



Youth Enterprise Development Strategy 2013-2023



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA



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EXECUTIVE SUMMARY

The Department of Small Business Development is delighted to introduce to the public the Youth Enterprise Development Strategy (YEDS). South Africa is faced with the challenge of limited and poor participation of young people in the economy. A salient feature of this poor economic participation is high persistent youth unemployment, which means that young people are not acquiring the skills and work experience they need to assist in driving the economy forward. It is also difficult for young South Africans to secure business opportunities to develop their own businesses.

The overall unemployment rate in the country stands at 25% and rises to about 36% if discouraged workers are included in the calculation¹. Youth unemployment constitutes 73% of the total unemployment in the country. Therefore the ratio of youth-to-adult unemployment is about 1:3 (i.e. for every unemployed adult there are three unemployed youth). About 42% of young people under the age of 30 are unemployed, compared to less than 17% of adults over the age of 30. Only one in eight working

Labour Force Survey, September 2011

adults under the age of 25 have a job, compared with 40% in most emerging economies similar to South Africa. Employment of youth aged between 18 and 24 years old has fallen by more than 20% since December 2008. Unemployed young people tend to be less skilled and inexperienced; almost 86% do not have formal further or tertiary education, while two-thirds have never worked.

The overall determinants of the high levels of youth unemployment are a lack of skills for jobs required by the economy; young job seekers believe the probability of finding a job is so low that they do not even look; lack of work experience; lack of job search capabilities and networks; companies find it risky and costly to employ young people; the rate of population growth among youth far exceeds the number of jobs created by the economy and, in certain instances, the low levels of economic growth.

The Department of Small Business Development offers this policy instrument in response to the call made by the New

Growth Path (NGP) for the state to provide bold, imaginative and effective strategies to create millions of new jobs that would also address youth unemployment and limited participation of young people in the economy.

Through this strategy instrument, Government intends to foster youth economic participation by deliberately enhancing youth entrepreneurship, accelerating the growth of youth-owned and managed enterprises capable of contributing to the gross domestic product (GDP) growth rate and increasing youth self-employment and innovation.

The youth constitute 41,2% (14 to 35 years) of the South African population, but the number of young people involved in entrepreneurial activity remains extremely low at 6% of the total youth population. South Africa's Total Early-Stage Entrepreneurial Activity (TEA) index, which currently stands at 8,9% youth, contributes a mere 10%, representing 0,9% of the total TEA index. Women's TEA Index tends to fare worse than men. Therefore, there is no doubt that accelerating

entrepreneurship among young people will have a positive impact not only on the social plane of bringing equity in the economy, but also by raising the levels of the overall economic indicators of South Africa.

The policy instrument intends providing support schemes for young entrepreneurs with an objective of creating and managing sustainable and efficient businesses capable of providing decent permanent jobs and employment growth. These interventions include mentorship and coaching; youth business incubation; business infrastructure support; linkages to procurement opportunities; youth entrepreneurship awards; youth entrepreneurship promotion and awareness; youth special projects and sector-specific enterprise creation; national youth service programme; and the youth entrepreneurship collateral fund. The youth entrepreneurship data system and research programme will assist with the monitoring and evaluation of this strategy as it will reveal whether targets are being met and suggest recommendations to close gaps.


Government believes that enhancing youth economic participation through entrepreneurship and other relevant integrated interventions cannot be achieved by its efforts alone, but is a shared responsibility that calls for a partnership between itself, the private sector and broader civil society. This document therefore should be viewed as a strategic framework that guides all stakeholders within the enterprise development fraternity to integrate support programmes with a view of creating the calibre of youth-owned businesses that are sustainable and can contribute meaningfully to the development of the country.

LIST OF ACRONYMS

BEE	Black Economic Empowerment
B-BBEE	Broad-Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China and South Africa
BPD	Broadening Participation Division
CAC	Co-operatives Advisory Council
CDS	Co-operative Development Strategy
COTIIs	Council of Trade and Industry Institutions
CCRD	Consumer and Corporate Regulatory Division
ENE	Estimates of National Expenditure
EMIA	Export Marketing and Investment Assistance
GEM	Global Entrepreneurship Monitor
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
IDD	Industrial Development Division

IPAP	Industrial Policy Action Plan	NYP	National Youth Policy 2009 -2014
ICT	Information Communications Technology	NYS	National Youth Service
IDPs	Integrated Development Plans	NVCL	New Venture Capital Learnership
ISBDS	Integrated Small Business Development Strategy	OECD	Organisation for Economic Co-operation and Development
IYDS	Integrated Youth Development Strategy	PAYE	Plan of Action for Youth Employment
ITED	International Trade and Economic Development	PPPFA	Preferential Procurement Policy Framework Act
LED	Local Economic Development	PCCYED	Provincial Co-ordination Committee on Youth Enterprise Development
NEF	National Empowerment Fund	SETAs	Sector Education Training Authorities
NIPF	National Industrial Policy Framework	SEDA	Small Enterprise Development Agency
NSBAC	National Small Business Advisory Council	SMME	Small, Medium and Micro Enterprises
NYDA	National Youth Development Agency	SABC	South African Broadcasting Corporation
NYDPF	National Youth Development Policy Framework	SAMAF	South African Microfinance Apex Fund

SAWEN	South African Women Entrepreneurs Network
SAYC	South African Youth Council
STATS SA	Statistics South Africa
TEA	Total Early-Stage Entrepreneurial Activity
TEO	The Enterprise Organisation (a division within the Department of Small Business Development)
TISA	Trade and Investment South Africa
YDN	Youth Development Network
YEDS	Youth Enterprise Development Strategy
YES	Youth Enterprise Strategy

A photograph of three students in a science museum. A male student in an orange lab coat is adjusting a black cable on a circular platform with five yellow bell-shaped objects. Two female students in school uniforms are observing him. The background shows museum exhibits and other visitors.

CHAPTER 1: BACKGROUND AND INTRODUCTION

South Africa is faced with the complex challenge of poor economic participation of young people, which inhibits the country's economic development and imposes a larger burden on the state to provide social assistance. The salient features of this stunted participation are high persistent youth unemployment and low entrepreneurial activities among young people. The overall unemployment rate in the country stands at 25% and rises to about 36% if discouraged workers are included in the calculation². Youth unemployment constitutes 73% of the total unemployment figure in the country. Therefore the ratio of youth-to-adult unemployment is about 1:3 (i.e. for every unemployed adult there are three unemployed youth).

Youth entrepreneurial activity in South Africa is low; this is reflected in the latest Global Entrepreneurship Monitor (GEM) report³, which shows that youth constitute only 0,9% of South Africa's TEA rate of 8,9%. Simply put, only one of

every nine South Africans starting an enterprise is a youth. More important than these statistics is the fact that young people do not possess the requisite skills or experience that can contribute to driving the economy forward.

Government has recognised the problem of poor economic participation of young people and has put in place numerous policy interventions geared towards bringing youth into the mainstream of the economy to enhance social inclusion and cohesion. Through the National Treasury and Department of Labour, Government has introduced youth unemployment policy options for South Africa with the aim of incentivising entities to employ young people⁴. The Department of Economic Development (EDD) has introduced a short-to-medium term multi-pronged strategy that aims to propose interventions that provide young people with income and opportunities, and encourages community service and engagements around targeted programmes to enable entry

² Labour Force Survey, September 2011.

³ GEM Report 2010.

⁴ National Treasury, Confronting youth unemployment: policy options for South Africa: Discussion paper, Pg. 9 - February 2011.

into the economic mainstream. The NYDA has provided the Integrated Youth Development Strategy⁵ (IYDS) with the key mandate of implementing the following interventions geared towards the economic participation of young people, namely youth work, national youth services, and education and skills relevant to economic empowerment.

These three policy interventions promote the economic mainstreaming of youth in the economy: (1) The National Treasury paper seeks to improve the employability of young people through wage subsidy; (2) The EDD's multi-pronged strategy seeks to improve employability and economic opportunities for young people through community-based employment programmes and targeted economic programmes; and (3) the NYDA IYDS seeks to improve the employability of young people through the promotion of self-employment, National Youth Service, the Professionalisation of Youth Work and programmes that enhance the education

and economic skills of young people through learnerships. The YEDS seeks to achieve two things: first, to promote the self-employment of young people through the development of youth-owned and managed enterprises through tailor-made programmes and, second, to enhance the economic participation of youth through the mainstreaming of youth in all existing enterprise development policies and programmes in the country.

This YEDS is a direct response to the call made by the National Youth Policy as amended for each department to contribute towards the economic development of young people in the economy. It is also an additional instrument in support of the objectives of enterprise development and industrialisation as articulated in the NGP; the Framework on Gender and Women Economic Empowerment; the

Co-operatives Development Strategy; the Integrated Small Business Development Strategy; and the National Industrial

5 Integrated Youth Development Strategy (IYDS) 2011 to 2021.

Policy Framework, thus leveraging the opportunities within these policy instruments for young people.



CHAPTER 2: SOUTH AFRICAN CONTEXT FOR YOUTH ENTERPRISE DEVELOPMENT

The economic participation of youth in the economy is very low and this is a challenge that has been vexing the South African Government for the past 18 years. The low economic participation of young people expresses itself in high levels of unemployment, poverty, illiteracy among youth and lack of exposure to sustainable livelihoods, which in turn exposes young people to social ills. The low levels of economic participation of young people can be attributed in part to the legacy of apartheid. Entrepreneurship is an unlikely route for most young people starting out as experience is generally needed to succeed in business. Moreover, the apartheid past dramatically reduced the culture of entrepreneurship, meaning that young Africans are unlikely to have grown up in households with business people who would have shaped their understanding of market opportunities, their access to networks and know-how⁶. It is critical that we understand this context so that our programmatic responses to encourage

youth enterprise development are sensitive to the challenges we face as a country.

