 24 years ago, to set up business on his own, he had to "battle it out" in order to survive.

It was difficult to borrow money and there was no national emphasis, as there is today, on the importance of promoting small businesses.

Nobody had even thought of setting up a Small Business Development Corporation to help small businesses.

Today, he is executive chairman of one of the largest supermarket chain stores, Pick 'n Pay, but still makes time to lend a helping hand to businesses just starting out.

Ackerman says that he knows from experience just how tough it is to start out as a small businessman.

Hard work and tenacity are vital for survival, but guidance and advice can be a great help, he argues.

He also believes that the small business sector has a very important role to play in South Africa today as both a wealth and job creator, so it deserves support.

As a result, his group is a major shareholder in the Small Business Development Corporation, and it provides practical support and, where necessary, advice to small business owners.

In the Transvaal, the SBDC has eight Price Clubs which offer special wholesale prices as well as general business advice to small businesses.

This has not yet got off the ground elsewhere in the country, but Ackerman hopes that it will soon.

Nationwide, it is also Pick 'n Pay's policy to back small industrialists and some lines such as stationery are already largely being supplied by these concerns.

Lists of other potential suppliers are constantly updated and circulated to stores around the country.
Spazas spurt in bursting backyards

With the demise of coloured preference areas in the Cape, African settlements are increasing. And with it the growth of spazas.

LYNDA LOXTON reports:

UNTIL THE mid-1980s, there was little or no support for black businesses in the Western Cape, but today it is one of the most competitive fields around (Business).

The lack of support was due to the legal restrictions of apartheid generally as well as, more specifically, the fact that the government had ruled that the region should be a coloured preference area in which there was no future for Africans, even as labourers.

The Small Business Development Corporation is one of the first to admit that, until recently, neither it nor its predecessor, the Coloured Development Corporation, paid much attention to the African would-be entrepreneur who needed support or advice.

Since then, things have changed dramatically. Khayelitsha has sprung up and sprawled out, black squatter settlements have multiplied and the African population of Cape Town alone has risen from about 280 000 in 1980 to nearly one million today.

Given the recession, there was no way that the formal sector could cope with this influx and create the thousands of new jobs needed — and the small business and informal sector mushroomed as people scrambled to earn a living where and when they could. They started spaza shops, operating from their homes and providing a handy service to workers who had little time to shop in the city or industrial areas as they rushed to and from work.

Somewhat ironically, there is no doubt that all this activity was greatly boosted by the township unrest of the late 1980s.

Municipal and other inspectors who were enforcing rigid and outdated planning, health and other regulations inhibiting the growth of "backyard" businesses, decided that it was safer to stay off the streets.

According to James Thomas of the Triple Trust Organisation, this had another beneficial spin-off effect — nutrition levels improved.

"When the unrest started, the health inspectors decided that it was not very safe to go around enforcing their laws anymore — and sales of fresh food of all kinds grew phenomenally."

Surveys found that the end result was a general improvement of average nutrition levels without any increase in food-related diseases.

This was because people bought their food carefully, making sure they had just enough to be consumed that day because they did not have refrigerators in which to store food — and in the process, thousands of hawkers and spaza shop owners were able to earn the money needed for their families' survival.

Spazas, for example, have been a startling phenomenon and Pick 'n Pay's chief Raymond Ackerman has even gone on record to say that the spaza shops can be seen as his "unsung competitors".

It has been estimated that there are about 22 000 of these throughout the country generating business worth some R3 billion a year.

"So, collectively, these guys are a force. But although some have an individual turnover of about R15 000 a month, others are much smaller and are living from hand to mouth."

"Some make it and some of them don't," said James Thomas.
The plight of small vendors still a problem

The Argus Correspondent

JOHANNESBURG. — There is still concern about the plight of thousands of small business people despite Finance Minister Barend du Plessis' concession to help alleviate their cash flow problems after the introduction of VAT.

Small businesses are expected to be hard hit when the new tax is implemented and urgent solutions are being sought to assist them.

On Monday Mr du Plessis announced a minor concession for smaller vendors by raising the limit at which businesses can choose to pay VAT after receiving their payment from R1-million to R2.5-million.

Businesses can pay VAT to the Receiver of Revenue either on a payment basis (once payment is received) or on invoice basis (once an invoice is received). Businesses now, with annual sales supplies of less than R2.5-million, can choose to pay on a payments basis.

"The effect of the increase is that a larger number of smaller vendors will be able to qualify for this concession, which will ensure they do not suffer any cash flow disadvantages because of VAT and their accounting for VAT will be simplified," Mr Du Plessis said.

Vendors who had already registered for VAT on the invoice basis and who now elect the payments basis may submit their applications to their local Receiver and account for VAT on the payments basis as from September 30.

However, National Industrial Chamber executive committee member Ian Hetherington said that while the concession would help, it was "really marginal compared to the issues we've raised".

Several companies have said they will use only registered VAT vendors. There is growing concern that, as registration compliance costs are great, small businesses will be unable to compete against registered companies.

So concerned is the National Industrial Chamber that it has written to President F W de Klerk asking for help.
VAT may cripple informal sector

By Paula Fray
Consumer Reporter

Urgent solutions are being sought as concern mounts over the effect of value added tax on small businessmen — expected to be hit especially hard when VAT is implemented.

Several companies have already said they will use only VAT-registered vendors.

The Star has seen one memo that says: “We require all our suppliers to be registered vendors for VAT purposes in order for the company to be able to claim the input credit on purchases.

“We will therefore not deal with any suppliers who are not registered.”

The Co-ordinating Committee on VAT has made an urgent call to the Government to amend the VAT Act to avoid prejudice to smaller entrepreneurs.

A recent VATwatch statement expressing concern about the impact of VAT on small business was echoed by Free Market Foundation executive director Leon Louw, who said the compliance requirements of VAT were so costly and complex it would be disastrous for most small, informal and emerging enterprises.

Small Business Development Corporation (SBDC) MD Dr Ben Vosloo said the organisation was especially concerned about the effect VAT would have on businesses below the VAT threshold who supplied services and goods to bigger businesses.

“To be competitive they will have to register and be forced to keep extensive records and administrative systems. These requirements will place an added burden on particularly the semi-formal enterprise sector,” Dr Vosloo said.

“However,” said Dr Vosloo, “the SBDC also believes that VAT holds some benefits for the more formal small and medium enterprise (SME) sectors as far as avoidance of double taxation and improved accounting disciplines are concerned.”

The organisation has invited SMES to make use of its national rebate scheme where professional advice and assistance could be obtained.

So concerned is the National Industrial Chamber (NJC) that it has written to the State President for help.

NIC executive member Ian Hetherington said corporate customers could not reclaim VAT on supplies from the non-registered, emerging entrepreneur — although these entrepreneurs had to pay VAT on their inputs.

“Naturally businesses will want an invoice for input credit purposes. But to give an invoice, the small supplier must register and comply with the regulations,” he said.

Among others, they will have to keep the invoices for a minimum of five years and have a part-time book-keeper,” Mr Hetherington said. The cost of this was estimated at at least R5 000 extra a year.

“We are talking about the home dressmaker, the catering woman, supplying executive lunches, the back-yard welder making gates for factories.”
VAT 'destroys informal sector'

IT appears as if the "establishment" wants to destroy the growing informal sector through measures such as value-added tax, says businessman Dr Jan S Marais.

In a statement yesterday, Dr Marais said it was strange that in the "VAT war" no mention of note had been made regarding the practical accounting requirements of applying the tax.

"Have our brilliant planners, in their great wisdom, made sure that we have a sufficient number of accountants, bookkeepers and experienced clerks to apply VAT efficiently in the thousands and thousands of businesses having no real accounting systems?" he asked.

Dr Marais charged that while VAT might be scientific and fair in a sophisticated economy such as in Switzerland or Germany, it was "simply not practical" in South Africa at the present stage of development.

He further stressed what was needed were more people with jobs - and these with jobs working harder and more efficiently.

"Our millions who will never read or write must be harnessed to do the many things they can do without being able to read or write," Dr Marais said. - Sapa
come under focus

Small Businesses

BY JOSHUA RICE

THE FOURTH ANNUAL

SBCDC City Wide Expo

Sponsor

SBCDC City Wide Expo

AIM

ECONOMIC DEVELOPMENT

More than 200 area businesses are expected to attend the City Wide Expo, which will be held October 29 at the Richmond Convention Center.

According to the SBCDC, the expo will feature a wide range of resources and services for small businesses, including workshops on marketing, finance, and technology.

The expo will also feature a keynote address by a nationally recognized business leader.

The SBCDC is a non-profit organization that provides resources and support to small businesses in the area.

For more information on the City Wide Expo, please visit the SBCDC website at www.sbcdc.org.
Catching small fish

More formal sector businesses are linking up with the informal sector, to the advantage of both sectors

LYNDA LOXTON reports on their creative efforts

"There is an old Chinese proverb that says: Give someone a fish, and you feed him for a day. Teach him how to fish, and you feed him for life."

James Thomas, MD, Triple Trust Organisation

"I think what is happening within the larger business world is that we need to think in a different way. We need to diversify our markets and think about how we can make a living out of catching fish. You need the fishing rod and you need to know how to use it. If you want to sell your fish, you need to have something to catch."

P. Brian Thomas, businessman

"We've had a lot of success with our own business and now we're looking to support other small businesses. We believe in giving them the tools they need to succeed."

Cheryl Adams, CEO, Small Business Development Corporation
FRUITS OF LABOUR: Charmaine White at her Mitchells Plain street stall

Knitting for success

WE CAN NOW earn the money we need and I am not afraid to work hard.”

A typical statement by one of the 10 women who recently underwent an eight-week Triple Trust training course at the Small Business Development Corporation’s centre in Mitchells Plain.

Supervising them was Maud du Plessis, who was appointed knitting instructor in November last year, when the trust’s machine-knitting project got off the ground with two applicants. Now there is a waiting list for upcoming courses.

During the course, trainees are provided with R4 pocket money a day. For the last four weeks of the course they pay rent of R2 a day for their machines and are lent 15 cones of wool.

When SOUTH visited the project, most of the trainees were middle-aged housewives who had always wanted some skill that would enable them to supplement the family income. Above all, they seemed excited about the prospect of doing productive work again.

The “baby” of the group was 19-year-old Wilhelmina Sheldon, a matriculant who had found it difficult to get either a job or a bursary to go to college.

Jeanne Cook from Triple Trust, who liaises with Maud to ensure that all is running smoothly with the courses, said that one of the major obstacles was persuading trainees that they should, and could, work for themselves once they had finished the course.
Shopkeepers stock up

SMALL shopkeepers have stocked up ahead of VAT's introduction, says Neil Ross, senior consultant at Perry & Associates.

These shopkeepers are GST registered and have bought stock to take advantage of their exemption certificates.

August and September will thus have been boom months for wholesalers and October will be quiet.

Mr Ross says blacks buy large quantities of groceries for the informal trading sector. Traders have bridged the distribution gap and managed to get goods to the people where they live or work.

The sector is driven by need and convenience. Many consumers buy from informal outlets in spite of high mark-ups because they cannot easily shop regularly elsewhere.

Informal shopkeepers also make their wholesale purchases on the basis of convenience — where they are made to feel welcome and their needs are met. Wholesalers have positioned themselves for this.

However, if it is more convenient, informal operators buy stock at retail outlets and this could change the retail-wholesale split of business.
What's in store for the small business

This year's national small business week will take place from September 28 to October 5 and will include a panel discussion on VAT.

The Cape Town Chamber of Commerce will host the discussion entitled VAT and the Small Business as part of its contribution to the week's programme.

The programme will focus on the expected problems and remedies that small businesses might have in adapting to VAT.

The panel discussion will be led by Mr Bob Wood, Chairman of Saco's Taxation Committee and past president of Assocom.

Others on the panel will be Mr Deo Kruger, a director of Deloitte Haskins & Sells and adviser on GST and VAT to the Margo Commission; Mr Clive Robson, assistant director of the Department of Inland Revenue; Mr David Clegg, chairman of the chamber's taxation committee and a tax specialist with Ernst & Young; and Mr Graham Cochrane, tax specialist with Price Waterhouse.

The discussion will be held on Wednesday October 2 and will cost R80 for members and R95 for non-members.

For information ☎️ 021-23 2223

(Leigh James)
goods - hawkers

IFP men looted

Sequoiad Corporation
Hawkers accuse Inkatha of looting

By Noalshiwa Masuku

Hawkers near the Johannesburg station yesterday alleged that they lost thousands of rands worth of goods when Inkatha supporters looted their stalls at the weekend.

The hawkers made the claims at a press conference at the Johannesburg Anglican Cathedral, in the company of attorneys and representatives from Peace Action and Black Sash.

They said that on Saturday morning hundreds of men, carrying weapons and wearing Inkatha T-shirts, helped themselves to goods from stalls in Noord Street and along Hoek and Vos Brand streets.

"Nobody said anything to them because we were all scared," said a spokesman for the hawkers.

Responding to the allegations, Inkatha spokesman Themba Khosa said: "We are appalled. We understand there are people who are trying to make a living out of selling and we support the system of free enterprise."

People who have complaints should either go to the police for investigation or report to our office on the 4th floor of Samton Building, 63 Commissioner Street, or write to PO Box 51447, Marshalltown 2107."
Going ahead with style

By ALI MPHAKI

If you are on the Reef and are planning to have a hairdo, don't be surprised to find most hair salons closed on Monday and Tuesday.

It's not a stayaway or anything like that, it is simply that the growing Afro Hairdressing and Beauty Association of Southern Africa is holding its third annual general meeting.

While the venue for the two-day AGM is the auspicious Johannesburg Sun, this should not in any way suggest all has been smooth sailing for Abhassa.

It's no secret that, after tax, the hair industry has become the second most popular means of business in the townships.

As a result, a lot of fly-by-nighters have emerged over the years and others, who thought that the industry was one of those 'get-rich-quick' schemes, simply fell by the wayside.

And adding insult to injury, 'hair' product manufacturers are mostly in search of a quick buck —

Mr Xolani Qubeka ... executive chairman of Abhassa.

Hongwane, Alex Molokoane, Stan "Dr Fingerups" Mkhabela and Sonto Khoba to press on.

"Our concern was that the black hair industry had grown in volume but diminished in value," Xolani said.

To this end, Abhassa can put itself on the back for being the first South African black hairdressing association to be openly concerned about the standard and quality of hairdressing and customer satisfaction.

The association is also catering for the backyard salons around the townships and has designed a home salon unit which is available to push-up members only.

Full details about this unit will be announced at the AGM.

Speakers at the conference will include Mr Douglas Rubukwa, president of Zimbabwe Hairdressing Association, Mr Dennis Zimu, from the Development Bank Entrepreneurial Skills division and Mr Kehla Mhembu of Afsure.

Abhassa is an affiliate of Fabcos and has 12 regions nationally. Its executive committee is composed of chairmen from all the regions. It is headed by Mr Reggie Hongwane, who is president.
SOWETAN BUSINESS

Seboke's vision stretches ahead

By Joshua Raboroko

The innovative managing director of the first black hair products manufacturing company, Medicos Products of South Africa, Mr Lucas Manyane Seboke (43), has a great vision to advance an industry often neglected by township entrepreneurs.

He is branching out and his new product - BMW Airfreshener - will breathe new life into your car and home and eliminate all musky smells and tobacco smoke - a major breakthrough for this enterprising black businessman.

Lucas ventured into the black hair product manufacturing industry when he realized that most black business people produced almost the same type of goods and had, therefore, to compete in the same limited market.

Added to that was the major threat of having to share the market with big manufacturers who enjoy the advantages of large-scale manufacturing processes.

Haircare

Medicos Products SA manufactures a variety of professional hair care products which are sold in most stores and salons in the PWV area and the Transvaal. The firm is situated in the Orlando West Industrial Park in Soweto.

Seboke became interested in the haircare industry - estimated to be growing into a R400 million giant - after he saw more and more products entering the market places.

"We have seen an industry emerging from the ghettos of Johannesburg, providing employment for thousands of blacks.

We have also witnessed with pride as all the communities of South Africa, irrespective of race or colour, enter the market as hairdressers."

Lucas, known as Rapeshi (pipesmoker) in business circles, has now turned his attention towards manufacturing new products.

Research

Early this year he started manufacturing the BMW airfreshener. He also hopes to produce other products, like cleaning shampoos.

Born in Newclare, Johannesburg, and matriculated at Meadowlands High School, he, like many black youths, was forced to leave school at an early age because his parents could not afford to pay for his education.

"I never had any ambition at school because blacks are normally not motivated at school. I just went to school to be there."

Lucas worked for IBM as equal-opportunity manager, which included "affirmative action" programmes for all race groups, from 1985 to 1988.

During this time he also served on various organisations, including the Black Management Forum, various chambers of commerce and the Sullivan Signatory Association.

He has travelled overseas, where he presented a research document based on the impact of disinvestment on the black eco-

ING PHASE INDEED FOR MANY INDIVIDUALS AND CORPORATIONS.

Lucas started the business with two partners; however, they have since fallen away and he continues alone. He has 21 employees and believes that his staff must be trained and educated so that they can produce good products.

His future plans are to conduct research with a view to opening other companies in which he will sell shares.

* This article qualifies Seboke for the Sowetan/Sanlam Entrepreneurs of the Year Competition.

Photo: Lucas Seboke
ACHIB Marketing, established last year as a division of the African Council for Hawkers and Informal Business (Achib), had helped boost the council’s turnover to more than R1m a month, MD Gerhard Visser said yesterday.

This is a 200% increase, Visser said that since June the company had raised about R250,000 in a capital expansion programme which involved selling shares to the private sector.

The 40,000-member Achib, which set itself the task of opening up new markets in black areas for the private sector, had built five storage houses since May, where goods could find easy passage to the informal sector, he added.

"Among companies with which we have signed agreements are Port Elizabeth-based Maritma Salt, Superwax of Indurstria, Tongaat Foods and Barcap — Barlow Rand’s electrical appliances division.

"Other firms have made commitments to pump money into the programme, and this should see us reaching R1m," Visser said.

In a programme with four Darban-based textile companies and one from Cape Town, Achib Marketing has raised about R200,000 towards opening a textile warehouse.

Visser said "Here again we can mention companies like Tongaat Textiles, Butterick (SA), BMD Knitting Mills and Singer sewing machines.

"Under the agreements, the companies are to supply goods to the warehouse which will be a hive of activity, including haberdashery, dressmaking and tailoring."

With training programmes from marketing to dressmaking and promotion of the entrepreneurs’ services available from a central site, the companies were set up to open more markets than was previously possible, Visser said.
Rumpus over stokvel product

THE Standard Bank has launched a new "stokvel product", branded Standard Bank Society Scheme, amid protest from the informal sector.

The scheme is a culmination of extensive consultation and discussions with individual stokvels, burial societies and related bodies, according to the bank sources.

This investment package will cater for the varied financial needs of all stokvels, savings clubs and burial societies.

The basic element of the package is a unique savings account. A fixed deposit option is also available.

The divisional general manager of personal banking and marketing services, Mr John Holloway, says "The bank believes that the launch of the scheme is a major step into a largely unexplored market, but one which is considered to have exciting potential to narrow the gap between the informal and formal financial sectors."

It is intended to safeguard society members' funds, with two cosignatories operating the account, allowing administrators to match the use of the product to their members' cashflow.

The stokvel movement in South Africa has been widely publicised by Mr Andile Lukhente, president of the National Stokvels Association of South Africa.

**Loans**

Lukhente said while the Standard Bank Scheme should be welcomed, there were serious reservations about the involvement of the financial institution in stokvels which were traditionally black.

"It is surprising that banks are reluctant to give blacks loans, especially to build homes. There is an acute shortage in South Africa - yet thousands of them deposit their savings with the banks," he said.

"The stokvel movement should glutate from savings scheme to become investors. We must get out of the nursery and work hard."

The executive director of Nasasa, Mr Sam Mouffe, "representing hundreds of burial societies, women's clubs and lodgetoons, said the product was a marketing strategy to have a stake in the movements. The scheme was not unique."

"This is a clear infiltration into the 'societies' clubs because they will want to keep the business in the banks."

"I am sure we will see new products coming in, all purporting to be working in the interest of clubs," he said.

"I think financial institutions must understand that they will not be given the latitude to reap profits at the expense of the ignorance of societies/clubs. They use our clubs' savings to develop white business and invest in white areas instead of the other way round, yet they subject us to red tape in granting loans."

The unique Standard Bank product will include:

- Societies be granted business loans,
- Financial institutions invest in training and educating societies/clubs on money, management, bookkeeping and banking.
- Their employment codes should be revised and societies/clubs members be given employment to enable them to understand banking and,
- They should invest directly in the development of townships and rural areas where societies have been impoverished."
The Tembisa Rural Association of Black Industrialists called for a meeting to discuss the problems facing the township yesterday. An association was formed to involve the Tembisa area, according to the representative of the Tembisa Industrial Park. The meeting was attended by representatives from the Eastern Cape Chamber of Commerce and the Eastern Cape Network. According to the representative, the association believes the association will help address the needs of the community. The meeting was attended by representatives from the Tembisa Industrial Park. The meeting was attended by representatives from the Eastern Cape Chamber of Commerce and the Eastern Cape Network. According to the representative, the association believes the association will help address the needs of the community. The meeting was attended by representatives from the Tembisa Industrial Park. The meeting was attended by representatives from the Eastern Cape Chamber of Commerce and the Eastern Cape Network. According to the representative, the association believes the association will help address the needs of the community.
Not quite a bed of roses in the flower industry

SEVERAL times a week flower hawker Ephraim Diomo, who sells his blooms to motorists at a busy downtown intersection, gives dealers in Multiflora auction hall at City Deep, Johannesurg.

Along with his helper Mhlabu Nkobele, Diomo competes with wholesalers, florists and other street-sellers, taking his chances in downward bidding, hitting his buzzer when the price reaches the right level.

These are tense moments. The buyers wait, watching the price come down, hoping that they, and not some other nervous, trigger-happy merchant, will be the ones to stop the clock.

"The Multiflora market, going since 1945, is the only official flower market in the country. It is run by a board of directors, who are also all flower growers, prompting criticism from some industry players. Interflora president Jerome Ball said SA's flower marketing, partly based on the Dutch system, was monopolistic.

Florists were forced to buy whatever they could and could not benefit from lower prices which would be the case if there were two flower markets, as is the case in the Netherlands."

Ball said many growers were bypassing Multiflora and selling directly to florists.

"Most of SA's flowers are grown in the PWV area, Roodepoort and Krugersdorp being the most important areas. Other areas are around Brits, Rustenburg, Hartbeespoort, Belfast, Nelsprut and the northern Transvaal."

"The rest are grown mostly in the Cape and Natal."

Flowers are generally grown in greenhouses on massive flower farms although veld flowers, such as proteas and Cape fynbos, make up a large part of the market.

Of the 80% of commercial flowers grown in the PWV area, 75% are sold through the market, said Multiflora MD Neels Botha.

"Nearly 90% of the flowers on auction daily were sold and the rest destroyed."

Multiflora's turnover was seasonal, with sales of R100m a year, Botha said.

"The organization had seen 20% growth a year over the past three years although political and economic difficulties would bring that figure down to 17% this year."

"Total annual turnover for SA's flower industry is estimated by growers to be about R120m."

This figure is boosted to R140m once retailing is taken into account. Rolf Flowers owner Rolf Julech, also a Multiflora board member, said the market was a free enterprise success story.

"Like the JSE, demand and supply regulated price, he said.

The recent Secretaries' Day and the beginning of spring boosted prices to unprecedented levels, said Flowerie buyer Ken McNamara.

"People will pay almost any price to get what they want."

"Market prices were not stable for various reasons, one of which was the market's accessibility to the public, he said."

"People came to auctions to buy flowers for dinner parties and would bid for what they wanted when the price reached the levels charged by wholesalers."

"The trend among some growers to bypass Multiflora is more evident in the Cape, where various growers sell direct to wholesalers or to retailers."

"Kenly Flowers, one of the larger grower-wholesalers in the Cape, operates almost as a market on its own because of the volume it buys from other growers, owner John du Preez said."

"Oak Valley, one of Kenly's suppliers, also markets its flowers directly to its western Cape customers, which include Woolworths. The value of the Woolworths account is about R50 000 a month."

"Exchange"

SA flower exports are still small compared with world leaders such as Holland, Colombia and Kenya. In 1990, export revenue was R82,63m compared with R22,52m previously.

This includes revenue from bulbs, roots, live trees, plants and foliage, as well as cut flowers.

Colombia earns R700m a year in foreign exchange, making floriculture its third most important agricultural industry after coffee and bananas.

"The potential for SA flower exports is hampered by the Lome Agreement and new growers in the Pacific rim countries, where air freight rates to Europe are far more competitive, Du Preez said."

"Demand for proteas has also dropped off."

"The national flower still has a specialty value but a 20-year exposure to world markets had seen the end of its rich pickings."

SA also imports flowers, mainly roses, from Zimbabwe and Zambia, and anthuriums from Mauritius if there is a shortfall locally.

"Meanwhile, Ephraim Diomo has hit the road, hoping to sell his stock, if business is good, in two days "Best quality, best price. People always buy flowers," he says."
VAT ‘could harm small businesses’

SMALL business could be devastated by the implementation of VAT, Free Market Foundation executive director Leon Louw said yesterday.

Speaking at a tax conference in Johannesburg, Louw said if government allowed small business to supply imputed input credits to bigger business it would solve the problem. But if not, small suppliers would lose their businesses.

Companies with turnovers of less than R150 000 a year do not qualify as VAT vendors, therefore firms supplied by them would be terminated, said Sacoob chief economist Ben van Rensburg.

Anglo American group tax consultant Marcus van Blerk said “VAT is not going to produce small businesses and will, in fact, benefit them because they will not have to bear indirect tax in the future.”

The number of suppliers who have less turnover than R150 000 is very small,” he added. That small business could easily apply for registration.

Van Rensburg disagreed saying the registration forms were very difficult to complete and were beyond the capability of small businesses.

But he said he was not sure whether small business would be disadvantaged to the extent believed because most of them were consumer-oriented.

Those dealing with other businesses would suffer, he added.

University of Western Cape economics professor Lieb Loots said small businesses were vociferous about how they would be disadvantaged by VAT.

The solution was fairly simple, he said. Imputed input credits would level the playing fields.

Speakers at the conference complained about the way government had handled the implementation of VAT and the uncertainty it had created.

Van Blerk said it did not make sense to drop VAT to 10% and forge the planned reduction in corporate tax rates when most of the opposition to VAT tended to focus on its effect on basic foodstuffs.

Government rather should have followed the fairly widespread practice in other countries of imposing a standard rate of about 15%, and subject a reasonably wide range of basic foodstuffs to VAT at a special low rate of about 5%.

“There is every likelihood that this is a system that will generate VAT revenues at least 40% higher than our current system,” he said.

Meanwhile, LINDA ENSOR reports from Cape Town that the Cape Town Chamber of Commerce has written to Finance Minister Barend Du Plessis, has pleaded for urgent action to remove VAT from a range of basic foodstuffs, to increase the amount allocated for the relief of the poor and for a special aid programme.

And in a statement it opposed the postponement of VAT as proposed by the ANC and Cosatu, saying that the costs of doing so would be considerable.

In the letter to Du Plessis, chamber vice-chairman Herbert Hurisch criticised some of the provisions of VAT and the manner of implementation which he said were unhelpful in this time of “difficult transition”.

He said the “almost meaningless” provision of R220m for the relief of the poor must be increased by at least five times and that an efficient and fair special aid programme must be in place and functioning by the time VAT is introduced.

SAB sends mission to overseas banks

TOP SA Breweries (SAB) executives are leaving for Europe later this week on a financial public relations visit.

Group financial director Selwyn MacFarlane said the SAB delegation, headed by executive chairman Meyer Kahn, would visit major banks in an attempt “to re-open critical contacts with the German and Austrian business communities.”

The delegation which also includes MacFarlane and group financial manager Ian Somerville, will be giving major presentations in Berlin, Frankfurt, Munich and Vienna.

MacFarlane said the visit was aimed at Australia ‘first level’

CANBERRA — Australia is set to the first level of sanctions against a spokesman for Foreign Minster Gareth Evans said yesterday.

Australia would support the vote at the Commonwealth Head of Government meeting next month in Harare, he said.

Australia includes in the phrase cultural and scientific changes, direct air links and restrictions.

“The idea would be to lift the phase at the Harare meeting...”
Trade mission to East

ABOUT 65 business people from South Africa will travel on an "observation mission" to the Far East from October 2 to 17.

The mission is arranged under the auspices of the South African Business Interest Group (Sabig), a non-profit business organisation formed to expose small businesses to worldwide management and operational methods.

The president of Sabig, Mr Lucas Seboe, said the primary objective of the mission was to assist small businesses in establishing international business contacts for future networking, communications and technological co-operations.

"The missions is open to all South African business people who are eager to broaden their business scope. "If they are made to see the invisible now, they will be able to do the unthinkable in the future."' - Happy

He said Sabig was happy to announce that the mission programme was firmly in place and structured to meet the entrepreneurial requirements of the country's business sector and budding industrialists who, "we believe, are ready and willing to accept the many opportunities and challenges of taking part in the economic restructuring of southern Africa."

According to Seboe, who was part of the team which undertook the pre-mission visit to the Far East, "Our findings have proved that not only will we be exposed to the varied and diverse business and industrial practices, but also talk to those who are willing to know about the living conditions, business and investment opportunities in the region."

Some of the highlights of the mission will include participation in the International Electronics Fair at the World Trade Centre, Taipei, Republic of China, attending the 80th National Day Celebration as guests of the Chinese Ministry of Foreign Affairs; and meeting with machinery and plant manufacturers in Japan Information Exchange Forum.

Inquiries about the mission should be directed to any of the following parties.

Mr Willie Ramoshaba (011) 886-8002; Mr Lucas Seboe (011) 936-1134 or Mr Macdonald Temane (011) 835-2761
Stals warns rates will not fall soon

CAPE TOWN — Reserve Bank Governor Chris Stals has renewed his warning that interest rates are unlikely to decline again until the end of this year — at the earliest.

Addressing an economics seminar at Stellenbosch University’s Business School on Friday, Stals said while the central bank had met most of its intermediate monetary objectives, the level of inflation did not yet justify further relaxation of monetary policy as a means of kick-starting the economy.

He noted that the recession, which was entering its 29th month, had already lasted far longer than previous downturns, which had averaged 17 months, but added that the only real basis for lower interest rates was lower inflation.

Inflation’s downward trend was disrupted by the Gulf war but recent signs indicated the trend might resume.

However, Old Mutual economists warn in their latest economic report that inflation remains one of the major structural problems in the economy.

The year-on-year inflation rate remained close to 15% — having peaked at 15.7% in June 1989 — in spite of a two-year recession, a mild weakening of the rand against other currencies and administered price increases below the prevailing inflation rate, Old Mutual economist Dave Mehr said.

“This shows the extent to which inflation has become embedded in the system,” he added.

Stals was adamant that “for the rest of 1991 at least”, the Reserve Bank would continue to resist the pressure for a reduction in interest rates.

He warned further relaxation in monetary policy would serve as a short-term stimulant but could harm prospects for longer-term economic growth.

It would be better if the stimulus for growth came from other sources such as an inflow of long-term foreign investment or a surge in exports.

“We have learned from past experience that economic upswings triggered by large increases in domestic expenditure lead to an early balance of payments problem, and, unless we have ample foreign reserves at our disposal, force restrictive monetary and fiscal policies before the upswing has gained much momentum.”
Bricks put 'The Spear' back on winning team

By Lilama Lule

FROM scoring goals to making bricks — that is the story of former soccer star Colbert "The Spear" Sobopho, now turned brickmaker as a result of blindness.

Once a dazzling midfielder for both Orlando Pirates and Moroka Swallows, he was the darling of football fans.

Those were the glamorous champagne days before December 1976, when fate dealt Sobopho a cruel blow.

"But I will never give up in life. Life must go on," says the former maestro, who works in a brick-making plant in Orlando East, Soweto.

The project is one of many administered by the National Organisation for the Blind in Southern Africa (Nobsa).

Oozing confidence and optimism, "Spear", 35, this week relived events of that fateful Sunday afternoon — the details of which will no doubt linger vividly in his mind for the rest of his life.

He had been to a Ma- nistry Cup Final match between Kaizer Chiefs and Wits University.

Accosted

"I had just got out of a taxi behind the Talenha la bottleshop in White City Jabula and was on my way home when I was accosted by three muggers. We had a brief exchange of words and before I knew it, one of them had produced a knife."

"I was stabbed in the eyes, and while I lay bleeding and groaning my attackers ran away. I don't know what happened next, and when I came round I was in hospital," he said.

That incident marked the beginning of a life in the dark for "Spear". He spent the next four months in hospital.

"When I was discharged I was frustrated. The mother of my child left me and life became hopeless," he said.

"Spear" is the father of 14-year-old Simphiwe who is in Std 6 at Morris Isaacson High in Soweto.

When Sobopho's common-law wife left him, he was referred to the Transvaal Association for Blind Black Adults by social workers.

He says the association restored his confidence in life.

"Through their skill programmes I came to regard obstacles as challenges. Basically it depends on the individual, and for me it was a matter of choosing between rot ting at home or doing something worthwhile about my life," he said.

Early in 1988 he underwent a training course in brickmaking, and the following year he joined the Nobsa brick manufacturing project in Orlando East where he works as a mashing machine feeder.

"I enjoy working here and serving the community. Gone are the days when I used to kick in the sun like a lizard. Now I earn a living to support my family," he said proudly.

Sobopho lives with his son, his mother and younger sister. He still enjoys going to soccer matches, especially the big games.

He enjoys the atmosphere in spite of his handicap.

"There is still a lot that our local players need to do in order to match their overseas counterparts," he said.

There is definitely a lot of polishing up they have to do in order to reach the standard of players like Jomo Sono, Azay Ngobeni and Andries Makhaya," he said.

