

Transformation Seminar on the National Development Plan - Focusing on the Economy

Education and Entrepreneurship (Black Management Forum – Gauteng)

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by

ELIAS MASILELA, COMMISSIONER and CEO, PIC

1. Context

The aim of today's intervention is not to provide you with solutions to the problems of our youth. It is to introspect, together, and to learn from you as to what options we should pursue as a country - to resolve the challenges that face us.

As you shall learn, the NDP is not a document for government, the ANC, nor the President. It is a document for South Africa. The NPC is there to serve South Africa.

Therefore, it advocates the notion of finding solutions jointly and calls every South African to action. Thus the seemingly elusive social compact, that South Africa has always longed for.

Unless we have a functioning social compact, the realisation of the NDP will forever be far-fetched.

2. Background

- Although Youth unemployment is not a challenge unique to South Africa, our situation is particularly worrying given its implications to social stability.
- According to the ILO's definition of unemployment, Sub-Saharan Africa's youth unemployment stands at 12.8% while North Africa's is at 27%.

- According to the 2011 Census, South African youth unemployment hovers around 48.9% [strict definition].
- Too many young South Africans are underemployed, barely productive and earning wages that are insufficient for their needs.
- In 1994, the democratic government inherited a number of challenges including:
 - high unemployment;
 - a largely unskilled workforce; and
 - an education system that was constructed to entrench social and economic inequalities.
- Although we have been growing, our education and skills challenges have resulted in growth that is not inclusive, and today we are still burdened with many of the challenges inherited with political freedom.
- In a hi-tech growth scenario, which is what the world is faced with today, we will struggle to maintain, let alone, grow our global competitiveness as country, if we do not improve on education and skills.
- Of the nine challenges identified in the NPC's Diagnostic Report from 2011, education and employment were identified as two of the most critical facing our country in the pursuit of equity and prosperity.
- They lie at the centre of how the NDP sees South Africa reducing inequality and eliminating poverty.

3. The National Development Plan is not just a vision, it is a call to action, it is a long-term strategic plan, that serves six broad objectives

- Providing overarching goals to be achieved by 2030.
- Building consensus on the key obstacles and specific actions to be undertaken.
- Providing a common framework for detailed planning.
- Creating a basis for making choices about how best to use limited resources.
- Agreement on broad direction – need for detailed implementation plans.
- Supports and strengthens many existing policies.

4. The National Development Plan is founded on 6 pillars:

- Mobilisation of all South Africans.
- Active engagement of citizens in their own development.
- Expansion of the economy & making growth inclusive.
- Building of key capabilities (human, physical & institutional).
- Building a capable and developmental state.
- Fostering of strong leadership throughout society.

- Education is also a key equaliser, empowering people to take control of their fortunes and their livelihood.
- Quality education provides society with the problem-solving skills necessary to become innovative and competitive, therefore education and entrepreneurship are intrinsically linked. Although we must still be cautious of viewing education as the panacea to all our country's problems.

So, it is particularly essential to understand the precepts of the NDP. Namely, to be able to find oneself a niche to contribute to the requisite change we need. The NDP needs your innovation and entrepreneurial capabilities.

5. How should we think about entrepreneurship?

The 2012 Global Entrepreneurship Monitor Survey (GEMS) defines potential entrepreneurs as those who perceive good business opportunities and believe that they have entrepreneurial capabilities.

- South Africa's rate of entrepreneurial intentions among its youth is 15%, the lowest of the 10 sub-Saharan African countries and substantially below the sub-Saharan African average of 56%.
- Together with Namibia, South Africa has the lowest established business rate in its youth (1%), which is below the average for the 10 countries (in the survey) of 8%.
- The prevalence of survivalist businesses in respondents' communities and a lack of role models decrease the desirability of entrepreneurship as a career choice, which may help to explain in part why South Africa's pool of intentional entrepreneurs is small.

We need more South Africans, especially young ones, to become more entrepreneurial in order to create and the innovations and jobs that our country needs to be globally competitive and socially stable.

The Global Entrepreneurship Monitor Survey also looked at Entrepreneurial Intentions: Individuals who intend to pursue a business opportunity within the next three years are defined.

- South Africa's pool **of intentional entrepreneurs is 14%**, which is well below the average for efficiency-driven countries of 27%.
- In terms of the profile of intentional entrepreneurs, males in South Africa are more likely to have entrepreneurial intentions than females (16% versus 12%) – an important statistic when one bears in mind that young women are especially vulnerable to unemployment and poverty.

- A positive correlation was found between entrepreneurial intentions and level of education attained – an important consideration given the current state of South African education.

The question for all of us is: How do we promote entrepreneurship in an environment where young people have not been equipped with the necessary education to be innovative problem-solvers?