2.1 Constraints to Youth Economic Development

There are many challenges that South Africa faces in promoting economic development that reverberate throughout the economy affecting enterprise development and creation among all targeted groups, particularly African youth, women, the disabled and rural people. These include the poor GDP growth rate, lack of transformation of the South African economy, low levels of youth economic participation as evidenced by low youth ratings on the Total Entrepreneurship Activity index and high levels of youth unemployment, lack of critical management skills, and lack of access to finance and economic opportunities.

The list mentioned above is not exhaustive, but does identify some key constraints to youth economic development through enterprise creation that falls within the broader

6 Altman, M. (2007), Youth Labour Market Challenges in South Africa, Employment, Growth and Development Initiative, Human Sciences Research Council, South Africa.

mandate of the Department of Small Business Development. Other important constraints include an inexperienced youth workforce, de-industrialisation, poor infrastructure and the volatility of our currency with our major trading partners. Government is implementing a number of short- and long-term interventions aimed at addressing the noted constraints⁷.

The core challenges confronting youth economic development with regard to enterprise creation in South Africa can be categorised into six distinct components:

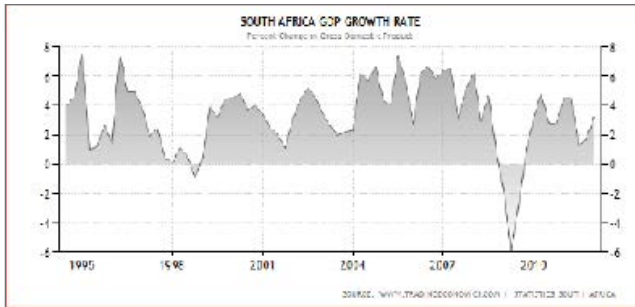
2.1.1 Low Levels of GDP Growth

Low economic growth has played an indirect role in retarding the participation of young people in the economy and particularly the creation of youth enterprises. Policies that drive accelerated and sustained economic growth are important because a growing economy boosts labour demand

and decent employment opportunities for young and old workers. It also boosts entrepreneurial activities that create self-employment. In the early years of post-apartheid South Africa, the country witnessed a steady economic growth rate, reaching a height of 5% in 1997. Although South Africa's economy was growing during this period, its growth lagged its peers running at little more than 1% a year. In 1998, the country was adversely affected by the global financial crisis, resulting in a negative growth rate for the first time, which affected the growth of critical sectors such as mining, textiles, automotives and manufacturing in general. In the latter part of 2008 and 2009, the economic crisis reduced GDP growth with a drop of 3%. Figure 1 clearly illustrates the 1998 and 2008 dips in economic growth that saw two negative GDP growth rates (1998 and 2009) within the space of just 12 years.

⁷ Economic Development Department, DRAFT: Ideas for a multi-pronged strategy on youth unemployment, October 2011.

Figure 1 – South Africa's Annual Gross Domestic Product growth between 1994 and 2012



Some of the reasons why South Africa's GDP growth has not managed to keep pace with other emerging markets and its BRICS counterparts (Brazil, Russia, India, China and South Africa – BRICS) include: Firstly, South Africa is a small country that does not have a huge domestic customer base. Even though the African continent contains a billion potential consumers, the different currencies, regulations and policies along with poor infrastructure and transport systems make trade with our neighbours quite difficult. Secondly, our low







rate of savings and investments, partly because of a low culture of saving in the populace and the low confidence of the private sector to invest, stunts our economic growth. Thirdly, despite investing 6, 1% of our national budget on education, we have an acute shortage of skilled labour as required by the market. Fourth, we have a strong and volatile currency, which deters investors and makes our exports less competitive. Fifth, our infrastructure, though far better than the rest of Africa, suffers from severe bottlenecks, including power shortages, and urgently needs upgrading.

2.1.2 High Income Inequality and Low Economic Transformation

High income inequality and low economic transformation in South Africa is an indirect constraint to youth economic participation and enterprise development. It is remarkable that while for the most part of the year 2000, South Africa enjoyed a relatively strong economic growth rate, the

economy remained one of the most inequitable in the world. Inequality is measured by the Gini coefficient, Gini stands for “generalised inequality index”, which can vary between “0” and “1”. The closer to 1, the more unequal a society and the closer to 0, the more equal a society. At 1, being the highest possible score, 1% of the population would receive 100% of the income. An examination of Figure 2 reveals that the Gini score for South Africa is about 0,67, which is only exceeded by Namibia (0,74), indicating that our country has one of the most unequal income distributions in the world. This effectively means that approximately 40% of the national income in South Africa goes to the richest 10% of households in our country.

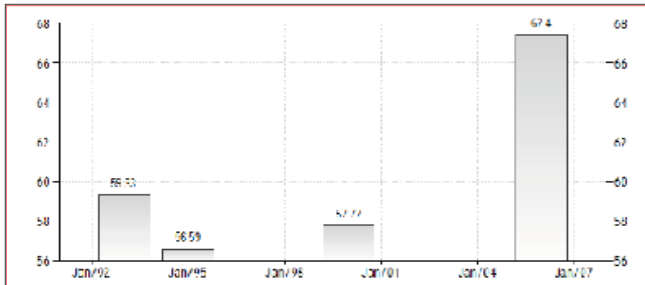
Figure 2: The countries with the highest Gini Coefficient / income inequality Rates*

World Bank Gini (%)	Country	WB Gini (year)
74	 Namibia	1993
67	 South Africa	2006
66	 Seychelles	2007
64	 Comoros	2004
61	 Botswana	1994
60	 Haiti	2001

World Bank Gini Coefficient Rates – 2007 – these figures are illustrative and should not be used for comparative purposes and hard conclusions cannot be inferred from them.

This trend is even more worrying when our Gini index is compared to our GDP growth rate. If GDP increases, it conventionally means that the people in a country are doing better. However, if the Gini index is rising as well (as indicated by Figure 3), it suggests that the majority of the population may not be experiencing increased income even though the economy is growing.

Figure 3: The increasing income disparities in South Africa (Gini coefficient)



In South Africa's case, it's not just that the growing economy is not delivering income parity, but the fact that the growing economy is also not delivering as many jobs as expected to seriously dent the rate of unemployment⁸. Deep inequalities were associated with relatively high levels of joblessness. In the latter part of the year 2000, less than half of all working-age South Africans had income-earning employment, compared to an international norm of almost two-thirds".

⁸ OECD paper on income distribution and poverty since the end of apartheid, February 24, 2010

In turn, this has had a negative effect on enterprise development, youth employment and youth enterprise development⁹.

While the legislative framework relating to Broad-Based Black Economic Empowerment (B-BBEE) has been implemented, the latest research reports reveal that although progress has been made to transform the economy in many sectors,, the benefits of B-BBEE has not filtered through to our historically disadvantaged people at large. The 2007 B-BBEE Report states that 15,13% equity is already in the hands of black people, but 9% is yet to be achieved to meet the 25% equity target set up by Government legislation. With the advent of the economic crisis in 2008/09, most of these equity deals were faced with declining share prices, making them unsustainable. In essence, most of these B-BBEE companies could not afford to service the debt they had taken on to finance their businesses and went bankrupt. Consequently, this has made new black investors wary

⁹ New Growth Path

and their appetite for such deals has diminished. From a transformation perspective, white citizens still hold the bulk of the country's wealth and B-BBEE has had minimum impact in empowering black people, let alone young people¹⁰.

The amendment of the B-BBEE and Co-operatives Development legislation, among other things, is aimed at improving the economic benefits that could be accrued by young people in terms of increasing their levels of ownership of enterprises and managerial participation, which is the core mandate of this strategy. In short, the development and promotion of youth-owned and managed enterprises will play a critical role in contributing to economic growth and transformation. As far as young men and women from previously disadvantaged backgrounds are concerned, their involvement in youth enterprise creation provides an opportunity to empower themselves as well as bring about transformation of the South African economy and contribute towards the reduction of inequality.

10 "Transformation Audit 2009", Institute for Justice and Reconciliation

2.1.3 Low levels of Youth Economic Participation

There have been low levels of youth economic participation in the economy. The South African population is currently estimated to be 50 million people, of which the youth population (aged 14 to 35 years) is about 20.5 million, representing 41,2% of the total population¹¹. This suggests that a substantial number of the South African population is youth. Therefore, economic growth and development cannot be achieved without addressing the socio-economic needs of this segment of our population. The travesty in South Africa is that 18 years after the advent of democracy, this segment of our population is still faced with low levels of economic participation, poor entrepreneurial skills and limited business opportunities. This is due to the apartheid policies of the past and the existing gaps in current economic development policies, among other things. Two of the more salient indexes that reflect the low levels of youth economic participation are the Total Early-Stage Entrepreneurial Activity Index for Youth and the youth unemployment rates.

11 2010 Statistics SA Mid-Year Population Estimates Release, Pretoria.

2.1.3.1 Total Early-Stage Entrepreneurial Activity (TEA) for Youth in South Africa

Although youth constitute about 41,2% of the South African population, the number of young people involved in business or self-employed is significantly low, at about 6% of the total of youth population in the country¹². The Global Entrepreneurship Monitor (GEM) *South Africa Report 2010* shows South Africa's TEA to be at 8,9%, with youth constituting about 10% (0,9%) of that figure¹³. According to this report, a country at South Africa's stage of economic development would be expected to have a TEA rate of 15%, which is 60% more than our current actual rate of 8,9%. Moreover, South Africa's TEA rate (8,9%) is significantly lower than the average for all efficiency-driven economies (11,7%) as well as the average for all middle- to low-income countries (15,6%). Although the 2010 results of the

GEM survey mark a slight improvement in South Africa's performance on previous surveys conducted since 2001, in that the country's TEA increased from 5,9% in 2009 to 8.,9% in 2010, much of this improvement can be directly attributed to South Africa hosting the 2010 FIFA World Cup and it remains to be seen if this improvement can be sustained.