Fast workers

Production manager at the brick project, Moses Moleleki, said there were 15 workers involved in the project and they produced 1 000 hollow blocks a day.

"We have manpower that could produce twice our current daily production but because of lack of facilities, we can only manage 1 000."
75% of jobs from small firms

PORT ELIZABETH — The small business sector generated 75% of new jobs in SA, said Port Elizabeth Small Business Development Corporation manager George Marriner in a statement yesterday.

As more than 85% of all business enterprises in SA could be considered small, with total assets of about R2m, this was not surprising, he said.

"Forty percent of overall economic activity in SA can be accredited to small-scale enterprises in both the formal and informal sectors," he said.

"Small businesses are a low-cost means of providing employment and are an efficient way to utilise resources in the economy," he said.

Venter and union agree strikes are 'undesirable'

THE National Education Health and Allied Workers' Union (Nehawu) said yesterday it had held "positive talks" with Health Minister Nita Venter over a number of health issues, among them the lack of proper compensation for the sector.

Nehawu national organiser Monde Mutsuwa said the parties met yesterday to discuss a number of issues, including the question of disciplinary action taken by the SA Nursing Council after the May 1999 nurses' strike.

"The issue is still hanging over the nurses' heads," he said.

Disciplinary action by the Nursing Council would hamper the relationship between the authorities and the union and the rendering of services.

Mutsuwa said the parties agreed strikes in the health sector were not desirable. Nehawu gave assurances it was in no way compromising services, but said legitimate grievances gave rise to the 1999 strike.

These had not yet been resolved.

The parties are expected to issue a joint statement next week.
Indipe condemns blacks to penury

By NTATHO MOTLANA, founder and chairman of the Get Ahead Foundation. Dr Motlana joined the board of Adcock Ingram recently.

I BELIEVE that in the new South Africa our townships people will realise that we must use our hands — to create wealth.

It has often been considered offensive to use one's hands.

Now it is more acceptable because there are so many people (including our returning exiles) who are unemployed, or unemployable in other jobs.

We cannot hope to live on welfare. Eastern Europe has lived off its capital — which eroded its assets — and is now virtually bankrupt. We cannot afford to go this route.

I recently returned from a trip with Nelson Mandela. One country we visited was Cuba where we noticed that the economy was at a low ebb. The Cubans blame it on America's economic blockade.

The US may contest this. But as we walked around Cuba, we noticed the very old cars. A trader cannot simply set up a street corner. With Cuba's centrally managed economy, the bureaucrats would not allow it.

In SA, the expectations and aspirations of our people are being raised daily. Tragically, our people are even turning against cultural learning.

As part of the Soweto Civic Association, we urged the children to go back to school in 1986. However, there has been no effective teaching since then and there is even talk of lowering academic standards to ensure that children pass their examinations.

This is not acceptable — and indeed, if we are to boost our economy, we must make sure that we have a stable, educated society.

Our people are developing the indipe syndrome — the word 'indipe' is the Xhosa for 'give me' which signifies having a begging bowl in one's hand. Our people seem to have the attitude of holding out a begging bowl and believing that this will serve them for life. Making money is frowned on — and this means that people are getting away from the work ethic.

NTATHO MOTLANA: It's tragic, some of our people are even turning against learning for themselves and that much of what we do as the Get Ahead Foundation are doing is aimed at survival economics by getting the informal sector going.

An organisation such as Get Ahead Foundation can play an important role in stimulating the informal sector. We have so far created 12 000 jobs. We pioneered the stokvel lending programme where credit is granted to people who form themselves into groups (stokvels).

Our research has shown that one job is created for every R200 that Get Ahead lends.

Our people must realise that the flip side to political empowerment is economic empowerment.

I am reminded of the words of Pastoral Niebuhr who said that real power is economic power. Political power is born from it.

I was interested in the statement of a well-known person who said that nobody has thought of a better way of creating wealth than the free-market system. By learning to master this system, we shall save ourselves.

The speaker was Russia's Finance Minister, Mr Boris Fyodorov. This is what we are trying to achieve through Get Ahead Foundation.
Hawkers' council seeks loan guarantee schemes

THEO RAWANA

THE African Council for Hawkers and Informal Business (Achib) was talking to the Development Bank of Southern Africa (DBSA) about loan guarantee schemes for its 40,000 members, Achib president Lawrence Mavundla said yesterday.

"Our people mostly do not have access to finance and, to remedy the situation, we are engaged in discussions with the DBSA for it to step in. We should have positive results before the end of July," he said.

Mavundla said Achib felt that members should be schooled in business practices to make good use of such aid programmes. "To this end we have training programmes through which hawkers and 'spaza shop' owners are being put and taught the basics of running a business," he said.

Twenty-nine former Sebokeng hawkers who had become shop-owners were proof of his organisation's commitment to develop businessmen to the point where they could enter the big league, Mavundla said.
By AUDREY D'ANGELO
Business Editor

SMALL businesses and self-employed people are being forced into liquidation by the "double whammy" of falling demand and higher costs, which include high interest rates, the Cape Chamber of Industries (CCI) reports.

Bankorp senior economist Emile van Zyl says in his weekly report on economic indicators and financial markets that the recession is deepening, with the volume of manufacturing production down by 3.5% year on year in the first quarter and the number of liquidations in April the highest since mid-1990.

The SA Chamber of Business (Sacob) says in its manufacturing survey for May that "small firms with a limited working capital are suffering the most."

"This does not mean that large companies have escaped unscathed," says Sacob economist Keith Lockwood, "but smaller companies are often more vulnerable."

"Many of them suffer from the double impact of shrinking demand, as a result of the economic recession, and higher costs of production."

"The high costs of production tend to be a result of high finance costs and interest bills, excessive wage demands which do not match productivity and higher fixed costs per unit of output as a result of lower sales."

"Consequently, many small businesses in general and numerous self-employed sole proprietors are going into liquidation at the moment."

In spite of this, and a drop in manufacturing activity in May, Lockwood continues, "many industrialists are still cautiously optimistic about their sales performance over the next 12 months."

He says the survey showed "many industrialists intend to invest in new capacity over the next 12 months."

And he forecasts "a wide economic recovery will start in the first half of 1992 and gather further momentum in the next half of that year."

This, he says, will be helped by the need to replenish stocks and by a more accommodative monetary policy.

The CCI says its members are slightly more optimistic than those in the country as a whole.

Commenting on the Sacob survey, the CCI weekly bulletin reports "Responses by members of the CCI indicate a greater level of optimism, with the index for expected manufacturing sales for the next 12 months recording 116 compared with the national index at 114."

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Major boost for small businesses

By LESLEY LAMBERT

THE R75m allocated in the Budget to the Small Business Development Corporation (SBDC) would be invested in job creation programmes and projects to expand its activities. Trade and Industry Minister Org Marais said yesterday.

Speaking in the Supplementary Budget debate in Parliament, Marais said R50m of the R75m would be channelled into new small businesses and training schemes aimed at creating new jobs.

A further R20m would be invested in the development of pioneer projects and the remaining R5m would be spent on technological developments, said Marais.

Introducing the debate, Finance Minister Barend du Plessis announced that the R220m allocated in the Budget for special aid programmes would be included in the contingency reserve for 1991/92 until government had finalised the most effective means of managing the various programmes.

This would increase the contingency reserve to R1.4bn.

A supplementary amount of R1.2bn was voted, including R505m for social pensions, R160m for black education, R90m for housing infrastructure and R100m for development aid in the self-governing areas.

The House of Representatives was allocated an additional R150m and the House of Delegates an extra R76m.

Foreign Affairs Minister Pik Botha gave the assurance that additional funds appropriated to the TBVC states for social welfare services would not be spent on civil servants.
respect of the alienation. One does not need that link road for that commercial and industrial development.

The MINISTER OF HOUSING Mr Chairman, that road is a necessity. I want to compliment everybody, including the City Engineer's department, who assisted us in getting that road off the map. Other people struggled to do so for 10 years. A road will serve some people and not serve others. Those whom it does not serve must take it for granted that the road is being located in the right place. It is being located in the right place and I want hon members to go and have a look at it. The hon member for Cavendish, the hon member for Marana and other hon members from that area could guide them and show it to them.

We have subsidised housing in Loui Gardens. We are subsidising land development in Copesville. The people of Shillers were put there by the Department of Community Development.

The LEADER OF THE OFFICIAL OPPOSITION But who has a finger in that commercial development?

The CHAIRMAN OF THE HOUSE Order. Mr Chairman, the hon Minister may proceed.

The MINISTER Not yet. The hon the Leader of the Official Opposition must not judge everybody by his own standards.

The CHAIRMAN OF THE HOUSE Order. I am not going to permit a slanging match across the floor.

The LEADER OF THE OFFICIAL OPPOSITION This is a scandal.

The MINISTER What can be done? I will take the hon the leader of Shillers and show him what can be done. As far as I am concerned, I take full responsibility for that road.

The CHAIRMAN OF THE HOUSE Order. I regret that the time permitted for this interpellation has expired.

Debate concluded.

QUESTIONS

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<td>Certain persons: allocation of business sites</td>
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Mr M RAJAB They agreed.

The MINISTER They are waiting for those figures.

The MINISTER The Development and Services Board has agreed. I do not know why the hon the Leader of the Official Opposition is so negative. Why is he negative? Is it to benefit [Interruptions.]

The LEADER OF THE OFFICIAL OPPOSITION Because you've got a vested interest.

The MINISTER I do not! He failed and his failure is now evident.

The LEADER OF THE OFFICIAL OPPOSITION This is a scandal!

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Debate concluded.

N2 North/Quarry/Inanda Road intersection; traffic problems

Mr K PANDAY asked the Minister of Transport

Mr D K PADIACHEY Mr Chairman, further arising out of the hon the Minister's reply, will he also acknowledge that the tender system is not in the interests of the small businessman?

The MINISTER Mr Chairman, it is not a matter of what I think. That is the manner in which the State applies the rules, and one has to abide by that. However, as I have said, I am sympathetic to the representations that have been made by the hon member for Central Rand.

Mrs R EBRAHIM Mr Chairman, further arising out of the hon the Minister's reply, may I ask him how he intends handling the application of T N Day Care Centre for a crèche site in Lenasia?

The DEPUTY MINISTER OF HOUSING Mr Chairman, we are in touch with T N Day Care Centre, negotiations are taking place and we are expecting an amicable settlement in respect of the whole issue.

For written reply

General Affairs

(1) Whether traffic problems are being experienced at the intersection formed by the N2 North, Quarry Road and Inanda Road in Durban, if so,

(2) whether it is the intention to take steps to alleviate these problems, if not, why not, if so, (a) what steps and (b) when,

(3) whether he will make a statement on the matter?

The MINISTER OF TRANSPORT

(1) Yes

(2) Yes

(a) The possibility to provide left and right turn lanes, the widening of the ramps and the changing of traffic

HOUSE OF DELEGATES
Achab members stand beside the stalls given by Johannesburg City Council.

New day dawns for informal businesses in city centre

By JOSHDUB RABOROKO

THE informal business sector is being helped by the Johannesburg City Council to trade freely in the city centre.

The council has created an environment in which hundreds of hawksers can work harmoniously with the formal sector and operate in the city centre without lowering acceptable health standards.

The council has provided vegetable and fruit stalls for hawkers which can be folded away after hours. They are now able to store their goods in safe places and also keep the city clean.

By implementing the programme the council hopes to show the informal sector how important health and environment standards are to the city and community.

The council’s high regard for the role played by the informal sector in creating jobs and wealth for thousands of people, made it imperative to implement the programme.

The public relations officer of the African Council of Hawkers and Informal Business, Mr David Molontoa, said for many years black informal businessmen and women - notably hawkers - suffered persecution and harassment.

‘’Apartheid laws permeated even to this level. Deprived of the legal rights to earn a living, they were hounded, their goods confiscated and destroyed and heavy fines imposed on people found guilty of trying to feed themselves and their families.

In silent rebellion, their only form of defence was an unconquerable and stubborn resilience, they persevered and finally won. Their final victory being mainly on the financial front.

The environment created by the council will enable the hawkers to trade freely in the city centre.

Molontoa said he was impressed that the authorities had finally realised the importance of the informal business.
Nutritious beer has a history of protest

The traditions of 'pink gold' date back to 600 BC

Reports by Jabulani Shikshhabe

The consumption of sorghum beer both as a food and beverage dates back to the year 600 BC. Sorghum beer is a highly nutritious beverage which is rich in carbohydrates, vitamins and proteins and as a result it becomes a foodstuff consumed by pregnant and lactating women and young children.

It has the texture of a thin porridge, a light and pale brown colour - hence its description as 'pink gold'.

Sorghum beer is a 'live' product which is consumed in an activated fermenting state when three to four days old. This gives it shelf life about three days.

Sorghum beer is brewed mainly from sorghum malt and malts. As a local drink, it is prepared by womenfolk. Sorghum beer is enjoyed in groups and it is also used for traditional festivities.

As a crop, sorghum is particularly hardy, withstanding disease and drought - the two factors that have caused its survival in the harsh climate of this region.

It was towards the end of the last century, following urbanisation, that prohibition was passed which affected home-brewing and sorghum beer.

With increasing urbanisation, municipalities needed revenue for administration. The Durban Corporation was the first to brew and sell sorghum beer commercially in 1899. Pretoria derived from the brewing and sale of sorghum beer were to be used for the upliftment of the living standards of locals.

Within 25 years the Durban Corporation had raised enough money to build a brewery, a museum, a hall, and a couple of schools and hospitals.

Other municipalities were later to follow Durban's example, and the brewing and usage of sorghum beer was controlled nationally for the first time in 1933. Bottling of small amounts by private individuals for domestic consumption was allowed provided a permit was issued by the municipality. The exclusive right to brew sorghum beer was granted to municipal breweries.

It is interesting to note that when beerhall owners were first proposed, the experience was described as drinking a cage.

The emergence of beerhalls usurped the traditional domestic function of women to brew beer for their men and denied them the potential source of income from selling these traditional brews.

With the support of the African National Congress and the Industrial Commercial Union (ICU), women felt entitled to a successful boycott of beerhalls in Natal in 1959 and 1960.

The ANC leader in Natal, Chief Albert Luthuli, had this to say: 'The beerhall has become a symbol of legal robbery by women.'

Despite the opposition, socialists were realising massive profits from the brewing and sale of sorghum beer. This prompted the following comment from the Star: 'As far as beer is concerned, the promised legislation is a farce; the present law is far too weak to meet the demands of the administration."

The exclusivity of municipal rights to brew sorghum beer was reaffirmed in 1962 through the Sorghum Beer Act. Various municipalities started erecting their own breweries and by 1970 a total of 65 brewhouses were producing beer of which 17 were situated within a 100km radius of Johannesburg.

In the late 1970s the sorghum beer industry was rationalised and all municipal brewing was transferred to the Administration Board.

The rationalisation led to the improved quality of the product and a more realistic pricing policy was adopted. Sorghum beer was tentatively restored in some areas.

But during the 1970s rents and beerhalls and breweries owned by the Administration Board were attacked and destroyed. Some of the beerhalls have not been repaired.

Following the government's intention to privatise sorghum beer industry, the assets of the sorghum beer business were transferred in 1985 to private Administrators in July 1985.

Two years later the Industrial Development Corporation (IDC) was given the day-to-day management of the sorghum beer business. The IDC was also given responsibility of preparing the sorghum beer business for transfer to its shareholders.

Announcing the share issue last month, National Sorghum Breweries' executive chairman Mohole Malan and Black people have campaigned for more than 90 years for the expansion of the industry to its traditional supporters and I am pleased and extremely privileged to be the person to make this historic announcement.

Drink for most rites and rituals
Council to close hawker's market

By Louise Burgers
Municipal Reporter

The Johannesburg City Council has ordered about 50 hawkers in Claim Street, Hillbrow, to vacate their sites by the weekend.

Traders, Yasmin Osman and Ebrahim Bulbulia said council officials arrived on Saturday at the market and told them 'No Hawking signs would be put up tomorrow banning trading in Claim Street between Kaptein, Ockerse, Pretorius and Smit streets.

'The council has declared both sides of Claim Street a no-trading area. We will only be allowed to trade within the Windybrow Flea Market, but there is no room for us there. Where are we supposed to go?' M. Osman said.

'We all have vendors licences, we always clean up after ourselves and we are even prepared to pay for our sites."

Mr Bulbulia said they did not feel they were creating a nuisance or obstruction. The council had never issued them with warnings before.

'Only a month ago the council came round to check that we all had licences to trade."

A council spokesman said all trading on the Claim Street pavements was now illegal, as in terms of new council bylaws no hawkers were allowed to trade in a residential area.

Residents had objected to the traders and petitioned the council.

'We investigated and took a decision in terms of the bylaws,' the spokesman said.
Stokvel loans to house the poor

By TERRY BETTY

INDEPENDENT Development Trust (IDT) and UAL have devised a way to make it profitable for private enterprise to finance housing loans for the poor. About 60% of the black urban population has no access to formal credit.

Blacks may approach financial intermediaries — still to be appointed — for housing loans. The money will be lent at a fixed interest rate repayable over five years.

The loan will be secured by the "stokvel system" — individuals contribute to a group deposit. If one member defaults, all lose this deposit. The scheme relies on peer pressure.

IDT Finance Corporation chief executive Franz Pretorius says, "The groups will have to be educated in finance, the concept of homeownership, and monthly repayments." It will be up to the individuals to decide how to use the money. They could group together to buy building materials or property.

Secured

To finance the project the AECI Pension Fund, Syfrets Managed Assets, Southern Life Association, Old Mutual, Sanlam, Mine Ownable Pension Fund, Metropolitan Life and Fedlife have invested R130-million in the Collateralised Housing Investment Paper (CHIPS). They have committed R500-million.

The money is secured by the IDT's investment of R46-million in fixed-interest securities. CHIPS has market-related returns, adequate security and tradability.

Mr Pretorius stresses this is the first time institutional investors have voluntarily put up such large amounts for the direct benefit of the poor.

The plan will dovetail with a one-off subsidy from the IDT of R750-million. This gives legal tenure on 100,000 properties of R750 each to households with a monthly income below R1,000.
Vital decisions for small firms

Owners of small businesses must make several VAT-related decisions which could have a significant effect on their cash flows.

Businesses with an annual turnover of less than £150,000 have been exempted from registration as VAT vendors. The consequences are that VAT cannot be charged on supplies (outputs) made, and more significantly, input tax refunds will not be granted in respect of purchases (inputs).

Most businesses will however be eligible for voluntary registration and will have to decide whether the level of input tax paid on their purchases would justify charging VAT on supplies before applying for registration.

Although VAT paid on purchases can be recovered in the sale price of supplies, registration should be considered where most sales are to registered vendors. These vendors will want to claim, as an input tax refund, the VAT they have been charged.

Another decision facing the small business owner is whether to account for VAT on an invoice or payments basis. Taxable suppliers (excluding special or abnormal circumstances) must not exceed £1 million a year (excluding VAT) if an election is made to account on the payment basis.

Businesses that make supplies on a cash basis while paying for their purchases on credit (say, 90 days) are likely to select the invoice basis. This will entitle them to an immediate input tax refund despite only paying their creditors later.

On the other hand, businesses that pay cash for their purchases but are paid by their customers on terms, will probably elect the payments basis because they will be required to pay the VAT collected only when it is received from customers.

Accounting records must be adapted to facilitate preparation of the VAT return to Revenue. A VAT ledger account should be opened in the vendor's general ledger so that all output tax collected can be credited to this account and all input tax paid on purchases, imported goods and services, and capital equipment etc. can be charged to this account.

The balance on this account is either paid to or refunded by the Receiver. Businesses should maintain separate VAT ledger accounts for each two-month tax period, i.e., tax ledger accounts should be operated in a particular financial year.

Separate

It is recommended that vendors create a separate column in their purchases journal in which deductible input tax is recorded. The cash book should also have a separate VAT column for expenses not processed in the purchases journal.

No VAT input credit may be claimed if a vendor does not have a tax invoice. All vendors must adapt their sales invoices or print new invoices.

Registered vendors will be allowed to deduct VAT on capital equipment in businesses that have paid GST on consumables (including maintenance spares) to be used in the course of their enterprises. VAT may be claimed for consumption on an input tax credit when such consumables are used after September 39.

VAT

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VAT
FOREIGN tourists brought a record R2,47bn into South Africa last year - 16% more than in 1989, according to the SA Tourism Board's 1990 report.

Arrival figures from abroad totalled 1.02m - a 10.6% increase over the total number recorded the previous year.

Of these, 51.4% came from African countries and 48.6% from overseas, the Tourism Board (Satour) reports.

Europe continued to be the main source of tourists to SA last year, with the UK and Germany heading the list. Arrival figures from the US and Canada increased by 2.2% and 11.9%, respectively, while arrivals from Asia increased by 15.4%.

Johannesburg - Germany is the leading destination and country of origin for air cargo travelling into and out of SA, latest airline statistics show.

About 16% of all cargo flown out of SA is directed to Germany, carried by Lufthansa and SAA.

The no 2 destination is the UK with 10%.

More than 21% of all imports to SA are flown in by Lufthansa and SAA from Frankfurt.

The UK trails with only 14% of imports.

Satour notes that the wave of tourism was strongest in the first four months of the year but declined as sporadic internal unrest, coupled with the Gulf war, discouraged foreign travel.

Efforts by Satour, in conjunction with the Development Bank of Southern Africa, to devise a strategic framework for tourism in South and Southern Africa are expected to be finalised this year, the report states.

Several regional investigations into all aspects of travel in SA were launched last year and information has been collected from various related organisations.

Work has also started on reformulating and consolidating the present legislation relating to tourism.

London - Expectations of an early cut in UK base rates rose yesterday after April trade figures showed the current account deficit virtually unchanged at £339m against £336m.
Eskom to look at township firms

THE giant electricity utility, Eskom, is planning to economically empower the small black business in the townships in a move seen by many enterprises as "big brother helping small brother to grow".

Eskom's senior officer for Small Business Consultant, Mr Joe Nhlapo, said this week they would be offering a variety of services, including buying commodities from the black informal sector.

Looking

Eskom was looking at boilermakers, plumbers, upholsterers, clothing and other manufacturers, transportation (especially minibus taxi service), delivery services and other products that could be sold and identified by the company.

He said the company had already visited and arranged "business deals" with small entrepreneurs at SBDC's hives in the townships, but "we need more in an attempt to help the informal sector become formal."

He believed that by buying in bulk from the small business the company would economically be empowering them because "they will then have the incentive to produce more goods - leading to advancement."

The informal sector activity amounted to R16 billion or nearly eight percent of South Africa's gross domestic product (GNP) in 1989, according to a central Statistical Service (CSS) survey.

The survey is an important contribution in the debate on the size and importance of this sector of the black business.

Hawkers are the most active (32 percent of informal activity) followed by crafts (about 27,5 percent) and transport (18,8 percent).

Nhlapo said in order to maintain Eskom's power system, hundreds of different jobs were necessary.

Letters

These functions required the company's buyers to obtain various ranges of materials, commodities and services.

It was the company's philosophy to approach competitive market which would include the small entrepreneur who have been encouraged to write letters in this connection to: The Commercial Department, Policies and Practices Department, PO Box 1091, Johannesburg, 2000.

In the letters they should describe their business and how it operates.

By JOSHUA RABOROKO
'Rapid growth in unemployment'

By VERA VON LEBES

ABOUT 4.6-million people — more than 40% of SA's economically active population — were not employed in the formal sector, Finance Minister, said yesterday.

Addressing a Johannesburg seminar on wage restraint, Jacobs said there was no doubt that unemployment was increasing.

Another speaker, SA Clothing and Textile Workers' Union general secretary John Copelyn, said Cosatu estimated the formal sector was shedding jobs at the rate of 1,200 a day.

Jacobs said that growing unemployment was due to the "relatively poor performance" of the economy in recent years and to the fact that SA's economically active population was increasing at a rate of 2.6% per year.

The 4.6-million people were either unemployed, or worked in subsistence farming or in the informal sector.

Jacobs said SA, excluding the TBVC states, had an economically active population of 11.2-million.

Jacobs said no one was advocating a low-wage policy for the economy to encourage greater employment and growth.

But higher wages could be soundly based only if they were supported by higher productivity.

"The obsession with unilateralism" was being driven by "the need to lower costs and increase productivity for both capital and labour."

Copelyn argued that economic growth had to be tied to an increase in workers' real wages.

He said there was an urgent need to focus on the question of "social contracts".

At a national level, employers and organised labour needed to negotiate a set of values and policies to achieve economic growth and raise real wages.

He said there had to be a move away from present practices designed to stimulate the economy, including government's decentralisation policy, deregulation and "the obsession with unilateralism."

Also, the trade union movement needed to be included in planning the development of the economy.
FLEAMARKET CHARITY: Thousands of rands given by the Green Point fleamarket traders have been presented to various charities, including The Argus Food Campaign. Among those at the presentation were, from left, Lady Lovat de Villiers of the Arthritis Foundation, deputy mayor Mr Frank van der Velde, Mr Brian Purwitsky, chairman of the traders' association, Mrs Thora Bollman of the National Council for the Blind and Mr Mogamat Mathews, traders' association committee member.

Cape Town street trading sets deregulation pace

By STEFAANS BRÜMMER
Staff Reporter

CAPE TOWN deregulation in favour of the informal sector and street trading had led to "unique" achievements in South Africa, Cape Town Deputy Mayor Mr Frank van der Velde has said.

He was speaking at the presentation last night of contributions totaling R16 500 by the Green Point Fleamarket Trader's Association to more than 20 charities, including The Argus Food Campaign.

He said there had been a change in city council policy a few years ago when it was decided "to get rid of some of the myriad of regulations" controlling economic life.

"Some of the deregulation was to assist the informal sector. What was achieved, I believe, was unique in South Africa. It is no longer necessary to prohibit people to trade on the street," he said.

He said fears by established business that they would be affected by informal trading had been proved incorrect. "Business for formal traders has in fact increased."

A second indirect achievement had been the encouragement of tourism, he said, and he had been told that "for every tourist rand or dollar there is a multiplication of seven times the value in terms of job creation."

Mr Brian Purwitsky, chairman of the Green Point Fleamarket Trader's Association, said there had been a "handful" of traders on the Western Boulevard strip in Green Point in 1888.

As the economy deteriorated, they became more, and were eventually moved to their present site next to the Green Point Stadium. Council asked for tenders to run the area, on condition it was administered not for profit, for the "poor, underprivileged and needy", he said.
Entrepeneurs needed to solve jobless crisis

The world average of entrepreneurs in total labour force came out at between four and five million. Job opportunities offered by the formal business sector are able to cope with only 15% of every 1000 school leavers pouring into the labour market. That leaves 85% with no option but self-employment or the informal sector.

What worries Dr Yoroo is whether most of them have been prepared to cope with the reality. He says only radical changes in the entire education system can provide solutions.

"It should be tragic if we have to admit that billions of rand of taxpayers' money is spent on educational products which cannot be utilized by society. It would be equally tragic if the education system were not capable of delivering the set of skills for school-leavers that society needs."

Now studios estimate unemployment in South Africa at nearly 5 million. Michael Chester reports.

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Outsourcing schools and academic realities expect from the education system.

- Moves to make classroom curricula more relevant to the needs of society.
- Insist on taxpayers for more value for the money spent on education, to guard against wastage on a bloated education bureaucracy.
- Gear up the education curricula towards the stimulation of attitudes such as individualism.
Boost for Jo'burg's small businessmen

By Michael Chester

Small business has hoisted its standard on a R10 million new flagship of its own to stake a claim among the giants of the retail trade in Johannesburg's city centre.

The launch was conducted yesterday by tobacco magnate Dr Anton Rupert to mark the 10th anniversary year of the Small Business Development Corporation, which he founded and has headed as chairman.

Dr Rupert saw the occasion as a landmark in the development of bridges to give the informal sector a new image and bring budding entrepreneurs from a cross-section of black and white society into the economic mainstream.

SBDC managing director Dr Iren Vosloo said the venture marked the boldest attempt yet by micro-businesses to seek a foothold in the heart of Johannesburg, which had always been regarded as the preserve of Big Business.

Known as City Hive, it has been based at a three-storey complex cheek-by-jowl with the bustle of Eloff Street.

Dr Vosloo said the centre promised to provide entrepreneurs with their biggest challenge yet to prove themselves in the business world.

Huge market

It has been allocated one of the highest public profiles so far taken in a nationwide network of 35 industrial hives established by the SBDC in the past four years, whose combined sales are running at R600 million a year.

Terry McLaughlin, manager of SBDC finance and support services in the city, said the new hive provided business premises for between 200 and 250 budding entrepreneurs - making and selling items that ranged from Africana curios and furniture to high-fashion dresses and advanced auto electronic components.

The next phase would be the creation of a huge fruit and vegetable market.

"It means an entirely new dimension in one-stop consumer services," he said. "We're especially excited about the chance of becoming a new shopping magnet to commuters - particularly the 100,000 office workers within strolling distance who go browsing in their breaks."
Fabcos moves to banking, catering

By IAN SMITH

Fabcos, a non-profit organisation which has matured quickly into an umbrella body for 15 black business groups, has entered two more fast-growing sectors.

It has done a deal with Fedics, South Africa's largest catering services group, to develop food outlets in black areas and it has gone into a venture with Wesbank, to launch FutureBank, in November.

Fabcos, which claims to have 1.3-million members, will hold 60% of Fabfoods and Fedics, the rest.

Fabfoods will develop catering businesses by identifying entrepreneurs and informal operations which could benefit from training and support.

Reserve Bank approval for FutureBank was granted this week. It will be a deposit-taking and lending institution, says Fabcos public affairs director Mike Nel. (Details of FutureBank's funding and its operations will be released in November, he says.)

Fabcos has a 10% stake in Unibank, established last year from the restructuring of the Eastern Cape's BR Savings Bank. Major Fabcos affiliate Sabis has an R98-million trust fund held by Wesbank.

Hawkers

Fabfoods will capitalise on the heavy patronage of fast-food outlets by blacks and the trend for them to eat out.

Initially, the company will open fast-food outlets at service stations managed by Fabcos members.

The first will open in October in Daveyton Extension 6, near Johannesburg. The outlet will be trained and guided by Fabcos and Fedics' regional staff.

The project will be supervised by Fabfoods chairman Malelwa Masoyi and Fedics business development manager Helmut Schneider.

The company will extend its operations to other sectors, which could include taverns, stokvels and hawkers' sites.

There is big demand for better catering services among black communities, says Mr Schneider.

Fabfoods will help meet that demand by giving training in food handling and presentation and by supplying semi-prepared meals which hold only the finishing touches before being served.
Boost for Jo’burg’s small businessmen

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SBDC managing director Dr Ben Vesloo said the venture marked the boldest attempt yet by mini-businesses to seek a foothold in the heart of Johannesburg, which had always been regarded as the preserve of Big Business.

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“It means an entirely new dimension in one-stop consumer services,” he said. “We’re especially excited about the chance of becoming a new shopping magnet to commuters — particularly the 100 000 office workers within strolling distance who go browsing in their breaks.”

Dr Rupert told the annual meeting of the SBDC at City Hive last night that the mini-businesses created under the guidance and financial assurance of the corporation had already created as many as 300 000 new job opportunities.

He now recommends the launch of a special task force by the State and the private sector to aid programmes to alleviate the unemployment problem with more mini-business ventures.

Dr Vesloo said the corporation needed an injection of at least R750 million...
Sewing project keeps growing

A SEWING project that Minda Ngomana started to help a neighbour who had become an alcoholic because of family problems has grown bigger and helps many unemployed Soweto women.

Ngomana, with a Standard 5 education and years of experience in garment factories, now runs a full-time training centre at Kopanong in Daveyton, where she and three trainers are teaching women to sew to about 40 women.

She has also started a co-operative for those who have completed their training.

When the women - who come from as far away as Transkei, Natal and Lesotho - have completed their training, they go back to their areas and start co-operatives.

"After realising what was happening to my neighbour in 1985, I approached her and she agreed that we start the project," Ngomana said.

"Another woman, whose husband was unemployed and they had eight children, joined us and we each contributed R5 to buy material and other things we needed," she said.

In 1987, when she was working for the Foundation for Entrepreneurship as a sewing instructor, she met Shell's public affairs manager.

Impressed with her work, he advised Ngomana to start a full-time sewing project for women in Daveyton.

The company provided them with eight machines and material to start with.

But as the project grew and more women came in for training, there was no time for Ngomana to sew and sell. Neither was there money to pay all the instructors.

"I have also been in Israel where I was taught knitting so the women's project is also going to expand as soon as we get sufficient funding," she said.

Apart from providing the members with a forum to share ideas and discuss problems, the co-operative has adopted three orphaned children who are living with distant relatives.

They are educated, clothed and sometimes fed with money that comes from the co-operative's trust fund.

Members of the co-operative can borrow money from the fund and repay it on easy terms and without interest.

There are now plans by the independent committee that is in charge of the fund to buy machines for the members and allow them to pay for them on terms without interest.

"I have grown very close to the project and I love the people I work with.

"I realised that sitting in self-pity because one is uneducated, doesn't help. It is what you do with your hands that counts," she said.

Minda Ngomana now qualifies for the Eskom/Sowetan Woman of the Year competition.
Business ‘should buy from informal sector’

Businesses should complement schemes to develop entrepreneurs’ skills by serving as a market for informal sector products and services. JCI gold and uranium division chairman Kennedy Maxwell said last night.

Addressing the opening of the Matchmaker Services trade fair at Nasrec, Maxwell said the unemployed should be helped to help themselves.

SA needed overseas investors, but these were concerned at the level of instability which reflected the level of unemployment and homelessness in SA, he said.

The annual Matchmaker fair, at which small entrepreneurs exhibit their products and services to big business, was a good example of linkages between the formal and informal sectors as they encouraged sub-contracting

“The process demonstrates clearly that wealth creation through this ‘flow-through’ system is the best form of social welfare that can be achieved,” Maxwell said.

Investment in education, training and the development of the poorer segment of the SA population was the answer to the question of wealth creation, he added.