6. The entrepreneur in the South African context

- Research conducted by the Department of Trade and Industry (2008) suggests that 40% of new businesses fail within their first year because of a lack of entrepreneurial dynamism - The personal and technical skills sets needed to venture into entrepreneurship.
- In South Africa, there is also little distinction made between trading and entrepreneurship, and so often, policies have largely focused on addressing the business are erroneously labelled as policies to encourage entrepreneurship.
- The introduction of policies such as BEE has also created the impression that Black entrepreneurs and business owners enjoy a wide range of business start-up and support options.
- However, the success of this and other policies and programmes in creating an enabling environment for young Black entrepreneurs is not clear and the numbers do not point to an improvement in entrepreneurship amongst young people.
- Young people still face many difficulties in establishing new businesses, securing loans, growing businesses, and most importantly, getting support for innovative ideas that can become industry game changers given enough time and investment.
- Youth entrepreneurship needs to move beyond a survivalist model base, and be seen as a main contributor to the innovation and capacity that our economy desperately needs.
- Therefore, beyond external factors such as crime, poor infrastructure, labour problems, more must be said on whether our current basket of policies adequately addresses the challenges faced by entrepreneurs in our economy.

7. How do we encourage today's young people to become entrepreneurial?

- We must move beyond the idea that starting and running a business is purely for those who have no other means of survival.
- We must find innovative ways to teach young people about entrepreneurship, whether it is through simulation games at school and tertiary institutions, or by providing influential learning opportunity through internships and mentorship.

- We should place more focus on teaching the ability to identify a need and finding ways and means to satisfy these needs by doing something, and encouraging this approach in the institutions that currently exist to support businesses and entrepreneurs. So it is about being solutions driven.
- We must not just focus on formalising currently informal trading operations (registered and constituted), tax paying entities, we must spend more time on creating institutions that support creativity and ideas generation and testing.
- Apart from addressing the challenges associated with formalising the business, entrepreneurs seek guidance and advice on how to plan and execute growth, seek funding and ultimately need access to customers (a market), with the requisite distribution channels – we need institutions that cater to all parts of a business lifecycle.
- Free enterprise entrepreneurs should be allowed/encouraged and supported (amongst others with funding support) to establish and operate incubators (with an oversight body to minimise the risk of “fly-by-night” operators).
- We must investigate innovative funding models where funding is made available at a local/community level, managed at a local/community level, providing the type of funding and support that is relevant to the needs of entrepreneurial individuals - Current banking institutions’ business models, risk models and lending criteria do not lend themselves to such a support mechanism/structure/model.
- At this point, it is instructive to note that the NDP does spend time on funding models. This is because, the underlying philosophy is that of dealing with structural imbalances first. The fundamental problems in South Africa, are not based on inadequate financial resources, but rather the optimal allocation of resources.
- For more established businesses, we must reduce red tape and administration which increase the cost of doing business, while the compliance to all the requirements adds very little value to the business.
- Financial institutions make it extremely difficult for the entrepreneur to access finance, they are often focused on servicing the formal economy, when the country needs more inclusive policies and approaches both from the public and the private sector.
- We must look at the role that bankruptcy law plays in discouraging the kind of risk-taking that is needed to increase entrepreneurship to the levels that our country requires.

8. NDP Proposals

- The NDP highlights the need to simplify the regulatory environment with specific focus on the SME regulation,
- The Plan also advises that we examine the role of the state in easing access to finance for start-ups and emerging businesses, and venture capital.

- We must significantly improve the skills of those who offer advice and services to our entrepreneurs and business owners,
- We need to leverage the Local Procurement Accord to promote stronger buyer-supplier relations and deeper localisation.
- In order to support the sustainability of small businesses, we must commit to a 30 day buying cycle while also giving visibility of government opportunities to small businesses.

9. What are the questions that business and working professionals can help us think through as we implement the NDP?

- Organisations such as BMF can look into other interventions, such as looking into proposals on.
- Establishing, supporting and improving current incubators that bring entrepreneur and (potential) funder to a collective market where the buyer and seller can see what is available and facilitates engagement.
- Ensuring that that current structures use skilled resources who understand entrepreneurship and SMEs to assist, provide feedback/guidance/coaching and to entrepreneur and business managers with the preparation of a business model and plan for submission.
- Finding ways to make it easier for our current experienced business people who, themselves, are now looking for opportunities to add value (and generate income) to act as sounding boards and can help potential business ventures. The challenge is to develop a mechanism that remunerates such resources for their time and effort – they may not be the funders, but focus on helping the entrepreneur to present a quality business case that will solicit funds.
- Determining how government can play a facilitation role to enable the establishment of the platforms and mechanisms, as opposed to taking full responsibility for establishing and maintaining the industry.
- We can pool the financial resources available to entrepreneurs or provide better visibility to funds to South Africans from all backgrounds – using the already existing governance mechanisms to ensure that their enterprise development funds are effectively utilised. The key difference is that entrepreneurs now have a platform/forum to position their businesses, their funding requirements to a wider audience of interested “buyers”. The willing buyer and seller then have an opportunity to engage and progress the mutually beneficial opportunities.
- Such a platform can also facilitate the identification of issues, challenges, solutions and success stories from our entrepreneurs. These learnings can then be fed back institutions that are responsible for creating an environment conducive to entrepreneurship.