Figure 4: Involvement in Early-stage Entrepreneurial Activity, by age14

Age category	2006	2008	2009	2010
18 – 24 years	22%	17%	17%	20%
25 – 34 years	31%	27%	26%	36%
35 – 44 years	24%	23%	28%	24%
45 – 54 years	13%	24%	21%	14%
55 – 64 years	10%	9%	8%	6%

¹² Altman, M. (2007), Youth Labour Market Challenges in South Africa, Employment, Growth & Development Initiative, Human Sciences Research Council, South Africa.

¹³ GEM South African Report 2010, Pg 4.

¹⁴ Global Entrepreneurship Monitor Report, South Africa 2010, Pg. 24.

Figure 4 shows that South Africans between 25 and 34 years of age are the most entrepreneurially active among the youth category and in 2010 accounted for 36% of all early-stage activity¹⁵. In contrast, young entrepreneurs aged between 18 and 24 years rate low on entrepreneurial activities, accounting for a mere 20%. While the low prevalence of entrepreneurial activity in the 18 to 24 age categories is in line with global trends, it is of concern in the South African context, where youth unemployment is increasing exponentially. It is however, encouraging to note that with both age categories combined (18 to 24 years old and 25 to 35 years old) youth are accounting for a greater percentage of the TEA across all age groups. This is perhaps an indication of a maturing population in South Africa that increasingly views entrepreneurship and self-employment as a viable career choice.

The increase in the TEA rates can be attributed to

¹⁵ Global Entrepreneurship Monitor Report South Africa, 2010, Pg. 24.

Government's commitment and drive towards job creation and the strengthening of support provided to business development. It also expresses commitment by the private sector to assist the process and strengthens the case for increased Government support to be provided to youth-owned and managed businesses in South Africa, particularly those at early stages and start-ups, to ensure sustainability.

TEA for Women in South Africa

This data also reflects that young women and women in general tend to fare worse than men with respect to TEA rates. The TEA index for women entrepreneurs in South Africa (8,1%) was lower than the average of all countries (10%) that participated in the GEM 2010 study¹⁶. Women's TEA was 40% in 2009 and 46% in 2010, whereas men's TEA was relatively high at 60% in 2009, dropping to 54% in 2010. In South Africa, there is a view that women are becoming increasingly involved in entrepreneurial activity, which can

¹⁶ GEM South African Report 2010, Pg 48.

be attributed to the rapidly changing political and business landscape. Women are continuously expected to take up the responsibility of heading their families due to various circumstances such as the retrenchments of male partners and spouses and the shrinking numbers of job opportunities in the formal economy. In South Africa, women make up 52% of the adult population and 50% of the business force. Their contribution has not been nurtured. Moreover, the majority of South African women entrepreneurs operate within the crafts, hawking, personal services and retail sectors. This highlights the gender imbalance in entrepreneurship in South Africa, which requires serious intervention¹⁷. Women are less entrepreneurial than men because the majority of women entrepreneurs (71%) have educational qualifications equal to or lower than Grade 12 and are therefore involved in business opportunities that do not require high levels of expertise. They also lack critical expertise such as idea-generation, feasibility study, export and technology skills.

More troubling is that women generally do not believe they are entrepreneurial; they find it risky to be involved in business because of family demands; often do not have the assets to use as security; and do not understand the terminology used by banks and are therefore hesitant to approach them¹⁸.

Nascent Entrepreneurship in South Africa

In terms of nascent entrepreneurship (which involves individuals who are actively committing resources to start a business that they expect to own themselves, but who have not yet reached the “birth event”), South Africa is rated 5,1%, which is below the GEM average of 6,4% as well as the average for efficiency-driven economies of 6,7%¹⁹. The GEM *South Africa Report 2010* attributes the increase on this rate (up from 3,6% in 2009) to the stimulus of the 2010 FIFA Soccer World Cup. The contribution of nascent

17 Global Entrepreneurship Monitor Report South Africa 2010

18 Global Entrepreneurship Monitor Report 2006

19 Global Entrepreneurship Monitor Report South Africa, 2010, Pg. 15

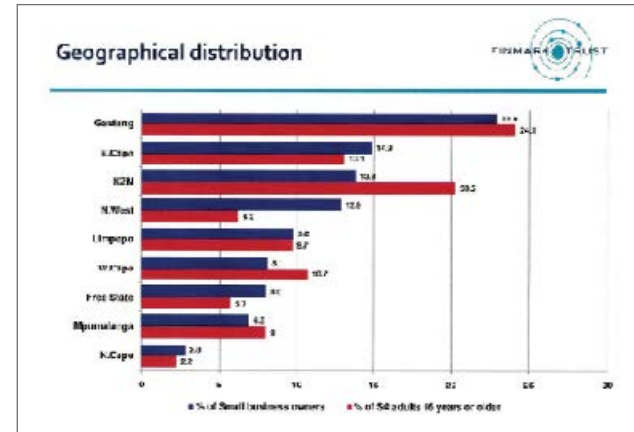
entrepreneurial firms to economic development and growth in GDP is very minimal and this trend is also reflected in the youth nascent entrepreneurship rates.

Geographical Spread of Entrepreneurship South Africa

Gauteng is the most entrepreneurially dynamic province in terms of both overall early stage activity as well as opportunity-motivated entrepreneurship. Gauteng, the Eastern Cape and KwaZulu-Natal are the three provinces with the highest levels of entrepreneurial activity and together account for almost half of the early-stage entrepreneurial activity in South Africa²⁰. Mpumalanga and the Northern Cape, the two lowest-ranked provinces, have entrepreneurial activity rates less than a tenth and fifth respectively of the rates in Gauteng. Overall TEA rates in South Africa are boosted considerably by the higher activity levels in the three top-ranked provinces. Provincially, youth TEA rates mimic this trend.

20 Finscope South Africa Small Business Survey, 2010

Figure 5: Geographical Spread of Small Businesses in South Africa²¹



A positive factor emerging from these findings is that in the traditionally less-developed provinces, more and more people are resorting to self-employment and entrepreneurship for their livelihoods (as opposed to migration to other provinces within South Africa).

21 Finscope South Africa Small Business Survey, 2010

Entrepreneurship and the Rural-Urban Divide

Research reports have consistently shown that individuals located in major urban areas were far more likely to be involved in entrepreneurial activity than those in rural areas. In metro areas, nearly 10% of adults were engaged in a start-up or new firm, compared to fewer than 2% in rural areas. The lack of entrepreneurial activity in rural areas has been confirmed by GEM reports, which argue that this is a result of lack of infrastructure development, smaller markets and lower levels of skills. The lack of an enabling environment within rural areas will need to be addressed in order to tackle poverty and migration from rural areas.

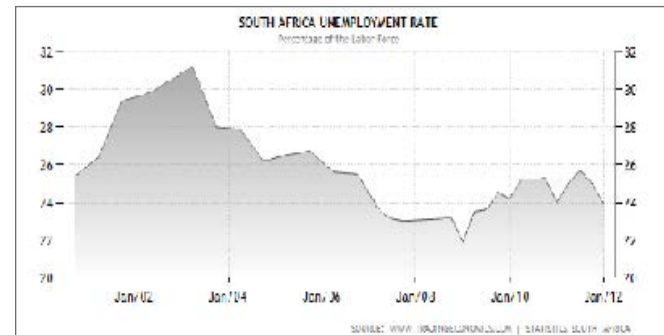
The participation of young people in the economy through enterprise creation is paramount to move them from a state of dependence to one of independence, where a young person can find his/her place in society as an independent adult. This strategy seeks to contribute in unlocking the

noted constraints identified in our contextual analysis of youth enterprise creation in South Africa.

2.1.3.2 High Youth Unemployment Rates

Currently, there are 5.9 million unemployed people in South Africa, of which 4.3 million are youth (73%). The ratio of youth-to-adult unemployment is about 1:3 (for every unemployed adult there are three unemployed youth).

Figure 6: South Africa's unemployment rates between January 2000 and January 2012



Unemployment figures across the racial divide are stark: 30% of blacks are officially unemployed compared to 6% of whites. Half of those aged between 15 and 24 are without jobs. If those too discouraged to look for work are included, the adult unemployment rate jumps to 36%, which is more than one worker in three. The Bureau for Market Research believes the true figure could be as high as 40%²². South Africa does not have a thriving informal economy where the jobless can take refuge. OECD estimates put employment in the shadow economy at only 15% of the total, compared with about 50% in Brazil and India and nearly 75% in Indonesia.

The determinants of these high levels of unemployment are lack of skills for jobs available; job seekers believe the probability of finding a job is so low that they do not even look; lack of work experience; lack of job search capabilities and networks; companies find it risky and costly to employ young people; and the rate of population growth among youth far exceeds the number of jobs created by the economy.

²² The Economist, Special Report: South Africa – 5 June 2010

Figure 7: Unemployed and discouraged work by age, third quarter 2011²³

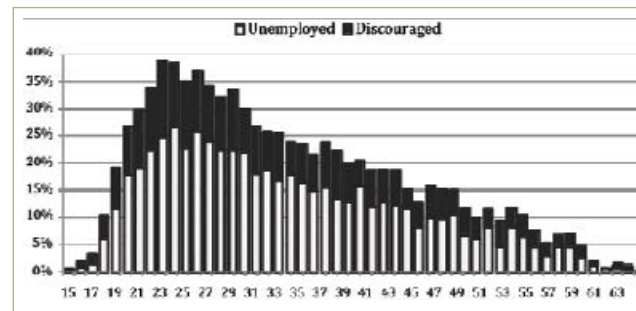


Figure 6 clearly shows that youth unemployment peaks between the ages of 21 and 30 years, with almost a third of people in this category counted as unemployed (that is, actively seeking work) or discouraged, where they would take a job immediately but had given up on looking for one.