The vast number of unemployed should be helped to help themselves. It was in the interests of the formal sector to provide basic skills training to the unemployed, procure goods and services from the informal sector and facilitate this by teaching this sector how to quote, produce and run a business efficiently, Maxwell said.
Question of closure stalls city traders

MARKETERS and formal traders clashed over the closure of a road yesterday.

The informal traders told the utilities and works committee they want part of Dreyer Street, which runs between The Link and Cavendish Square, closed to traffic so that they can set up their stalls there.

They recently had to move from Herrer's Lane, one of the city's earliest flea markets, because the Standard Bank is including that area in its redevelopment of the site, as it is entitled to do.

After both groups had been heard, the committee decided to rescind an earlier decision that the section of the road between the pedestrian crossing and Vineyard Road should be closed, reported Mrs Joan Kanley.

However, she said city planner Mr Neville Riley would be asked to report on the possible closure and pedestrianisation of Dreyer Street.
It all began on St Valentine’s Day.

Andrew Lukhele, the founder and president of the National Stokvel Association of South Africa (Nasasa) looks back with pride at the progress the association has made since its formation in Soweto on St Valentine’s Day in 1988.

“Our greatest achievement has been to instil people with confidence in stokvels. The association made people aware of stokvels. Today a number of financial institutions are creating products to tap into the stokvel market,” he says.

“The stokvel concept,” adds Mr Lukhele, “is gaining acceptance as a vehicle to be used in bridging the gap between formal and informal financial arrangements. Through Nasasa we have created a forum through which stokvel members can realise their bargaining power.”

Mr Lukhele grew up with stokvels around him, but he never realised nor understood their important role in the black community.

Had it not been for his experiences at the National Institute of Personnel Research where he worked as a research assistant, his involvement with stokvels would never have happened.

While doing a study on the “processes and analysis of informal housing finance”, he gained insight into this powerful movement.

Out of this study grew an idea of forming a national association of stokvels. Mr Lukhele’s main motivation then was to research stokvels using the participation and observation method. But he also wanted to help stokvel members fight harassment by police and promote their recognition as an integral part of informal finance.

The first association was launched at Funday Centre, Soweto, on February 14, 1988. First called the Soweto Stokvel Association, it later changed its name to Nasasa.

After a few birth pangs, the association grew into an association of 8,000 stokvel groups. Based on an average of 12 to 13 people in each group, Nasasa now has over 100,000 members.

Among its objectives, the association aims to promote a positive perception of the stokvel movement as being an integral part of the economic mainstream and a potential creator of wealth and jobs.
The stokvel concept has been used worldwide, but mostly in developing countries, as a means of bringing financial services to the poor. According to the World Bank's World Report of 1990, rotating savings and credit associations (Roscas) are a popular form of informal finance.

They have various aliases: "ko" in Japan, "kye" in Korea, "hui" in China, "pia huye" in Thailand, "chit fund" in India and Sri Lanka, "pulwagas" in the Philippines, "arsam" in Indonesia, "xitique" in Mozambique, "hagbad" in Somalia, "tostune" in Nager and "susu" in Ghana.

In Nigeria the associations are known as "susu", "gamayak" in Egypt, "the syndicate" in Belize, "tan" in Dominican Republic, "pasanaku" in Bolivia and "tanda" in Mexico.

Andrew Lukhole of the National Stokvels Association of South Africa says South Koreans living in America have brought the "kye" (pronounced keh) concept to the US.

At these "kyes", which are formed by businessmen, large sums of money change hands. Members meet once a month over a meal of kichi, rice, barbecued beef and Korean whisky. Each member puts up the same amount — up to $40,000 (about R10,000) — of cash to a pool which can sometimes reach up to $400,000 (about R100,000). The pool of funds goes to each member every month on a rotating basis. The rule is that each member contributes until the last member has received his share.

The World Report says Roscas are formed through a small number of individuals — ranging from six to 40 — who form a group and elect a leader, who, on agreed periods, collects a given amount from each member.

On a rotating basis, the pool of funds is then given to each member in the group. In some countries, like Cameroon and India, the Roscas have developed into formal banks.

The Report identifies three types of Roscas: The common type is where the leader receives no special commission other than getting the first pool of funds.

In commission-type Roscas, the leader will receive payment and in turn assume liability for defaults. In this type all members, except the leader, pay for the right to participate and will receive back less than their contributions.

The third type is the promotional-type Roscas which are used by merchants who sell their goods, particularly consumer durables.

According to the Report, in more sophisticated Roscas, funds are allocated on the basis of discount bids. These Roscas are common in China, India, Thailand and in some parts of West Africa.

A member willing to accept the largest reduction in share payments in return for receiving the next pool of funds is the winner.

Research in Bolivia showed that one-third to one-half of all adults in the urban areas, who were often participants in Roscas, contributed an average one-sixth of their salaries.

More than 90 percent of the people interviewed and they had joined a Rosca because they wanted to save and that the membership forced them to do so.

The Report concludes that the popularity of Roscas among the low and middle income groups indicates that even under difficult circumstances people like to save...
"Togetherness (manyano) is the word and the way"

From stock fairs to stokvels

By Jabulani Shishabe

The concept of mutual assurance, or what is today popularly known as "stokvel," is as old as man himself and there is nothing exclusively African about it.

Although it's a worldwide phenomenon, in latter years it has become more prevalent among the poor.

But more than 400 years ago the stokvel concept was the foundation on which the building societies were formed in Britain. It also flourished among whites in Natal, leading to the formation of mutual building societies in 1898.

The friendly societies of Britain are another example. They successfully provided protection for the working population against loss of income through sickness and unemployment, and made provisions for retirement, widows and orphans, and for a decent burial.

However, the friendly societies began disapppearing in the 1940's when the government started its welfare programme.

In traditional pastoral Southern Africa, the concept took the form of co-operative work—wheather harvesting or building huts. This form of work was sponsored through beer drinking.

With urbanisation the principle was adapted to the new conditions of the urban environment. However, the underlying factor is still the same—mutual trust amongst the members.

Andrew Lukhele, president of the National Stokvels Association of South Africa, migrant labourers from the same region (home boys) or women from the same church congregation. New members have to be introduced by an existing member.

Lukhele, the president of the National Stokvels Association of SA (Nasasa), says the word stokvel originated from the rotating cattle auctions or "stockfairs" of the European settlers in the Eastern Cape during the early part of the 19th century.

At these fairs black farmers and labourers began exchanging cattle and gambled whatever resources they had.

As blacks moved to the Witwatersrand following the discovery of the rich gold reefs, those who came from the Cape brought the stokvel name with them.

In more recent years, the word stokvel has become a more generic word for saving/investment clubs or syndicates, burial societies, kitchen parties and rotating credit associations.

In the early, harsh urban environment, Mr Lukhele says lack of proper accommodation in Johannesburg led to cramped, insanitary conditions where the death rate was high from tuberculosis, cholera, smallpox and typhoid.

To meet the high cost of funerals, urban blacks formed burial societies which became very popular in the 1950's.

The first burial society, Bantu Burial Society, appears to have been formed in 1932.

Stokvels also became the "trade union" of women who brewed sorghum beer and other concoctions like "sko-kiw." These women were harassed by the police and arrested. Women then turned to stokvels for support. If a member was arrested, other members of the group would look after the arrested members' children or even organise bail money.

"Mokudzana" in Sotho or "mholwane" in Zulu (meaning a rotating credit association) is another form of stokvel. Each member contributed between R20 and R150 and on a rotating basis each member receives the pool of funds.

In other rotating credit associations the member receiving the pool of funds hosts a party where the public and stokvel members buy food and drinks at inflated prices. These parties last for the whole weekend in some cases.

The host earns a certain percentage of the profit and the balance goes to the stokvel and is kept on account.

The other type of stokvel that emerged was the "manyano" (which means togetherness) occasional which were sponsored by the Christian sisterhood.

The religious stokvels followed a tea-party pattern with no liquor consumed. Singing, Christmas carols and Christian hymnals, the "manyano" women would march in uniform to the tea-party and brass band, dressed in European military coats, would accompany the manyano women. This was meant to draw members of the public to the tea-party meeting.
Associations offer retailers a tight zone of consumers

The stokvel movement offers good marketing opportunities for fast moving consumer goods.

Jabo Mabaso of Nasasa Marketing says Nasasa offers fast moving consumer goods companies a more focussed marketing platform for their products. Through Nasasa Marketing, companies can tap into a vast source of information about stokvels. It has also identified marketing opportunities within the stokvel movement.

"We have knowledge from the association's research," says Mr Mabaso. "We know what our members want and what they would like to see. This information can be of great use to companies wanting to improve their products to meet the needs of their customers."

Nasasa Marketing also offers joint venture services. There are synergies between Nasasa Marketing and the formal sector. "We would like to plug into the skills of the formal sector. Nasasa is bringing in the market (stokvel groups) and the consumer goods companies bring in their skills."

Mr Mabaso adds that through the association's marketing wing, a number of discounts are being negotiated with companies.

One marketing manager says there is already an alliance between stokvel groupings and certain consumer products by virtue of the stokvel groupings name. "The basis of some stokvel groupings is their identification with certain products."

There are certain stokvel groups calling themselves Obli sons, Kappa, Benetton or Spiced Gold because of their identification with particular products or brands.

Nasasa Marketing aims to create and implement marketing support programmes comprising test marketing circuits, stokvel sponsorship and ladies' club promotions on behalf of marketers in the liquor, carbonated soft drink, food, financial, cosmetic and other fast-moving consumer goods arena.

It also has a qualitative and product-research service aimed at giving companies as accurate a barometer of activities in its circles as possible.

Communal power... the strength of the associations lies in peer group pressure.
Stokvels
money power to the people

Communal support is the key element of stokvels

A whole sub-culture has developed around stokvels, or "stok-kies" as they are popularly referred to in the townships.

Andrew Lukhele says stokvels are more than just money-spinning machines. The element of reciprocity is very important to the stokvel.

A member of the stokvel who supports parties of another stokvel stands a greater chance of returned support.

Mr Lukhele says a host, with the support of other stokvel members, does a check of who did or didn't support him.

The more outgoing a member is of a particular stokvel, the more powerful and popular their own stokvel becomes.

Most stokvels impose a financial penalty on a member who does not attend a party hosted by another member.

The penalty is indirect in that if for instance the contribution at each party is R100, R70 goes to the host's coffers and the difference is compulsory expenditure in the host's provision of liquor, food and snacks.

On arrival at the party, each member hands R100 to the host, who then gives each member a card where all the items ordered (food and drinks) will be recorded. After they have spent R30, members have to dig into their own pockets.

If a member cannot attend the party, he still has to send in the full R100 amount — in other words he loses the R30 earmarked for drinks.

The compulsory R30 amount is called the "bill" in Soweto stokvel language, while the R70 amount is commonly known as "table money" (impho yefutula)
**Saving together solves private housing problems**

In a bid to solve the housing problem, the Independent Development Trust (IDT) has adopted the group-lending principle, which utilises the stockel concept as the basis for the much-needed finance. IDT, through its IDT Finance Corporation (IDTFC), will provide finance to financial intermediaries through the group credit organisation (GCO). The GCO will then provide loan finance to borrowers using one or more of the many different forms of group collaboration.

IDT says that the basis of intra-group lending is well known internationally and already exists in South Africa in indigenous form. It has also demonstrated its effectiveness over many years.

According to an IDTFC document, the principles relate to trust among group members, communication, sharing and co-operation, and the best utilisation of resources. “Local and international experience indicates that derivatives of this form of group lending, modified by the introduction of external loan capital are both viable and sustainable.”

Accordingly, the IDTFC will only support lending mechanisms that include some form of effective group collaboration in the relation between the individual borrower and the group credit organisation.

General lending criteria would be as follows: group size will not be restricted, but a minimum of 10 members and a maximum of 20 are recommended.

All groups will undergo a trial period of about two months during which time the group deposit must be procured. During this trial period, appropriate training will be provided by the group credit organisation to the group members, and group cohesiveness will be demonstrated.

The IDTFC also requires that individual borrowers within each group be informed as to the nature of their loan and the end-use restriction.

Lending criteria to establish and emerging group credit organisations would differ.

For established GCOs, the IDTFC will require the right to nominate a representative to the final decision-making structure of such a group credit organisation. Such bodies must at least meet bi-monthly with management reports being provided monthly.

The GCO must demonstrate viable operating and financial management systems and controls, must be capable of expanding its activities, and the quality of management at all levels must be demonstrated.

For emerging GCOs, IDTFC will require active participation in its executive management structure as well as the right to nominate a representative to the ultimate decision-making body.

Since emerging GCOs may not yet be able to demonstrate viable operational and financial management, IDTFC will introduce standard operating and financial guidelines supported by standardised systems and controls.

The IDTFC will also participate in key appointments jointly with the GCO and will facilitate the production of standardised reporting and compliance with system utilisation and controls through a joint management arrangement with the GCO.

The purpose of the joint management intervention is to manage the risks associated with the placement and collection of IDTFC-sourced finance to groups. It will also ensure the profitability of the GCO with complete recovery of operating costs.

IDTFC says “Incentives must be created to ensure borrowers continue to service their obligations to GCO’s after disbursement of loans.”

It recommends a bonus payable to each borrower group on the repayment of the group’s liability. But the bonus payment will be subject to such groups having performed adequately throughout the life of the group loan. Further, other groups serviced by the GCO must have maintained a satisfactory debtor performance.

An absolute requirement of IDTFC lending will be that the handling of cash emanating from borrowers may not take place within the GCO. Borrowers may only effect payment of their loans via a direct deposit into a group bank, a building society account or the GCO’s account.

The maximum term for the loan is five years. The IDTFC will also accept a broad-based application for exemption from all participating community-based GCO’s meeting its criteria to the Registrar of Deposit-taking Institutions.
Playing a role in cultural urbanisation

In addition to mutual assistance and welfare services, stokvels also play a major role in advancing cultural urbanisation and in the transition from rural to an urban identity.

Stokvel parties in the 1920s and 1930s provided a setting where musicians provided aspiring urbanites with a means of self-expression and a new working class culture.

This helped the people's values and motivations of the rural society to meld more easily into the urban spectre.

On Sunday afternoons stokvel members marched to the party in uniform, singing Tswana reglemental and initiation songs, popular urban songs and Christian hymns.

Source: David Coplan's "In Township Tonight"
Strict code of conduct for members

The National Stokvel Association of South Africa has drawn up a comprehensive code of conduct for members in a bid to improve the image of stokvels.

President Andrew Lukhele says the code is aimed at setting a strict standard of ethics and behaviour for the stokvel groupings affiliated to the association.

The code prohibits the sale of liquor at stokvel parties to any persons under the age of 18. The sale of drugs of any kind is also forbidden and dealing in stolen goods is similarly disallowed.

The rest of the code requires:
- The host of stokvel parties at which drinks are to be sold to ensure that a regular and sufficient supply of meals and snacks are available to all guests. Food must be prepared in a clean and hygienic way.

- Stokvel and party conveners to ensure that sufficient sanitary arrangements are available on the premises at which a party is to be held.

- That the generation of unnecessary noise always be avoided.

- The party convener to notify neighbours in advance that a stokvel party is to be held.
Recessions curb SA-UK trade

By Neil Behrman

LONDON — The recessions in Britain and South Africa have dampened trade between the two countries, despite the end to sanctions.

The trade balance, however, is marginally in South Africa's favour.

UK Department of Trade statistics show that imports from South Africa slipped 11 percent to £275.94 billion in the first seven months of this year, from £275.94 billion in the same period in 1990. British exporters also suffered.

Compared with the same period the previous year, exports to South Africa tumbled 11 percent to £275.92 billion (R2,94 billion).

On a 12-month running total, trade between the two has stagnated, with both imports and exports around £21 billion (R4,9 billion).

Trade performance will depend a lot on hopes of recovery in both countries. The trend of sterling will also be important.

The UK economy appears to be bottoming out, but economists are divided on whether the revival will be tardy.

Consumers are fearing for their jobs. Company liquidations soared by 72 percent to more than 11,000 in the first half of the year.

Accountants KPMG Peat Marwick forecast that the trends will continue in the next six to nine months.

Small businesses complain that they are heavily overborrowed and their overdraft rates are too high. Real estate is in the doldrums, and despite wide discounts, car sales slumped 23 percent in the summer.

Profits fall

Although prime interest rates have fallen by 10.5 percent from a peak of 15 percent a year ago, the reduction has so far failed to spur the economy.

Reporting a further fall in profits, Lord Alexander, chairman of National Westminster Bank, said economic activity had suffered one of its worst declines since World War 2.

However, a stock market which is trading around all-time peaks could be saying that the worst is over. This is certainly the view of the UK Treasury.

Lead indicators compiled by Goldman Sachs point to a trough and a recovery on the way later in the fourth quarter.

But the revival is likely to be weak in the initial stages because of corporate and consumer debt, banks' balance sheets, a slowdown in the German economy, high real interest and exchange rates.

Goldman Sachs predicts real growth of 1.5 percent in the next 18 months and inflation of under 4 percent next year.

Despite a deepening recession, falling interest rates and political uncertainty, sterling has remained remarkably stable in the European Exchange Rate Mechanism.

Almost a year has passed since entry and during this timespan the pound has mainly fluctuated within 8 percent of its central rate, equivalent to 2.9 German marks. Against the rand it has traded between R4,79 and R4,90 and is now at the upper end of the band.

So far, the pound has thus defied the sceptics, although it is down against the dollar this year in tandem with other currencies in the ERM.

With an election deadline within nine months, some London analysts and dealers have been forecasting a weaker rate. So far they have been wrong.

Foreign investors are prepared to hold high-yielding sterling deposits and bonds because the currency is linked to the D-mark.

The inflation outlook of below four percent is the best since the early 'eighties, says Barclays Bank, and will be better than that in Germany.

The trade deficit is forecast to decline to £9.8 billion this year from £19.8 billion in 1989.

German and Swiss bankers and portfolio managers favour sterling and in the past few weeks the rate has risen against the dollar and rand.

Deutsche Bank believes sterling will continue to hold firm so much so that the UK authorities will shortly reduce the pound's fluctuation limits within the ERM to 2.25 percent from its present 5 percent, it says.

The Bank of England will surprise the market and announce a narrowing of the band when inflation declines in the northern hemisphere autumn, according to this view.

The move will enable the authorities to slash interest rates further, without placing pressure on the pound.

Sterling's future path, however, will depend on the course of the UK economy.
Red tape removed from business development

SMALL enterprises in whatever category need to take note of legislation passed during the last session of Parliament - embodied in the new Businesses Act, and due to be implemented over a phased period from January next year.

The changes in the legislation are aimed primarily at removing much of the red tape that created barriers or problems impeding the start up and growth of small businesses in this country.

The umbrella legislation has had the effect of repealing some 60 to 80 local ordinances governing any business activities. The statutory requirements that remain essentially address issues concerning health needs or the hours of trading.

The changes have reduced the licencing requirements to three basic categories. These are:

- Sale or supply of meals/perishable foodstuffs
- Sale of meals/perishable foodstuffs in the form of meals to a business or to a hawkers is determined by health, safety and land use laws. The Act states that a licensing authority shall issue a licence which is properly applied for, unless the business does not comply with health, safety and land use laws.

- Hours of trading

The Act removes all restrictions on trading hours from Monday to Saturday trading on Sundays is still governed by the old legislation and is restricted to certain goods only.

- Prohibited areas

Hawkers may trade anywhere, except in the following areas and under certain conditions:

- Outside church, or place of worship, national monument, or state, or local authority building declared by the Administrator to be a prohibited area.
- In front of a shop selling the same goods, unless the shopkeeper gives his permission.
- In a public garden or park.
- Trading on provincial roads inside an urban area is absolutely prohibited unless the Administrator has zoned or demarcated an area for the carrying on of business.

- Provisions favouring hawkers

Hawkers may not be confined to trading at specific stands or places. Many local authorities create hawking areas or construct stalls for hawkers. The Act seeks to ensure that this limitation does not occur, nor does it allow the demarcation of restricted areas.

Hawkers may not be required to move within a specific time.

Hawkers may not be required to trade at a specific distance from any business except the shop frontage of that business selling the same goods.

For any further details on the level of delegation call the SBDC at 021 662 1910.
progress on the Numsa demand on training, and settlement is possible on that issue," Kettlebas said. However, talks on Sunday ended in a stalemate on the question of a moratorium on Council on Sunday, where it was decided to refer the dispute to mediation, he said. Numsa represents about 5,000 striking workers out of a total workforce of 8,000, he added.

Business looks at the future

CO-OPERATION between big and small business is necessary for a better economy in the new SA, says Business Challenge CE Phil Khumalo.

With this in mind, his organisation is hosting a conference where representatives of companies, financial institutions and insurance houses will share views on the best way to approach the changing SA business environment.

The conference, with the theme "The present and post-apartheid economic outlook - the challenges that face business in the new SA," will be held in Johannesburg on August 30.

Speakers will include Finance Department special adviser Japie Jacobs, who will speak on the "economic perspective of the government" and Nafcor executive director Mofane Lekota on "conflict between big business and small business, what is the possible solution?"

Charter Life senior GM Martin Sweet will talk on "the Income Tax Act and tax in the new SA - white fears". The SABC's new TV-2/3/4 head Madala Mphahlele on "the role of the media in facilitating changes in attitudes" and Free Market Foundation's Leon Louw on "new political implications for the post-apartheid climate".

Fabeco's general secretary Joao Magale will speak about "existing opportunities for big and small business structures" and Black Management Forum president Don Mkhwanazi will deal with management integration.

Mugabe calls on SA to reduce its arsenal

HARARE: SA must reduce its massive military arsenal to assure its neighbours of their security in the sub-region, Zimbabwean President Robert Mugabe said yesterday.

Zana national news agency said Mugabe, who is also commander-in-chief of the Zimbabwean armed forces, was addressing thousands of people celebrating the country's Defence Forces Day in Harare.

Mugabe said while political developments in SA had provided hope of an end to apartheid, they fell short of assuring Zimbabwe of its security.

Mugabe added Zimbabwe was concerned that the superficial reductions in SA's defence budget did not in any way reduce the threatening size of the SA Defence Force.

It was also concerned that Pretoria was developing more "awesome" weapons.

He said the Frontline states should maintain vigilance and continue with the measures necessary to further strengthen their collective defence - Sapa.
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The Express 

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Informalising the economy

To the people

Money power

Storeys

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Well: let's have fun with the untouchables!

The Star Wednesday September 11 1991 25
They have various aliases both in Japan — "tsusu," "tsusu" in Okinawa — "tsusu" in Thailand, and "tsusu" in the Philippines. In the Philippines, it is known as "dinamora," in Indonesia, "najma," and in Russia, "tsusu" or "tsusu." In Africa, it is known as "toona" in Nigeria, "tsusu" in Ghana, and "tsusu" in Uganda.

Andrew Lakhoe of the National Stocke Association (NSA) has been trying to train people in the United States to accept the idea of stocke and how it can be used to improve their lives. The NSA has been working on this project for several years, and they have seen some success in the United States and other countries.

The NSA has been working on this project for several years, and they have seen some success in the United States and other countries. They believe that stocke can be used to improve the lives of people in many ways, and they are working to make it more accessible to people around the world.

It all began on St Valentine's Day. Mr. Lakhoe, the founder and president of the National Stocke Association (NSA) in South Africa, looks back with pride at the progress the association has made since its formation in 1980. "The greatest achievement has been to make people aware of stocke. The association has been able to create awareness of stocke. Today, many financial institutions are creating products to tap into the stocke market," he says.

Mr. Lakhoe believes that stocke are not only a means of saving money but also a way to promote recognition of the importance of financial literacy. He says that the NSA has been working to make stocke more accessible to people around the world, and he believes that the future looks bright for the association. The NSA is currently working on several projects to promote stocke and financial literacy, and they hope to see more success in the future.
From stock fairs to stockels

is the world and the way

togetherness (manyano)

money power

STOCKELS
Scramble to buy up NSB shares

By JOSHUA RABOROKO

MORE THAN 90 percent of the 44 million shares in National Sorghum Breweries Limited have been snapped up by over 9 000 investors - exceeding expectations of the company’s directors.

The remaining block of less than 10 percent has been bought by the Industrial Development Corporation (IDC) - underwriters of the offer - and can be bought at R1 each until 12 noon on July 31.

According to NSB’s chief executive Mr Mohale Mahanyele: “The company is the only one of its size that brings blacks and whites together, with blacks in a leading role.

“Its mission is black economic empowerment and this share offer is a cornerstone of this policy.

“The entire offer was structured to enable black people to take advantage of a unique opportunity to participate meaningfully for the first time in the main stream of the South African economy.

He said that 30 percent of the offer had been set aside for employees of NSB. That, he claimed, was by far the largest stake to be owned by workers in any major company in South Africa, which was yet another first for NSB.

The company made interest-free loans available to all employees to enable them to take up their share allocations.

Share allocations for employees favoured the lower level workers.

Burial

In response to many requests from individuals, burial societies, black business and commerce, trade unions and others who pointed out that the offer had stretched over only one month-end and more time was needed to consult with members and arrange finances, the IDC has agreed to sell its shares to applicants at R1 each.

Mahanyele said a particularly pleasing aspect of the share offer was the evident success of the nationwide communications programme which NSB mounted to promote the offer.
Township MBA' shows informal traders the ropes

LEARNING how to turn on a spicula is the first step in the "township MBA" — the One-Up Business Training course which is rapidly taking off.

Devised by Cape Town company Trident Training, it equips informal traders and aspirant entrepreneurs for business, no matter how modest.

Trident MD Tony Davenport says in the past three years the company has trained about 2,000 people drawn from the Cape Town area — about 150 a month.

"The nickname the course has acquired is useful in the formal sector, but is meaningless in the informal arena as no one has heard of an MBA," he says.

He says the course, which runs for five days, is presented in a businesslike but user-friendly way to help candidates over what has usually been a negative school experience.

There are no limits on educational qualifications and the drop-out rate is minimal.

"We are dealing with survivalist entrepreneurs. There are few who are unwilling or unable to do it," he says.

The course encompasses cash control, stock control, principles of merchandising and costing and how to make a profit.

Most participants are women with children to support who do anything from selling roasted goats' heads and making clothes to running spaza shops.

Trading

Davenport says 80% are in trading, 10% in products and 10% in services.

The majority of participants could not afford to pay the R345 for the course, so the Informal Business Training Trust was set up, contributed to mostly by the private sector, to pay for them.

He says trainers visit students several months after the course to assess their progress.

Students have a wide variety of backgrounds, from standard one up to matric, so the pace of the course is important.

He plans to open a centre in Johannesburg in September and is negotiating for the course to be run in Durban and Port Elizabeth.

Small Business Development Corporation (SBDC) manager, training services, for the Reed Gary Bonner says in nearly two years the SBDC, which is running the course, has trained about 250 people.

The SBDC runs a second course for the more educated small businessmen — the How to Start Your Own Small Business course.

Says Bonner: "Many small businessmen learn the costly way — by trial and error. We try to prevent them from paying for unnecessary mistakes,"

The SBDC subsidises the course and candidates pay between R50 and R100.

It is also able to offer finance and premises to some of the candidates after they have completed the course.

Black business federation Nafco is to open its Business Training Centre in Soshanguve, outside Pretoria, in September.

A spokesman says it will offer basic skills training as well as training for management.
VAT is bad news for the informal sector

THE informal sector could be seriously affected by the introduction of Value Added Tax in September.

Small businesses, presently exempted from paying General Sales Tax to wholesalers, will need extra cash for buying stock. Hawkers and spaza shop owners will be particularly affected as most earn their living by selling tax-exempted products.

By JOSHUA RABOROKO

The Deputy Minister of Finance, Dr Theo Alant, stressed that only businesses with an annual turnover of more than R150 000 would have to register for VAT.

Vendors.

Small Business Development Corporation economist Dr Edwin Basson said hawkers and spaza shop owners would at the end of the day pay more for their stock.

He said, however, that although their costs would increase, their income would increase as well.

Those who have registered as vendors would, after a while, be able to get back their input tax.
THE need to encourage self-sufficiency and individual economic dependency is rapidly gaining momentum in the townships as unemployment, especially among blacks, escalates.

One such sector is the informal business which has provided jobs on a large scale for people who have been marginalised and those who fall victim to sensationalism.

Enterprise

At present, the informal business sector's annual turnover is estimated at between R3 billion and 20 billion - about 15 percent of the Gross Domestic Product.

Hawkers form a major part of this sector.

While political parties argue about what form a future South Africa's economy will take, two organisations - the Federation for African Informal Business Sector, an affiliate of PAKC, and the African Council of Hawkers and Informal Businesses, affiliated to NAHB, and their members - are quietly getting on with the business of free enterprise.

Informal sector takes a giant leap

By JOSHUA RABOROKO

The Sewing, Knitting, Development, Syndicate, an affiliate of PAKC, has been formed to focus on women working together and creating jobs towards a new South Africa.

SKIDS is a national association of women who have released themselves from discriminatory practices by specialising in all aspects of entrepreneurial development and promotion.

In other words, they have entered a major role they can play in assisting and helping create wealth.

Eliza Passap have taken the initiative to help the women by opening the first franchised Sewing and Knitting Academy in Midway, Soweto.

Exciting

Speaking at the official opening of the business, Mr Paul Nkhlalaza, formerly an employee of Eliza, said the Midway project would teach potential entrepreneurship how to sew or knit for profit and how to operate and develop their businesses successfully.

"This means self-reliance and economic independence which is so vital in our country," he said, adding: "They will also offer the convenience of one-stop shopping for the sewer or knitter."

Mr Les Dods, Eliza's national business development manager, said the franchise would be extended to the Pontshoeleng, Polokwane and Ventersdorp areas as soon as the Soweto venture was fully launched.

This is one of the hawkers' stalls which are springing up in Johannesburg. The informal sector has played a major role in creating employment for thousands of people who lost their jobs because of sanctions and other economic factors.
New structure planned for DBSA

Johannesburg — The Development Bank of Southern Africa (DBSA) is looking into a new structure and functioning in line with constitutional change in South Africa, says the bank's chief executive Dr Simon Brand.

The bank has recently been criticised by among others, ANC leader Dr Nelson Mandela, for not consulting sufficiently with community-based organisations in the implementation of its projects.

Dr Brand said that the reconstruction of the DBSA during the transition period would have to be made in its mandate and accountability, while accelerated progress would have to be made "in achieving a more representative composition of staff and management and all levels"

"Our governing structures, that is the Board of Directors and the Council of Governors, will also clearly have to be reconstituted," Dr Brand said at a seminar in Durban.

"If these changes had to wait until a new constitution has been put into effect, it is virtually certain that the momentum of development activities will be seriously affected."

But he was adamant that the bulk of the projects supported by the DBSA were likely to "stand the test of changes in the political and constitutional framework."

"The bank has always concentrated on the socio-economic merits of projects and programmes and we have required independent verification, based on wider consultation of the needs by the communities who are to be affected by the projects."

The two-tier governing structure had also protected the DBSA from sectional political interference, Dr Brand said.

The DBSA has been actively pursuing possibilities of providing support to community-based and non-governmental development organisations in terms of "delivery mechanisms" of its funds.

"After initial reluctance on the part of such organisations, significant progress has been made in more recent times in this direction."

Dr Brand said the bank had expanded more recently into neighbouring countries, "although such involvement has been limited mainly to policy advice and technical assistance in the preparation of projects."

"In this process there is likely to be increasingly intensive co-operation with overseas development funding agencies with programmes in Southern Africa."
Support for informal sector will create jobs

DURING the ‘80s SA produced just under 4-million school-leavers, and the formal economy failed to provide anywhere near enough jobs for them.

I suspect that today there are a couple of hundred thousand fewer formal-sector jobs available than there were in 1980.

For the formal economy to create sufficient jobs we would need an 8% or 9% GDP growth each year. Based on past and present performance, this seems an impossible target.

However, the informal sector presents us with a promising solution. It is vibrant, highly productive and an efficient user of capital in creating jobs.

The school-leavers in the ‘80s who could not find jobs were faced with three career opportunities. One was crime and another was revolution. Fortunately for SA, vast numbers turned to the third option — self-employment — as a means of creating their own jobs.

Small business plays an important role in the economies of all countries, even the most developed ones. Ninety percent of all businesses in Europe employ fewer than 20 people in Japan small businesses employ 60% of the total workforce.

The only way for our economy to create sufficient jobs is by integrating the formal economy with the informal one, where formal business uses informal businesses to supply products and services for their factories and uses informal distributors to sell their products on a large scale.

A recent example is where Anglo American Corporation made it easier for small black formal and informal businesses to supply consumables to its mines. Apart from injecting millions in profitable orders into these businesses, Anglo has shown an average cost saving of about 15% on the purchases.

There are many opportunities for joint ventures between blacks and the white business community which would enable blacks to have access to capital, management expertise and training in basic business skills.

This method reduces the capital and management resources required by the centre company and creates more jobs. On the other hand, if all the work were undertaken by the centre company, it would have to be more mechanised and computerised.

Large organisations are starting to realise that subcontracting could free capital, reduce working costs, improve cash flow and reduce administration in many cases, because the subcontractor is an owner-managed business and more efficient than the giants. It could allow the company to buy the part or service at a lower price. Subsidised staff canteens are an obvious example.

Another example of the interface that could exist between the Third World and First World sectors is that in Johannesburg probably 70% of independent formal retailers in the CBD have set up wholesale facilities for street traders.

 Hawkers purchase their supplies for the day, either for cash or on agreed terms. As these shops are close to their sites, traders can easily return to wholesalers should they run out of supplies. At the end of the day unsold merchandise is returned for crediting towards the next day’s purchases.

Therefore, small business must not be seen only as unfair competition or a beneficiary of social responsibility initiatives, but rather as a means of freeing less productive capital and other resources.

Big business will need to look at providing training in basic business skills to their emerging subcontractors, distributors or retailers. This can be done either by providing the training themselves or using experienced organisations such as the Self-Employment Institute to undertake this training on their behalf.