But we await your feedback through the implementation on the plan for ideas on how we best do this.

10. Education remains an important building block towards a more innovative and capable entrepreneurial sectors in our economy

- There are many who believe that an entrepreneurial goal should underpin education and training (from primary school through to tertiary institutions). This system would include practical courses dealing with “how a business works” and “how to make a business work”, supported by practice and courses matched to the increasing level of awareness and knowledge from primary school to tertiary level, should be introduced.
- Although there is scope for practical entrepreneurial training through games/simulations, we must not lose focus of that fact that at the heart of true entrepreneurship lies innovative problem solving.
- A country with as many problems as we do can generate a number of innovative problem-solvers by changing the quality of education.
- As we move forward to tackle the challenges (past, present and future), we need more and more South Africans who look at this challenges as an opportunity to improve our capacity, our innovations, and our social outcomes.

11. Improving Education?

We all want to see an excellent and equitable education system that empowers its learners, especially in literacy, mathematics and science. The NDP’s proposed action for improving education, innovation and training focused on five cross-cutting themes that work together.

- Firstly, there is a strong focus on early childhood development, which is critical to ensuring that all South African children can reach their full potential. We want to intervene as early as pregnancy, ensuring that mothers get the necessary support so all children have sufficient food, nutrition and stimulation.
- Secondly, throughout the entire education cycle, we need knowledgeable and capable professionals in the public and private sectors, committed to teaching, academia, research and delivery. We have placed a particular focus on highly skilled maths and science.

- We must develop world-class centres and programmes in a national system of innovation, which are strong, coherent and deliver quality education, science and technology innovation, training and skills development.
- We must improve our nation's ability to produce more skilled professionals and we must enhance our innovation levels. Those with insufficient qualifications and those who want to improve their skills must be able to go back.
- Finally, Research and innovation capacity must serve the needs of our society. This should include developing African languages and incorporating indigenous learning into education and research. We must balance knowledge production capacity across institutions, recognising the many sites of knowledge production outside of the formal education system. We must also ensure that all actors work together in the production and dissemination of information.

We want:

- 80% of students of schools and learners to achieve 50% in literacy, mathematics and science in grade 3, 6, 9.
- Increase the number of students eligible to study maths and science at university to 450 000 per year
- Improve our position in international competition ratings
- Have about 80% of learners of every cohort of learners successfully complete their full 12 years of schooling

Prerequisites?

- Have clear and accountable reporting lines, including holding schools accountable for performance
- Expand pre-school education to 2 years and put in place an under 3 nutrition programme
- Introduce performance agreements for principals and reduce union and political interference in appointments
- Improve quality of FET education and expand the size of the sector

12. The NDP calls for transformative improvement to the education system at district level.

- We want districts to have expertise and capacity in curriculum management, project management, data management, planning and reporting and accountability
- We want a result-oriented accountability framework that ensures that effective planning happens, schools get what they need, schools are supported in delivering the curriculum, and schools are visited regularly

- We want districts to support schools and district managers to support principals
- We want principals who are appointed on merit, and increased understanding and use the labour law

13. Forging a way forward

If they are to be truly empowered, young South Africans must play a role that stretches beyond that of a supported outsider.

1. Young Entrepreneurs must take an active role in providing the feedback policy-makers and institutions need to improve the business environment, as well as making an effort to move away from simply trading toward innovation.
2. Government entities such as the Department of Trade and Industry and the National Youth Development Fund and business funders think carefully about how they distinguish between how they deal with enterprise development generally and entrepreneurs particularly, ensuring that they also focus on the individual entrepreneurs with the same vigour with which they currently support established businesses.
3. In the long run, entrepreneurs and businesses need to ensure that they support initiatives in the education system that seek to change the culture of entrepreneurship in the country, without expecting that the education system will lean entirely towards entrepreneurship.
4. Let us appreciate that an education system is a public service that must address the needs of a diverse set of individuals. We must focus on creating dynamic problem-solvers in all spheres of society, and a supportive environment will do the rest.

Ends.