A disturbing aspect of the high youth unemployment rate is that four of five unemployed youth have never had a job. GEM research indicates that the majority of people starting businesses were employed while doing so. The fact that

²³ Source: Statistics South Africa. Quarterly Labour Force Survey. Third Quarter 2011.

so many young people in South Africa are excluded from the 'work experience' means they are not only denied the opportunity to access knowledge and develop skills, but also to explore starting a business/self-employment from the relative safety of having a secure income while attempting to do so²⁴.

The lack of youth economic development in South Africa is a reflection of the lack of consistent budget allocation and reporting by government departments and agencies driving enterprise development at the national, provincial and local levels in their Estimates of National Expenditure (ENE). Where some of these departments do budget for youth programmes, they tend to grossly under-report actual expenditure for specific items benefiting the youth, which shows that the economic development of young people lacks prioritisation. There is therefore a need to ensure that all spheres of government and agencies involved in enterprise development

must prioritise the mainstreaming of youth in their policies, strategies and programmes and report on progress accordingly. This strategy encourages all implicated spheres of Government to undertake mainstreaming and a mechanism will be developed by the Department of Small Business Development to monitor, collate and report progress.

2.1.4 Lack of Managerial, Technical and Entrepreneurial Skills

One of the most destructive legacies of apartheid was the fact that Africans were deliberately kept down, banned from most skilled jobs and given a vastly inferior education. The destruction of the Bantu education is well captured by the following statement, which was aired by the leading politician in the Senate in 1954: "What is the use of teaching a Bantu child mathematics when it cannot use it in practice?" The difference between expenditure on education for an African and a white child was 16 times more in favour of

24 GEM South Africa Report

the latter. Although, education expenditure patterns have been equalised in the post-apartheid era, youth still possess skills that are not required by the labour market, a challenge that needs to be addressed. The challenge of the lack of skills is concentrated among African youth. It is argued that with parents who were denied access to most skilled jobs and the fact that they are still exposed to a system of education battling the legacy of inequality, African youth are unlikely to have grown up in a household with business people who would have shaped their understanding of market opportunities, access to networks and know-how²⁵. White youth are more exposed to the practical application of entrepreneurial skills, due to learning acquired from helping out in family businesses. In contrast, this is an opportunity that many black youth do not have, which in turn influences their success or failure in entrepreneurship. Moreover, they are not easily absorbed into the labour market due to the

²⁵ Altman, M. (2007), *Youth Labour Market Challenges in South Africa*, Employment, Growth and Development Initiative, Human Sciences Research Council, South Africa.

lack of work experience and entrepreneurial skills to create self-employment. They also lack assets to use as collateral to secure funding to start business enterprises. This vicious cycle is self-perpetuating and further prejudices the economic development, particularly of black youth. There is a need to introduce young people to a curriculum on entrepreneurship at an earlier stage, particularly at the basic level of education, to address the low levels of entrepreneurship among youth.

Entrepreneurial skills remain low among youth. Government departments and agencies involved in the area of entrepreneurial activity must assist in imparting the requisite skills for youth entrepreneurs and managers. Figure 7 shows that most small business owners (83%) are black, while Figure 8 shows that two-thirds (66,3%) have an education lower than Grade 12, highlighting the importance of skilling young and aspirant entrepreneurs. Figure 9 provides us with an indication of where small business owners get the skills they require to successfully run and manage the growth of their small enterprises.

Figure 8: Race and Gender

Profile of Small Business Owners

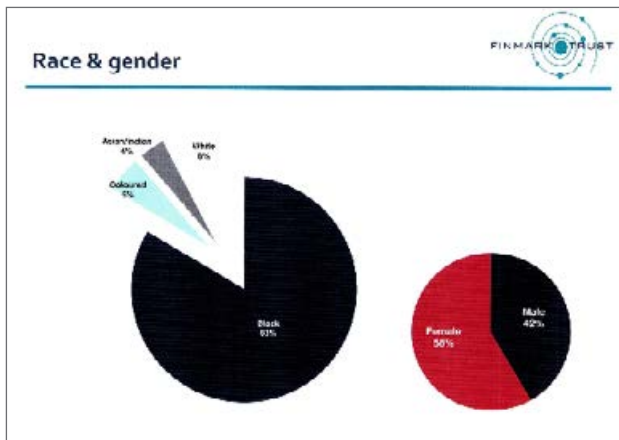


Figure 9: Educational Profile of Small Business Owners

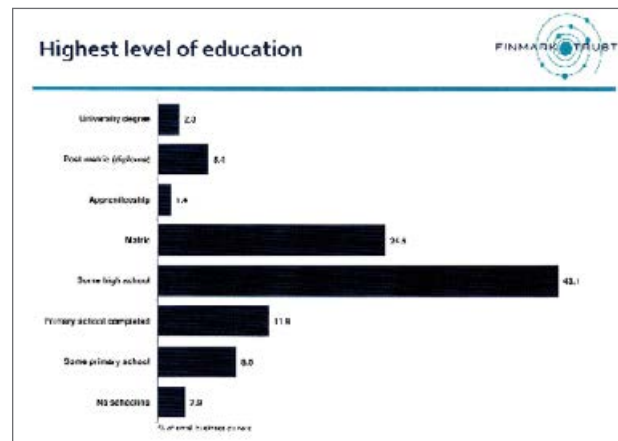
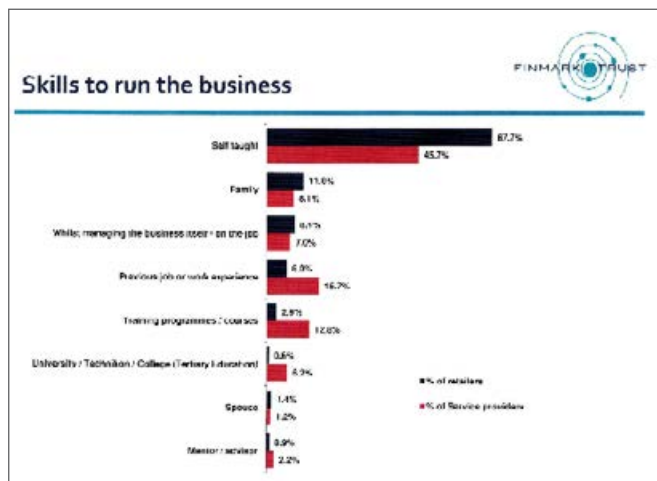


Figure 10: Where do our small business owners get the skills to run their businesses?



Research by Finscope shows that the majority of small business owners already operating in the market are 'self-taught' with regard to the skills they need to manage their businesses, only 11% can rely on their families for input and less than 10% have received small business training.

2.1.5 Lack of access to Micro-finance

Lack of access to Micro-finance is a constraint to youth enterprise development. In the latest survey of small business in South Africa²⁶, more than 82% of small business owners claimed to have funded their business using their own resources, without any assistance from third-party funding institutions. This is a positive development, but also reveals the inaccessibility of funding to small businesses. The lack of access to finance is demonstrated by the fact that 39% of small business owners indicated that cash flow was a key obstacle to starting their businesses. They were not able to easily access short-term credit. In addition, the survey revealed that 65% of small business entrepreneurs required a median²⁷ amount of R900 to start their business, which they found difficult to secure from third-party financial institutions. This suggests that at the level of early stage entrepreneurial

²⁶ Finscope, South Africa Small Business Survey – 2010

²⁷ 'The middle value of a series of values arranged in order of size' – Oxford Dictionary

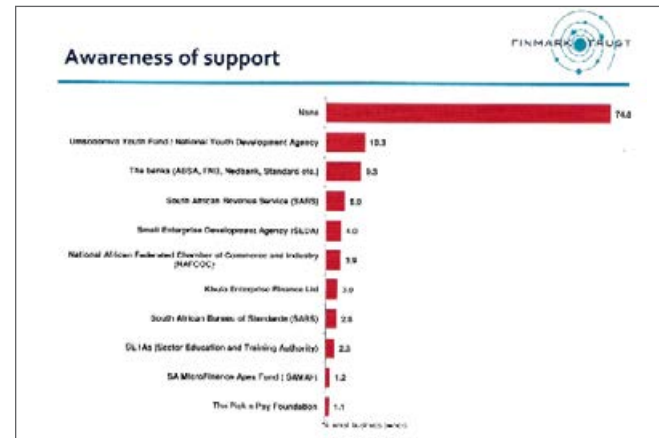
activity there exists a market need for micro-finance in the R100 to R1 800 (with R900 being the median amount) range of financing for business start-up.

According to the survey, 35% of the small business owners interviewed claimed they started their businesses using loans. Of these, 8,6% claimed to have secured the loan through formal sources, while 91,4% said they used an informal loan/borrowing source.

Usage of both formal and informal credit and loans is low among the small business owners surveyed, suggesting that high risk is associated with these categories of debt. Of the 35% who accessed loans, only 14,3% claim to be currently repaying for either money or goods or to have borrowed in the past 12 months²⁸. This suggests that in South Africa the chances of recovering a micro-loan in the R900 median range are very low. Given the high risk in this area of

financing, Government will need to intervene to address market failure.

Figure 11: Awareness or organisations that give support to small businesses



Lack of access to micro-finance is a serious constraint to youth enterprise creation and self-employment. The survey results suggest there is significant opportunity for

²⁸ Finscope, South Africa Small Business Survey – 2010.

innovation in the banking sector and state sources of small business financing to meet the needs of the small business/micro-enterprises from a start-up perspective in terms of understanding the needs of early stage entrepreneurial activity. These micro-finance challenges speak to the need to ensure both public and private providers of micro-finance are able to market their products to the target beneficiaries. In this regard, the South African Micro-Finance Apex Fund and private-sector banking institutions should aggressively communicate and make accessible their existing products in this market range.