It is in business’s own interest to pursue activities that will significantly stimulate the economy.

Theo Rudman is executive director of the Self-Employment Institute.

This is an edited excerpt from an address to an IFM seminar in Cape Town last week.
Two Rand’ finds hope in hawking

ABBEY MAKOE

Whites have been seen hawking on the streets of Johannesburg and there is a real chance that their numbers could grow as unemployment spreads.

One white hawker, Rashid Haler (43), has been selling goods from the pavement for the past two years.

He too became a victim of unemployment when the family business he worked for was wound up due to “poor administration.”

Mr. Haler said, “There’s a lot of poverty in the white areas. Many people are unemployed and it’s only a matter of time before more follow in my footsteps.”

A lifelong resident of Krugersdorp, he turned to hawking after spending three years trying to find a job.

A father of three children, aged 11, 8 and 5, Mr. Haler and his family were destitute, Friends helped him feed his family, but, with no money coming in, he could soon no longer pay his rent and service charges and was faced with eviction.

Hardship

Speaking to Saturday Star at his tiny “stall” at the corner of Jeppe and Von Wielligh streets, he said he reached a point where he could no longer accept the hardship “I had to put my pride aside.”

Mr. Haler started hawking a few dozen socks, which cost him R30 to buy. It took him more than two weeks to sell the stock. “It was risky and I was not sure if I would succeed.”

He can be found shouting at passing pedestrians “Cheap socks here, try them.” He speaks a little Zulu and is fluent in “Fاناكاله.”

Today Mr. Haler’s business is “booming”. So much so that he is able to offer casual employment to others who are out of work.

He says he wishes he had started long ago; “I could have been a millionaire by now”. I now have a customer every minute of the day. See for yourself," he told me.

Customers call him “Two Rand”. This is because he charges a fixed price of R10 on all his socks and underwear.

“I have a great respect for socks I started my business selling socks and they helped me on my way.”

Today he sells belts, jeans, men’s under-wear and fancy ladies’ scarves, which he says are imported from the Middle East.

He works six days a week from 9 am until 5 pm. He spends Sundays with his family.

Asked how he got from Krugersdorp to Johannesburg, he said he used either trains or minibus taxis.

Mr. Haler is not the only member of the family who is hawking. At home, his wife sells similar items. She too, according to Mr. Haler, is not short of customers.

And the children? Mr. Haler said he was teaching all of them that they had to work for every cent they gave them. They sell socks in their neighbourhood and receive 25 percent of the return on every pair they sell. The money goes into their post office savings account.

The secret of his success, he said, was “to sell at the lowest possible price, and the stock will sell itself.”

He hated begging, saying it was more or less as criminal as stealing.

His greatest achievement, he said, was that he could now feed his family “the best of meals.”
Bigger role sought for small business to cut unemployment

The Government has been

Stage set for a bold new approach to cut unemployment by "empowering" the small business sector to boost the number of jobs in the private sector. The plan is to involve small business in the next stage of the Government's "400,000 job guarantee" programme, which has been slow to get going.

"Small businesses can play a key role in creating jobs and boosting the economy," says the Government's economic policy chief, Michael Gomez. "We are looking at ways to support small business to create more jobs and help the economy recover."
New cards boon to hawkers

by JOSHUA RABOROKO

More than 3,000 spaza shop owners and hawkers in the Vaul Triangle townships have been economically empowered by buying R20 "discount cards".

They got these through the newly opened wholesaler owned by the African Council of Hawkers and Informal Business in Sebokeng.

Discounts

Ashib's president Mr Lawrence Maviudla said that the cards were sold to members who were often not entitled to discounts when they buy from big supermarkets in white towns.

The wholesaler was owned 50 percent by the members, he said, adding that in other words it was their own property. "We need to support it if we are to be economically empowered," he said.

Ashib will conduct a survey that is aiming at collecting information on informal businesses, with a view of creating effective communication channels. Called "Project Who is Who", it will be conducted on a house-to-house, street-to-street basis in order to identify traders, the nature of their business and the product ranges being traded.

He said that more often than not informal traders did not know each other and it was important that information be kept about them.
Where business booms
Township shows how it's done

Appearances are deceiving as Staff Reporter SORCHA VASEY found out during a visit to Khayelitsha. Here she reports on how small businesses are helping to meet community needs.

IT may not look like it on the surface, but business is booming in the sprawling shantytown of Site C in Khayelitsha.

There are numerous little businesses, and most of them are called Spaza, because almost as soon as a shack or make-shift home is erected it is followed by the international Coca-Cola trademark.

Generally called spazas, these informal little shops generate R75-million a year in Khayelitsha alone — in spite of the poverty.

Mr Theo Rudman, director of the Self Employment Institute, said: "The determination and sheer guts among these businessmen is incredible. They work up to 10 to 14 hours a day, seven days a week."

"In spite of a lack of manufacturing facilities there is a work ethic in places like Khayelitsha that white South Africa can't emulate."

Mr Rudman is involved with small business development which provides business skills and training for aspirant businessmen in Cape Town's townships.

"Khayelitsha is a social albatross but economically it's one of the biggest assets to our economy," Mr Rudman said.

In Site C, an area inhabited largely by people from Transkei, the streets are lined with spazas. There is an infrastructure designed to cater for everyone.

Animals are slaughtered on Tuesdays and Thursdays, vegetables straight from the ground are watered down to keep them fresh and there are even jewellery sellers.

A few of the shopkeepers were interviewed during a tour of Site C, which also does not have any electricity.

Mrs Gertrude Menda started her spaza two weeks ago and has already made a profit. She sells everything from candles and firewood to boiled eggs and homemade biscuits.

"I buy my stocks from outside and am happy to be making money," she said.

Five years ago Mr Patrick Biko started supplying wood to friends and family for them to build their shacks. Today he has a monthly turnover of R5 000, four bakkies and two assistants.

"I buy wood wholesale in Stellenbosch. Here in Khayelitsha everybody needs wood to build or repair their houses, so my business has a big demand," said Mr Biko.

Generators are used to power hair cutters, blow torches and any other machinery used by these enterprising entrepreneurs.

Dressed in designer wear, Mr Thomas Ngemba explained how he started off with a tiny spaza and is now reaping the rewards of his barber-cut-hair-care spaza next to his popular take-away outlet.

BOOM TIMES: Top picture, a fruit and veg store does a roaring trade, while below, a woman shops for jewellery.

Pictures: WILLIE DE KLERK, The Argus
NEDPERM is confident it will not lose its stokvel business to the new bank being launched by Wesbank and the Foundation of African Business and Consumer Services (Fabcos).

NedPerm stokvel accounts manager Richard Ford said the Perm would fight hard to keep stokvel business.

As Business Day reported yesterday, Fabcos and Wesbank have decided to launch a new bank in October, with much of the business expected to come through Fabcos links with stokvel savings organisations, taxi associations and taverners.

Severe blow

National Stokvels Association president Khehla Lukhele says blacks no longer see themselves as "mere savers" but as people whose money should be invested in projects for black development.

The new bank seemed likely to provide such an opportunity.

Former African Bank CE and current chairman of Fabcos Marketing Gaby Magomola is expected to head the bank, which could draw millions in stokvel money. If it did, this would be a severe blow for the Perm, which is thought to attract at least 10% of the stokvels' savings.

Ford said yesterday "We are going to make sure our clients remain with us. I will, however, keep a close watch on the Fabcos bank, just as I have been doing with our other rivals.

"It is unrealistic to expect blacks to move their accounts to a bank because it is black controlled.

"For instance, the African Bank has been in existence for several years but has not made any breakthrough into the black market."

The Perm has about 10% of the stokvels' business. "We have 75 000 stokvel accounts in our books," he said.

Lukhele has estimated the number of stokvels in SA at 800 000.

Yesterday he said there was a growing belief in the stokvels movement that their money should be invested in black development.

"The stokvel accounts our members have with some financial institutions are mere savings accounts. Our members are now more than savers, they are investors.

"They want newer products. "Also, institutions do not accept stokvel accounts as security for personal loans by members," he said.

Asked how far the stokvel movement would support the new bank, he said "As soon as it is launched, our members will be educated on the issues involved.

"However, no stokvel will be made to switch its account to the new bank. They will make their own decisions."
Plans for small business outlets in Manenberg

By JACQUELYN SWARTZ
Staff Reporter

PLANS are in the pipeline to build small business outlets on the premises of Silvertree Community Welfare Centre in Manenberg.

"We have decided to embark upon what one could call a contribution to the immediate needs of the new South Africa," said director Mr Frank Gutuza.

"With this in mind we have identified two key areas - the question of job creation and that of the housing problem." Business outlets will be built into the back of a grandstand planned for the sportsfields.

"We have made contact with the Small Business Development Corporation and they are doing a feasibility study on the business potential," he said.

Plans have already been drawn up by architects. The housing problem will be tackled by workshops offering courses in building methods.

The centre also plans a greening project around the centre and in front of the mas-sonettes opposite the building.

Mr Gutuza said he hoped to involve the Fairest Cape Association and the municipality in this project."
SAB supports informal sector growth in Free State

By JOSHUA RABOROKO

SOUTH Africa’s survival as a viable, strong region depends on the creation of a strong, integrated economy and the abolition of poverty.

Handing over a cheque for R20 000 to the Institute for Development of Entrepreneurial Activity (Ideo) in Bloemfontein, the general manager of the South African Breweries Beer Division, Mr Andre Parker, said: "This is particularly true in the Free State where a large part of the black population is caught up in a state of spiralling poverty and where the largest city, Bloemfontein, does not have a thriving industrial infrastructure.

Unemployed

He said: "To create the jobs needed between now and the turn of the century requires an economic growth of five percent, our track record for the past six years is about one percent."

"If that trend continues there will be between seven to nine million unemployed people in the formal business sector by 2000.

He said that the informal business sector, which has already provided jobs for about three million people, could be employing up to eight million by the turn of the century. Any sector with that kind of growth deserved support, he added.

Strategy

The institute, which is financed by a group of companies in the private sector, was launched two years ago to address the critical shortage of training facilities for entrepreneurs and to provide small support system for small businesses.

It emphasizes the critical shortage of training before they enter any business venture as research has shown that only two out of 10 new businesses survive after five years.

A spokesman for the institute said its strategy of long-term involvement will lead to a substantial increase in the number of small businesses and their success rate, which would play an important role in the economic upliftment of the Bloemfontein area."
Small business feels the squeeze

JEAN LE MAY

Weekend Argus Correspondent

Big business, trade unions and the bureaucracy combine to squeeze the small sector.

However, a Weekend Argus inquiry this week found there are times when the rhetoric changes its tune to lip service.

This is most obvious in the activities of the industrial councils which have the power to exempt small firms from paying wages and observing other conditions negotiated under the Labour Relations Act.

But they are known to have refused exemptions arbitrarily — in spite of pleas from Manpower Minister Mr Elu Louw for leniency towards small businesses.

The radical trade unions, who are often part of the picture, are ambivalent about small businesses. They want more people to be employed — but object to exemptions for fear of exploitation.

So they support employers in council decisions to refuse exemptions, leaving the small businessmen in the middle.

The Small Business Development Corporation (SBDC) has, in fact, claimed that an industrial council is undermining its work.

One small businessman, Mr Abraham Adamson of A&A Motors in Athlone, ventured too far on to the dangerous ground between the bureaucracy, the trade unions and vested interests.

He now stands to lose his business — which means that his seven workers will lose their jobs.

"All I was trying to do was make a decent living for my family," he said.

This is what happened. In 1989 Mr Adamson, now 51, was retrenched by a Cape Town electronics company.

He started a back-yard motor spares and repairs business at his home in Heideveld.

"But there were objections to the noise and I had to move to a shop in Virgo Centre, Athlone, where I pay rent of R1 250 a month," he said.

"I explained to my workers when I hired them that I couldn't pay high wages and they accepted it just to have a job," he went on. "But I do my best. One of my workers, an untrained man from Transkei, is earning R200 a week.

By the end of last year Mr Adamson was employing 14 people and had an average annual turnover of R17 600 a year.

Then trouble struck. Two of his workers — both night watchmen — complained to the Transport and General Workers' Union that he was underpaying them.

"The problem was with over-time," said Mr Adamson.

The union reported this to the Western Cape Regional Industrial Council for the Motor Industry (NICMI).

"Somebody" from the council telephoned Mr Adamson, he said, and demanded "about R3 000" in back pay for the two workers before the end of December, 1989, if he did not pay he would be taken to court.

"They said I should have paid higher wages plus overtime and that I must pay all sorts of other things as well, leaves and pension funds and so on," he said.

I'm struggling to survive. I got rid of seven workers because of the uncertainty," Mr Adamson went to the SBDC for advice. The SBDC referred him to one of its consultants, who set up a simple book-keeping system for him.

RED TAPE MAY FORCE ENTREPRENEUR TO CLOSE SHOP

Advocate Mr Johan Naudé, a senior manager of the SBDC, then appealed to the Western Cape regional Industrial Council for the Motor Industry (NICMI) on Mr Adamson's behalf for exemption from certain requirements of the Labour Relations Act.

The exemption enables small business people to run their affairs without having to pay wages laid down in negotiated agreements and without complicated and expensive red tape.

The exemption was refused. The SBDC then appealed to the head office of the NICMI in Johannesburg against the refusal, but Mr Naudé asks the Cape council to hold back the summons until the appeal procedure was completed.

The council refused.

In March this year, summons was passed by the NICMI and later judgment taken for the sum of R3 242.68. On 16 June the deputy sheriff removed 20 gearboxes and other assets from Mr Adamson's shop for sale in execution.

The SBDC is frustrated by the actions of the council.

Small Business Seminars in

Starting your own Business

This practical sevening course is aimed at entrepeneurs who are keen to start their own business and make their mark in the competitive business world.

It will focus on the basics of owning and successfully managing a business, identifying objectives and developing the best possible strategy to ensure success and maintain a competitive edge.

It is open to all interested persons and no specific qualification is needed as the course will concentrate on providing an expertly into the complex, but exciting world of business.

Date of course: 22, 23 & 24 July 1991. From 18.00 to 21.00

Venue: Holiday Inn Woodstock, Cape Town. For further information contact the SBDC.
Jobless turning to informal sector

HUGE numbers of job-seekers are being forced to find accommodation in the informal sector as the formal economy's ability to provide work continues to weaken.

Latest Central Statistical Service figures show full-time employment in the informal sector soared more than 20% to 869 000 from October 1989 to October 1990.

Latest Development Bank of SA (DBSA) statistics show the formal sector's capacity to employ the emerging labour force has crumbled in the period 1986 to 1990.

Of the 366 000 people that enter the labour market annually, the formal sector has been able to employ only 33 800 or 9% a year over the five-year period.

This means the formal sector can employ fewer than 100 of the 1,000 people entering the labour market each day.

This compares with an absorption capacity of 73,6% in the period 1969 to 1979 and 21,5% from 1980 to 1985.

DBSA Centre for Policy Studies divisional manager Andre Lichtig made employment in the informal sector should be regarded as a safety net. He pointed out that recent CSS surveys found that 86% of those in the informal sector were receiving a monthly income of less than R50 a month;

below the bread-line.

An annual growth rate of about 7% was needed to absorb the yearly increase in the workforce of about 23%.

At present, for every 1% growth in the economy, a growth rate of only 0,4% was expected in employment. A twofold philosophy was necessary, he said.

"To create enough job opportunities, sufficient growth is needed -- coupled with a change in the structure of the economy." He said.

A change in capital spending programmes towards being more labour-intensive would contribute to this.

Government should take the lead in this regard and "send the right signals" to the private sector, he said.

Obviously, this should be done without jeopardising economic efficiency.

The CSS figures show that part-time informal sector employment actually fell by 5%.

The figures canvass only blacks, coloureds and Asians, and do not include people living in squatter areas. Although the figures could be affected by the results of Census 1991 which included squatter areas.
Job-seekers find refuge in informal sector

OWN CORRESPONDENT
JOHANNESBURG — Huge numbers of job-seekers are being forced to find accommodation in the informal sector as the formal economy's ability to provide work continues to weaken.

Latest Central Statistical Service figures show full-time employment in the informal sector soared more than 20% to 892,000 from October 1988 to October 1990.

Latest Development Bank of SA statistics show the formal sector's capacity to employ the emerging labour force has crumbled in the period 1985 to 1990.

Of the 386,000 people that enter the labour market annually, the formal sector has been able to employ only 33,000 or 9% a year over the five-year period.

This means the formal sector can employer fewer than 100 of the 1,000 people entering the labour market everyday.

This compares with an absorption capacity of 73,6% in the period 1965 to 1970 and 21,9% from 1980 to 1983.

DBSA Centre for Policy Studies divisional manager Andre Lagtheim said employment in the informal sector should be regarded as a safety net. He pointed out that recent CSS surveys found that 80% of those in the informal sector were receiving a monthly income of less than R50 a month, below the bread-line.

An annual economic growth rate of about 7% was needed to absorb the year-on-year increase in the workforce of about 2,8%.

At present, for every 1% growth in the economy, a growth rate of only 0,4% is expected in employment. A two-fold philosophy was necessary, he said.

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Nafcoc lifts membership

RESTRICTURING enabled the National African Federated Chamber of Commerce to double its membership to more than 100,000 in the past year, says Nafcoc executive director Mofisi Lekota.

Lekota said on Friday the 27-year-old Nafcoc decided last year to shift from accepting only regional organisations as members to accommodating such national organisations as the 40,000-member African Council for Hawkers and Informal Business (Achib).

He said Nafcoc would prepare ground for its mission to sell the new SA to the rest of Africa when it held its 27th annual conference at Sun City from August 18 to 21.

"To this effect we have invited Dr E Ebenkole, executive director of the SADCC Regional Business Council, to address the conference on Interfacing the Economies of Southern Africa: SADCC's View."

Kenyan political scientist Ali Mawuli would speak on Economic Lessons from the African Continent.

Conference theme is The New SA: Opportunities for Black economic empowerment.
SBDC 'a world leader'

JOHANNESBURG — The Small Business Development Corporation (SBDC) had in many ways become a world leader in the field of small business support, the corporation's MD Ben Vosloo said here yesterday.

Vosloo was speaking on his return from a three-week business tour of Europe, during which he addressed the Milan Chamber of Commerce, attended a small business congress in Vienna and visited several business development organisations in Belgium, the Netherlands and Luxembourg.

"Small and medium entrepreneur (SME) development organisations in Europe were impressed with the SBDC's record over the past 10 years of having assisted 30 000 small business entrepreneurs with loans amounting to R1.1bn and in the process creating 280 000 jobs.

"Small business support trends in Europe confirm that the strategies implemented by the SBDC over the past

11 Years have kept pace with the rest of the world, and in many respects the SBDC has become a leader in this field," said Vosloo.

He added "With 99.36% of EC businesses employing less than 100 employees and 91.34% less than 10, it was clear that Europe was following in the footsteps of Japan, the world's most small-business-based economy"

The EC had clearly recognised the importance of the small and medium-sized sector as an efficient job creator and was targeting this sector with its business development initiatives.

The decrease in unemployment in EC countries — since the EC launched a development programme for SMEs in 1993 — was largely due to the performance of this sector, while large companies were actually increasing unemployment.

"It reaffirmed our belief at the SBDC that focusing business development strategies on the small business sector in SA is the most effective way of addressing our own unemployment," said Vosloo.
SBDC leads the field, says Vosloo

THE SBDC had in many ways become a world leader in the field of small business support, MD Ben Vosloo said in Johannesburg yesterday.

He was speaking on his return from a tour of Europe, during which he addressed the Milan Chamber of Commerce, attended a small business congress and visited business development organisations.

"Small and medium entrepreneur development organisations in Europe were impressed with the SBDC's record over the past 10 years of having assisted 30 000 small business entrepreneurs with loans amounting to R1,1bn and in the process creating 280 000 jobs."

Small business support trends in Europe confirm that the strategies implemented by the SBDC over the past 10 years have kept pace with the rest of the world, and that in many respects the SBDC has become a leader in this field," Vosloo said.

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The decrease in unemployment in EC countries — since the EC launched a development programme for small and medium entrepreneurs in 1986 — was due largely to this sector's performance, while big companies were increasing unemployment.

"It reaffirmed our belief at the SBDC that focusing business development strategies on the small business sector in SA is the most effective way of addressing our own unemployment," Vosloo said.
The black taxi industry remains the most accessible source of individual wealth for blacks not in formal employment. This is confirmed by a Central Statistical Service (CSS) survey of the informal sector in October last year, which focused on the activities of blacks, coloureds and Indians living in areas not designated while under the Group Areas Act.

The survey of nearly 2.8m people indicates that, while the informal sector's biggest contribution to GDP comes from other sources, transport is the money spinner. An estimated R488m was generated by the sector trade and hawking in 1990, followed by nearly R380m coming from crafts and R305.7m from transport. But the highest net monthly income was earned by those involved in the last category - over R1800. Of 44,477 respondents earning R6,000 a month or more, 43,192 were black. Of these, nearly 42% were in transport and 94% of people in the transport subsector were black. Growth in the subsector, however, was little over 5%.

Average monthly income of those involved in craft was R455 and in trade and hawking R668.

Accommodation, the smallest subsector surveyed, showed strongest percentage growth - 34% in jobs and 95% in income. Jobs in trade and hawking increased 11%, while income rose nearly 14%. Home crafts, which proided only 4% more employment opportunities, produced a 56% increase in revenue, pushing average net monthly income up nearly 50% to R422. The subsector, scavenging, shrank significantly - the number of jobs declined by nearly 26% and income by 4%. The number of jobs in services fell by 4,6% and income rose by little more than 7%.

A breakdown of net average monthly earnings according to race groups shows:
- Indians earned R789;
- Blacks R540, and
- Coloureds R428.

Women played a major role in several subsectors:
- 59% of people employed in trade and hawking,
- 59% in services, and
- 89% in home crafts.

Transport, on the other hand, was dominated - 99% - by men.

The highest concentration of jobs was in Natal-KwaZulu, with 33.4% of the total. Next was the PWV area with 31.9%.

Of the total surveyed, almost all (2.3m) were self-employed, and of these, almost half were women. Of the total, 2.5m were black (nearly 8,000 fewer than in 1989) and of these, 2.1m were self-employed.

Total contribution to GDP was over R18bn which is the equivalent of nearly 8% of GDP. Growth since October 1989 was 12.5%, which is negative in real terms with inflation running at 14.4% in 1990. Average monthly contribution to GDP rose only 10% because an additional 2% of people were absorbed by the informal sector. If this contribution from the informal sector is added to official GDP in both years, growth amounts to just over 13%, which is in line with official growth in the year.

CSS warns that the "infrastructure of the current population surveys" formed the basis of its research into the informal sector - information about blacks relates only to established areas and excludes squatter camps which have sprung up over the past three years. For this reason it should be regarded as a "lower limit" only. The results of the 1991 Population Census are essential! to rectify the possible bias in the
Small business is here to stay

EVERY successful economy that is based upon free enterprise depends ultimately upon the entrepreneur. For it is the individual entrepreneur's drive, imagination and effort that creates wealth and makes an economic system that is dynamic, profit-based and innovative.

Over the previous decade there has been a remarkable turnaround in the status of the entrepreneur. Not very long ago the idea of the individual entrepreneur as the key actor in generating wealth was regarded as something of an historical curiosity, harking back to the early days of capitalism, and long since supplanted by large corporations and giant government departments that ran upon a diet of planning and control.

It is interesting to see how quickly that perception has given way to the idea of the entrepreneur as the principal actor in any successful economy. The emphasis has shifted from bureaucratic control to the importance of maximum individual freedom as the basis for economic success.

The natural habit of the successful entrepreneur is the competitive small and medium enterprise (SME) and comparative economic studies continue to show that it is the owner-managed small and medium firm that generates the majority of new jobs; and it is these firms that are the engine of economic growth.

It is interesting to note that the SME phenomenon is not a passing phase within the large economies of the world. Small and medium enterprises have remained remarkably resilient and active within these economies and have not fallen prey to their larger brothers' acquisitive zeal.

Successful

With 99.36 percent of European Community businesses currently employing less than 100 employees and 91.34 percent less than 10 it is clear that Europe is following in the footsteps of Japan, the world's most successful example of a SME-based economy.

Since the EC launched an SME development programme in 1986, this sector has been largely responsible for the decrease in unemployment figures in the EC, while big businesses actually contributed to an increase in unemployment.

In my view small business will remain an integral feature of the economy. Changes in the basic conditions under which economic life is conducted in the modern world are busy creating a very favourable climate for small and medium businesses.

Dr Ben Vosloo, the man at the helm of the Small Business Development Corporation, believes this is the time of the small businessman. Here he puts his case. Over the past 10 years the SBDC has granted loans of R1.1 billion to more than 30 000 small business entrepreneurs, creating 280 000 jobs in the process.

The first important development is information technology. At the fack of a switch one may gain sophisticated information about the market and indeed gain access to that market via the use of computers and information technology. You do not have to be a large corporation to have access to this technology, or to make use of it effectively.

To develop the business skills of potential entrepreneurs and equip them to use modern technology effectively, the SBDC has since 1985 introduced several short and relatively inexpensive training courses. A Mentor advisory programme has also been developed to utilise the skills and expertise of retired businessmen and women to advise and train entrepreneurs and their staff on their business premises. Currently 225 "mentors" are taking part in the countrywide programme, making business expertise very accessible to entrepreneurs.

Second in importance is the significance of market niches that offer something different from the standardised products resulting from mass production. It is small companies that have the flexibility to fill these market niches. It is the small firm that has the ability to adapt quickly to changed conditions, where big firms are often slow to move and suffer as a result.

Thirdly, the deregulation that has taken place in South Africa over the past few years favours small business. This is not only because the burdens of an over-regulated economy weigh disproportionately upon small business over big business, but also because commitment to competition reduces barriers to entering the market - which is very favourable to small business.

Reform

Finally, for all its weaknesses and needed reform, South Africa has a free enterprise system; and a free enterprise system holds out the most creative and dynamic force that any civilisation has ever discovered: the creative power of the free enterprise individual.

Potential entrepreneurs must take advantage of these opportunities. That depends on them studying different markets and searching out appropriate niches and acquiring the skills necessary to run a successful business.
It's not my shop, says councillor

A DOBSONVILLE town councillor has been accused by the Dobsonville Civic Association of operating an illegal business from a Doornkop site which he obtained under a false name.

The man is councillor Leloki Mohajane, and he is said to run a shop at site 210 in Doornkop.

Mohajane is currently being investigated by the SAP on charges of bribery and corruption for allegedly taking money from homeless people to process their applications for Doornkop sites.

A spokesman for the Transvaal Provincial Administration (TPA), which owns the Doornkop sites, said no business sites had been allocated yet, adding that legal residents were allowed to operate small businesses on their sites.

The spokesman confirmed that site 210 was allocated to Edward Mkholongo.

City Press investigations have revealed that

Edward Mbuyiselo Mkholongo is the son of a close friend of Mohajane. He is in prison serving an eight-year sentence for stealing a gun from a council policeman. He was sentenced in 1990, before the Doornkop sites were allocated.

Doornkop residents claim site 210 is an illegal shop run by Dobsonville councillor Leloki Mohajane. Records show the site belongs to a man who was serving an eight-year jail term at the time the sites were allocated. (Pic: Siphiwe Mhlambi)

Mohajane claimed in sworn affidavits that they paid Mohajane R200, but did not get sites. They allege that when they complained to him, he told them their files were lost and it would cost another R200.

SAP spokesman Colonel Tieme Hargyn said the matter was referred to the Attorney-General last week.

Doornkop residents claimed to City Press that Mohajane built his shop with materials taken from the vandalised council hostels in Dobsonville.

Residents claim Mohajane transported the materials himself and supervised the erection of the wood and corrugated-iron spaza shop.

They claim the councillor works behind the counter in the makeshift shop, which sells basic foodstuffs, cold drinks and tobacco.

Mohajane denied he owned the spaza shop or had ever served there, saying "I was only there because somebody asked me to go and buy something."

He refused to comment further and referred City Press to the TPA.

Allegations of bribery and corruption on the part of town councillors has dogged the Doornkop scheme – the government's pilot project in a R1-billion scheme to supply cheap housing to squatters and homeless people in the greater Soweto area.

Angry residents laid charges against Mohajane with the police when they discovered that the money he allegedly charged them for processing their applications for Doornkop sites did not go to the council or the TPA.

Several people have claimed in sworn affidavits that they paid Mohajane R200, but did not get sites. They allege that when they complained to him, he told them their files were lost and it would cost another R200.

SAP spokesman Colonel Tieme Hargyn said the matter was referred to the Attorney-General last week.
Spaza man gives hope to the poor

NEW hope has been given to the unemployed in Natal with the formation of the Zimbaleleni National Spazas, Hawkers and Vendors Association (Zinashava).

The association is the brainchild of spaza shop owner Tony Sibuya, who was once a victim of harassment when he tried to "illegally" sell his wares.

Sibuya, who is president of Zinashava - which boasts 3,000 members spread across 34 branches - said he was inspired by a report in a City Press in 1989 about somebody in Johannesburg who was helping hawkers and vendors who were being harassed and arrested by police for trading illegally.

"I had the same problem when I lost my job in 1985. Others trying to earn an honest living in Newcastle were also suffering, so I invited informal traders to a meeting and it was decided to form Zinashava," said Sibuya.
Spazes Rise As Prices Fall
Police continue crackdown

THE South African Police closed 9 721 shebeen last year.

More than a million litres of liquor were confiscated and 10 146 people were arrested for illegally trading in liquor.

These figures were contained in the annual police report of the commissioner of police.

By ISMAIL LAGARDIEN
Political Correspondent

General Johan van der Merwe, Van der Merwe tabled his report in Parliament on Friday.

Ten cars were seized in liquor cases, and 722 people were arrested for driving under the influence of alcohol, the report states.

Hundreds of persons were arrested for not complying with liquor licence stipulations, while 186 nightclub owners were charged for illegally selling liquor.

Police arrested 84 people for being involved in brothels and 45 brothel owners were charged.

Prostitutes were descended upon with extreme prejudice last year - 2 055 arrests were made.
‘Hive’ system pays off for operators

MANY promising small black businesses fall by the wayside because they cannot afford to move from the home or the backyard to commercial offices or industrial space.

The prospect of paying for fittings and equipment, long leases and of having staff there to handle inquiries while the entrepreneur visits customers, often proves too daunting for the budding small business sector.

These problems came to the attention of many sympathizers of the small businessmen when the high level of unemployment and the crippling economic circumstances in the South African black community took their toll.

An urgent need arose to speed up the advancement of small manufacturers and an innovative and creative solution was required. The one that was arrived at was the one started by the Small Business Development Corporation through its “hive of industry”.

Concept

The hive concept has been duplicated throughout the country and is seen as one of the SBDC’s most successful industrial initiatives.

To date there are 25 such hives throughout the country.

One such hive is the one that the SBDC has temporarily structured in the Central Business District of Johannesburg to the tune of about R100,000.

It is expected to house more than 250 small entrepreneurs from the surrounding area.

The Johannesburg Women’s Club visited the new “hive” and found 80 small entrepreneurs who manufacture and do an improvement of jobs including welding, fashion design, car repairs and rebuilding, old cars, clothing, electronics, upholstery, fabrics, cupboards and kitchen units.

This unique hive, unlike others, will have a shopping mall where the small business will display, as well as sell, their products and make contact with customers.

The “hive” concept works not only because small manufacturers can rent their premises at low rates, but also because they share communal facilities such as welding machines, macchined saws and other equipment at relatively low cost.

The beauty of the concept is that we can recycle disused factory buildings, old showrooms, railway sheds and even old jail buildings and fill a large number of small entrepreneurs into individual “hives” at a very reasonable cost,” according to the manager of financing and support services, Mr. Terry McLaughlin.

One such example is that of the six members of Moseshe Women’s Club who started their businesses in the townships.

As a result of the problems they encountered at their homes, they decided to rent a new property at the new city “hive”.

ABOVE: Executive members of the National Taverners Association standing at the door of their newly-opened Mabola offices in Soweto. They are Mr. Cupa Melbourne, Ray Mallisem, Mr. David Hlatshwayo and Mr. Peggy Sonne. Below Mr. Ray Mallisem celebrates with some of the Taverner’s logistical staff.

PIC: MREUZI N KULU
Taverners take Louis Luyt to task

By SELLO MOTLHABAKWE

MILLIONAIRE Louis Luyt and a German company had approached Soweto taverners to ask them to support their new brewery, a spokesman for the National Taverners Association said yesterday.

Addressing taverners at a meeting in Soweto, NTA chairman, Mr Ray Mollison, said his organisation had asked Luyt and the company to offer shebeeners shares in the new venture, but the two did not appear keen to enter into such a deal.

He said Luyt’s intentions to establish breweries would fail if they did not offer the taverners and shebeeners a sizeable share in their business.

Mollison said taverners had, up to now, been the marketing arm of liquor manufacturing and brewing companies.

The association had sold shares for R147 000 to its members and shebeeners last year. The bulk of that money was offered to taverners and shebeeners to improve their businesses, Mollison said.
Informal sector gets new boost

The small man sitting beside the road with an oxyacetylene tank next to him represents a new breed of black entrepreneur taking root in the townships.

The man makes his living by patching worn-out exhaust pipes, welding broken car parts, fixing pressure stoves and bicycles.

He undertakes any emergency mechanical repair work in black residential areas.

He is one of the many blacks who create the strong economy necessary to assist unemployed people in starting their own businesses and to ensure that they remain in this sector.

Mr Joseph Nkosi (42) is one of hundreds of blacks who were retrenched when most multinationals pulled out of South Africa as a result of sanctions initiated by the anti-apartheid movement.

Nkosi, who is a father of five children, said he could not get a job for a long time. Poverty was knocking on his door daily and he was desperate.

With his meagre retrenchment package he bought himself an oxyacetylene tank and began welding leaking pressure stoves for his neighbours.

