

# SIZWE NXASANA

*Sizwe Nxasana is CEO of FirstRand, a board member of Business Leadership South Africa and the chairperson of the National Education Collaboration Trust. He sat down with Stuart Theobald to discuss the role of business in the NDP.*

## How should business engage with the NDP?

It has been a process to understand the role that business should play in supporting the plan. It is not just policy formulation but also partnerships with government. I've been very encouraged, amazed in fact, to see just how quickly business has come to the party this year after its initial reluctance. Particularly Business Leadership SA (BLSA).

Business hadn't built much capacity to understand the implication of policy or regulations or the NDP. But in the last eight months BLSA has galvanised resources to create both a proactive approach to engaging with government and research capacity to deal with the analysis and interpretation of the NDP and whether plans will work as they are supposed to or where enhancements should be made. So it's quite positive in that regard.

There are practical examples of research and proposals that have been developed for business as a collective to support elements of the NDP. We are beginning to see the gaps which have existed for the last 20 years between business and government start to close and I hope this traction continues.

## On engagement with government, how in a practical sense does it work?

It is in multiple places. A good example is the infrastructure work stream which consists of people from the BLSA, the Presidential Infrastructure Commission and Transnet because the key project under consideration is the Waterberg infrastructure which is mainly rail to support coal exploration and mining. This team represents all the key stakeholders in the public and private sector and has been working on a business case to build the rail network. That's just one example. There are others; for instance the extent to which we have seen a tsunami of new laws and regulations from government, there is very direct proactive engagement between business and government in terms of

the socioeconomic impact of all these pieces of legislation. We've counted hundreds, literally hundreds, of pieces of new legislation.

## I can think of the MPRDA Act and the Immigration Act among those. Are those going through proper economic impact assessments? How does business engage on how it is affected?

There's been a process of analysing and aggregating feedback, looking at the effect on business and presenting it to government. There is a forum that is chaired by the President where these issues are presented. You then have an inter-ministerial committee which includes the ministries that are involved, for instance water and environmental affairs, and DTI and economic development, public enterprises, the two departments in communications.

## And is that just reactive?

At this stage it's been reactive. As business we've now responded to all these new laws, however if we had been more proactive we would have anticipated these things when they were still discussion papers and engaged at that point.

## It seems in the case of some of the laws and regulations there weren't even discussion papers though

No that's true, there were quite a lot that didn't have them. Quite a few ministries just rushed these things and got them into parliament, especially before the May 2014 elections, and they were signed into law. So we can only address them after the fact.

## What's your view on the health of organised labour?

Of course there are issues as you know. But I look at the tension or contestation that is taking place in the union movement as a whole as a very natural thing that happens in the evolution

of a grouping. Whether it's the emergence of Amcor or Numsa taking a different view from the rest of Cosatu. I don't see that as anything other than the inevitable contestation over ideology on one hand and power and membership on the other hand; of market share if you like. During that contestation you're going to have ructions and instability and tensions between

business and labour. That comes with the territory. Especially given that the gaps between executives and labour continue to grow in terms of compensation. Unemployment continues to be an issue and inequality is increasing. These ideological differences are the consequence of some of these issues. While the rights of employers and workers are enshrined in the constitution, it is important to have efficient dispute resolution mechanisms to avoid the negative consequences of long-drawn-out strikes and labour unrest.

## Small business naturally finds it more difficult to organise themselves compared to big business. There is a role for business at an engagement level but also business must simply respond to incentives through a normal market economy. Does the NDP have an influence in creating an incentive set that affects the way small businesses behave?

For the last 20 years everyone including government and business and labour and civil society has been talking about the importance of SMMEs especially from the standpoint of them

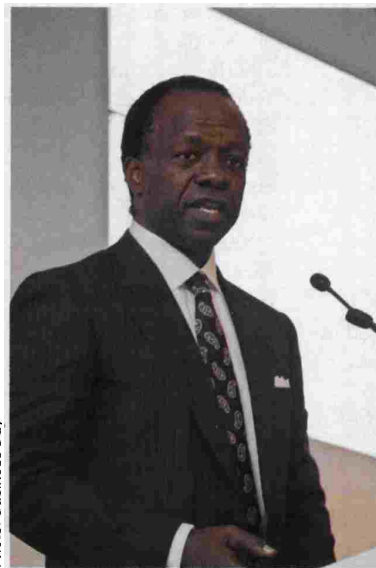


Photo: Business Day

being a source of job creation, of wealth creation and economic development, but up to now nothing much has really been done about it. Look at the red tape, the constraints that small and medium-sized businesses face in terms of legislation, funding, with support of every kind. I don't think we've paid enough attention to creating the necessary environment

to support SMMEs. So the recent developments are positive in terms of the broad-based black economic empowerment codes that have been crafted and the creation of the ministry of small business. As well as the investments that are now being made to support entrepreneurship especially with regards to refocusing the mandates of the DFI's such as Sefa [Small Enterprise Finance Agency], the National Empowerment Fund, the DBSA [Development Bank of Southern Africa], the jobs fund, the regional DFIs, all of them have in the last couple of months been refocused to truly play an effective role in the support of small business.