2.1.6 Lack of Assets to use as Collateral

Young entrepreneurs do not have assets to use as collateral to secure funding to create self-employment or engage in entrepreneurial activity. This is prevalent for youth in rural areas, unemployed graduates, unemployed youth in general, and young people from informal settlements in urban and

peri-urban areas. The existing financial institutions, both public and private, are largely risk averse and put in place stringent qualifying criteria with collateral as a 'must have' to secure funding, making it almost impossible for young people to access funding. This has had an unintended consequence of constraining youth entrepreneurship and self-employment activities. Moreover, the cost of capital in terms of interest charged for loans given to young people, particularly by commercial and private banks, tends to be higher due to the fact that youth not only lack assets to use as collateral, but also experience in employment and self-employment and they have limited knowledge and understanding of running and managing a business. African youth are at a greater disadvantage given the fact that they come from backgrounds where their family networks were never exposed to business given the legacy of apartheid. There is a need to formulate or design a financial product/incentive to address this limitation confronting young entrepreneurs.

2.1.7 Lack of packaged information on available business opportunities

Most young entrepreneurs find it difficult to access business opportunities that may emerge as a result of publicly planned investment projects suitable for either start-ups or small businesses. Government is currently planning to spend billions of rands on infrastructure development, to drive the development of critical sectors through the IPAP2 and the NGP. It is therefore important that a smart mechanism be developed under the Youth Directorate to package these opportunities for young entrepreneurs to access. This will aid the growth and development of youth-owned and managed enterprises and will contribute towards the increase in employment, particularly self-employment. the Department of Small Business Development will endeavour to ensure that all opportunities, whether in the private or public sectors, covering SOEs, provincial and municipal spheres of government are outsourced and packaged for young

entrepreneurs. This calls for the need to improve the visibility of Government support to ensure that young entrepreneurs have no barriers to creating business for themselves. Low awareness of the support available to young entrepreneurs further constrains youth enterprise development and self-employment promotion, as is evident in Figure 11.

2.2 Institutional, Policy and Legislative Instruments for Youth Enterprise Development

Since South Africa became a constitutional democracy in 1994, it has had a long history of institutional, policy and legislative instruments that have contributed to youth enterprise development and economic participation. South Africa is one of the few countries in Africa that has grappled with, changed and refined its institutional, policy and legislative frameworks to address the needs of its youth. While the measure of success has been varied, the

exceptional and defining feature of our country has got to be the fact that regardless of our failings, our willingness to see what works, change what doesn't and strive for continuous improvement in the life prospects of young people remains unshakeable.

The analysis that proceeds provides a summary of the key institutional players and policies in youth enterprise development and economic participation and examines their contributions in both the legislative and strategic arenas.

2.2.1 International Institutions and Policy Instruments

South Africa has been an active participant, contributor and signatory to international, continental and regional initiatives and agreements to address the full spectrum of youth development issues. South Africa has embraced the universally accepted principles of youth development and is signatory to the following international declarations and Charters:

2.2.1.1 United Nations Charter (1945)

This Charter focuses on young men and women being empowered to achieve their educational and economic potential in a positive and nurturing environment. It deals with issues of youth nutrition, health and socialisation, and emphasises a youth culture that is free of violence, allows full expression of human rights and is non-discriminatory towards any race, sex, gender, language and religion. It also affirms the role of sports, recreation and cultural activities in the lives of youth and focuses on creating equality of living standards among youth from both urban and rural backgrounds.

2.2.1.2 United Nations World Programme of Action for Youth (2000 – Beyond)

The United Nation World Programme of Action for Youth is aimed at ensuring the wellbeing of young women and men and their full and active participation in the society in which they live. Its principles and purpose have helped to inform the

National Youth Policy at many levels in that it provided clear parameters on the scope of youth development activities within the boundaries of a nation state. The declaration extends to every state's responsibility to extend education, human rights, information on sexual and reproductive health and sexually transmitted diseases, and the goal of full employment to youth within its national boundaries. Furthermore, states are required to protect the environment that the youth will inherit and, most importantly, every state is obliged to ensure that policies related to young people are based on accurate data.

2.2.1.3 Commonwealth Youth Charter (2005)

The Commonwealth Youth Charter provides the parameters within which youth policies in all Commonwealth countries can be developed. It is focused on creating societies where young women and men are empowered to develop their creativity, skills and potential as productive and dynamic

members of society. The Charter highlights the importance of full participation of young women and men at every level of decision-making and development. It posits the following principles and values for youth development: gender inclusivity; empowerment and social equity; human rights; and sustainability and integration or mainstreaming of youth issues across all socio-economic-political developments at all levels in government.

Emanating from the Commonwealth Youth Charter is the Commonwealth Plan of Action for Youth Empowerment (PAYE), 2007-2015. This Plan of Action targets three strategic programme areas for youth:

- **Youth Enterprise and Sustainable Livelihoods:** An integrated package of micro-credit, enterprise training and business support targeted at young women and men with the potential for self-employment;

- **Youth Work, Education and Training:** A programme dedicated to professionalising youth work and building a body of specialist knowledge for youth development work; and
- **Governance, Development and Youth Networks:** A programme aimed at promoting youth participation in policy making.

2.2.1.4 African Youth Charter (2005)

The Charter is aligned with international agreements and declarations on youth development. The preamble to the Charter is just as powerful as the resolutions contained therein as it focuses on the multitude of injustices and the exploitation the continent has faced during colonisation and apartheid. It also flags the sacrifices that youth have made to the liberation and promotion of democratic processes on the continent. It notes with concern the fact that the future of African youth, many of whom are marginalised from

mainstream society through inequalities in income, wealth and power, needs to be addressed as a matter of urgency.

The preamble to the Charter notes the double-bind situation that characterises the state of youth on the continent; they are the greatest source of hope, but at the same time their participation in the economic mainstream is the continent's biggest challenge. The fact that Africa's youth are unemployed and underemployed; infected and affected by the HIV/AIDS pandemic; living in situations of poverty and hunger; experiencing illiteracy and poor quality education systems, restricted access to health services and information; exposure to violence including gender violence; engaging in armed conflicts and experiencing various forms of discrimination are an indictment of the continent's inability to invest in and nurture its future.

2.2.2 National Institutions and Policy Instruments

Prior to the democratisation of South Africa in the 1980s

and 1990s, youth development occurred within a context of political, social, economic and cultural oppression. Many of the dilemmas that face young women and men today are a direct result of the failure of the apartheid government to address the development needs of youth at the time. The particular needs, challenges or opportunities faced by young people were either ignored or not considered important enough to warrant more focused policy or programmatic interventions.

The YEDS has not been developed in isolation; it is aligned to and informed by a range of national legislative and policy frameworks that are briefly reviewed in this section. While the scope of the institutional and policy frameworks provided will be reviewed, the aim of this review is to identify areas that have a direct bearing on the economic participation of youth from a perspective of enterprise creation, which is the primary mandate of the Department of Small Business Development.

2.2.2.1 The Constitution of the Republic of South Africa

The Constitution of Republic of South Africa (1996) is the supreme law of the country entrenching specific rights, responsibilities and principles that everybody must uphold. It lays the foundation for youth economic empowerment. For example, Chapter 13 Section 217 calls for redress of economic imbalances of the marginalised members of the South African population, which is inclusive of the youth. It also contains the Bill of Rights, which enshrines the rights of people (including the youth) and affirms the values of human dignity, equality and freedom.

2.2.2.2 National Youth Commission

With South Africa's first democratic elections in 1994, the new non-racial Government recognised the importance of youth development as a fundamental instrument for transformation of South Africa and fast-tracked the process

of addressing the specific needs of young men and women. The Constitution of South Africa (1996) affirms young people as well as the critical role they will play in creating a fair, just and equitable society that belongs to all. The establishment of the National Youth Commission (NYC) in 1996 through the enactment of the National Youth Commission Act (No. 19 of 1996) represented the first major commitment by Government to treat the needs of this sector in a serious and comprehensive manner. The Act provided the legal scope to establish the National and Provincial Youth Commissions (NYC) and specified that Youth Directorates across government departments were to be established. The mandate of the NYC covered the following parameters of youth development:

1. The development and co-ordination of the national youth policy;
2. The development of an integrated national plan that uses available resources and expertise for the development of the youth, which shall be integrated in the reconstruction and development programme;
3. The development of principles and guidelines and the advancing of recommendations to Government regarding such principles for the implementation of the national youth policy;
4. Co-ordinating, directing and monitoring the implementation of such principles and guidelines as a matter of priority;
5. Implementing measures to redress the imbalances of the past relating to various forms of disadvantaged youth generally or by specific categories of youth;
6. Promoting uniformity of approach by all organs of the state to matters relating to the youth;
7. Maintaining close liaison with institutions, bodies or

authorities similar to the NYC to foster common policies and practices and promote co-operation;

8. Co-ordinating the activities of various provincial government institutions involved in youth matters and linking these activities to the integrated national youth policy; and
9. Developing recommendations related to any other matter that may affect the youth.

The key objective of the NYC was to develop youth policy and advise Government on youth development-related matters. The NYC, according to the Act, was not an implementing agency. It could advise, monitor, regulate, influence and stimulate other government departments, but could not implement large-scale youth-development programmes, which proved to be a challenge with regards to its effectiveness.

2.2.2.3 The National Youth Policy 2000

One of the key deliverables the NYC developed was the National Youth Policy (NYP), which was submitted to and accepted by former president Nelson Mandela in 1997²⁹. The NYP provided a comprehensive policy framework for youth development in South Africa³⁰. Within the policy there was an explicit recognition of youth unemployment (of non-school-going age) and out-of-school (school-going age) as being priority groups, marked for specific attention by the key strategy areas of the policy³¹. The policy document provided detailed proposals on how to improve the life prospects of these identified priority groups in two strategic areas, namely education and training, and economic participation. Economic participation falls directly within the mandate of the Department of Small Business Development and will be

²⁹ National Youth Policy, 6 December 1997.