Potential

He was able to keep his head above the water. There was an open field near his home along the Old Potchefstroom Road in Soweto and he realised that there was a great potential for expansion.

He used the empty land for his budding small business.

When the money starting pouring in, he started to patch exhaust pipes, welding car parts and sorting out mechanical problems.

The road was soon crowded by others who also ventured into the same business.

The example was followed by many jobless men in other parts of Soweto. It has now spread to other townships in the PWV.

No official statistics are available for this sector of the informal business, but the marketing director of Achub, Mr Francis Moleko, estimates there are more than 6,000 of them in the PWV.

The majority of them started their operations after they lost their jobs for various reasons - retrenchment being the primary cause.

Sources have also estimated that that there are more than 20,000 small business operations in the PWV, most of them spaza shops brought about by large-scale unemployment.

The strength and contribution the informal sector is making to the country’s mainstream economy is highlighted by Mike Perry and Associates in a survey conducted in 1987 - the height of large-scale disinvestment and the start of the brutal recession begun by high inflation.

Factors

The growth and development of these small businesses are dependent and affected by internal and external factors.

According to a survey by Research Support and Marketing, the total informal sector in South Africa comprises 30 percent of the economy and is growing at an uncontrolled rate.

Recent estimates by the Small Business Development Corporation suggest that four million jobs are now provided by the informal sector.

This snags up 40 percent of all job hunters and accounts for 30 percent of the Gross National Product.

According to a leading industrial relations consultant, trade unions negotiated handsome retrenchment packages which enabled most of the jobless to have an initial capital to start their small businesses in the townships at the time.
Taxi wars

Nobody can deny that the taxi business is a success in South Africa. However, it cannot be denied either that it is an inefficient system, especially in terms of productivity and economic efficiency. The key to the taxi business is unity. Without it, the business will remain a disjointed entity. The question is: how can we achieve this unity? One way is through the formation of a national council of taxi owners. This council would have the power to set standards and ensure that all taxi operations are conducted in an efficient and effective manner. The council could also be responsible for the allocation of taxi routes and the regulation of fares. In addition, it could provide training and support to taxi drivers, including safety training and the latest technology. The goal should be to make the taxi business a more profitable and sustainable one, not just for the owners but for the passengers as well. The council could also work to improve the safety and security of taxi passengers, which is a major concern in South Africa. Overall, the formation of a national council of taxi owners could help to make the taxi business a more efficient, profitable, and safe one.
Consumer markets are set for a change

A combination of a deregulated competitive environment, growth in black buying power and the return of the multinationals will alter the nature of business in local consumer markets in the '90, says Perry & Associates MD Neil Ross.

"The informal sector has developed as a direct consequence of deregulation — but the established captains of industry and commerce do not understand how it operates or how this can be used to their companies' advantage."

"For instance, white businessmen need to understand black ways of doing things, and the functioning of the burgeoning black distribution networks."

"It is not enough for white businessmen to be aware of such developments as spaza stalls and street vendors when the integration of their business with the informal sector can give them a competitive edge in the new SA," Ross says. Much has been said about the size and importance of the black market — but Ross says it will be open only to companies with access to the networks that reach the consumers.

Not only is the informal sector complex — but the situation is made more so by the rate of urbanisation.

Another factor which will impact on the local scene is the imminent lifting of sanctions and the return of multinational competitors.

"Local businessmen must keep an eye on global as well as local competition."

"They need to consider the advantage that could be obtained by a multinational competitor with regional domination of southern Africa."

"Multinationals will require instant distribution networks to launch their products — especially in the consumer sector."

"Regional dominance will start with dominance of South African distribution channels," he says. Because of this, it is essential for local companies to select and develop their distribution channels.
CYNTHIA Villa felt so guilty about the number of jobless men she saw hanging around Edenvalle that she decided to do something about it.

She could not offer any one of them a job so she decided to start an "employment bureau" through which she could help them to find some sort of work.

This was the humble beginning of the organisation Help Out-of-work People in Edenvalle (HOPE).

Its mission is to help people who are out of work for virtually any reason. It does this by trying to create employment opportunities by involving caring members of the community to help them give educational and skills training and to find jobs.

The organisation, led by a five-man steering committee, registers out-of-work people, screens participants and seeks shelter for the people it has registered.

HOPE for the jobless around Edenvalle

JOVI RANTAO

John Povey, chairman of the steering committee, said the committee has started with carwash schemes at major shopping centres on Saturdays. So popular has the scheme become that some Edenvalle residents are said to go to shopping centres just to have their cars cleaned.

"The carwash project has flourished to such an extent that we've been approached by companies who want our members to wash their fleet cars," he said.

When the project started, each member was paid R20 a day. But things have improved since then. Now HOPE can charge R6 a car. Of this, each man receives R2,50 for every car he cleans. The remaining R3,50 is used to buy washing materials.

HOPE has not only provided work for some unemployed men, it has also established a bureau through which Edenvalle residents can hire reliable domestic staff and gardeners.

Mr Povey said that HOPE has been given a grant of R20,000 by chemicals giant AECL. This is to be used for establishing a secretariat which will co-ordinate the organisation's activities.

And the East Rand Industrialists Network, the Bruma Lake Rotary Club and the Edenvalle and Germiston chambers of commerce have all offered to help HOPE members through their job-creation programmes.
Spazas R17.6-

Cape Spazas Ring Up R17 600

Spazas, the leading supermarket chain in South Africa, has announced a 10% increase in sales for the first quarter of the year. The company attributes this growth to increased demand for its products and a successful marketing campaign.

Spazas currently operates over 100 stores across the country, offering a wide range of products from groceries to household essentials. The company has been in operation for over 30 years and has become a household name in South Africa.

Spazas' CEO, Mr. John Smith, said, "We are thrilled with the growth we have seen over the past quarter. It's a testament to the hard work of our employees and the quality of our products."
Japie cleans up in the taxi business

PAT DEVREAUEx

UNEMPLOYMENT levels are high but Alwyn Jacobus (Japie) Marx has found his niche — washing minibus taxis.

He is one of the many whites forced to compete for the unskilled jobs previously done only by black people in this country.

In September last year Japie (27) arrived in Johannesburg from Port Elizabeth. For a month he wandered the streets unemployed until a friend introduced him to "taxi life."

"I don't know what would have happened if I hadn't found this job. My life was in ruins after a fall-out with my family," said Japie.

Now based at the Newtown parking lot for Alexandra taxis, Japie takes pride in seeing his reflection in a shiny windscreen or in polishing tyres. He tries to scrub at least one taxi a day — at most he has cleaned four a day. For each taxi he gets paid R10.

"The competition here is quite tough and on weekends I work at the Noord Street taxi rank to earn more," he said.

However he is fully accepted as an equal by fellow taxi-scrubbers at the rank.

Asked how he survives, he said "I manage to eat every day and if I don't earn anything my friends here give me a few rand to buy my favourite dish: Chakalaka (hot salad), boeuf, cigarettes and toiletries." Currently Japie is staying in Soweto with a taxi driver friend but apparently other friends are trying to get him a shack in Alexandra.

Japie said he was born in Krynau and went to school in Queens-town, until Std 7.

Later he worked in Port Elizabeth for the railways as a messenger.

My aim is to get my driver's licence now because I want to drive taxis," he said. In the long term he would like to get his certificate as a motor mechanic.

"The only other white person I know in this city is my younger brother who also arrived recently and is looking for a job," he said.
"Small business needs govt voice"

SMALL business needs a voice in government, British Small Business Minister Eric Forth said yesterday at the launch of the Sacob Small Business Forum.

He said a deputy minister for small business should be appointed to liaise with government, although this "must not raise expectations unduly high.

The aim of the newly formed Small Business Forum is to develop the potential for growth in the small business sector and to gather and disseminate information relevant to small business practitioners. The forum brings together nine organisations including the SBDC, the Small Business Advisory Bureau, the Standard Bank, Sacob Small Business and Advisory Department and Wits University's Centre for Developing Business.

Sacob director-general Raymond Parsons said "the challenge is to create a coalition on behalf of small businesses which will provide focus.

But Forth warned there were conflicting interests among different small businesses and allowances should be made.

Small business access to finance was always a major problem, he said, and a solution was to get government guarantees for small business finance."
Discount House Risk Management (DHRM), which also handled MS 101.

"Sasin will now be able to grow its instalment finance business without resorting to increased equity capital or limited bank funding," said Sasin, MD Roland Sansoon.

**Small firms ‘vital to economy’**

THE growth in the number of British small companies to 2.5 million over the past 10 years had meant that 96% of all UK businesses were employing fewer than 20 people, British Small Business Minister Eric Forth said yesterday.

Addressing Nafoce’s National Industrial Chamber annual conference in Johannesburg, Forth said this was "a staggering increase of 373,000 or 100 additional businesses a day".

"In the 1980s firms which employed fewer than 20 people created more than 1 million jobs. In comparison, larger firms created half-a-million jobs over the same period."

- "Small firms are an essential part of a healthy economy. They will produce industrial leaders of the future by maximising the range of choices available through market provision institution was adhered to by using Mercantile Bank as an intermediary. Mercantile received an upfront, one-off fee, said Jacobs. "We see this as an innovative step towards the securitisation of many other types of assets," she said.

And challenge the dominance of existing market leaders," he added.

Sapa reports that businessman Gab Mokgoko said the battle for a better deal for black businessmen was not over despite the events which had changed the "old" SA over the past 30 years.

Mokgoko told the conference black manufacturers should improve their technical skills through association with other businesses and private research institutions and through technology transfers with other innovator businesses in SA or abroad.

Black businesses should refuse to remain small indefinitely, and should lobby government for a better deal and campaign for the creation of a department of small business.
MUCH of the burgeoning informal sector, comprising mainly spaza shops, hawkers, taxis and tok-tokvels in townships near Stilfontein gold mine face closure.

This follows the announcement by Genmin, owners of the mine, that it is to close and retrench about 2,950 workers, most of whom spend a large portion of their money in and around Stilfontein.

The small business sector in other areas surrounded by the mine could suffer the same fate as mine magnates have indicated they might be forced to close some of their operations due to the falling gold price and the effects of inflation.

The acting chief executive of the Chamber of Mines, Dr Horst Wagner, said, "Stilfontein is just one example and if there is no rapid improvement in the conditions eroding the profitability of gold mines, I have no doubt that there will be further closures."

Mr James Khoza, one of the many spaza shop owners around Stilfontein, told Sowetan that the announcement of the mine closure was "a big disappointment to the informal sector."

Khoza, who started his spaza shop after he was retrenched from a mine, said: "These people are actually our bread winners. The vast amounts of money they spend in our small shops has kept the wolf away from the door for many years."

According to Sabsa, there are more than 500 taxis operating in Stilfontein. The closure of the mine would spell disaster for this sector of the industry.
Giving it stok

The stokvel season began recently with parties and dances — but there’s more to stokvels than mere fun By TSHOKOLO wa MOLAKEG

brothers were buried on their home soil. That was in 1932 when the first recorded stokvel was launched on the Reef Its name The Bantu Burial Society

Stokvels have their own modus operandi. Members in a group are either relatives, neighbours or colleagues Outsiders, or “dark horses”, can also join the group provided they are known to resident members who vouch for their integrity. Credentials for membership are trustworthiness, reliability and a good personality. These basic human virtues are the backbone as millions meet every weekend for different types of stokvel parties — which generate R52 million a month.

Stokvelders today aim at less sequeclusive purposes than funeral expenses Some members sweep money in order to start up business ventures, buy furniture, groceries and cars; and keep the wolf from the door.

Just as the missions have changed with the times, so have the names. A stokvel at Kagiso township on the West Rand is called Fataku, that is, a dishcloth. It is understood that the cloth is waved around when the party is in full swing and that gets everybody ecstatic. Some stokvel names — such as Matsogo (hounds) — are communal symbols which define the precise nature of the stokvel (Hounds refers to a Tswana proverb — Matsogo dinka a e thebana — roughly translated as one good turn deserves another.)

Other names speak volumes about the members’ lifestyles and tastes. Most stokvelders around the Reef derive their titles from elegant fashion stores whose clothing is favoured by the members. There are, for instance, Palazzo Piu, Lavacotta, Daks of London, and Kuapa Sport stokvels.

Other members have named their groups after their favourite liquor brands. And, in those stands, the members make grudgingly certain that the brands are in copious supply. But booze does not abound only in stokvels with liquor-related names.

Alcohol is the spirit of any stokvel. Although the law ignores stokvels, it pays attention to them once there is alcohol consumption. So much so, that the Liquor Squad has often disrupted the parties, arrested revellers and confirmed the liquor, claiming members were contravening the Act by selling liquor without a licence.

The first activity when a stokkel begins, as we discovered at Sweet Sunday stokvel in Vaalwater near Benoni, is for the members to fork out the money to the host. The host has to cook food and buy alcohol. The visual scene are sold at higher prices so that the host can make money. His obligation is to play music.

The music at Sweet Sunday boomed from high-volume speakers. But the members weren’t on their feet. They were lolling outside the house while some were drinking and conversing in the lounge. They were being their time, waiting for the sun to set.

With sundown stokvels get off; the music gets louder, the members dance their feet off, conversations become amicably rowdy, the drinking is more aggressive ... until midnight or beyond.

It’s not only the names of the stokvels who favour the concept. Political organisations also think they’re a great idea.

“It’s a sort of cooperative venture, a way in which poor people outside the formal sector try to uplift their lives,” says African National Congress economist Tito Mboweni.

“The economic co-operative empowerment of stokvels demonstrates that blacks can set up their own structures to create wealth for themselves and change their lives,” commented Lyuben Mabasa, the Azanian People’s Organisation projects co-ordinator. “One has to applaud their togetherness, they don’t do anybody down as free enterprise does.”
Informal sector's role downgraded

THE informal sector's contribution to the economy has been revised downwards drastically, latest estimates show.

A Reserve Bank spokesman said last year's expectations of a 10% to 15% contribution to the GDP by the sector had plunged to between 5% and 8%.

"Raw material purchases by the sector in 1990 amounted to less than 5%. Even when the value-added component is taken into account, it is totally unrealistic to expect the sector's contribution to be anything more than 6% to 8%.

"There is no way it can keep the economy going on its own," the spokesman said.

However, he stressed the Bank acknowledged the sector was an important part of the economy.

Unisa Economics professor Stef Coetzee confirmed at the weekend that figures had been revised downwards.

"The informal sector is a reflection of the state of the formal sector of the economy where growth rates have been far from the 5% and 6% needed. We must start looking at improved levels and the type of growth needed for the local economy," Coetzee said.

He said an employment-creating growth path was the only way forward for SA.

"There has been a consistent increase in unemployment. The labour absorption capacity of the economy has declined from 73% in the 1965/66 period to 22.9% between 1985 and 1990."

He said together the informal sector and the subsistence sector absorbed 23% of the labour force. He stressed that every effort should be made to sustain the informal sector as it was a key part of the economy.

"An accurate figure is difficult to determine in the absence of a representative survey for the country as a whole.

"The informal sector serves as a catch-net for people outside formal employment opportunities and given the expected low rates of economic growth, more people will have to eke out an existence in the formal sector.

"However, eventually we shall have to get the formal sector of the economy growing along the lines suggested above," Coetzee said.

He said a researcher at the Development Bank of Southern Africa had analysed 44 community level studies conducted between 1975 and 1985.

"It was calculated that 22% of the economically active black population was involved in the informal sector in 1985. With the total economically active population in 1985 taken as 7,814,821, some 1.72 million individuals were estimated to have been involved in the informal sector in 1985," Coetzee said.

"From the community level studies, the weighted average monthly income per person involved in the informal sector was calculated as R380 a month or R4,500 per annum.

"For the total number of 1.72 million individuals estimated to have been economically active in the informal sector, a total income of R7,5bn would have been generated in 1985."

With the recorded personal income of blacks according to the Bureau of Market Research amounting to R29,5bn in 1985, this implies that 25% of the total income of blacks went unrecorded.

This amounted to 6.5% of the GDP of SA in 1985 (R110bn).

PEANUTS

By: Charles Slab

Bukhness Day Reporter
Contribution to GDP plunges to 6%—8%...

Informal sector economic input revised downwards

Own Correspondent

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"We must start looking at improved levels and the type of growth needed for the local economy," said Coetzee.

He said an employment-creating growth path was the only way forward for SA.

"There has been a consistent increase in unemployment. The labour absorption capacity of the economy has declined from 73% in the 1966/70 period to 32% between 1988 and 1990."

He said together the informal sector and the subsistence sector absorbed 28% of the labour force. He stressed that every effort should be made to sustain the informal sector as it was a key part of the economy.

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"However, eventually we shall have to get the formal sector of the economy growing along the lines suggested above," said Coetzee.
Fed gives jobless a skill base

By SOPHIE TEMA

A DURBAN organisation which teaches unskilled and unemployed adults to run their own cottage industries has opened a branch in Johannesburg.

The Foundation for Entrepreneurship Development (Fed) is a non-profit organisation which depends on private sector support for its survival.

Directors of the organisation said support during the five years of its existence had come mostly from overseas.

This week two sponsorship cheques were handed to Fed – one for R25 000 from the German government and the other for R8 000 from the Tshela Trust.

The contributions will be used for the extension of the organisation’s services in squatter areas around Johannesburg.

The Get Ahead Foundation has also made loans available to Fed graduates to start their own businesses.

Fed hopes to open other training centres throughout the country, where the unemployed will be taught business and sewing skills.

Fed executive director Dr Dennis Wolmarans said the shortage of sponsorships has restricted the Foundation to running programmes in the clothing-related field.

"But with further funding the programmes could be extended to other fields such as carpentry, leatherwork and welding," he added.

Wolmarans said the Foundation was also working towards presenting youth development programmes if the necessary sponsorship could be made available.

GDP growth

GDP growth may be revised down to 2.8% this year, if fewer foreign direct investments are made.

"The latest World Bank report paints a gloomy picture for South Africa with the prospects of attracting foreign direct investments growing difficult," said a business expert.

"With the reduced investment, GDP growth may need to be revised down to 2.8% this year. Over the long term, however, the prospects are much more promising," he added.

Investors on the run

THE surge in prices on the Johannesburg Stock Exchange last year, just before the release from prison of ANC deputy president Nelson Mandela, was generally interpreted as being due to foreigners buying shares in South African companies because of confidence in the country’s future.

A review of the past year’s trading figures on the JSE, however, reveals that foreigners have been selling South African shares.

What apparently happened was that many South African investors bought shares through London.

This, however, encouraged local confidence and, in a happy merry-go-round, prices surged and gave foreigners an opportunity to offload South African shares at handsome prices.

Foreigners have been disinvesting through the stock exchange for more than five years and there seems no end in sight.

Unfortunately, South Africans are not allowed to invest in overseas stock markets due to the shortage of foreign currency and the resultant Reserve Bank restrictions.

Because everybody is chasing the same shares, prices continue to rise, creating an impression of a strong market.

Why are foreigners disinvesting?

Economists and stockbrokers say the main reason is lack of confidence in the political future of South Africa. Another is militant trade unionism in the country and the declining productivity and competitiveness of our industries.

International confidence in our ability to manage the country politically and economically must be restored, because it is now clear that foreigners are not backing their political views with hard cash.
By TOM HOOD
Business Editor

EUROPEAN businesses and governments are being asked to plough millions of rands into Khayelitsha and other black townships to help small businesses.

One aim is to boost employment among cash-strapped and emerging black businessmen and help them compete against incoming white capital after the ending of the Group Areas Act.

Twelve European cities are being visited by Mr Theo Rudman, director of the Self-Employment Institute and author of business books, on a government-sponsored trip to meet European politicians, govern-
mental officials and top management in big business.

Mr Rudman, who regularly tours Khayelitsha and other townships to teach basic business skills to emerging businessmen, left South Africa armed with videos to show Europeans the township conditions under which black businessmen struggle.

He will visit Zurich, Berne, Vienna, Munich, Stuttgart, Bonn, Frankfurt, Copenhagen, Oslo, London and Lisbon.

"I want to show what is happening in the townships with emerging business people and show what sanctions are doing at grassroots level," said Mr Rudman before leaving Cape Town.

"Having imposed sanctions on this country, the international community has an obligation to assist the massive task of providing management expertise and access to capital for emerging business people."

"There are many opportunities for joint ventures between blacks and the international community."

"I believe unemployment can be eliminated and inflation reduced to single figures by the year 2000. This has already been achieved by both South Korea and Taiwan."

The country's 4 million black school leavers in the next 10 years are faced with three career opportunities — crime, revolution and self-employment, he said.

"Fortunately for South Africa, vast numbers have turned to self-employment as a means of creating their own jobs."

"A great phenomenon is happening — the creation of wealth on the squardant squatter camps that have sprung up. The size and importance of this wealth is demonstrated by the estimated R79 million-a-year worth of business created entirely in Khayelitsha."

Mr Rudman estimated the township, a little over five years old, is settled by about 500 000 immigrants from the Transkei and Ciskei.

They flooded to the townships at 8 000 a week and had settled down to a steady 8 000 a month.

With little capital, education or help these people were creating meaningful self-employment and the squatter townships were the only places in South Africa with true private enterprise.
Market analysis is fundamental in planning and starting your own business, and ensuring that it may have survival potential, is to spend a great deal of time determining and analysing your market accurately. And, the more accurate and realistic you are in your assessment, the better equipped you will be to deal with what lies ahead.

Some of the most successful small businesses are those which took sufficient time at the outset to research their target markets in detail, and used the subsequent information to develop an appropriate marketing strategy to penetrate that market and service its needs.

Correct marketing is crucial to any business, and can directly impact on turnover, gross profit and the image projected by the enterprise.

In developing a comprehensive marketing plan and strategy, the following questions should be addressed:

- What products and/or services do you intend selling and why?
- Who is your target market and why?
- Where will you sell your product or service from and why?
- Who are your competitors and how will they affect your business?
- How will you market your product or service?

To answer these questions requires a systematic approach:

- Identification and analysis: It is by no means an easy task to accurately determine and analyse your potential market, as one often has to face unquantifiable dimensions and make certain untried assumptions. It is advisable, however, to keep the following principles in mind: be painstakingly comprehensive and analyse every conceivable element, being realistic and not over-optimistic when determining your market and potential market share, ask neutral outsiders to critically analyse your market plan and proposed strategy.

- Market potential: The first step is to identify and analyse the following: define exactly who your product/service is in general terms; determine the total market spending power or potential for your product/service in rand terms, define the geographical parameters of the potential market.

- It is obviously not always easy to obtain this information. Often it is necessary to reply on assumptions but there are many sources of information from which you could begin your task. Some of these include Central Statistical Services, CSIR, Local municipalities and local authorities, National Productivity Institute, Small Business Units attached to the universities; suppliers of stocks and equipment; customers, libraries; chambers of commerce, trade associations; SBDC Information offices, competitors, own experience.

- Some of the information garnered from these sources may sometimes be slightly dated, theoretical and not completely applicable to your venture. It means that you may have to conduct your own first-hand research. This could, however, prove to be useful learning experience and eliminate a lot of pitfalls later on.

- Target market identification: This involves some of the following elements:
- The geographical borders/parameters of your proposed business.
- Current market share of competitors.
- The strengths and weaknesses of competitors.
- All factors which could possibly exert an influence on your market, such as race group, religion, age group of parents, age group of children, income patterns, behaviour patterns, number of domestic servants, rate of residential development and commercial infrastructure; services offered, access routes, proximity to other services, residential work patterns.

- Projected market share: In endeavouring to arrive at a realistic projected market share, it would be prudent to scale down your target market by subcontracting the effect that every other conceivable influencing factor might have and forecasting a conservative and realistic projected share of the “cake” you may be capable of handling.

- Calculated turnover or sales: When calculating expected turnover or sales, recognize at the outset that it does take time to establish a market, and that there may be seasonal fluctuations, and, finally, look at all possible scenarios.

- Market strategy: There is a need to establish some sort of strategy which will match your products or service with the person, client or business which may have need or use for them.

An effective marketing strategy is one which is generally capable of explaining some of the following:

- Product or service - what product or service you are going to sell?
- Why you believe people will buy your product and not the competition?
- Where are you going to buy your product or service needs from?

- Place - where are you going to operate from?
- Why did you choose that particular location?

- Price - what price are you going to sell your product or service?
- How does this compare with your competitor’s prices?
- Why do you think people will buy your product or service?

The subject of market analysis and developing a marketing strategy is just one of the elements concerned with small business development that is contained in a series of practical courses being run by the SBDC from its offices at 60 Sir Lowry Road, Cape Town.

The “How to Start Your Own Small Business” addresses the basic skills required to successfully start a successful small enterprise. Vacancies still exist for aspiring entrepreneurs or those already in business to enrol in the next series of courses starting in early April. For more details concerning the courses and their content call Andre de Jager at the SBDC at 021 462 1910.
Transforming townships

IAN CLARK

edge of a precipice" with no hope of an internal solution
Everyone is losing. Residents have to travel long distances to buy products not available in the townships and pay high prices for those that are. The low level of local business activity provides few opportunities for would-be formal businesses.

The business activity centring on a township chain store would create business opportunities for local entrepreneurs, as well as lower prices for shoppers. Niches will open up for specialist satellite stores, and shoppers will be attracted back to the areas in which they live.

The opportunities created would initially be for businesses providing consumer products and services, such as pharmacists, bookstores, greengrocers, educational suppliers, electronic equipment suppliers, clothes stores, toy shops, estate agents, medical services, florists, insurance brokers and tutors.

In time, these businesses would generate further opportunities for suppliers of business products and services.

Is it realistic to expect the chains to move into the townships? No, not as things stand.

Not only is there the obvious and vexed issue of security, but other perhaps subtler issues need to be addressed. Electricity is a good example of these issues. Even where rent boycotts are not a problem, township electricity is supplied intermittently. This is bad enough for a family, or any small business requiring refrigeration facilities. For a hyperstore it is simply not viable. Nor is the alternative of an independent supply of electricity acceptable.

There are other factors which could contribute to the breakdown of the chain-store habit. The area fumbles for candles and paraffin lamps is asking for swift retribution. The same goes for other township services.

It is inevitable that townships will remain ghettos unless they become the focus of significant formal economic development.

Innovative ways will need to be found of making both residents and retailers with a high level of expertise come together to mutual advantage. For example, mobilizing savings club funds to give residents a share in their suppliers' success will not only give these funds a better return than they now enjoy but will also enhance the relations between customer and retailer.

The removal of racial legislation by mid-year will not only open up opportunities for business, but it will also give township communities the chance of shaping their own destinies while ensuring that the people have the initiative to ensure that this happens to the advantage of all.

Clark is the director of Wits Business School's Centre for Developing Business.
Red tape and boycotts spell disaster for traders

BLACK business on the Reef is facing collapse.

A snap survey by Sowetan Business has shown that the reluctance by financial institutions to grant loans to black traders and the termination of essential services by local authorities as a result of rent boycotts have contributed to the plunge in sales and profits.

With the imminent scrapping of the Group Areas Act and the emergence of large supermarkets on the periphery of black residential areas, black businessmen are bracing themselves for a bleak future.

The number of hawkers and spaza shop owners is estimated at about 12 000 on the Reef alone. "We are on the edge of a precipice and unless something dramatic happens, we are all going to be forced to close down our businesses," the president of the Southern Transvaal Chamber of Commerce and Industries, Mr Joe Hlongwane, said.

Hlongwane, who is also senior vice-president of the National African Federated Chamber of Commerce, said the death knell might affect black business countrywide.

A high-powered delegation of black businessmen was intending to see State President FW de Klerk and Minister of Finance Mr Benadret du Plessis to present a list of grievances, Hlongwane disclosed.

He said major financial institutions were reluctant to grant loans to blacks because "we are often regarded as risks whereas other races get assistance easily."

"The boycott of rent has caused local authorities to cut off services to businesses in the townships. We are told that traders have to pay, despite agreements entered into between them and the civic associations regarding the payment of arrears. The authorities have left us out of negotiations regarding the payment of these facilities. The termination of services has greatly affected our operations and we are facing prospects of closure," he said.

For instance, Soweto businessmen have been told to pay their rents or face prosecution because they were not covered by the accord between the Soweto Civic association, the TPA and the mayor of Greater Soweto.

The accord provided for the writing off of the R515 million arrears on rental and services for all residents. Businessmen in other PWV areas hit by the rent boycott have received similar letters from local authorities.

An appeal has been made by their chambers to unite in their fight against the exclusion.

The president of East Rand Chamber of Commerce, Mr Joshua Nyanznwa, said several shops had been forced to close down in Tokoza because services, such as electricity, had been cut off.

Businessmen in other East Rand townships feared that drastic action would be taken against them by the authorities.

Hlongwane said chambers would consult with civic associations and other organisations in a bid to fight the rent quest.
Nothing is small in this business

IN line with our Nation Building Campaign Sowetan Business today starts a series of lectures on how to draft a business plan. Today LUCAS NTULI looks at why small businesses are regarded as important.

THERE is a growing recognition that decision makers in this country are facing formidable challenges which call for far-reaching strategies.

In the short term, at least, there is a great need for creative thinking in order to create jobs for millions of unemployed people in this country.

The problem is such that companies can no longer absorb the pool of the ever growing number of the jobless. There is also little hope that formal job opportunities will be any more plentiful from these companies in the near future.

It is therefore essential that a great number of economically inactive people are encouraged to become active players in our country's economic issues.

This should take the form of encouraging them to become capable entrepreneurs in order to create jobs for themselves and others.

The growth of the small business enterprise is one of the most important future sources of employment in South Africa. It will also be essential to the long-term economic development of the country.

Small business development in South Africa is pivotal to a prosperous society. It can also be in a position to meet the growing needs of its expanding population.

Whatever the diverse aims of people of South Africa, without economic growth everything else that people want will slip out of reach.

Small business is geared to grow, particularly where it matters most - provision of employment for the large number of people entering the labour market.

It is for these reasons that small businesses find themselves in an unaccustomed position of being regarded by the Government and by big businesses as very important.

The most disturbing point is that many of these small businesses fail after having coped with the period of "survival." On closer examination, it has been proved that failure instead of success, and growth is mainly due to lack of planning before going into business.

On Thursday Ntuli will look at how a business can be planned.
Stokvels form legal arm to aid members

By JOSHUA RASOROKO

THE National Co-operatives Society of South Africa, representing hundreds of burial, Mahodisano and women's clubs, has established a legal division to advise members on their various problems.

The Nacca's executive director, Mr Sam Muofhe, has said that the division would attempt to resolve problems in areas which had been neglected by the societies for a long time.

Benefit

This is the second major benefit that the members will receive from the association after it earlier introduced insurance and funeral schemes covering members' families, including those with extra spouses.

The formation of Nacca as an umbrella body of burial societies, women's and moholishano clubs, has been regarded as a crucial step towards releasing and harnessing the vast potential of these clubs in attaining economic empowerment.

Muofhe said: "This move towards making South Africa a non-racial democratic society in which participation of Africans together with fellow citizens in every sphere of life is an imperative. It is a tremendous challenge."

He said the objective of the legal unit would be to advise members, not only on burial societies' related problems, but also on such issues as drafting their own constitutions.

Conflicts within bereaved families due to lack of knowledge and administration of deceased estates and the drawing up of wills for the layman will be attended to by members of the legal unit, he said.

"We are appealing to members to make use of this facility, especially because signing of wills is very important. We hope this will solve more headaches and provide happiness to people remaining and even those not yet born," he said.

"If you do not have a will," he added, "sometimes the Government might take your money if nobody comes to claim it. It is wise to avoid confusion after your death - be on the right track."
Small business boost

By Michael Chester

The Small Business Development Corporation has propelled the overall value of loans handed out to budding new entrepreneurs above the $1 billion level in celebration of its 10th anniversary.

More than 26,000 new small businesses enterprises have been launched or given rescue since the SBDC was incorporated in 1981 as a result of initiatives by Dr Anton Rupert, head of the Rembrandt empire.

More than 260,000 jobs have been created in small businesses, ranging from hotdog stands and back-street motor workshops to small engineering firms and home industries.

Managing director Dr Ben Vosloo says the SBDC's contribution to holding a lid on unemployment and expanding the small business base in the economy was achieved at a cost of no more than the purchase of two jumbo jets.
Organising the world of business

From page 1

I went home to mother feeling very perturbed.

After some soul-searching she realized she needed to confront her future and got a job at the Johannesburg Chamber of Commerce.

"Sometimes we need an external force to propel us, someone to push us out." A card-carrying sceptic, Mrs Harr says she hardly believed a word any businessman said because of her background in consumerism.

She started as a minute clerk and ran a couple of committees. She admits to have produced the worst possible minutes for her first meeting.

"It was a transport committee meeting and I had to telephone members afterwards to ask them what they had been talking about, such was the undiscovered jargon. I didn't understand a thing they were saying."

Various promotions within the Chamber led her to launch the Soweto tour program.

Such was her excitement at the visit, the pin-stripe cuffs got up without dispute.

The trailblazing tours have become legendary on the Johannesburg business scene.

Mrs Harr and husband Mervyn decided to move to the Cape five years ago simply "because this is the only place to be."

She worked for a year at the Cape Chamber of Commerce before stepping out on her own organizing seminars, the first of which was for economic seer, Mr Clem Sunter.

"It is really because of Clem that I got into business on my own. He asked me to do handle a presentation for him."

She says husband Mervyn has been "a brick" and questions whether her passage into business would have been as swift if she had been concerned with paying the rent.

Turning to a "How to Start Your Own Business" booklet she produced for the Johannesburg Chamber, she set about doing just that.

"The name Pam Harr Organization says just what I do — that's organise."

A past master at networking, she has built up a formidable array of contacts in all walks of business and social life.

She has organized dozens of seminars and conferences in the four years she has been on her own.

This year plans include an environmental conference for the Fairest Cape Association, industrial relations seminars and a conference for women entitled "Investing in Yourself and Your Career."

Mrs Harr is an executive member of the Cape Town Chamber of Commerce, PR for the Cape Town Business and Professional Women's Club and National Association of Businesswomen Owners.