## If you look at, for instance, Southeast Asia, businesses took off simply because the environment provided opportunities for them without any particular formal interventions. We feel quite far from the tipping point where that sort of thing happens.

I think so because there is a broader cultural dynamic that has to be addressed in this country when it comes to that. If you go into the informal settlements most of the



businesses there are not owned by local people are owned by Somalis, or Congolese or Nigerians. These are people, who came here with nothing. Whereas our people are sitting, either waiting for social grants or waiting for someone to give them a job. So there is a certain cultural dynamic we need to address as a country that should promote risk taking and entrepreneurship beyond just subsistence entrepreneurship

Safety nets such as social grants are important but there are unintended consequences in terms of how people look at themselves and whether or not they are prepared to take risks and start something like a business. Why do immigrants come to any country and start businesses? There is a certain culture that says you can try something new, you are the master of your own destiny; no one else is going to support you. There's an education aspect because in this country we don't really teach entrepreneurship in schools or FET colleges or universities. If you look at the syllabus it is still very traditional and encourages students to follow a degree or profession that is going to land them in a job.

There's a lot to be said for developing and training entrepreneurs and teaching entrepreneurship at schools and colleges. The fact that this country shut down technical colleges means that for the past 20 years we have not produced enough artisans, such as plumbers, welders and cabinet makers. A whole bunch of technical skills were lost, skills which lend themselves to small and medium enterprises. You have this mismatch of skills and what the country really needs.

So the fact that government has taken the decision to revive technical colleges is a very important and positive development. And rather than focusing on teaching traditional mathematics or science in schools, we should also have a stream which is about technical mathematics and technical drawing. We also need to add entrepreneurship. These steps should encourage many more young people to follow the entrepreneurship route.

**It seems the real spur for entrepreneurship comes out of adversity. Immigrants are good at it because they don't really have much choice.**

That's why we've got to do something about the cultural constraints. But

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there's also an important role from our formal education system that can actively promote entrepreneurship.

**When you think about projects of the NDP, are there ones that stand out for you as ones businesses should be excited about?**

Dealing with the challenges we face of inequality and unemployment requires an integrated approach. This is where the various elements of the NDP needs business, government, labour and civil society to pull together to support all of the key elements.

Take the Jobs Fund for example. It has been around since 2009. It was allocated R10bn to support job creation. The take-up has been very slow over the last five years. Why? Because when it was launched government saw it as a government-only initiative. So the funds were given to the DBSA to manage. And they did a reasonable job. However if at the beginning there had been engagement between government and the financial services sector – and I'm defining that broadly – about how we take this R10bn, maybe leverage it, and create a R100bn jobs fund, commercially driven with a lot of input and support and participation by business. It could have gone much further than it has gone over the last five years.

**What would the funds be used for?**

There's an element of subsidies for job creation. There's an element of enterprise development including equity investments or mezzanine funding in new or young businesses. This makes it easier for loan funding to be made available by commercial banks because if there is an equity element which is loss absorbing, especially for start-up businesses, it would have supported funding of a lot more businesses, which is what is now starting to happen. As a bank, we've now partnered with the DBSA who have allocated part of that fund to us and as part of our enterprise development we are going to manage that for them. We also have our own enterprise development fund which supports early stage businesses, especially in the form of equity and mezz funding and it becomes easier to then put loan funding into those structures.

**The financial services charter affects certain things as well. Is the charter aligned with the NDP?**

Not necessarily but there are elements like enterprise development and skills development which are obviously consistent with the NDP. There are things we would have been doing anyway but to the extent there are higher targets than in the past as an industry we are going to do more. There is a definite shift from corporate social investment, which is still there, to promoting skills and enterprise development which is important.

**And targeted financing?**

Yes as well. As an industry we have agreed broad principles but the actual numbers and how they will be split is still being discussed.

**You mentioned the Sips, these all need to be financed. Is the banking industry geared up to do that? Are there decisions you would make strategically to deliver on those, whether they are opportunities or obligations?**

When you take some of the major projects that are going to be driven largely by Transnet, Eskom, Sanral and even some of the municipal projects that are part of the 18 Sips, there is simply not enough funding capacity in the country to absorb those. If you take government's funding capacity, plus the total banking industry funding capacity, there just isn't enough.

**How do we fill that gap?**

It is an issue. Part of it means we will have to get foreign funding but even as a country we have limited funding capacity because of our twin deficits [budget deficit and current account deficit]. So it means the country will have to go through a prioritisation process.

We will have to look at the 18 Sips and say which are urgent today and which can we delay until the economy starts growing at a faster pace. That kind of discussion is probably taking place in government, but I am not aware of that kind of discussion taking place between business and government, especially with the financial sector, which is going to be important as a partner to government in the funding for the 18 Sips.