³⁰ National Youth Policy, *Purpose and Rationale*, Pg. 6, December 1997.

³¹ National Youth Policy, *Priority Target Groups*, Pg. 26, December 1997.

explored further, given its direct relation to and synergies with the development of the YEDS.

- **Economic Participation Key Strategic Area of the NYP:** The NYP has emphasised the importance of improving youth economic participation in the economy, through employment and enterprise development, recognising pre-employment training of youth in the formal education sector, formulating school curricula in this regard, emphasising self-employment as a career choice, and identifying business skills and tender procedures training. It also proposes the establishment of a comprehensive entrepreneurial support strategy to assist youth in starting and managing their own enterprises. These key points have been considered in the formulation of this strategy.

2.2.2.4 The National Youth Development Policy Framework 2002-2007

The NYC also developed National Youth Development Policy Framework (NYDPF) 2002-2007, which was designed to accelerate the mainstreaming of youth development as an integral part of the transformation agenda of the democratically elected Government of South Africa. The policy framework advocated an integrated and holistic approach towards youth development that was advanced through the identification of strategic intervention areas to address the specific needs, challenges and opportunities confronting young men and women in South Africa today.

The NYDPF 2002-2007 changed the definition of youth from 14 to 35 years to those between the ages of 15 and 28³². This holistic approach was used to focus government

³² National Youth Development Policy Framework (2002-2007), *Definition of a Young Person*, Pg. 8, Republic of South Africa, 2002.

planning and intervention in the period between 2002 and 2007. The rationale provided for this change was twofold, firstly to ensure that the definition is in line with the upper end of the compulsory schooling and, secondly, it is in line with the minimum age for recruitment into the armed forces. The other improvement from the previous policy was the call on departments to establish youth desks to drive the mainstreaming of youth in those departments and sectors. Emphasis was given to the promotion of learnerships and the utilisation of public-private partnerships (PPPs) to drive procurement to benefit youth enterprises. Lastly, the Umsobomvu Youth Fund was strengthened to promote entrepreneurship, job creation and skills development among young people.

The process to review the NYDPF 2002-2007 identified the Umsobomvu Youth Fund and the NYC as ineffective in promoting co-ordination and effective delivery to youth beneficiaries. To address these shortcomings, the review

process proposed for a holistic and integrated approach to youth development and called for the formulation of an integrated youth development strategy. It also called for the merging of the NYC and Umsobomvu Youth Fund into a single youth development agency to integrate development and support for youth.

2.2.2.5 The National Youth Policy 2009-2014

The challenges and gaps identified in the review of the NYDPF 2002-2007 by the NYC gave rise to the current National Youth Policy 2009-2014. This amended policy enjoins all spheres of Government to mainstream youth economic development in particular and youth development in general. It promotes integration of delivery mechanisms through the establishment of the NYDA, which was carried out through the National Youth Development Agency Act (NYDA), No. 54 of 2008. The NYDA is a merger of the Umsobomvu Youth Fund and the NYC with the mandate

to provide business development support (financial and non-financial) and close the identified gaps and limitations confronting the youth development sector. The NYDA is to partner with all the organs of state in dealing with youth development issues.

A key differentiating feature of the NYP 2009-2014 is the segmentation of the youth population in age cohorts and target groups in recognition of significant differences that exist among youth groupings in terms of their unique situations and needs. This approach acknowledges the fact that young people in South Africa are not a homogenous group and a differentiated approach should be adopted in dealing with them. The policy therefore acknowledges that the 14 to 35 age range is by no means a blanket general standard, but within the parameters of this age range young people can be disaggregated by race, gender, social class, geographic location etc.

Young people in South Africa have diverse needs and there should be equally varied and unique interventions designed to address those needs. This policy recognises the various challenges facing youth from diverse backgrounds. It also acknowledges that problems experienced by individual categories of targeted youth groups are unique and multifaceted and require involvement of various service providers across different sectors. Therefore it would be important to identify the broad categories of targeted youth groups requiring specialised and tailored interventions. Specific proposals in the policy include:

- The call for the development of a curriculum that fosters an entrepreneurial culture in the South African schooling system;
- The call for the development and expansion of entrepreneurship-related learnerships, such as the New Venture Creation Learnership and Mentorship;

- It encourages Government to develop business incubation for young entrepreneurs.
- Other programmes that the policy proposes to be implemented by both Government and the private sector involve business-development support services for young entrepreneurs; business linkages for youth-owned enterprises through procurement; ring-fencing government funds; and integrating youth into the BEE codes. Furthermore, the policy encourages Government to promote agriculture and related professions (e.g. veterinary science, horticulture, forestry and nature conservation) as attractive career opportunities and support the formation of co-operatives to enable young people to access employment and self-employment in commercial agriculture.
- The policy calls for the development of an IYDS, which has been drafted and circulated to all government departments. It contains the following key pillars:

Youth Economic Participation; Education and Skills Development; Professionalisation of Youth Work; Health and Well-being; Sport and Recreation; Social Cohesion and National Youth Service; and IYDS Communication Strategy.

2.2.2.6 The Municipal System Act 2000

Chapter four of the Local Government Municipality System Act 32 of 2000 encourages a culture of community participation in the programmes of the municipalities. The mainstreaming of youth economic participation programmes into Integrated Development Planning (IDP) and Local Economic Development (LED) strategies for municipalities is one of the development tools that can be used to develop a culture of stakeholder participation in governance, including with young people.

2.2.2.7 The National Skills Development Act (1998)

The National Skills Development Act (1998) calls for the establishment of Sector of Education and Training Authorities (SETAs) aimed at providing market-related skills that are intended to benefit the people, including young women and men. The challenge with most of the SETAs is that they are yet to develop and implement the New Venture Capital Learnership (NVCL) programme to equip young people with business-related skills, which must be coupled with practical placements to acquire experience.

2.2.2.8 National Departments in the Economic Cluster

The departments involved in the area of economic development implement various programmes, policies and strategies that speak to enterprise development. A need exists for these departments to mainstream youth enterprise development in those policy instruments. Some have already

undertaken the process, while others have yet to do so.

Therefore while enterprise development policy interventions are indirect levers to promote youth enterprise development, a deliberate approach of emphasising and deepening youth enterprise development is required and should be reported accordingly.

2.2.2.9 Provincial Departments of Economic Development

The provincial Departments of Economic Development have various programmes, policies and strategies that speak to enterprise development. A need exists for these departments to mainstream youth enterprise development in those policy instruments. Some have already undertaken the process, while others have yet to do so. While enterprise development policy interventions are indirect levers to promote the development of youth enterprise, a deliberate approach of emphasising and deepening such development is required

and should be aligned to the Department of Small Business Development national YEDS to ensure policy harmonisation.

To conclude the chapter, a number of pertinent domestic and international legislative and policy instruments that relate to youth economic participation through enterprise development have been selected with the view to align this strategy with the core principles outlined in the aforementioned instruments.

Domestic legislative and policy instruments that deal with youth economic participation through enterprise development and have not yet economically mainstreamed youth have been identified with the view to encourage them to do so. In certain instances, suggestions have been made on how to achieve the mainstreaming.

Future domestic legislative and policy instruments related to the economic participation of youth through enterprise development, guided by this policy instrument, must take into

consideration the prioritisation and mainstreaming of youth to assist in the process of accelerating such participation in the country.



CHAPTER 3: VISION, MISSION AND OBJECTIVES FOR THE YEDS

3.1 Vision

The vision of the YEDS is:

A South Africa that has a dynamic youth entrepreneurship culture and developed youth-owned enterprises, operating in all sectors of the economy, which contribute to economic growth, poverty reduction and employment creation as well as assist in bringing about economic transformation and an equitable society.

3.2 Mission

1. To mainstream the YEDS within the Department of Small Business Development and its agencies and all strategies and programmes geared for enterprise development at national, provincial and municipal levels.
2. To strengthen and unleash the potential of the participation of youth in the economy by raising the value and the profile of youth-owned and managed enterprises

and designing support programmes suitable for this end;

3. To foster human capital development with a special focus on youth entrepreneurship, business management and technical skills;
4. To foster a culture of partnership and collaboration among youth beneficiaries and other stakeholders through awareness-raising programmes; research; and business intelligence and assist with the evaluation and monitoring of the performance of youth enterprise development and entrepreneurship.