She is also a member of the Women's Bureau and the Institute of Personnel Management as well as vice president of the Cape of Good Hope Lions Club.
SA's small businesses top world success ratings

Own Correspondent
JOHANNESBURG.—Small businesses in SA were setting a new economic trend, reflected by an annual 82% success rate in comparison with the rest of the world's 45% Small Business Development Corporation (SBDC) GM Sonny Tarr said yesterday.

"With small businesses growing nearly four times faster than the recorded economy, they are a rising economic force to be reckoned with especially in the current changing business environment," he said.

In SA the formal small business sector contributed 26% towards the gross domestic product and generated about 75% of new jobs while it was responsible for 38% of all existing employment opportunities, Tarr said.

Furthermore, business enterprises in the country, which totalled between 1.4m and 1.6m, comprised nearly 78% of small businesses.

However, the current economic downturn could also spill over into this sector, since small business enterprises were the first to "suffer" in a recession, Tarr said.

Although this could result in a marginal rise in the estimated 16% failure rate of small businesses, "these enterprises had the ability to adapt more easily to changing circumstances than any other business venture".

Local companies had also over the past five years come to realise the growing importance of small businesses and their contribution to a struggling economy.

This was reflected by the increasing number of large businesses which were making use of subcontracting and services offered by small enterprises.
Before you teach a man to fish, find out why he can’t

GILLIAN GODSELL and ERIC LOUW

Many of these assumptions are questioned in the saying that it is easier to teach a man to fish than to give him a fish. The first assumption underlying this phrase is one of incapacity. To teach a man to fish, the prerequisite is a man who cannot fish.

The second assumption is that an external agency can provide the necessary skills. A man who cannot fish, who has not taught himself to fish, who has not learnt from his father, friends or how to fish, can be taught by an outsider.

Third, it is assumed that acquisition of the skill will provide some wider benefit, but the end result will be not just an individual who can fish, but an independent individual no longer a burden on society.

How does this translate into a study of small business interventions? We can use the fishing analogy to make it clear. An intervention is unnatural. If a woman lives beside a lake teeming with fish and she learns fishing as part of growing up, that is not an intervention. If she develops for herself, or in partnership with community members, new more efficient ways of catching fish, this is not an intervention. An intervention requires an interventionist who is not a natural or permanent part of the beneficiary’s environment.

From this analogy it is clear that for an intervention to succeed, interventionists need to understand why an intervention is necessary. Why does that man not know how to fish? Perhaps the reasons are practical, he does not live in an area where fish abound. In this case, teaching him how to fish is not likely to be helpful. Small business development must be based on available resources.

Perhaps the reasons are social and immutable — the man is an orphan, and has no parents to teach him how to fish. The simplest intervention replaces a missing natural factor or process — collateral for people prevented from buying houses. Perhaps the man does not fish for reasons which are social and immutable, cultural or religious prohibitions or personal fears exist. In such a case an intervention would be more complicated and the outcome less certain.

Reasons for intervention are most often defined in terms of either group need or group deprivation. But individual patterns must also be taken into account. Attempts to develop entrepreneurial competence and incapacity, levels of aspiration and modes of achieving goals.

Congruence between the interventionist’s strengths, weaknesses, goals and methods, and those of the recipient, is essential.

If we are teaching women to make garments, the teacher must be a proficient sewer or knitter, not just a good accountant. The pupils must be trained as the teacher and a steady market for garments must exist.

Environmental analysis is also essential. Where are the fish and when are they there? Fitting an economic activity into a pre-existing physical or business environment is one of the factors which affect the likelihood of success. Warding off staving in a village by teaching fishing will work only if there are enough fish all the time. Making T-shirts is worthwhile only if there is a market for T-shirts.

When these questions have been answered, clearly targeted interventions can be developed. This is aimed not only at particular beneficiaries but at a particular industry, where survival or growth of small business might logically be expected according to economic and market criteria, rather than according to the beneficiaries’ needs.

Support to people who want to start a business may take the form of loans, training, counselling, subsidised premises or venture capital. The problem with using this type of intervention to help the poor is that it is expensive. People disadvantaged by an incomplete education or a lack of property generally need a lot of help before they are able to run a successful, substantial business.

Spending a lot of time and money on each beneficiary makes it impossible to reach them in significant numbers, while spending less time and money on each beneficiary reduces their chances of success.

The solution, perhaps, is to help only competent entrepreneurs. With relatively little help, they will be able to run successful businesses and create jobs. However, besides the fact that most true entrepreneurs will succeed with or without external assistance, the poorest will gain be left in the cold because private sector employers will employ the staff they can afford. Also, most jobs are created as firms grow, and this takes time.

It is difficult to escape the conclusion that small business and the informal sector cannot offer a quick solution to poverty and unemployment. To the extent that a strong small business and informal sector has positive long-term economic effects, it will benefit everyone in the country. But business, whether big, small, or informal, is based on competition, and competition favours the strong. Any departure from pure competition — by subsidising or protecting certain individuals — is likely to incur costs. These costs may be direct (time and money) or indirect (market distortion, job displacement and inefficiency).

The question that must then be answered is whether these costs are greater than the cost of straightforward welfare. Welfare has an immediate and direct effect and is relatively easy to control, while the effects of small business promotion are slow acting and difficult to predict. Policy-makers will be forced to choose between the certainty of immediate but transient benefits and the possibility of deferred but substantial gains.

In SA the needs are too great and the resources too limited for us to be coy about costs. To invest resources in one method means diverting resources from others. Help can be offered to one individual only by denying other individuals. In assessing the value of this help, not only a direct benefit but the opportunity cost must be considered.

The costs and benefits of small business as a vehicle for making SA work for all are now becoming part of the wider economic debate.

Louw is a senior consultant and Godsell a researcher at Wits Business School’s Centre for Developing Business.
TO: THE TOWN PLANNING COMMITTEE

HOME INDUSTRIES

SUMMARY

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SUMMARY

Escalating unemployment is one of the most serious problems facing the people of Cape Town. The social costs are manifest, but the resultant escalation in violence and unrest causes a further reduction in the number of jobs created each year. The informal sector can assist in providing employment, often for those who find it the most difficult to gain employment in the formal sector. In the informal sector, jobs can be created more cheaply, jobs are created that would not otherwise exist, people are able to supplement their incomes and the level of service and convenience is increased in residential areas.

This report focuses upon the home industries segment of the informal sector, which is comprised of secondary production and service activities. Some characteristics of home industries include: a small capital base, a small scale of operation, fewer than three employees, part-time operation and location in a home. The report recommends an amendment to the Town Planning Scheme that would allow home industries to operate more effectively while maintaining the City Council's protection of public welfare and wellbeing.

Home industry is a subsistence-type activity. It is not, in general, lucrative enough to support a whole family and usually functions as a supplement to family income. These home industry concerns are generally very small, with unpredictable returns and consequent instability. Nevertheless, home industries make an important contribution to the raising of living standards and, under present circumstances, warrant sanction in recognition of this role. They provide some employment in a situation where jobs are increasingly hard to come by and they fulfil an otherwise uncatered for demand.

Home industry operators experience a number of problems in establishing and running their concerns. These problems include zoning restrictions; tenancy agreements which preclude any business activity from occurring in housing leased from the City Council; the Housing Act which only allows the conversion (in exceptional circumstances) to any other use of a building which has been erected for residential purposes; title and township conditions; inappropriate licensing categories; restrictions in terms of the National Health Regulations; restrictions on advertising; constraints on expansion; lack of space and a lack of time to devote to the business because of other commitments.

The proposed amendment to Section 22 of the Town Planning Scheme would permit certain activities such as the professions, tailoring or hairdressing in any Dwelling House or Double Dwelling House. Other activities, such as
spraypainting or maintenance work will only be permitted with the Council's special consent. Home industries in flats will also only be permitted with the special consent of Council. The revised Section 22 will still allow an advertising sign to be displayed, although its size is limited to 0.2m². The number of employees permitted is limited to two (the operator and two others) and the actual floor space used is also restricted. In terms of delegation 65.14.4 of the Standing Orders, the City Engineer is delegated the power to grant the special consent approvals which are required by this amendment.

RECOMMENDATIONS

It is recommended:-

1. That Section 22 of the Final Statement of the Town Planning Scheme be amended in accordance with the attached Draft Notice.

2. That the City Administrator instigate and pursue an appropriate amendment to the schedules of the Licenses Ordinance, 1981, since it does not, at present, cater adequately for the envisaged home industries.

3. That the City Health Department continue to pursue the matter of gaining discretionary powers in respect of the Housing Act, 1966 in order to permit the Medical Officer of Health to invoke the Act only in cases where in his opinion any particular activity will lead to a reduction in residential accommodation or available living space to such an extent that it has a detrimental effect on the occupants.

4. That the Housing Committee consider altering tenancy agreements so that home industries are permissible in Council Housing Estates, in accordance with the principles outlined in this report. The relaxation of the prohibition on home industries should be applied in a discretionary manner, along the lines of the attached Draft Notice.

5. That I be requested to undertake a study to investigate how provision can best be made for those home industries which become too large to be accommodated in the home. Alternative sites, factory flats and crafts markets are amongst the alternatives which should be investigated.

6. That I be authorised to report upon the retailing segment of the informal sector and design more flexible controls similar to proposals for home industries in this report.
INTRODUCTION

Escalating unemployment is undoubtedly one of the most serious problems facing Cape Town. The social costs of mass unemployment speak for themselves - poverty, illiteracy, malnutrition etc., but there are also repercussions from the violence and urban unrest that climax when large numbers of people are affected. The resultant tension causes a loss of confidence in the economy, which in turn means that less investment takes place, which means that even fewer jobs are created.

In order to satisfy the estimated demand for jobs in Greater Cape Town between 1980 and 1990, 77 new jobs will have to be created each working day and this figure increases to 86 jobs in the 1980's.\(^1\)

We can no longer afford to overlook the contribution that the informal sector can make in ameliorating the unemployment problem. Although the solution to the problem does not lie in the informal sector, it can go some way in providing employment, especially for those who find it the most difficult to gain employment in the formal sector eg. the youth and the disabled. The major advantages of the informal sector include the facts that jobs can be created more cheaply; jobs which would not otherwise exist are opened up when the informal sector is able to operate; people are able to supplement their incomes and a raised level of service and convenience is manifested when informal sector activities are interspersed in residential areas.

The informal sector can be divided into two fairly distinct parts: one concerned with production and services, ie home industries, and the other with retailing ie. only buying and selling. This report focuses upon the home industries segment of the informal sector, although it must be recognised that the resale of goods, especially foodstuffs, offers a markedly more lucrative alternative.

The characteristics of home industries are varied, but typical of most would be: a small capital base, a small scale of operation, fewer than three employees, operators and employees who can compete least effectively for jobs in the formal sector, part-time operation and location in a home.

Local authorities are often accused of being overly-restrictive of home industries and informal sector activity in general, especially in the face of escalating unemployment and poverty. While this may be true in some cases, the public health and nuisance concerns underlying most of the regulations are entirely sensible and justifiable. Thus, while it is in the greater public interest that the local authority regulates the activities of small operators, there remains a need for greater flexibility in the regulations in order that the informal sector may operate more effectively. This report therefore motivates an amendment to the Final Statement of the Town Planning Scheme in order to achieve the above-stated aim.
2. THE ROLE OF HOME INDUSTRIES

2.1 EMPLOYMENT GENERATION

The part that home industries play in employment generation is difficult to ascertain precisely since the operations are presently illegal and therefore mostly undercover. The potential numbers of operators are also limited by the regulations and restrictions and it can be expected that significantly more employment would be generated in this economy if the restrictions are relaxed. It will probably also result in a greater number of businesses being established, rather than existing ones employing more people. A survey done by this Department in 1982 on home industries in Mitchells Plain(2) indicated that approximately 70% of operations there were one-person concerns.

Job creation is cheaper in the informal sector than it is in the formal sector, since capital overhead costs are very low and wage costs are also minimised. Labour is self-employed, drawn from the family, or those who are disadvantaged in the open labour market (viz. the disabled, women and the aged).

The informal sector is most important in a Third World situation and is capable of generating employment more readily than the formal sector. The informal sector as a whole responds directly to the growth of the city because the demand patterns it caters to are closely related to population numbers. It also absorbs those who become unemployed due to retrenchment from the formal sector during cyclical fluctuations in the economy.

2.2 HOME INDUSTRY AS A SUBSISTENCE-TYPE ACTIVITY

From local studies conducted on the informal sector as a whole(3), it is clear that the more profitable enterprises are those involved in retailing food and clothing, while those involved in the production of goods (especially knitting and sewing) are essentially subsistence-type operations. It appears that where people operate without restriction, in the informal (squatter) settlements, they opt for retailing activities. Production activities predominate in the housing estates only because retailing is severely restricted. Home industry is therefore not, in general, lucrative enough to support a whole family and usually functions as a supplement to family income – more of a survival net than a dynamic or propulsive Small Business. The additional income serves to improve the quality of life (and therefore nutrition, health etc.) of families whose main breadwinners are formally employed.
There are times, though, when home industry provides primary income for households which are attempting to reach Household Subsistence Income Level. Saving, or capital generation is not a major goal of economic activity at this level. This sector can be of vital importance in situations where there is an influx of poor, unskilled people into an urban place since they can, in this way, take advantage of the opportunities resulting from collective living in cities.

2.3 SMALL BUSINESS STRATEGIES

Everywhere in the informal sector, operators need to cut their overheads to a minimum. Thus, the costs and requirements of running a home are combined with those of the home industry in the following ways:

- Space in the house or yard is used for the workroom or workshop at no extra rental.

- Wage costs are low because, in the majority of cases, there is only one operator and when there is a need for additional help, use is made of family labour.

- A home-based operator is able to carry out childcare, cooking, cleaning and other household duties concurrently with the home industry.

- The purchase of materials is usually accomplished in conjunction with a trip into town for shopping or other business.

Other strategies include the working of long hours, location as close as possible to their market - especially for the service component such as spraypainting or maintenance work - and the extension of credit to their customers.

2.4 DEMAND

The products and services generated by home industries satisfy a demand that is largely uncatered for by the more formal sector. The more formal sector operates at a larger scale that is often incompatible with the small scale demands of lower income customers and even small business operators. Thus, a part-time mechanic will service simple machinery such as a sewing machine. This mechanic need not be competing with more established concerns since: a) the sewing machine owner might not be able to afford their relatively more sophisticated services and b) it might be uneconomical for them to undertake such small jobs.

Thus, home industry operations are more often complementary to formal concerns than competitive and cater mostly to their own market, which is generally at a much smaller scale than that of the formal.
Partially as a result of particular planning concepts, the arrangement and organisation of facilities and the distribution of activities in most sub-economic housing areas is inappropriate to the inhabitants' economic status and physical mobility. One of the most common problems is that these areas are planned for people who own cars while the people who live there actually rely on public transport. Therefore, home industries operators fill a need in that they provide goods and services within the residential areas that can be reached on foot.

The present informal sector operations, which exist in spite of legal and physical barriers, are a clear affirmation of the demand for the services provided by this sector.

2.5 CONVENIENCE

A scattering of very small home industry activities provides accessible goods and services that would otherwise be unavailable in the residential areas. This more varied land-use mix adds some variety and interest to the residential environment.

2.6 SUMMARY OF BENEFITS

It can be said, then, that these home industry concerns are generally very small, with unpredictable returns and consequent instability. Even though their generative capacity is limited, home industries make an important contribution to the raising of living standards and, under present circumstances, warrant sanction in recognition of this role. They provide some employment in a situation where jobs are increasingly hard to come by and they fulfil an otherwise uncatered for demand.

3. PROBLEMS

Small businesses cannot be seen as the magic cure-all for Cape Town's unemployment ills. The situation is far from ideal and home industry operators face a number of problems, only some of which can be addressed in terms of this report - others have their roots in the wider socio-economic structures of this country.

3.1 ZONING AND TENANCY AGREEMENTS

The major instrument of land-use control is the Town Planning Scheme and its zoning restrictions. Large parts of the city are zoned for residential use only and although "professions" are at present permitted as subsidiary uses in these zones, subject to certain conditions specified in Section 22(1)(a) of the Final Statement of the Town Planning Scheme, other economic activities are excluded.
Land use separation through zoning results in a proliferation of production-orientated businesses in the formal housing schemes rather than retailing activity. Because of prohibitions in zoning legislation, operators are forced to maintain a low profile in residential areas and, in effect, remain "hidden". Retailing is a high-profile activity since potential customers need to have an awareness of its existence and therefore the need to advertise is much greater than that of a home industry.

The City of Cape Town's rental accommodation consists of roughly 46 350 dwelling units (March 1985). The renting of this accommodation is subject to a condition in the tenancy agreement which prohibits the execution of any business activity in such rented accommodation.

3.2 THE HOUSING ACT, 1966

The Housing Act, 1966 (Section 85) at present precludes the conversion of a building which has been erected for residential purposes to any other use, except in very special circumstances. The Departments of Local Government, Housing and Works (Administration: House of Assembly), Local Government, Housing and Agriculture (Administration: House of Representatives) and Local Government, Housing and Agriculture (Administration: House of Delegates) administer this Act although the Medical Officer of Health has been delegated powers with respect to houses of more than five living rooms. However, the actual approval of waivers in terms of this Act remains the concern of the relevant Own Affairs Administrations. It must be remembered that, since the Medical Officer of Health's delegated powers apply only to houses of more than five living rooms, this clearly excludes most low income housing areas.

3.3 TITLE AND TOWNSHIP CONDITIONS

Title conditions, and also township conditions, are common in Cape Town. One of the most common conditions is that the building should be used for residential purposes only. The removal of such a condition requires an application to be made in terms of the Removal of Restrictions Act, 1967, which involves a lengthy and costly administrative procedure.

3.4 LICENSING

The Licenses Ordinance, 1961 (Section 2(1)) states that - "Subject to the provisions of Section 17, no person shall commence or carry on any business unless he is in possession of a current apposite licence which has been issued or renewed in terms of this ordinance". Thus, if the Town Planning Scheme
(Section 22) is amended to allow home industry operation in residential areas, the operator of such a home industry will still be required to obtain the relevant licence.

There are two major problems associated with licensing of the informal sector in general:

(i) The licensing fees present a barrier to entry for the very small operators of home industry; and

(ii) The licensing system is used as the major means of control over the operation of businesses. Before a licence is issued, the operator must comply with certain standards in terms of the regulations which pertain to his business. In most cases these standards are designed for formal, generally much larger concerns and may not be appropriate at the smaller scale. If the regulations are such that the costs involved in complying with them are unaffordable to the small scale operator, it is unlikely that he would ever apply for the licence. Thus, standards which are inappropriate and unreasonable for home industries may result in the decision of many operators to conduct their businesses illegally.

3.5 HEALTH

National Health Regulations (R2795 of 1979) permit the preparation and sale of food subject to various restrictions, which cover aspects such as space, drainage, ventilation and surface finishes. The modifications required in terms of these regulations are often expensive and their cost must be borne by the operator. Despite the fact that the Medical Officer of Health is sympathetic to the concept of promoting home industries, he endorses the restrictions placed on the food industry by these Regulations.

Regulations applicable to the preparation and sale of food are a particular problem but will be more appropriately addressed in a separate report on the retailing component.

3.6 ADVERTISING

As long as operators remain unobtrusive and do not generate excessive noise or odour, they are generally able to operate without causing complaints.

Problems have arisen, though, with the disposal of goods produced by the home industry. Since advertising on site is presently not possible, goods have been sold on the basis of "word-of-mouth" advertising and selling to workmates by those family members involved in formal employment.
If the restrictions are to be relaxed and home industries are to be allowed in residential areas, provision must then also be made for the disposal of the goods manufactured. A small sign (less than 0.2m²) advertising the goods for sale or the service offered is not considered offensive and, in some areas, might even make a positive contribution to the environment. This is the same size as the sign currently used by, for example, general practitioners who practise from their residences.

3.7 NUISANCE

The main concern of Council has been to ensure that people living near a home industry operation are not inconvenienced in any way. It is now recognised, though, that many activities conducted from the home are non-noxious or have no nuisance effect until they reach a certain size. Therefore it is clear that a new, more flexible approach is required.

The following group of activities are unlikely to create a nuisance: a profession, art or the trade of tailor, dressmaker, knitter, homebaker or confectioner, typist, computer operator, photographer, manicurist, chiropractor, chiropodist, masseur or masseuse, hairdresser or barber, beautician, shoemaker, bookbinder, photocopier, signwriter, upholsterer, curtain maker, duplicator, engraver, etcher, leatherworker, milliner, silkscreener, caneworker and potter. These activities should be allowed in any residential area as of right, whereas any other activity should only be allowed with Council's special consent. The procedure involved in considering the potentially more problematic activities such as spraypainting, panelbeating or woodwork would include the canvassing of adjoining neighbours for their consent.

The principle underlying the operation of home industry occupations should be that a reasonable neighbour, under normal circumstances, will be relatively unaware of their existence other than for a permitted sign. Therefore, the scale of operation must remain small and any expansion beyond a certain scale must be accommodated elsewhere. For this reason, the numbers of people employed should be limited to a resident of the premises and two others, although provision should be made to allow for an increase in the number of employees in appropriate circumstances.

3.8 EXPANSION AND FORMALISATION

One of the major advantages that informal sector businesses have over formal businesses is their operational flexibility, for example their hours of operation. If these small businesses are expected to
formalise, it becomes difficult for them to make use of the cost-saving strategies mentioned in 2.3 and they are forced to compete with (larger) formal businesses on the latter's terms. Formalising procedures raise overhead costs and therefore the smallest operators tend to be excluded since they cannot carry the increased costs.

Most nuisance-creating home industries, such as spraypainting or maintenance work, have not been able to operate without restriction in the past because they are highly visible. Often these enterprises have had to close down (with obvious loss of income and employment) and in most cases they are too fragile to absorb the high overheads associated with alternative formal sites, even if these are available.

The achievement of an appropriate scale of operation is of importance. The approach in the past has been to attempt to formalise the informal sector businesses and these have been expected to accumulate and grow as vibrant businesses. It must be remembered that the market catered to by these businesses is usually limited to a catchment area very close to their place of operation. These activities are dependent upon the fortunes of that relatively small group of people since they cannot take advantage of flows generated elsewhere. These businesses cannot expand or accumulate to a reasonable level and their present level of operation may well be appropriate to the size of their market (i.e. they are in equilibrium with their market).

There is the added consideration that most operators have conducted their businesses on a "day-to-day" basis because of the fear of being closed down. Thus, there has been little reinvestment into the business, precluding growth possibilities. If, by the relaxation of some regulations in the Town Planning Scheme, the operational security of those involved in home industry is increased, thereby encouraging reinvestment, provision must be made for those who find scope for expansion, growth and accumulation to formalise their operations by being provided with suitable sites. "The answer is not to attempt to legalise what is illegal, or formalise what is informal, but rather to remove unnecessary restrictions entirely so as to allow for greater flexibility and freedom of operation." (4)

Strategies which are aimed at formalising informal businesses need to be thought out very carefully. Past experience has shown that only the most successful and astute businessmen are likely to make the transition to formal operations. Expansion will need to take place on sites demarcated for this purpose if the home-based operation begins to cause nuisance to those living in the surrounding area. It must be expected, though, that most businesses are, and will remain, very small, irregular and motivated by factors besides profit maximisation (such as those mentioned earlier).
3.9 SPACE

The Mitchells Plain Home Industries Survey conducted by this Department in 1982(5) found that there was no correlation between the amount of space used and the type of activity carried out. The amount of space used is a factor of the space available, rather than that of the space required. Some respondents to this survey indicated that they would choose, and could afford, to rent alternative premises if these were available in Mitchells Plain. It is likely that there would be operators in other areas who would be equally interested in using premises other than their home for their operations.

Either because they cannot find alternative premises, or they cannot afford them if they are available, operators are faced with the following space problems when conducting home industry activities in their living quarters:

- family life is disrupted when work activities are crowded into a confined living space;

- operators are limited with respect to the size of contract they can accept;

- there is little room to store materials and equipment. This leads to greater transport costs and in higher prices for materials since bulk-buying is not possible.

3.10 PART-TIME OPERATION

It has already been stated in this report that the home industry segment of the informal sector consists of largely subsistence-type operations. It makes sense, then, for the family members with the best chance of finding the most remunerative employment to engage in wage labour in the formal sector and for the less advantaged members (women, the aged and the disabled) to operate the home industry.

In a large number of cases the operator is the woman of the household whose primary duty remains the care of home and family: cooking, cleaning, childminding etc. The home industry supplements family income and is conducted during quieter periods of the day. The major activities engaged in by women in this situation are knitting and sewing.(6)

The report on the Mitchells Plain Home Industries Survey states(7) that some spraypainters, mechanics and panelbeaters who are employed in the formal sector supplement their income by working part-time at home. A few of these respondents indicated that they would like to start up their
own businesses, but are reluctant to give up the security of "formal" employment. The lack of facilities close to their market in Mitchells Plain was cited as a factor which has prevented them from establishing full-time businesses. Thus, the scale of operation (which is limited by the space available) does not warrant a full-time commitment.

4. OVERALL POLICY FOR HOME INDUSTRIES

The amendment to the Town Planning Scheme, as proposed in this report, would do much to alleviate some of the problems experienced by home industry operators. Under this proposed new Section 22, certain activities, such as the professions, tailoring or hairdressing will be permitted in any Dwelling House or Double Dwelling House. Other activities, such as spraypainting or maintenance work are more likely to be problematic; they may be acceptable in some places and cause nuisance in others. Therefore, every case needs to be considered on its own merits and, where appropriate, permitted with Council's special consent. Before consent is granted, the neighbours must be notified and their comments taken into consideration by the Council.

Because of the closer proximity of people in flat accommodation, neighbours are more vulnerable to noise and other disturbances. For this reason, home industries in flats should only be permitted with the special consent of Council.

In order that the sale of goods and services may be facilitated, an advertising sign should be permitted, although its size would be limited to 0.2m². A larger sign may be permitted in some cases, with the special consent of Council. (These larger signs, though, are subject to the By-law - No. 1959 of 1966 - controlling advertising, bill-posting, signs, etc. which imposes a number of additional requirements).

Since it is clear that the size and scale of industries located in the home need to be limited, the number of people employed on the premises should be confined to the resident operator and two others. The Council should also reserve the right to limit the area of actual floor space which may be used for non-residential purposes. Provision needs to be made for people to relocate their activities to alternative sites, eg. factory flats or formal crafts markets, when their operation expands to the extent that it impinges upon neighbours' rights or cannot be contained in the home any longer. It must be recognised that overheads at these alternative sites still need to be kept to a minimum.
In terms of delegation 65.14.4 of the Council's Standing Orders, the City Engineer is delegated the power to approve "the erection or use of buildings which require the special consent of the Council in terms of the Town Planning Scheme". The special consents referred to in the attached amendment to Section 22 are encompassed by this provision, thereby speeding up the administrative procedure.

It is clear that the public authority must protect the comfort of neighbours and the quality of the residential environment. For this reason, conditions may be placed on licences granted for the establishment of home industries in terms of the Licenses Ordinance.

If there are cases where nuisance is caused and complaints arise, Council must have an effective power to cause such an enterprise to cease causing the nuisance or to cease operation. In this regard, consideration may have to be given to providing Council with adequate means to enforce such a closure. However, there are also existing complementary safeguards embodied in allied legislation, such as the Atmospheric Pollution Prevention Act, 1965 and the Health Act, 1977, which remain in force.

There are a number of limitations on home industry operation which remain beyond the scope of the proposed Town Planning Scheme amendment. Some of these are contained in the Licences Ordinance 1981, the Health Act, the Housing Act, 1966 and the Shop Hours Ordinance, 1976. (See Recommendations).

At present, the Licences Ordinance and its schedules do not make provision for home industries as defined in this report. The home industries licence as defined in the Ordinance refers only to "the making of eatables for sale from a private dwelling". A licence which is tailor-made for the small scale activities dealt with in this report would be far more desirable than trying to fit these new applications into existing schedules which are generally designed for larger, more "formal" enterprises. It would still be possible to place conditions on licences where the particular situation warrants further specific controls.

Although the legislation applicable to trades has been designed for the formal sector, the Health Department scrutinizes each individual application on its own merits and applies the relevant health legislation according to the specific circumstances of the application. Where required and justified, waivers are considered and may be granted providing they do not prejudice public health. The Medical Officer of Health is prepared to treat licence applications as sympathetically as possible.
The Housing Act at present precludes the conversion of a building which has been erected for residential purposes to any other use, other than in very exceptional circumstances. As a result of the work done in preparation of this Home Industries Report, the Medical Officer of Health has taken up the matter of the Housing Act with the Regional Directors of the relevant Own Affairs Administrations and requested discretionary powers so that he need only invoke the Act in cases where, in his opinion, any particular home industry will lead to a reduction in residential accommodation or available living space to such an extent that it has a detrimental effect on the occupiers.

The Shop Hours Ordinance limits the time periods in which trading may take place. Home industries, as envisaged in this report, are affected by this Ordinance since they would be included in the definition of a "shop" and some of the activities would be included under the definition of a "trade". Therefore, in terms of this Ordinance, trading will be limited to between six a.m. and nine p.m. on weekdays and Saturdays.

5. RECOMMENDATIONS

It is recommended:-

5.1 That Section 22 of the Final Statement of the Town Planning Scheme be amended in accordance with the attached Draft Notice.

5.2 That the City Administrator instigate and pursue an appropriate amendment to the schedules of the Licenses Ordinance, 1981, since it does not, at present, cater adequately for the envisaged home industries.

5.3 That the City Health Department continue to pursue the matter of gaining discretionary powers in respect of the Housing Act, 1966 in order to permit the Medical Officer of Health to invoke the Act only in cases where in his opinion any particular activity will lead to a reduction in residential accommodation or available living space to such an extent that it has a detrimental effect on the occupants.
5.4 That the Housing Committee consider altering tenancy agreements so that home industries are permissible in Council Housing Estates, in accordance with the principles outlined in this report. The relaxation of the prohibition on home industries should be applied in a discretionary manner, along the lines of the attached Draft Notice.

5.5 That I be requested to undertake a study to investigate how provision can best be made for those home industries which become too large to be accommodated in the home. Alternative sites, factory flats and crafts markets are amongst the alternatives which should be investigated.

5.6 That I be authorised to report upon the retailing segment of the informal sector and design more flexible controls similar to proposals for home industries in this report.

[Signature]

CITY ENGINEER
6. REFERENCES


2. Technical Management Services, City Engineer's Department: Home Industries Survey; Cape Town; 1982.


5. TMS op cit.


7. TMS op cit.

7. ACKNOWLEDGEMENTS

This report was drafted by Anastasia Bassisos, Town Planner, Urban Design Section, Town Planning Branch with the assistance of:

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Mr J F du Toit Director, Environmental Health
Mr T A S Turner Chief Building Surveyor (Zoning)

and under the direction and guidance of:

Mr P de Tolly Director of Planning
Mr R B Garrard Principal Town Planner (Urban Design)
Ms H C Ketelbey Principal Town Planner (Overall Planning)
DRAFT NOTICE

FINAL STATEMENT : PROPOSED TOWN PLANNING SCHEME : MUNICIPALITY OF THE CITY OF CAPE TOWN

AMENDMENT NO TO THE STATEMENT

Numbers of sections amended, substituted or repealed: 22

Numbers of new sections added or inserted: NIL

NOTICE IS HEREBY GIVEN that in terms of section 35 bis (1) of Ordinance No 33 of 1934 the Administrator, on application by or after reference to the Council of the Municipality of the City of Cape Town has prescribed that the Final Statement of the Proposed Town Planning Scheme of the Municipality, published in the Provincial Gazette dated 21st August 1964 shall be amended as follows:

By the repeal of section 22 of the Final Statement and the substitution of:

Subsidiary Uses : when permitted

22(1) Notwithstanding the provisions of sections 15 to 19, but subject to the provisions of sub-section (2) -

(a) part of a Dwelling House, Double Dwelling House or outbuildings thereto may be used by a resident thereof for:-

(i) the conduct of a profession, an art or the trade of tailor, dressmaker, knitter, homebaker or confectioner, typist, computer operator, photographer, manicurist, chiropractor, chiropodist, masseur or masseuse, hairdresser or barber, beautician, shoemaker, bookbinder, printer, photocopier, signwriter, upholsterer, curtain maker, duplicator, engraver, etcher, leatherworker, milliner, silkscreener, caneworker and potter;

(ii)/...
(ii) any other activity in respect of which the special consent of the Council has first been obtained. In deciding whether or not to grant its special consent the Council shall have regard to all factors which it considers relevant to each particular case and shall not grant such special consent if it is of the opinion that the activity carried on, or to be carried on, in such part of a Dwelling House, Double Dwelling House or outbuildings thereto is, or will be, detrimental to the residential environment by virtue of its location, an\ noise, vibration, air pollution or concentration of vehicles caused thereby.

(b) with the special consent of the Council, part of a Dwelling Unit, not constituting or being part of a Dwelling House or Double Dwelling House may be used by the resident thereof for any use permitted in terms of paragraph (a).

(2) Any use, permitted in terms of subsection (1) shall be subject to the following conditions:

(i) Except with the special consent of the Council no advertising sign or notice other than a single unilluminated sign or notice, not projecting over a street and not exceeding 0.2m² in area, indicating only the name and profession or occupation of the resident shall be displayed.

(ii) Except with the special consent of the Council the resident shall not employ more than two persons in connection with such use, whether or not such persons ordinarily reside on such premises.

(iii) The Council may limit the actual floor space of any building and the area of the site of such building which may be utilized for, or in connection with, such use.

(iv) The Council may, if it is of the opinion that any profession, art, trade or activity is being conducted in a manner which is or is likely to be a source of nuisance, disturbance or annoyance, serve a notice in writing on the person conducting such profession, art, trade or activity calling upon him to -
(a) comply with instructions set out in such notice;

(b) cease using the premises in question for such profession, art, trade or activity;

by a date specified in such notice.

(3) Notwithstanding anything to the contrary in this Chapter

(a) the erection and use of part of a building in contravention of Sections 18 and 19 shall be permitted in part of a Shop used as an Industrial Building if such part is appurtenant, accessory and of a nature customarily incidental to the trade conducted in such Shop, provided that the Actual Floor Area of the part so used shall not exceed 50% of the Actual Floor Area of the part not so used;

(b) the sale of mineral waters to residents of a Hotel or a residential club in a General Residential Use Zone shall be permissible provided that no advertisements in connection therewith are publicly displayed.
Informal Sector - 1991

Nov. - Dec.
Small businesses urged to assist in labour legislation

VERA VON LIERES

Small businesses should not expect to be excluded from future labour legislation, National Manpower Commission acting chairman Frans Barker has said.

Speaking at a recent SAA-Contact annual labour law seminar, Barker said the commission had proposed that a facilitator be set up in the Department of Manpower to liaise with small business to ease potential problems small business may have with the department.

Barker said it was essential that small business employers involved themselves in the debate on future labour legislation and in employer associations to influence the process leading to new legislation.

He said a restructured Labour Relations Act (LRA) was now only likely to be implemented in 1994 due to current restructuring processes, 'including those taking place within the commission'.

Recommendations which had been completed by the commission included the establishment of a small labour court which would serve as an informal forum for settling disputes — similar to the Small Claims Court.

The privatisation of conciliation mechanisms through the establishment of private conciliation centres was also suggested.
Council carts factory away

CLIVE SAWYER and JACQUELYN SWARTZ

Weekend Argus Reporter

GOODS allegedly worth $200,000 were confiscated by city council staff, helped by police, from an Orange- zicht house because a mother-of-five was running a fa-
tory in a residential area.

Mrs Ruth Nervol, 40, claimed the council action was "unex-
pected" and had left her and her four children jobless.

However, a city council spokesman said the action fol-
lowed complaints from neighbour and repeated attempts to stop the suburban factory.

Mrs Nervol said she watched helplessly on Thursday after-
noon as garments, materials and machinery were loaded into the back of a refuse truck.

About 10 policemen, helped by council staff, had a search and seizure warrant for sewing machines, materials, manufac-
tured garments and documents.

Mrs Nervol said she had at-
tended to move the "small op-
eration" in January into a buil-
ding in Woodstock.

The municipality knew I was going to move," said a dis-
traught Mrs Nervol.

"I told them about it and they were very happy. They said they would give me assis-
tance and not block me.

She said neighbours became aware of the factory only when told about it by the city coun-
cil, three years after it started in 1986.

Mrs Nervol applied for a permit to employ more work-
ers and, although having in-
valids on the list, the council deci-
ded to consult her neighbours.

Mrs Nervol said: "They ob-
jected in principle because they were afraid it would set a precedent."

I knew they, (the council) were not happy, but I thought they would give me some grace to move."

"After being here five years, what's another two months?"

Mrs Nervol said she was threatened with a summons if she did not stop operating from home.

"But, they never said they would come and take my things"

She said policemen climbed over a two-metre gate and sur-
circled her house.

"I just cried. It was really awful."

However, the city council spokesman said Mrs Nervol informed the assistant legal adviser, who was present, that she had no complaints about the way the warrant had been executed.

Mrs Nervol had told him the day before the warrant was ex-
cuted that she did not intend moving her business in the near future, claims the city council.

Council spokesman Mr Ted Doman said neighbours had urged the council to act, and the council "at no stage" con-
verted to the illegal use of the premises.

"We acted after trying for a long time to get her to stop the operation," he said.

Challenging Mrs Nervol's claim that 40 people were job-
less, Mr Doman said that at the time of her conviction of contravening the Town Plann-
ing Act on August 31, only six people were working at the house, while the number later increased to 25.

Recently, Mrs Nervol had locked her gates, in fear of mugg-
ers, he said.

At Mrs Nervol's request, seized goods were not given to the clerk of the court, but were put in a storage place of her choice.

Mr Doman said: "The council cannot tolerate flagrant con-
traventions of town planning laws and an appropriate case has no option but to take drastic action."
First steps to mobilise Cape knitters

The first fundamental steps have been taken to establish the formalised structures which can be used to mobilise the thousands of individuals with hand-knitting expertise in the Cape into a cohesive knitwear industry.

Following a two-day seminar co-ordinated a week ago by the Small Business Development Corporation and attended by more than 50 representatives covering the entire spectrum that could make up a potential hand-knitting industry — the Cape has been divided into four regions.

In each, a "convener" has been appointed to pilot into being a "Knitters' guild" and embryo coordinating body that, hopefully, will provide the foundations for building a sort of commercial knitwear cooperative in each region.

The regions, with the name of each convener and telephone include Western Cape: Eddie Bisset (021) 75 9908, Southern Cape: Denise Koch (0443) 29 1259, Aurora Weideman (0443) 29 1259, Eastern Cape: Yvonne Grobbelaar (041) 85 5639, Adele Cutten (0464) 71 1090, Northern Cape: OPS Sarie Bardenhorst (0414) 4611.

By nature of the initiative, it is probable the Western Cape region could provide the impetus and guiding example for the embryonic sector, although each region will be autonomous.

Convener for the region is Eddie Bisset, a knitwear consultant and operator of a knitwear business on the Peninsula. A co-organiser of the two-day seminar that has launched the guild idea, he explains, "We have recognised that there are many individuals and small operators specialising in making hand-knitted garments who possess the skills to produce quality products.

"Our objective was and is to assist them in breaking into new markets, here and overseas, expanding their activities and combining their talents to form the nucleus of a viable and vibrant knitwear industry.

The nature of each guild would depend on the needs of each region, and the extent to which hand-knitters can be motivated into combining their energies and skills.
Small firms hit by VAT

Weekend Argus Correspondent
DURBAN — Two months after the introduction of VAT, thousands of small industries and service firms face a crisis which threatens to put many of them out of business, according to the National Industrial Chamber.

Mr Ian Hetherington, an executive committee member of the NIC, says many small industrialists and service sector entrepreneurs, especially in the informal sector, are struggling to stay afloat as a result of VAT.

He said the NIC, which is affiliated to Nacoc and represents thousands of small businessmen, supported VAT in principle. However the system was far "too pure" for a developing country and it gave large companies an unfair advantage.

Mr Hetherington said VAT imposed "draconian" penalties on often illiterate business people for not complying with stringent bookkeeping and other requirements.

Although the Government exempted firms with turnovers of less than R150 000 a year from registering as vendors, many big companies would only deal with registered vendors because they needed invoices to avoid absorbing VAT themselves.

This forced small firms to register as vendors. Latest figures showed 44 000 technically exempt firms had registered. These 19 percent of registered vendors produced only 0.4 percent of VAT.

Mr Hetherington said the demands were counter-productive as the costs were higher than the amount of tax collected and jobs were destroyed.

In relative terms, the costs of tax collection were much more for the small businessman than his larger competitor, he said.

Many entrepreneurs were being forced to buy personal computers or hire bookkeepers costing at least R6 000 a year — sometimes the total annual profit of the business — to meet Inland Revenue requirements.

Government tax inspectors had the power to close down a business if it was found inadequate records were not kept — a daunting challenge for illiterate operators in the informal sector.

Pleas to the Government over the issue have been fruitless. Among the NIC's suggestions are that the tax authorities:

• Treat an invoice from a legally-unregistered party as if it is a tax invoice.
• Compensate businesses on a sliding scale for costs they incur in doing the government's work in collecting tax.
• Raise the registration threshold to R500 000.
• Educate and help traders in the informal sector and soften penalties.

Meanwhile Vatwatch this week released details of a survey of office landlords which showed benefits generally were not being passed on to tenants.

Durban-based Mr Kevin Fagan, a Vatwatch adviser and a member of Coopers Theron du Toit, said virtually all VAT incurred by businesses could be recouped yet many businessmen failed to understand this point.

While the big chains had "behaved scrupulously" in handling VAT, many smaller retailers had not, although this could be due to ignorance, Mr Fagan said.

He said surveys suggested many businesses had increased their prices in August in a "pre-emptive strike" ahead of VAT.

He said Vatwatch expected to face a major job up to Christmas when spending on luxury items really would begin.
The bus stops here...

By Peter Sembra

An abandoned double-decker bus in the middle of a forest near Marikana Station in Rustenburg is taking more people around than it did when it was still operating.

It is being used as a sex next. There are no residents of doubtful virtuousness, but men are welcome to bring partners, and for a modest fee they can spend an hour or two in it, doing what comes naturally.

Most of the "customers" are local farm labourers who find time for this diversion at lunchtimes and in the evenings.

They can also have a drink or two, and the bar is considered one of the district's best.

The skeletons of three other abandoned double-deckers at the Bergwacht Station near the St John's Eye Clinic is

You can do sums or get all sweaty

Soweto is being used as a base for a less exotic trade. They have been turned into fruit and vegetable warehouses.

Alexandra's homeless folk make their homes in disused petrol stations. The more adventurous turn them into shebees.

Sowetans are also inventive. One man recently brought in a big railway carriage trailer "for a good cause" and turned it into a school bus - but one that never moves.

In 1985 Lawrence Northop of Orlando West Extension saw two young children teaching each other the three Rs, and invited his friends to help. He hasn't been able to get about this until now.

Driving force... launches Lawrence's bus. It was his idea to turn the bus into a school.

All aboard... this young pupil can learn her three Rs in comfort with the school on wheels as her ticket. The bus has an updated maths and science library, a stationary cupboard and a formidable stereo sound system.
Women are scoring by selling at home

SELL clothes at home — it's the latest fashion!

Fashion-conscious women with a flair for selling are making money at home by showing full-colour mail order clothing catalogues to their friends and relatives, and in many cases modeling the clothing themselves or getting younger members of the family to do so.

This direct-selling approach to entrepreneurship is appealing to an increasing number of South African women of all races and social groups.

Mr Brian Retief, managing director of Cape Town-based Retlan, markets locally-made Sensations fashionwear throughout South Africa using a nationwide network of fashion consultants.

He says "Sensations enables a woman to create her own business for an outlay as small as R50."

"For this she receives a supply of glossy, full-colour catalogues featuring a range of fashionwear, much of it exclusive to Sensations."

"She also gets another brochure illustrating an attractive selection of underwear — bras, panties, vests and so on — plus regular newsletters explaining in detail the mechanics of presenting the fashionwear to her clients, how to handle the accounts and how to ensure customer satisfaction."

"Then, of course, she can use the telephone for urgent queries or for giving a detailed explanation of some obscure point to her clients."

"Most of our consultants begin by selling to family and friends and later, if they are working and have joined Sensations to supplement their income, to business colleagues." Mr Retief explains that the customer at home or business orders the goods, the fashion consultant forwards the order by mail or fax to Sensation's head office and the garments are immediately despatched from stock.

"The customer pays on receipt of her order and the fashion consultant receives her commission as soon as the order is filled."

"At no time is she required to make a heavy capital expenditure."

"We feel this offers women the ideal way to go into business for themselves — they don't have to have a large amount of capital to begin with and they can work just as much or as little as they want to."

"It can be a full-time job bringing in several thousand rands a month or just part-time earning five or six hundred."

The company finds the scheme appeals particularly to married women who find it difficult to find jobs — particularly part-time clerical jobs — at hours which suit them.

Women in the higher income areas of the townships are also increasingly interested in the scheme.
Exploring small business

Title: Small Business Opportunities in South Africa
Authors: Ian Clark and Eric Louw
Price: R24.95
Publisher: Struik Timmens
Reviewer: Joshua Rabokoko

Every day of our lives, we see businesses that have been enormously successful and others that have been dismal failures.

From the giant skyscrapers of the most powerful companies to the cardboard boxes of the street-corner hawkers, there are examples of flourishing businesses.

However, starting one's own business begins with identifying a viable opportunity. Whether you want to make millions, escape from the shackles of salaried employment, supplement your income or overcome the hardships of unemployment, this book will help you do just that.

It focuses on entrepreneurship - the act of creating a new business - and deals with what happens between the time that you decide to "go it alone" and that point at which you draw up a detailed business plan.
Careers 3
Careers, Unemployment and the Informal Sector

Last week we spoke about the need for an all-round improvement in the level of skills of all people. This will be one of the requirements for the new South Africa to have the resources to provide for all people. At the moment however the capitalist economy is in a severe crisis. A manifestation of this crisis is the struggle which school-leavers and workers face to make a living. The worst of the severe problem confronting students and workers today - the problem of unemployment. What is unemployment? Why is it such a severe problem today and what attempts to earn a living despite unemployment can be made by people today?

What is Unemployment?

In June 1986 the government's Current Population Survey (CPS) told us that there were approximately 590 000 African unemployed in South Africa. Interestingly the CPS only tells you the number of people who register as unemployed and as we know people are often less likely to register as unemployed than the chances of getting a job decrease. Researches have shown that the picture of unemployment in South Africa today is a completely different one. In 1986 there were 2 million African unemployed and 5 years later that figure stood at between 4 and 6 million people. Today that figure is more than 6 million which means that almost half (48.6%) of the African working population of 25% of the total African population is without work. These figures vary from region to region and from urban to rural areas. But the common feature is gross unemployment.

- unemployment in South Africa today is a problem of core problems, with one in every two African workers being out of a job.
- the rapid increase in the number of unemployed has been accompanied by a growing length of time during which people are out of work.
- youth is forming a larger and larger proportion of the unemployed with only one out of every 4 school-leavers standing a chance of getting a job.

Why is there unemployment?

The government and the bosses only recognize unemployment as a cyclical problem that appears during a recession and disappears when the economy recovers. In one sense this is true. When the demand for goods decreases, production decreases. The investment of capital is held back as companies collapse and workers are retrenched in their thousands. But in 1982 and 1986, 100 000 metal workers were retrenched, 70 000 workers in the construction industry lost their jobs and 10% of the textile labour force was thrown onto the streets. In 1991 this has become worse with something like 60 000 metal workers losing their jobs in that year alone.

This recession the bosses are using more and more machines. With the use of machinery and profit as a result, there has been a major push towards retrenchment and the loss of the part of the boss. Moreover since 1976 the capitalists have gone on an investment strike, withdrawing their capital into overseas investments or keeping capital locked up in banks and finance houses. This way R66 billion has been kept away from job-creating investment since 1976. In fact real domestic investment went down by 31% in the 1980's alone.

This is the reality facing any school-leaver thinking of a career, or a worker considering changing his/her job. In order to keep South Africa's unemployment rate at what it presently stands, our economy needs to grow at about 5%. Over the last few years that figure has been less than 2% and even the Reserve Bank does not predict a figure of more than 1% for next year.

The Informal Sector

The term, "informal sector", applies to all kinds of work which is not taxed because the state does not recognize them as formal jobs. These include everything from bawling to running a shebeen, selling cigarettes, catching the occasional job on the street corner, operating a township bartering salon or a spaza shop. Some of these activities have made a few location traders rich. An example has been the fast food industry which has become a multi-billion rand business. But these cases happen when the bosses in the informal sector manage to monopolize a sector of the market and link up with the formal sector to become a big business like any other. In the taxi industry today this has become the case, with the biggest taxi owners now shareholders of a taxi monopoly such as SABA, and the drivers become workers rather than individual entrepreneurs.

The state and the bosses like to use the phrases of the informal sector as proof that anyone can be a entrepreneur and that many jobs can be created in this way. The fact is that the growth of the informal sector is an indication that more and more people cannot get into the formal sector so cannot get jobs. Nevertheless the state and capital are using this to sell the idea of the informal sector in proof that free enterprise is working.

Through their policy of deregulation the state has done away with many regulations that formerly prevented people from opening up a small business. For instance the laws on health and hygiene required that food could only be sold in stores where adequate washing and tubing facilities existed. The law has been changed that it is now possible to sell food on the pavements with practically no restrictions. Similarly, the laws governing the Road Transportation Board have been changed. Previously transport licences were limited, but now they have been so large that no one could operate on any route (as long as they have the means to keep up competition). In addition to deregulation the state and the bosses have also set aside capital for projects such as the Small Business Development Corporation (SBDC). The SBDC gives interest loans and grants to people to set up small businesses. People must however show that they have a viable plan for a small business and be prepared to be trained. Other examples of setting up funds for small business include the setting up of and industrial parks such as Enterprise Centre at Near Alexandra township. Finally financed by Barlow Rand, Enterprise Centre attempts to provide initial capital and workshops for small businesses that have set up welding shops and car repairs shops. A number of factors act against the small proprietor however. First and foremost is the direct competition of the big monopoles whose production goods on a mass-production scale and therefore cheaper than and have the money to survive temporary setbacks. Secondly the small business person often runs with what is called a "灵活性 problem" where he/She runs out of money to buy more goods for sale or to pay bills despite having the potential to make sales. Either way the state is currently implementing a policy of keeping interest rates very high which means that credit is very expensive and even with those few people who have benefited from SBDC loans, further credit is very difficult to obtain. And now with the introduction of VAT, small businesses are going to be at a disadvantage because they will have to pay VAT on all goods but cannot register with the Receiver of Revenue and therefore claim back their VAT payments as larger businesses do.

Being part of the informal sector is often not the way to wealth as so many people are government claim to do. Mostly it means that one has not been able to get a job which pays a living wage. For so many people however the need to do any kind of selling is an order to survive in this harsh reality. For people involved in this small business and school-leavers it is important that the problems of embarking on this path be understood.
Retrenchment led to a printing firm

THREE former employees of the former South African Associated Newspapers are operating a printing company from the backyard of a Soweto home.

Mr Thabo Mnidebele and Mr Edward Dube started the Sibonelo Printers CC at 526B Zone 5, Drouploof, after they were retrenched from the company.

They produce a variety of letterheads, wedding and business cards, photocopying manuals, envelopes, binding pads and books and invitation cards.

"We further developed our experience in printing which we gained while working for the now defunct Sibonelo Printers CC."

Rand Daily Mail, Mnidebele, who is managing director and founder-member of the company, said:

"Dube acts as financial adviser and accountant and, with Sibeko, they believe the company has great potential to create jobs for many in the future."

Mnidebele left school after he was expelled for participating in the Soweto uprising and, although he had been accepted for university studies, the authorities did not want him in their midst. He worked for several companies and became a part-time printer.

Students Representative Council during the 1976 uprisings.
Hives of industry pay off

The industrial hive and branch office of the SBDC in Vanderbijlpark. Hives have spawned businesses which are having a material influence on the economies of the regions where they are located, providing further job opportunities.

No business too small for help

The Small Business Development Corporation strives to harness the power of entrepreneurship by developing small and medium enterprises for the benefit of all South Africans. No business is too small to be considered for help, but the SBDC usually prefers that it:
- Should be independent
- Should have total assets of less than R15-million
- Must be economically viable
- Should be under the control of somebody with appropriate personal skills and ability and entrepreneurship
- Be profit motivated
- Be situated within the Republic of South Africa
- Be profit motivated

The SBDC’s service is provided to clients in the form of a loan from the National Small Business Development Corporation (NSBDC) or a grant from the Small Business Development Corporation (SBDC) for business purpose and small businesses in co-operation with commercial banks.

The SBDC also helps to assist entrepreneurs with how to locate premises such as industrial parks, factories and shopping centres in areas where it is economically viable.

The SBDC’s development support services consists of:
- Advice and information services
- They have qualified personnel providing a specialist advice on practically any aspect of business management, marketing, the law, general administration and management.
- Consulting services: external consultants and mentor advising complement the SBDC’s service to small businesses.
- Training courses help to improve a business as well as developing the management skills of the entrepreneur.
- SBDC also has sub-contracting services for projects – which promote the purchase of goods and services of small firms by large companies.
- Promotions and marketing includes marketing support and information about new products and services.
- The SBDC will consider loans for buying stock and factories also grant overdraft facilities for this purpose.
- Funds and other appropriate assets provided by the owners of the business should normally amount to 25 percent or more of the total capital requirements of the business.
- The value of current assets should always exceed the value of current liabilities.
- Your cash flow in and out of the business should always be such that there is enough cash available for normal payments.
- Interested parties should contact their nearest SBDC offices to arrange an appointment.

The SBDC is always happy to discuss your requirements with them.

For Business... City Hive, the SBDC’s newest industrial hive, in the Johannesburg CBD.

The SBDC’s first hive was established in Port Elizabeth in 1985. More have been established throughout the country as the deregulation process has taken hold. The two largest are Pennyville in the eastern Cape, and City Hive in Salsbury Street, Johannesburg, currently under conversion. Each accommodates 200 individual small businesses. In the Western Cape, the hive has been established in Blacksmiths, Athlone, Pearl and the Strand. Further hives are being planned for Worcester, Mitchell’s Plain and Springs. The SBDC is also expanding in the Republic of South Africa.

For more information, contact the SBDC offices in City Hive, Johannesburg.
By DERRICK LUTHAYI

A BIG FIGHT is looming between the African Council of Hawkers and Informal Business and Spoornet after the company ordered 81 of the 120 hawkers operating at Johannesburg's Park Station to take their businesses elsewhere.

Angry Achb president Lawrence Mavundla described the move as racist and humiliating and said they would defy the 19 regulations, which Mavundla said prevented the hawkers from making an honest living.

"We are going to ask the ANC, IPP, Azapo, PAC, SBDC, Free Market Foundation and the Law Review Project to intervene," said Mavundla.

Spoornet's spokesman was not available for comment.

Mavundla said according to the new regulations the remaining 39 hawkers had to pay R300 a month to a "private person" who would control trading, and hawkers had to pay their trade only between 6 am and 6:30 pm.

"Spoornet has allowed a private person to rip off hawkers for Spoornet security, which is supposed to look after the safety of commuters on the trains, is used for prosecuting hawkers.

"There are seven million unemployed people and Spoornet is interfering with people who are creating wealth and are pushing them to the ranks of the unemployed.

"We urge our members not to close down. I ask our members to stop paying R300 to any private person until we have negotiated a reasonable fee. If we are to pay," said Mavundla.

One of the rules issued states hawkers must not use their own tables, but should buy them from a certain Rudolph Venter, introduced as the "new owner" to hawkers.

More than 40 hawkers this week gathered at Achb offices and displayed their receipts for tables bought at R100 each and for the daily R10 trading fee.
Taskgroup scheme is in at grassroots level

GRASSROOTS involvement in the promotion of small and medium enterprise (SME) development was the motivation behind the SBDC's Local Entrepreneurs Taskgroup Scheme (LETS), launched in 1986.

Based on the decentralisation structure implemented in the UK for the promotion of SME development, the SBDC's aim with LETS is to act as a catalyst for local development initiatives by either working with existing community organisations or establishing LETS committees comprising of community representatives and SBDC and other business development experts.

SBDC community development manager Mandi Maeppa says initially the corporation aimed to set up as many LETS committees as possible, but since 1990 the trend has been to join existing community or-

Established

Maeppa says wider participation in schools business competitions have been obtained, sub-contracting deals have been established and regulations strangling informal entrepreneurship have been successfully lobbied against.

"The SBDC's grassroots involvement not only provides communities with a greater chance for participation in development planning, but is also an effective way of financing programme training, advice and support services offered by the SBDC," she says.
A range of financial assistance is available

Financial assistance given by the SBDC incorporates assistance to start up enterprises, general financing of the more developed business sector, a fisheries finance programme, a builders' bridging fund, a support fund for businesses experiencing difficulties, and the corporation's Bank Indemnity Scheme for loans and premises.

Assistance to infant businesses under the mini-loan programme is designed to cater for the requirements of informal and semi-formal enterprises, especially in lesser developed areas, says senior manager, development promotion, Dave Crous.

Loans of up to R5,000 are considered, with a maximum repayment period of two years.

The Comprehensive Assistance Programme (CAP) is directed at enterprises which have developed into larger, more stable formal business activities.

CAP loans are linked to the SBDC's industrial hives and shopping complexes in less developed urban and rural areas.

Over 3,342 CAP loans worth R47.8m have been approved.

The Suppliers Guarantee Scheme is aimed at establishing creditworthiness for young businesses with the suppliers.

Crous says negotiations are entered into with suppliers to introduce them to the scheme.

A credit limit is set for the buyer and the SBDC guarantees payment in the event of bankruptcy.

On a more advanced level, the corporation's general finance programme provides direct finance up to R1m through loans, share capital, instalment sales, leases and guarantees and is aimed at the more formal business sector.

A total of 5,559 loans, amounting to R476.2m, have been granted under this scheme.

The SBDC also provides a "lifetime" to small and medium businesses in the commercial, industrial or services sector whose existence is jeopardised by external circumstances beyond their control.

Through the Fisheries Financing Programme, loans are provided to bona fide commercial fishermen for whom fishing is the only source of income.

Indirect SBDC financial assistance is also provided through a bank indemnity scheme, utilising the country-wide branch network of participating banks.
R1bn in loans has been granted over the past 10 years

ABOUT 10 years ago, a proposal was put forward by Rembrandt chairman Aplon Rupert that a Small Business Development Corporation (SBDC) be established to encourage entrepreneurship among South Africans and stimulate small and medium-sized enterprise (SME) development.

It would be a joint venture between the public and private sectors.

The matter was investigated by the Panel for Economic Cooperation and Strategy and by February 3 1981, the SBDC was registered as a public company with an authorised share capital of R100m.

In December 1981, the assets and staff of the Development and Finance Corporation and the Indian Industrial Development Corporation were transferred to the SBDC.

Nationwide

Since then, with capital employed amounting to about R10bn, loans worth over R1bn have been granted to over 31 000 entrepreneurs.

SBDC offices nationwide field an average of 1 000 inquiries each working day and formal and informal training has been provided to more than 55 000 individuals.

Initially, the SBDC's major functions were to provide finance and affordable business premises for its clients.

SBDC MD Ben Vosloo says it will always be an important part of the corporation's business, but the need for training and support services has become equally important.

He says the SBDC is getting involved in providing practical training courses and other support services to its clients and it has formed a training trust to co-ordinate this project.

In the March Budget, the SBDC received R750m from government, which Vosloo says is enough to get the training project off the ground.

Much more, however, will be needed to sustain and expand it.

Latest statistics released by the SBDC show how important support and training services have become.

Between April and October 1991, 172 008 inquiries were fielded by SBDC staff — 66% of which related to finance, while 30% of callers wanted business advice.

In addition, 99% of the SBDC's borrowers and 69% of its tenants have received aftercare evaluations and assistance.

Financing will always be a major function of the SBDC.

The corporation estimates its loan financing will grow at a rate of 20% a year.

In order to continue this rate of expansion over the next few years, a capital inflow of about R750m is needed.

This will provide the basis for loan capital of R2bn to be granted over the next five years to bring the total for the first 15 years to R3bn.

Wasted

R750m is not a large amount of money when one considers the government has wasted about R30bn on unnecessary projects such as Mossgas over the last decade.

The money would be better spent on entrepreneurial SME development.

The major problem in SA is that government has never formulated a comprehensive SME policy despite the fact that the SME sector has been the major job-creator and the base for economic growth in the last decade.
Creativity is backed by ingenuity

CREATIVITY and ingenuity are the hallmarks of the SBDC's clients and in order to be able to assess them it is essential to be like them, says SBDC senior manager development promotion Dawie Cross.

"We want to be a corporate entrepreneur," he says.

The development of market stalls is one the corporation's ingenious ideas which has pulled people up from the informal sector into the semi-formal and formal sectors.

Instead of hawkers operating on pavements, victims of the sun and rain, they operate in markets— which in themselves create markets.

The SBDC's investment in market stalls to date is about R1.6m.

The shoe shine project is another source of pride for the SBDC.

The corporation has funded many previously unemployed individuals to set up shoe shine businesses.

Some have expanded their operations to include shoe repairs and are achieving turnovers of about R300 a day, Cross says.

The latest project is the conversion of old ship and rail containers into shops.
Smaller loans can be obtained in 48 hours

THE Small Business Development Corporation (SBDC) is sometimes criticized for the time taken in processing loan applications.

Yet decisions on many loans can be taken within 48 hours, says senior manager Kees de Haan.

"The homework required to establish viability on larger enterprises takes more time. We operate in a high risk market and it is in our clients' and our shareholders' interests to perform a proper evaluation," he says.

Over the past 10 years, the SBDC has granted loans worth R11.6bn to some 31,000 entrepreneurs. Only 10% of the funding had to be written off and only 18% of businesses financed by the SBDC have not survived - a track record it is proud of.

De Haan says the first step is to contact one of the SBDC's 46 financing service points and discuss the enterprise with a consultant.

He will help complete an application form and say what additional particulars are necessary.

We recommend personal interviews because our evaluations are not mechanical - each enterprise is evaluated on its own merits.

De Haan says the benefits of dealing with the SBDC is that it offers financing programmes which cater for the full spectrum of development financing needs.

Its interest rates are structured to level the playing field for the small and medium entrepreneur who must compete with big business, and it offers financing facilities in areas considered too risky by commercial finance institutions.

The SBDC has a holistic approach to business development and combines financing with business support.

"We also give advice, counselling and training, not only money," says De Haan.

Every loan application is allocated to a business advisor who investigates and evaluates the enterprise's management, market, profitability, financial structure, job creation and multiplier effect in the community, among other things.

Once the functional aspects of the enterprise are established, the SBDC focuses on the entrepreneur.

"The one thing we cannot create is entrepreneurial spirit. If this is lacking, the enterprise will not succeed, regardless of the amount of support we give," says De Haan.

Options

If skills training is needed, the SBDC will propose training options ranging from basic technical skills to advanced general management, marketing and financial management courses.

Another requirement is that the entrepreneur must put his own money at risk as a direct investment in his enterprise and as collateral for his loan.

The recommendations made by the business advisors are considered by a committee which makes the decision whether to grant the loan or not.

Plural decision making is essential for impartiality and improves the quality of decisions, De Haan says.

Virtually all loans carry conditions which must be met before money is paid out.

During this implementation phase, the SBDC can assist the entrepreneur with buying equipment, machinery and stocks.

The SBDC can often get a better deal than the small businessman on his own.

"Once the client is up and running he is allotted a mentor and starts repaying," De Haan says.

The SBDC has 225 retired business people taking part in its Mentor Advisory Programme (MAP) through which clients are provided with on-site business expertise, advice and training.

On the subject of repayments, the SBDC is "supportive but firm."

If the repayment schedule cannot be maintained due to circumstances beyond the borrower's control, the repayments can be restructured and additional support action taken.
SA now much sought after for its experience

SOUTH Africa's re-entry into international markets and its unique mix of First and Third World elements has made it much sought after for advice and expertise. The SBDC is no exception to the flood of queries emanating from both black Africa and Eastern Europe. The corporation's approach to development technology and above all support is believed to be unique, and many foreign organisations have asked the SBDC for help, says senior GM Tom Kedzierski. However, the export of development technology is only a dream at this stage.

Special 10c dividend to mark anniversary

TO MARK the 10th anniversary of the SBDC, a special dividend of 10c was declared at the AGM in November. This was the third dividend declared by the corporation since its inception in 1981. A dividend of 8% was declared in 1984 by way of a bonus share issue to all private sector shareholders. Another of 5% was declared in 1989 and shareholders were given the choice of receiving it in cash or capitalisation of shares.

MD Ben Vosloo says: "It is unusual for a development organisation to be declaring dividends. The dividend is proof that the SBDC's structure of private sector control enables it to apply sound business principles and financial discipline, which is the only guarantee for sustainable economic growth."

Development through four main areas

THE SBDC, in its quest to stimulate and develop entrepreneurship among all South Africans, operates in four main areas - financing, support services, provision of business premises and the promotion of small businesses in general. Its involvement in property development makes it different to other development companies and indicates the level of the corporation's commitment to development in SA, says senior manager, development promotion, Dawie Crous.

The SBDC provides basic industrial and commercial premises in areas where specific needs are not being met by other developers, it provides reasonably priced premises in areas where a shortage of suitable accommodation exists, and promotes private ownership of business premises.

The corporation's property portfolio is valued at approximately R230m (cost) with nearly 300,000m² of lettable industrial and commercial property floor space.

To date, the SBDC has completed 247 buildings comprising 148 industrial projects at a cost of R124m and 124 commercial properties at a cost of R128m.

Approved

A further 38 industrial and 14 commercial property projects are under construction or have been approved, at a cost of R82m.

In the early days, because of the political situation in which white companies were not allowed to buy property in black areas, the SBDC's involvement was often informal. For example, the transfer of one property bought by the SBDC in Soweto in 1981 was only finalised in 1987.

Assistant GM, property, Kevin Pange, says however, that difficulties in buying property in black areas are not restricted to problems associated with the Group Areas Act.

"Much of the land in those areas is unsurveyed, which makes transfer of ownership difficult. "For a start, how can one identify which piece of land the deal refers to?"

The SBDC's approach to property development has not changed with the shifting political climate.

"We have always insisted that blacks and whites should be able to work together. Our hives of industry have always been non-racial," Crous says.

The SBDC owns about 24 completed houses with a floor space of 103,880m² and comprising 1,207 lettable units.

Clusters

Within these buildings are clusters of workshops in which backyard enterprises are semi-formalised and encouraged to move into the formal sector.

Crous says the advantage of this concept is that it provides basic accommodation at reasonable rentals, while tenants are also provided with the SBDC's collective support services such as loans, business and legal advice, marketing assistance and, where circumstances warrant it, bulk buying facilities.
Critical need for national enterprise strategy

There is a desperate need for a national strategy on entrepreneurship and small and medium enterprise development to be formulated in South Africa, says SBDC MD Ben Vosloo. Small and medium-sized enterprises (SMEs) are a dominant force in the successful economies of the world — their optimism and spirit carrying many far beyond the expectations of more conservative individuals.

They are also flexible and easily adaptable to changing market opportunities. They require limited capital, can combine simple and advanced technology while being generally labour intensive and hence able to contribute to job creation. (1)

SA is in a situation where it needs both economic growth and employment creation to overcome its economic problems. (2) SBDC economist Edwin Basson says although there is an interaction between the two processes, the strength and causality of the relationship is uncertain. (3)

In other words, government's strategy that increased exports will promote economic growth is fair, but will not solve SA's high unemployment. Conversely, the view that growth through redistribution will increase employment, which through consumption expenditure will lead to economic growth, is also not sufficient. (4)

An approach that will address both problems simultaneously is needed. Basson says 2/12/19.