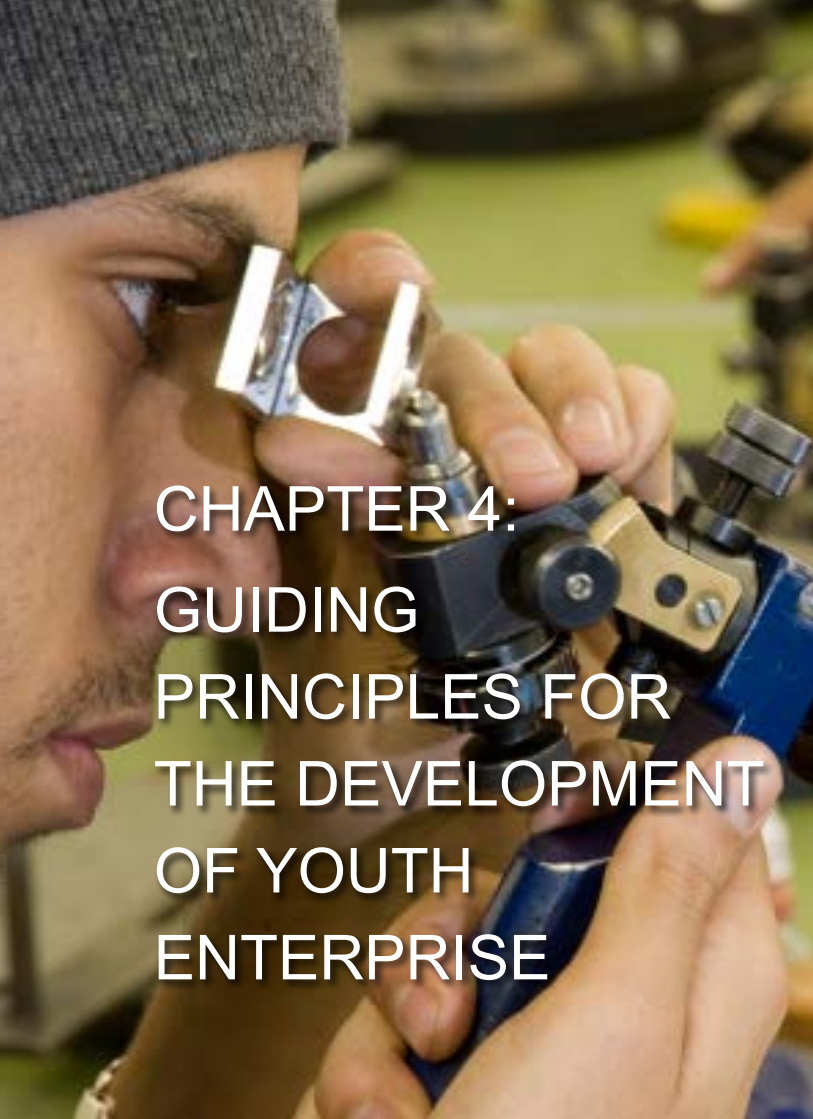
3.3 Objectives

The YEDS pursues the following objectives:

- To increase the contribution of youth-owned and managed enterprises to the GDP of South Africa from a very low base of less than 5% contribution currently to 15% over the next 10 years (2013-2023);

- To increase the number of youth-owned and managed enterprise start-ups in all sectors of the economy from just less than 10% (i.e. 0,9% of 8,9% of RSA TEA index) of all new enterprises to 50% as measured by the TEA index of the GEM over the next 10 years (2013-2023);
- To increase the number of self-employed youth or entrepreneurs from the current low base of approximately 6%³³ to 20% over the next 10 years, as well as increase entrepreneurial culture, business managerial capacities, technical skills and talents among young people, thereby contributing to sustainable human development;
- To increase savings and investment among youth by encouraging them to establish co-operatives and other forms of enterprise and minimise barriers that prevent young men and women from starting and growing their own businesses;
- To increase access to market, financial and non-financial support, including business infrastructure and procurement opportunities, to youth-owned and managed enterprises.

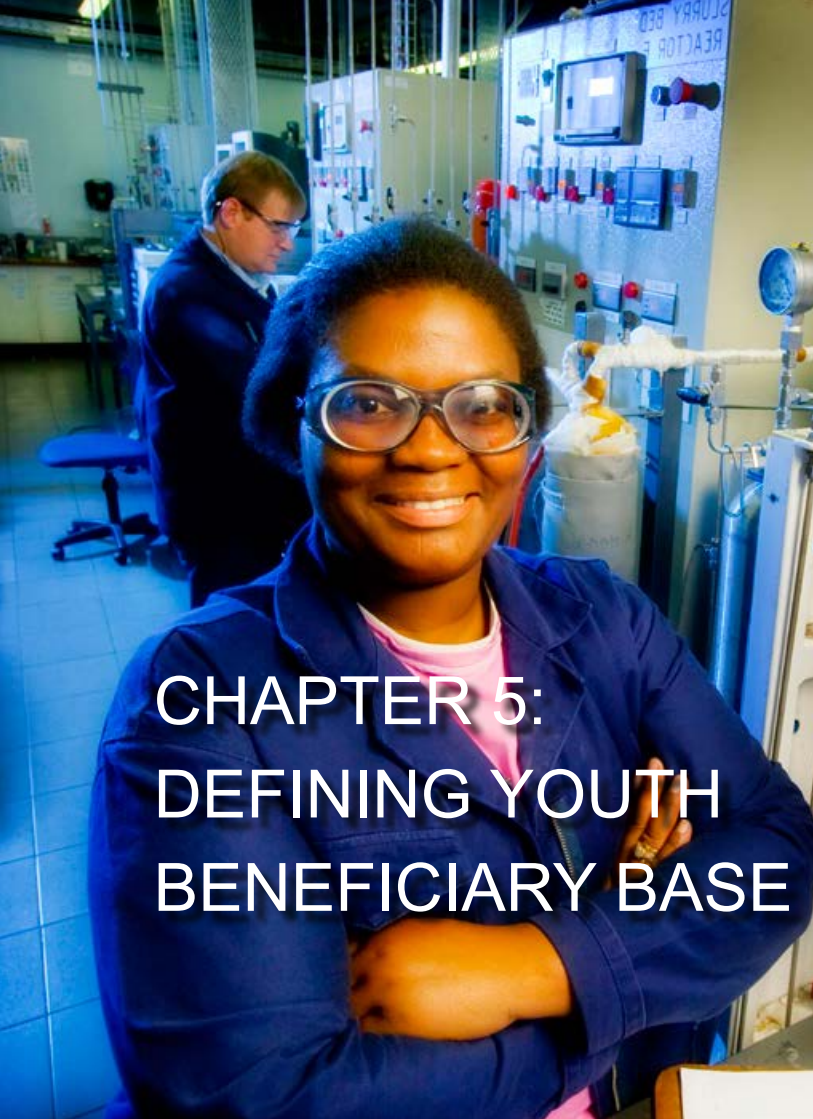
³³ Altman, M. (2007), *Youth Labour Market Challenges in South Africa*, Employment, Growth and Development Initiative, Human Sciences Research Council, South Africa.



CHAPTER 4: GUIDING PRINCIPLES FOR THE DEVELOPMENT OF YOUTH ENTERPRISE

- This strategy is underpinned by the following principles that will guide its implementation and inform all relevant stakeholders in their formulation of similar strategies and support programmes and the implementation thereof:
- **Principle 1: Youth Enterprise Development and Entrepreneurship is a Shared Responsibility:** Achieving the development of youth enterprise and increasing entrepreneurial activities among young people is a responsibility that must be shared by all relevant tiers of government (i.e. national and provincial departments and municipalities) and the private sector.
- **Principle 2: Participatory and Collaborative Approach:** Youth enterprise development must take place with the full participation and consultation of young people. Special attention should be taken to ensure that young women, young people with disability and youth in rural and peri-urban areas are consulted and accorded full participation and benefit.

- **Principle 3: Human Rights and Diversity:** Youth enterprise development and entrepreneurship must promote non-discrimination, adhere to democracy, good governance and protect human rights. It must also promote gender parity between young men and women, including the disabled, on economic opportunities. It must instil a sense of worth, purpose and direction, and recognise the spiritual and cultural diversity among young people.
- **Principle 4: Responsiveness and Relevance:** All policy interventions related to youth enterprise development must pay special attention to the disabled, respond to the unique challenges that confront them and act in their best interests.
- **Principle 5: Accountability:** Government and its agencies that are involved in youth enterprise development must put in place systems to monitor, report and record progress made on the promotion and support of youth enterprise development.
- **Principle 6: Youth as a Target Group:** All core programmes designed for enterprise development and support must place youth as one of its primary beneficiaries. All the categories of youth as defined in this document must benefit, with special attention given to young women and the disabled as well as those living in rural communities and informal settlements.
- **Principle 7: Transparency:** All relevant stakeholders involved in the arena of enterprise development within the public and private sectors should operate in a transparent manner.



CHAPTER 5: DEFINING YOUTH BENEFICIARY BASE

5.1 Rationale for Defining the Youth Beneficiary Base

Accurate targeting is essential for programme success. Targeting performs two important functions: First, it ensures programmes respond to specific demands for support and development that are found within a defined group (i.e. the target group); and, second, it focuses on scarce resources to achieve a desired outcome.

5.2 Definition by Age

The term youth beneficiary base is a generic term describing natural person(s) who are young people and the youth enterprises that are owned and managed by young people. The South African NYP of 2009-2014 defines youth as young people falling within the age group of 14 to 35 years³⁴.

³⁴ National Youth Development Agency Act, 2008

The definition of youth espoused in the NYP is broad and inclusive. It includes two distinct categories of young people, i.e. minors and adult youth. Minors include young people aged from 14 to 17 years and adult youth from 18 to 35 years of age.

This strategy defines the targeted beneficiary as young men and women aged from 18 to 35 years who can enter into a business contract independently without the requirement of parental, guardian or representative assistance and consent. Therefore, this strategy will only target and provide enterprise development support to the aforementioned category of youth.

The aforesaid definition incorporates and prioritises young men and women between the ages of 18 and 35 who are unemployed, living with disabilities and located in rural and urban areas and, in general, those that aspire to own and manage their own businesses as well as those currently operating their own enterprises. By establishing their own

businesses, they will contribute to an increase in enterprise creation, employment and self-employment, and poverty reduction.

5.3 Definition of Youth Enterprise

Over and above the definition of youth as natural person(s), this policy instrument also provides the definition of youth in terms of juristic person(s), i.e. various forms of youth enterprises, as part of the beneficiary base.

The definition of the juristic persons

Youth enterprise is categorised into two component parts: **Youth-Empowered Enterprise** and **Youth-Owned Enterprise**. Youth-Empowered Enterprise is a form of enterprise that constitutes 25% to 50% ownership and control by young women and/or men. A Youth-Owned Enterprise is a form of enterprise in which 51% or more of the ownership and control is in the hands of young men and/or women.