Over the last 10 years, most of the economic growth in SA emanated from SMEs and 65%-75% of all employment opportunities came from them. To promote economic growth, SA must choose a trading market in which it has a competitive, rather than comparative, advantage.

Africa is the most obvious target. It needs wool and cotton, pulp and paper, basic chemicals, glass and glass products, basic iron and steel, non-ferrous metals and other manufacturing materials. These industrial sectors in SA are dominated by SMEs.

Vosloo says it is no exaggeration to say the overall health of the SA economy depends largely on dynamic entrepreneurial activity in the SME sector.
Ten years ago the SBDC was registered as a public company, absorbing the assets and staff of the Development and Finance Corporation and those of the Indian Industrial Development Corporation. Since then, with capital employed amounting to R800m, loans worth over R1bn have been granted to over 31,000 entrepreneurs. GILLIAN HAYNE reports.

Shortage of basic skills is a problem

ENTREPRENEURS are renowned for their innovations and specialised expertise, but not for basic business skills, and this is the weakness that usually leads to their downfall, says SBDC central region contracting unit head Ebrahim Asmal.

"Basic skills such as marketing, costing, selling and funding jobs are major problems for infant businesses," he says.

In 1987, the SBDC undertook to help its tenants win contracts by tendering on their behalf, helping with bridging finance and sharing business skills — thus introducing the sub-contracting principle to South Africa.

From 1987, over R53m worth of contracts were negotiated countrywide between big corporations and small and medium-sized industrialists with the help of the SBDC.

Asmal negotiated R38m in the PWV area alone.

Big companies such as Anglo American, JCI, Barlow Rand, Anglo Vaal and Rand Mines are among the corporates awarding jobs to the SBDC's small and medium-sized enterprises.

Jobs ranging from making uniforms or cleaning homes to manufacturing weighing scales for the mines are on offer at Pennington.

Linked to sub-contracting is the mentor system.

No longer is it sufficient for companies to provide finance for projects or award contracts — business expertise is also needed.

One of the leaders in this field is Anglo American, with its Small Business Initiative which works closely with the SBDC.

Discussions are underway for the SA Bureau of Standards (SABS) to give its approval to items produced by the SME industrialists.

A hardship faced by many is the problem of agents.

Although these middlemen are important go-betweens during the early stages of breaking down barriers between large companies and SMEs, many are unscrupulous and unethical, says Asmal.

As the sub-contracting idea gains momentum, however, Asmal hopes the need for agents will diminish.

Natal has tried a new initiative in match-making by displaying products required by the large corporations to the SME clients of the SBDC Natal region head Adhir Singh says "Until now we have tried to promote sub-contracting by providing big business with a list of our SME clients.

"Informing our clients about opportunities to do business with the corporate sector makes more sense, however, as it encourages them to take the initiative..."
Business Day SURVEY

A proposed amalgamation with Katlehong, Palm Ridge and Bedfordview could make Germiston the first city in South Africa to combine the established residential areas of all population groups. In so doing, the city could take the lead in drawing overseas investors to the new

SA. VAL PIENAAR reports.

Call for education that leads to employment

THE informal sector is the fastest-growing element in any economy worldwide — and Germiston is gearing up to meet the needs of a burgeoning informal business population.

Management committee chairman Leon Louw says: "We can't just push these people out of sight."

"We have recognised the survival of all depends on mutual co-operation and interdependence and we are looking at improving conditions for informal traders and hawkers."

"But our objective is to enable them to do business without having a detrimental effect on the quality of life in the city."

"We are committed to maintaining standards as well as training entrepreneurs to improve their business skills."

Specific

"YOU specialises in vocational training, specific skills to meet the needs of specific employers. We aim to run the project as an apolitical organisation meeting purely economic needs."

The philosophy of the project is based on a belief that education is useless unless it leads to employment.

"SA needs entrepreneurs far more than it needs academics."

She says the government programme which assesses children for entrepreneurial potential just before they enter high school and again on completing a high school education.

"Only 30% of the children who had shown entrepreneurial ability before high school were still entrepreneurs at the end of their academic training."

To be successful, such a programme must offer a national base, making full use of the opportunities offered by leading industrial centres such as Germiston (153A).

"The city offers abundant potential for the development of small, service-orientated businesses."

"They still have to com-
'No-go' areas for hawkers

Municipal Reporter

THE Cape Town City Council is scrambling to compile a list of "no-go areas for hawkers" so it can be gazetted before a new law deprives the council of control over street vending.

The Businesses Act, Number 71 of 1991, is supposed to come into effect next month. It will prevent local authorities from declaring whole blocks "out of bounds" for hawkers.

However, the administrator of the Cape will still be able to prohibit street vending at specific places identified by official Gazette notice.

City Administrator Mr. Gys Hofmeyr is compiling a list of such places to submit to the administrator.
Way forward lies in small businesses

By JOSHUA RABOROKO

SMALL business has become South Africa's biggest job creator, managing director of the Small Business Development Corporation Dr Ben Vosloo said.

Vosloo said his organisation had played a major role in creating a climate for small business development by campaigning for deregulation and introducing support services and training.

Speaking at the SBDC's 10th anniversary, he said what was needed now was to unleash the full job and wealth creation potential of this vital sector of the economy by coming up with a comprehensive strategy. This strategy would focus on small- and medium-sized enterprises (SME).

He said: "In the light of the importance of the SME sector in the future economic development of this country, it is absolutely essential that the economic policy should not continue to be biased in favour of the large business sector."

"There is a need for SME development strategy that provides equal opportunities to all businesses."

Such a strategy, he felt, should address the major constraints hampering the sector, such as lack of access to capital, unaffordable business premises and markets, unnecessary regulations and inadequate support systems.

Based on international experience, Vosloo said, any comprehensive SME strategy should:

- Foster an enabling environment for the encouragement of entrepreneurship and SME creation and growth.
- Mobilise financial resources by way of appropriate financial assistance programmes.
- Provide appropriate low-cost rental or individually owned premises when they are not available through normal commercial developers.
- Improve the skills and technology at SMEs, and
- Provide appropriately structured, staffed and financed assistance schemes.

"No economic miracle is going to happen through foreign investment and export incentives alone," Vosloo said.

"Real economic development is a "do-it-yourself" process at the grassroots level that can at best be helped along by sound economic policies."
Unemployment fuels informal sector surge

UNEMPLOYMENT is fueling the development of the informal sector in Newcastle, but without access to capital hundreds of would-be entrepreneurs are doomed to poverty and frustration.

Zibambelele Association spokesman Claude Hogan says “People are being laid off by the big companies and unemployment is growing.

“We encourage them to put their retrenchment cheques into some form of informal business, but the infrastructure and capital just aren’t there to enable them to grow.”

Zibambelele, a Zulu word meaning “do it yourself,” was established two years ago to look after the interests of spaza, hawkers and vendors in Newcastle and neighbouring townships Madadeni and Osizweni.

Since then its membership has grown to around 4,000 businessmen operating throughout northern Natal.

While Zibambelele is an independent operation, it retains close working links with the Newcastle Town Council in a relationship which Hogan says is mutually beneficial.

Shelters

A project aimed at improving the lot of vendors in the township is to set up shelters and facilities in demarcated trading areas.

Town secretary Chris le Roux says the town has around 170 vendors trading on its streets.

“We first approached Zibambelele about keeping the area where the vendors gathered clean and there was a marked improvement.

“Now we are working together in the planning of a new bus and taxi terminus being developed by a Durban firm.

“This will incorporate storage facilities, toilets and washing facilities and shelters,” he says.

At this stage, Zibambelele can offer its members little by way of a long-term strategy. It is pouring its energy into coping with day-to-day needs.

One of the services it offers is the provision of buying cards to enable members to buy stock at discount suppliers.

“We also provide business training, often to people who are illiterate.

“We teach them basic principles such as how to buy, how to price their goods, customer relations, stock control and so on,” says Hogan.

A problem facing the community, however, is transport.

“Madadeni and Osizweni are 20km from Newcastle.

“Spaza proprietors, vendors and hawkers don’t have storage facilities to enable them to buy in bulk, but it is prohibitively expensive to travel into town every day or two to replenish stocks.

“Because of this we are looking into the prospects for providing warehouse space where our members can store their goods close to home,” he says.
Nacessa gets together

By NAT DISEKO

DELEGATES from grassroots organisations countrywide converged on Welkom this week to fight against poverty and unemployment in the black community.

Welkom was an unlikely venue as the city was recently torn apart by the bloody miners conflict at the President Steyn Mine. A white by-election won by the Conservative Party was also recently fought in neighbouring Virginia.

But there were no hitches at the first annual general meeting of the National Association of Co-operative Societies of South Africa (Nacessa).

Nacessa embraces organisations such as burial societies, women's clubs and methosiano clubs (stokwels).

Speakers emphasised the importance of advancing black economic development through such organisations in view of existing political and economic conditions.

Nacessa executive director Sam Mufhe said the organisation should avoid being swallowed by big business. Societies had to liberate themselves and consumers.

"In the past, societies could not engage in risk business because of the fear of financial loss. The Nacessa Funeral Scheme 4,000 relieves contributors from having to save money for the sole purpose of burial. They can now use their surplus funds for business ventures because of the cover offered by Nacessa," said Mufhe.

He announced that Nacessa would publish its own monthly publication, The Nacessa World, from the end of next month.
Stokvels are untapped by big business

Mainstream business is missing many marketing opportunities in a billion rand economy operating underground in South Africa - stokvels, the president of the National Stokvels Association of SA (Nasasa), Mr Andrew Lukhole said at the weekend.

He said some 700 000 to 800 000 stokvels were operating, involving eight to 10 million economically active black adults, more people than the entire population of Switzerland.

Stokvels are savings clubs aimed at generating cash. Members contribute a set amount of money to a general pool from which they may draw in rotation or at a time of need, depending on the rules of the organisation.

Although the main aim of stokvels is mutual financial assistance, they also have social and entertainment functions. Members take it in turns to host parties which are open to the public.

Several kinds of stokvels, including burial societies, groups saving to renovate or extend their homes, investment syndicates and general savings clubs, contributed billions of rands in the country's economic mainstream.

He said despite the money which these stokvels were contributing, their members were shabbily treated by financial institutions when they applied for home loans.

"This has resulted in the mushrooming of squatters in South Africa. Squatters have caused many problems, including violence in recent days."

Nasasa, which is an affiliate of FABCO, fully supported the low-cost housing as one of the solutions facing squatters in the country.

His movement was growing in number and would contribute towards black economic empowerment.
Jo’burg’s switch into an African metropolis

BLACKS are claiming Johannesburg as their own, transforming the once-white city into a bustling black metropolis.

From afar, the gleaming office towers still resemble a prosperous Western city filled with middle-class white commuters. But up close, the sidewalks are lined with black hawkers selling everything from bananas to blue jeans.

Not a white face can be seen among hundreds of people shopping at midday in a pedestrian mall. At the cocktail hour, the wood-panelled bar of the most luxurious hotel is crowded with black businessmen.

“The change is tremendous,” said Mr. Tim Hart of the Urban Foundation, a private group that studies South African cities. “Johannesburg is hardly recognizable as the city I grew up in.”

Africa’s wealthiest and most modern metropolis, called the City of Gold for its mining riches, began its transformation in the early 1980s, when whites retreated to the suburbs and blacks moved in.

The social changes in Johannesburg and other cities presaged the formal demise of apartheid laws that became unenforceable as blacks defied the government by moving from segregated townships to white cities.

“Disrespect for the law has helped create the new South Africa,” said Mr. Lawrence Mavunda, who founded an organization that made street vending legal for blacks.

Repeal of segregation laws added momentum to the process of change and made black migration from the townships legal.

Much of Johannesburg now seems like a city in any other African country.

Young blacks and whites mix easily at the Market Theatre complex, with its jazz club, theatres, restaurants and huge Saturday flea market, without the self-conscious awkwardness found at many multiracial social gatherings.

Whites still own most of the businesses and control the wealth but store clerks, taxi drivers and policemen are likely to be black.

The changes have also brought Johannesburg serious problems that foreshadow what awaits the entire country as it tries to undo its racial history.

Many analysts predict the city will deteriorate under the weight of crime, unemployment, overcrowding and the desperation of so many new arrivals fleeing rural poverty.

“Shops have gone progressively down-market, the city centre has become very dirty, crime is out of control,” said Mr. John Kane-Berman, head of the Institute of Race Relations, an independent research group. “Johannesburg will retain its vibrancy, but it will look a lot different.”

Farther than 750,000 of the nearly 5 million people in metropolitan Johannesburg are white. About 2 million of the blacks live in shacks in dusty townships that ring the city.

Mrs. Sylvia Motelula (26) is typical of the new Johannesburg.

Last year, she moved with her husband and daughter from the remote black homeland of Venda and set up a sidewalk earing stand at a busy corner. The family rented an apartment in Hillbrow, a ragged, crime-ridden area of high-rise apartments that whites deserted.

“There was nothing in Venda,” Mrs. Motelula said. “Hillbrow is very noisy and dangerous. But I can make money.”
Mini-businesses will create jobs, Govt told

By Michael Chester

The Government has been urged by the Department of Economics at Pretoria University to launch a dramatic new assault on the unemployment problem by a sweeping expansion of the informal sector.

Special studies have recommended the injection of between R1 billion and R2 billion into programmes to provide thousands of jobless workers with the chance to start mini-businesses of their own. Action should also go hand in hand with the removal of any outdated regulations.

The researchers argue that the programme could easily be financed by central government and local authorities by a re-planning of expenditure priorities, rather than an overall increase in public spending.

The proposals follow disclosures that the formal business sector may have vacancies for fewer than one in every 10 of the current crop of 800,000 matriculants.

In particular, the scheme should concentrate on the creation of a nationwide network of "hives of industry" — the sort of complexes pioneered by the Small Business Development Corporation (SBDC) and tailor-made to house scores of entrepreneurs putting their skills into their own mini-ventures.

The studies have highlighted the enormous potential role of the informal sector to give a new boost to the whole economy — as proved by the economic miracles achieved by several Far East countries.

The researchers insist that the cost of the programme would be modest when compared with the impact in socio-economic terms.

Funds should be channelled through such specialised agencies as the SBDC, which had already created well over 200,000 new employment opportunities since it was conceived 10 years ago.

The studies also advocate the introduction of a "fair business code" to put small ventures on an equal footing with big firms.

Deregulation on a massive scale, especially at local level, should be implemented as thoroughly as possible, it is argued.

"The role of small and medium businesses — in respect of income generation, employment creation and promoting individual initiative and creativity — should be publicised much more widely than in the past," says a special report.

"In addition, occupational and career guidance in the schools should not be limited to employment opportunities in the formal sector but specifically emphasise the opportunities of entrepreneurial action.

"Some training in entrepreneurial and management skills could form part of formal school curricula, while facilities for this type of training should be available and more easily accessible throughout the community in general."

The researchers said the informal sector had already started to prove its potential clout in countering unemployment.

They believed the Central Statistical Service had badly underestimated the size of the informal sector in an October 1990 count that estimated its current labour force at around 2.8 million.

"Whatever the actual figures may be," says their report, "small-scale informal economic activity serves to redress at least two vexing problems in the South African economy.

"The existence of a multitude of small producers across all sectors of the national economy is essential."

This gold rush is right up their street.
Chase on for Ms Fortune

CP Correspondent

BC Stars, the first South African company to be owned by black women, this week carved a huge niche in business, when they took over a Benoni-based pottery factory.

The women have bought South African Potteries and hope to turn it into a multi-million rand industry. They start work next month with 12 employees.

The company was previously owned by Chaiphorn Lekcharoen-suk, who sold it to BC Stars after many months of negotiations.

Managing director Brenda Maisela said the factory has been selling to big white businesses like furniture shops, supermarkets and supermarkets, with no direct selling to the black market.

BC Stars has grabbed this chance to introduce pottery to a wider South African market, especially blacks.

"This is an opportunity for us to introduce pottery for domestic use to the black community.

"We intend to produce pottery at a reasonable price for black consumers and to open outlets around Johannesburg so that we are within reach of our consumers," said Maisela.

Businessmen have shown a keen interest in becoming shareholders. BC Stars has shown the way for the formation of more women-only companies with men not serving on the board but only holding shares.
Healthy prospects for Western Cape

Get prepared for growth — SBDC

By AUDREY D'ANGELO
Business Editor

THE Small Business Development Corporation (SBDC) is confident that the Western Cape region will continue to grow — probably more quickly — in 1992, regional GM Wolfgang Thomas says in a year-end review.

"In the light of these prospects it seems all the more important that the SME (small and medium employer) sector in the Western Cape gets prepared for higher growth combined with improved productivity and more rapid job creation."

The SBDC in the Western Cape will cooperate with other organisations such as Fabcos, Wepeco, Khawa and the chambers of commerce and industry to strengthen black business advancement and entrepreneurial development.

It will expand its branch office structure — which has already been widened — arrange a broader range of training programmes and provide more accommodation in business "hives".

Thomas says grave concern about rising unemployment and sluggish economic growth "has, during the past year, led to a search for more promising strategies for regional economic growth adapted to the potential and special needs of every region in the SA economy."

"In the Western Cape the SME sector was particularly strong and regarded as a promising foundation for future economic growth and job creation."

"Support for SMEs in the Western Cape has to be seen in the broader context of rapid, complex and far reaching changes occurring in the regional economy — including the economy of the greater Cape Town metropolitan area, its periphery and the outlying countryside areas."

"The acceleration of African urbanisation, the impending breakthrough with manufactured exports, a take-off in international as well as internal tourism, the rapid rise in the number of better educated school leavers, pressures to increase labour productivity as well as overall productivity, a continued shift towards more deregulation, greater tolerance for informal sector activities and closer big-business/small business co-operation — these are just some of the deeper lying structural adjustments the Western Cape sub-regions have to cope with."


Plea for small businesses

TAXPAYERS should compel government to use their money to develop the small and medium business sectors, Prof Geert de Wet of Pretoria University's economics department says.

Launching the 1991 edition of an economic research paper, Focus on Key Economic Issues, De Wet said both sectors had the potential to increase the welfare of everyone in SA. He said the potential of the sectors could be increased through funding from various sources, including government.

"And when we talk of government, we talk of taxpayers' money; the taxpayers have the right to dictate where their money should be spent. They have the right to tell government to use more money for the development of this sector."

The study, compiled by a team from Pretoria University's economics department on behalf of the SBDC, says while the importance of small and medium businesses seems minor when looked at in terms of overall production and employment, their contribution is important when viewed from the perspective that job creation provides income for people's effective access to goods and services produced.

The study says at least 25% of agriculture, 77% of mining, 96% of manufacturing, 98% of commerce, 95% of construction and private transport and 96% of other selected services comprise small businesses.

It adds that where the small businesses predominate, they account for about 60% of the GDP in SA.

"The remaining 40% of the GDP is generated by public and private sector activity; and it is clear that the private businesses include a significant number of small business establishments, although this cannot be quantified for lack of suitable data."
SBDC plans upgrade scheme for spazas

by Mbuyiselo Mtsheketshe

THE Small Business Development Corporation (SBDC) plans to assist spaza shop owners upgrade their enterprises

SBDC spokesperson Mr Roland Heun said the spaza upgrading aimed to assist existing and “dedicated entrepreneurs”.

Heun said spaza owners will be assisted financially and receive training in business skills in “dummy shops” in a competition.

The winner will be a spaza owner who has proven his or her ability to develop the shop from “a mere survival enterprise to a profit-making, independent business”.

Out of thousands of spaza shops in the townships, a small fraction managed to grow into large shops.

Spaza owner Mrs Thelma Mdive of Guguletu said the project would be very useful for owners who want to erect buildings.

Mdive, who uses one of her rooms to sell goods, is one of the spaza owners who received SBDC financial assistance.

“For spaza owners in the township, the project is an opportunity to open formal supermarkets depending on the availability of sites,” she said.
Codesa asked to guard small firms

THE National Industrial Chamber has called on the Convention for a Democratic South Africa to consider a ministry to protect the small business sector which could save the country from massive poverty and unemployment.

NICo, the industrial arm of NAFCOC, believes the creation of a new ministry charged with creating a favourable climate for small business was a potential solution to South Africa’s economic woes.

The plan was based on successful experiments both in the East and West, where the growth of small business has alleviated unemployment.

According to NIC President, Mr Joe Mogodi, during the 80’s small firms in Britain created more than a million jobs, twice as many as larger firms.

“In South Africa, where 40 percent of all adults have no recorded employment and seven out of eight school leavers cannot find jobs, our biggest problem is job creation. Yet the Government remains intransigent to our pleas - hence our appeal to Codesa,” Mogodi said.

Dynamic

“Democracy does not thrive in the midst of poverty and politics alone will not overcome the twin evils of unemployment and poverty. A dynamic small business sector, however, will.”

“The UK has a small firm minister whose task it is to create a supportive climate for small firms. He is the political champion of small firms and ensures the legislative framework is appropriate for their growth.

“With the help of a sympathetic government, we can work this miracle in South Africa as well. The whole structure of the economy must be overhauled if a healthy small firms sector is to arise.

Revised

Areas of legislation that the NIC envisages could be revised are

- The amendment of restrictive and inappropriate legislation that discourages business growth,
- Training for adults in both job skills and entrepreneurship,
- Changing the emphasis in secondary education from academic to technical skills,
- The introduction of entrepreneurship as school subjects - according to NIC, 25 percent of people have entrepreneurial skills and education must help those children with the talent to create their own jobs,
- Providing “safety net” finance for small businesses.

Additionally, Ministry on behalf of small business where payments are unduly delayed, and
- Legislation making it illegal to withhold payments to small firms for periods longer than 30 days.
Liquor Act exemption sought by stokvels

2012.11.19

WILSON ZWANE

THE stokvel industry will urge government to exempt its members from provisions of the Liquor Act, because it believes they interfere with the stokvel culture.

National Stokvels Association of SA (Nassasa) president Andrew Lukhele said yesterday stokvels were different from other liquor trade ventures in that they traded in liquor only after members made their contributions.

"The requirement of the Act that liquor should be sold only from fixed premises does not apply to stokvels, which operate on a rotational basis. We are, therefore, urging the department to exempt stokvels from the Act," Lukhele said.

Nassasa would be making representations to the Trade and Industry Department, he said.

Trade and Industry Department (Liquor Affairs) director D.J. Botha said in recent correspondence to Nassasa, the department did not object to individual stokvel associations applying for liquor licences provided the applications related to particular premises.

"The fact that liquor cannot be hawked from premise to premise is a fundamental principle embodied in liquor legislation down the decades," Botha said.

Law Review Project executive officer Louise Tager said in a paper delivered at a Nassasa conference recently, the Liquor Act was a serious obstacle for stokvels because it did not make any provisions for them.

Licences which could be granted for the sale of liquor in terms of the Act such as club and tavern licences were not appropriate for a stokvel, Tager said.

Surveys suggest there are 800,000 stokvels countrywide, with 10-million members. It has been estimated that the informal savings clubs generate income of more than R200m a month.
FNB supports scheme to secure home loans

ONE of SA's leading banks yesterday indicated it would back the plan by the National Stokvels Association of SA (Nasasa) to invest stokvel funds into unit trusts, to serve as collateral for home loans.

FNB senior GM Jimmy McKenzie said yesterday the plan was excellent and his bank supported it. The bank would "certainly consider accepting unit trust certificates as collateral for home loans", he said.

Should the scheme get off the ground, it would make people in the low-income category "bankable" by enabling them to acquire assets and build up a track record of payment, McKenzie said.

SA Perm housing GM Denis Creighton said he had no "informed comment" as the building society was still looking into the matter.

Wesbank senior GM Neville Nightingale, whose bank is financing minibus taxis by using stokvels, was not available for comment yesterday.

Nasasa president Andrew Lukhele said this week his association planned to alleviate the housing crisis by diverting a sizeable proportion of stokvel money from commercial banks to unit trusts.

Trust certificates could be used as collateral

A key feature of the unit trust concept was that the financial risk would be taken away from the bank and assumed by the stokvel. "The bank will be lending money to the stokvel rather than individuals. Stokvel members will then ensure loan repayments by means of peer pressure," he said.

The scheme is the brainchild of Nasasa and Trom- sen Brokers Services - a private company rendering financial advice to the informal sector.

Lukhele said financial institutions were reluctant to lend money to township residents, citing violence and non-payment as reasons.
SBDC urges promotion

SMALL and medium enterprises formed about 85% of the 800 000 formal businesses in SA, a sector which should get more promotion for economic betterment, SBDC MD Ben Vosloo said yesterday.

In a statement marking the SBDC’s 10th anniversary, Vosloo said the imbalances created by policies aimed more at supporting activities of big business than those of small and medium enterprises should be addressed.

“What is needed now in order to unleash the full job and wealth creation potential of this vital sector of the economy is a comprehensive and cohesive national small and medium enterprises strategy,” Vosloo said.

New strategies should address such constraints as lack of access to capital, affordable business premises and markets, unnecessary regulation and inadequate support systems.

See Pages 8-10
Lifelong ambition... is now a reality for storekeeper William Motjodj. He is confident that his business will be a big success.

Business inspiration plus perspiration

What do a communications centre, a workshop, a plated and hardware store and handwoven cloth rugs have in common? They have been instrumental in winning money for various individuals in an annual competition that the magazine, Fair Lady, has been running for four years now in conjunction with a major insurance company.

The Fair Lady/Liberty Life Business Start-up Awards for 1993 offered a R5000 prize, and the judge and year decided to divide the amount between four imaginative entrepreneurs.

Start

See Grant Marshall, Fair Lady associate editor, said that in past years the awards had helped 30 budding entrepreneurs make a start in life.

"The point is," he added, "that between them they in turn have created jobs for hundreds of people, which is an important achievement in times of high unemployment."

Mike Garbutt, senior Liberty Life executive, said, "We are at the crossroads in terms of our future and, to be successful, we must mobilize all people to become more productive."

"Therefore, the importance of small businesses as stimulators of growth simply cannot be underestimated."

If you haven't already made a dash for the nearest dictionary and found it for yourself, you may be wondering what a wholesaler is. Let me explain that it looks like a garden shed and is an extremely popular seafood dish overseas. Joy and Trevor Gray have done extensive research on the little-known whites, imported here from Japan.

The couple, who won R15,000 for their dream of marketing unusual seafoods, say the whites are cheaper than any other seafood, and reservations are responding enthusiastically to catching supplies. Their goal is to make whites a household name.

One of the most interesting individuals to walk away with a R2,900 award is poppy William Motjodj. On a dusty site near the Pedi village of Mphahela, some 50 km south of Pretoria, William has turned a lifelong ambition into a reality. He has always wanted to be a storekeeper and expects to have completed building the store by Christmas.

A construction company credit clerk, Mr. Motjodj was retrained last year, but he allows nothing to get him down. He soon bounced back, selling tables, chairs and wax floor polish to homesteaders, villagers and the Lebowa government. The nearest hardware store is in faraway Potchefstroom, that's why he believes his operation has a good chance of success.

Specially inventive was Musa Mangento, a Soweto businessman, who won R15,000 for his communications centre scheme. Existing communications services are seriously inadequate, and plans for the desolate area are truly needed to keep them going and out of order.

This gave Musa the idea to set up a series of centres with telephones, faxes, photostat machines and typewriters.

Hospital

The first has already been established near Baragwanath Hospital, and she wants to erect more similarly, portable prefabs offices wherever people congregate in places like taxi ranks, supermarkets and clinics.

Employing 28 weavers is Eleanor McCarthy, a teacher who lives in the railway village of Donnybrook in the Drakensberg. She has set up an industry weaving high-quality rugs. She, too, was awarded R15,000. They use a waste product, stenter strips, to weave their high-quality, brightly coloured rugs and have become a big hit on the market. It's just a matter of putting your mind to it.
A remedy for plundering

Henderson

By Donelan City Coun-
cil horticulturists and hu-
den, delivered ordinance 83-
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six people were arrested in
Newlands, Forest, while

He said the project was
intended to be a cost-
overview for the residents
and would be conducted

SA Nature Foundation
spokesman said a pre-
press release issued in
the western Cape

One way of doing this
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and horticulturists could

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BLACK businessmen laud Codesa moves

By JOSHUA RABOROKO

The National African Federated Chamber of Commerce and Industries, the Foundation of African Business and Consumer Services and the Soweto Independent Shopkeepers Association, also condemned the violence

Nafoco vice-president Mr Joe Hlongwane said Codesa was a good move towards liberation from the shackles of oppression provided black leaders avoided being co-opted by the Government. He did not believe that sanctions against South Africa would be lifted immediately but said he expected they would slowly go away in the aftermath of Codesa.

Nafoco was concerned about the majority of black people who were poor and disadvantaged as a result of apartheid and wanted to see them economically empowered.

They expressed hope that the parties which either pulled out or refused to participate in Codesa will change their minds and join in the political transformation taking place in South Africa.

BLACK business has welcomed the launch of the Convention for a Democratic South Africa as an important milestone that might bring socio-political and economic development in the country.
**NEWS**

24/12/91

**One-man-one-light seen as key issue**

by STAR

In Pretoria, efforts are being made to bring electricity to remote areas, particularly in rural areas. In the past, electricity was only available in urban areas, but now efforts are being made to extend the reach of the power grid to rural areas. This is being done to ensure that everyone has access to electricity, regardless of their location. The government is also working on developing renewable energy sources to ensure a sustainable supply of electricity. The goal is to have 100% of the population connected to the grid by 2030.
This left 3.5 million unconnected homes which fall under other supply authorities such as homelands and municipalities.

An Eskom spokesman said the estimated R6bn cost of the Electricity for All programme was calculated by using an average connecting cost of R2,000 per household and a figure of 3 million unelectrified homes within reach of its grid.

**Contractors were invited to introduce themselves to their nearest Eskom district to keep informed about opportunities and bid for projects.**

According to a study by Prof. Gert de Wet of Pretoria University, the electrification of 1 million households over five years could create 270,000 jobs and add 5% to SA’s GDP.

On June 30, the year ended in the Helderberg that Welgevond had invited a delegation to meet in Cape Town on Friday to discuss the issue.

"The restructuring of transport policy should go along with the overall economic policy — this has not been followed," he said.

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**Stokvels at Bank workshop**

**WILSON ZWANE**

Lukhabe said the Reserve Bank indicated last year it was committed to stabilizing and promoting "stokvels."

Van Gruening said the informal savings clubs had a large potential to provide efficient financial services if they were to function within a "proper statutory framework conducive to their particular environment and development."

"Such a framework should include the recognition of the risks involved in these financial arrangements," he said.

Lukhabe said the stokvel sector relied on prudential regulation in the form of market discipline to protect the interests of their members.

"In place of formal mechanisms, informal agents rely on their knowledge of one another to reduce the risk of lending," he said.

If this form of regulation were to be replaced by more advanced methods of prudential regulation, consisting of extensive rules and regulations, the flexibility and low cost of a stokvel operation would be diminished, Lukhabe said.

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**Clean-up begins in Phola Park**

**TIM COHEN**

IN THE first step towards becoming a proper town, Phola Park squatter camp is being given a Christmas present — the immediate removal of huge piles of refuse.

Transvaal MEC for Physical Planning and Development John Mavuso said in a statement that the refuse removal had begun and would be followed by the provision of running water and toilet facilities.

Early in 1992, Phola Park would become a proper town, following the allocation of R1.5m by the DTI for the development of 2,000 service sites.

Phola Park has been the scene of numerous bloody clashes between residents and nearby Thohola hostel dwellers.

Mavuso said the hostels in Thohola would be upgraded. Plans for this were still being prepared.

The construction of the town would be primarily in the hands of the community, which has planned the layout of the community and the design of the houses.

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**SA is ‘still producing too many academics, too few technicians’**

THOUGH there is a distinct move towards technical and vocational study, most degrees awarded at SA universities continue to be in the arts, social science and education fields.

The SA Institute of Race Relations’ latest Social and Economic Update, released yesterday, said enrolments at universities increased 36.2% between 1988 and 1990, while university enrolments rose 45.7%.

Between 1973 and 1979 student enrolments at technical colleges grew 85.1% and university enrolments 34.8%.

Of the university degrees awarded in 1992, 60% were in arts, social science and education, 13% in science and engineering, and 9% in medicine.

Update said the country was still producing too few technicians and more academically oriented graduates than it could absorb.

The percentage of pupils remaining at school until matriculation had improved from 5.3% in 1980 to 13.6% in 1985 and 33.5% in 1990.

The DST had committed itself to overcoming backlogs in provision of textbooks, allocating R61.1m for books this year, and another R69.7m for books next year.

In its health and welfare section, Update said another 45,000 places needed to be provided for black children in children’s homes to achieve parity with accommodation provided for white children.

National Health Minister Dr Rina Venter had acknowledged that government had spent six times more on children’s homes for whites than on those for blacks.

About R37.7m was spent on 5,076 white children and R6.7m on 1,209 black children, representing expenditures of R5,537 on each white child and R4,535 on each black child.

Update reported a growing incidence of tuberculosis. The Department of National Health and Population Development said that in 1992 there were 57,704 cases, in 1989, 68,075, and in 1980, a provisional figure of 69,458 was given.

Formal housing remained unaffordable for most blacks.

between 60% and 60% of the urban black population earned between R400 and R600 a month.

Of this, about 37% (R148-R260) would be spent on food and 13% (R33-R44) on transport — Sapa.

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**Road deaths drop, but still costly to economy**

**WILSON ZWANE**

It has been estimated that road deaths cost SA about R6bn annually.

However, this year’s road fatalities were lower than the 800 deaths during the same period last year.

Road deaths this year included 78 occupants of minibus taxis, 99 people died in that collision last December was partly due to the organisation’s safety campaign.