Figure 12: Range of possible target groups within the universe of young women and men

Universe of young women and men in South Africa																					
14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
Other Support Services				Potential Beneficiaries to Start a Youth Enterprise																	
Too young to legally own a business				In school, considering career options				Out of school, undertaking further education				Entering workforce, looking for employment				Employed and considering other options					
				Considering career and career options				Exploring the entrepreneurship option				Taking practical steps to start or run a business									



CHAPTER 6: YOUTH ENTERPRISE AND ENTREPRENEURSHIP DEVELOPMENT TARGETS

- This strategy encourages all relevant stakeholders involved in implementing policies, strategies and programmes dedicated to enterprise development to mainstream (aligned with this strategy) youth by achieving a minimum of at least 30% target/quota as a contribution to youth enterprise development cumulatively in the next 10-year period;
- All institutions created to primarily support youth enterprise development, such as the NYDA, are expected to go beyond the proposed minimum targets, since this is their core mandate; and
- The budget expenditure dedicated to youth enterprise development (programmes and projects) must be monitored, reviewed and reported in the annual reports of the institution and shared with the Department of Small Business Development Youth Directorate.



CHAPTER 7: ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

Underpinning the implementation of this strategy is the principle that youth enterprise and entrepreneurship promotion is a shared responsibility, which entails the idea that youth economic participation can be accelerated meaningfully if all relevant stakeholders perform their specific critical roles and responsibilities. The above principle encourages these stakeholders to partner and synergise, where possible, to ensure effective youth enterprise development and entrepreneurship.

This principle recognises that the role of promoting youth enterprise is not only the responsibility of the Department of Small Business Development or relevant government departments, but also that of development agencies, SOEs, the private sector, labour, civil society, youth formations and international organisations. Broadly, the roles and responsibilities envisaged from the stakeholders are varied and involve co-ordination, facilitation, implementation, monitoring, review and reporting on performance and progress.

This chapter identifies the relevant stakeholders that can contribute towards the promotion of youth entrepreneurship and recommends the possible and potential roles and responsibilities that they can play in this area.

7.1 The Department of Small Business Development

the Department of Small Business Development is tasked with the responsibility of contributing to economic development in South Africa. In this regard, it will endeavour to drive the promotion and advancement of youth economic participation, and will do so in partnership with all spheres of Government and the private sector. Through this strategy on youth enterprise development, the Department of Small Business Development proposes a number of programmes and interventions aimed at supporting the promotion of youth entrepreneurship, and the growth and development of youth-owned enterprises so as to enhance youth employment and reduce inequality. Some of these programmes and

interventions will be implemented by the Youth Directorate, and others by enterprise development agencies and other spheres of Government, including the private sector.

The roles and responsibilities of the Department of Small Business Development (carried out by the youth directorate) include the following:

- To promote and support youth enterprise development and entrepreneurship in South Africa through the implementation of this strategy;
- To co-ordinate, monitor, review and report progress made with regard to the implementation of this strategy utilising an Information Technology System;
- To encourage mainstreaming of youth enterprise development within the Department of Small Business Development programmes, policies and strategies, including those implemented by the Council of Trade and Industry Institutions (COTIIs) and report progress accordingly;
- To lobby all the enterprise development agencies, and provincial and local government to report annual expenditures dedicated to support youth enterprise development;
- To provide technical support to provincial and local government in terms of the formulation, alignment and implementation of sister policies and programmes aimed at promoting youth enterprise development;
- To establish a provincial youth enterprise development co-ordination structure to ensure collaboration on programmes and information sharing;
- To enter into partnerships with the private sector and youth organisations to enhance youth enterprise development;
- To lobby the private sector to develop programmes aimed at supporting the development of youth-owned and managed enterprises and the promotion of entrepreneurship; and

- To lobby donor organisations to solicit technical and financial support for the promotion of youth enterprises and entrepreneurship.

7.2 Provincial Departments of Economic Development

- To support the development and growth of youth-owned and managed enterprises in the respective province;
- To align their enterprise development policies with this strategy and design programmes aimed at assisting in this regard;
- To encourage mainstreaming of youth enterprise development in the provincial line departments and within the economic departments, covering all their respective programmes, policies and strategies and report progress accordingly;
- To ensure the establishment of youth directorates that

have capacity to drive the implementation of youth enterprise development in the province, co-ordinate with municipalities and report progress to the Department of Small Business Development accordingly;

- To enter into partnerships with the private sector and youth organisations in their endeavour to support the development and growth of youth enterprises;
- To co-ordinate, monitor, review, collate data and report progress made on youth enterprise development in the respective province, including progress made by its agencies and municipalities;
- To effectively participate in the Department of Small Business Development's provincial co-ordination committee on youth economic empowerment to share information on best practices and report progress;
- To establish a provincial database on youth enterprise development and entrepreneurship linked and aligned

to the database of the Department of Small Business Development; and

- To assist municipalities to integrate the support for youth enterprise development in their Integrated Development Planning programmes.

7.3 Responsibilities of the National Youth Development Agency (NYDA)

- To co-ordinate, evaluate, monitor and provide oversight to all programmes designed to support youth economic participation;
- To roll out an IYDS aligned with the NYP (2009-2014);
- To initiate support programmes in alignment with this strategy directed at poverty alleviation, urban and rural development and the combating of crime, substance abuse and social decay among youth;

- To establish annual national priority programmes in respect of youth development as well as to enhance the roll-out of this strategy;
- To promote a uniform approach and mainstream youth development to all organs of state, the private sector and non-governmental organisations;
- To lead the provision of financial and non-financial support on youth enterprise development;
- To partner with other enterprise development agencies in areas such as co-funding arrangements and business support services; and
- To partner with the Department of Small Business Development in the implementation, monitoring, evaluation and reporting progress on this strategy.

7.4 The Role of the Private Sector and SOEs

- To promote and support youth economic participation through enterprise creation in the private sector;
- To develop youth economic participation through enterprise-creation programmes that support this strategy;
- Encouraged to provide a minimum of 30% procurement opportunities and enterprise development support and corporate social investment to youth enterprises that can be claimed from the B-BBEE Codes of Good Practice and sector codes;
- To enter into PPP initiatives aimed at supporting youth economic participation through enterprise-creation for young people;
- To encourage mainstream business and SOEs to support and partner with youth business formations in programmes (e.g. business mentorship, training, technical

skills etc.) aimed at youth economic participation through enterprise creation; and

- To reflect progress on supporting youth economic participation through enterprise creation in their own annual reports and information technology data that can be available to the public.

7.5. The Role of the Youth Business Chambers and Associations

- To develop programmes aimed at economically empowering young men and women with special focus on unemployed graduates, out-of-school and disabled youth;
- To partner with mainstream business in programmes aimed at youth economic participation through enterprise creation; and
- To play a lobby and advocacy role in the youth policy arena.

7.6 The Role of Government Agencies

- To promote and support youth economic participation through enterprise creation in the private sector;
- To mainstream youth in all relevant core programmes and products;
- To develop new youth economic participation through enterprise-creation programmes/products, if and where necessary, that support this strategy;
- To partner with financial institutions (e.g. banks) to provide business development support services and programmes targeting youth enterprises; and
- To implement, monitor and report progress to the Department of Small Business Development on youth economic participation through enterprise creation in line with their mandate.

This chapter identified stakeholders and institutions, including their roles and responsibilities in the promotion and achievement of youth economic participation through enterprise creation. It recognises and emphasises the importance of the principle that youth economic participation through enterprise creation is a shared responsibility involving all spheres of Government, agencies and the private sector.

A photograph of three young people sitting outdoors in front of a dense green tree background. On the left, a young man in a white shirt and dark tie is looking towards the center. In the middle, a young woman with dark hair, wearing a colorful patterned top and large green earrings, is looking towards the right. On the right, a young man in a white polo shirt is looking back towards the woman. They appear to be in a collaborative discussion. The woman is holding a pen and some papers. The overall scene is bright and sunny.

CHAPTER 8: YOUTH ENTERPRISE DEVELOPMENT PROGRAMMES AND PROJECTS

8.1 Targeted Programmes of the Youth Directorate

The foregoing support interventions aimed at promoting and developing youth-owned and managed enterprises will be primarily facilitated and implemented by the Department of Small Business Development Youth Directorate supported by other divisions within the Department of Small Business Development and enterprise development support agencies. Programmes for mainstreaming will be outlined in the next section (8.2) and those that will be implemented by other stakeholders, which the Department of Small Business Development Youth Directorate can support, will be highlighted and expressed as recommendations on Appendix 1.

Care has been taken to ensure that the foregoing programmes and projects effectively respond to the market segment of youth enterprises (i.e. micro to small and medium

youth-owned enterprises). The programmes will support pre-formation, start-up, expansion and the alignment of youth-owned enterprises with the potential for revival and address the constraints thereof.

Name of Programme	Youth Entrepreneurship Competition Awards
Description of the Programme	<p>1. Entrepreneurial Bursary Awards</p> <p>The first component seeks to grow the pool of young aspirant entrepreneurs for the next 10 years by awarding a minimum of 25 bursaries per year for the study of entrepreneurship.</p> <p>2. Youth Enterprise Awards</p> <p>The second component entails awarding existing youth-owned enterprises that are medium to high performers by providing them with either funding or non-financial support to strengthen them further and ensure their sustainability.</p> <p>3. Entrepreneurial Ambassador Award</p> <p>The third component entails recognising individual young entrepreneurs who have demonstrated a high level of entrepreneurial acumen, are nominated by their peers for the award and recognised as a role model among young entrepreneurs, who could be used for the specific year as an ambassador to assist in promoting entrepreneurship among the youth.</p>
Strategic Aim	<p>1. The strategic aim of the Competition Awards is to provide national recognition to aspirant young entrepreneurs, existing youth-owned enterprises and individual entrepreneurs, with the aim of promoting entrepreneurship among the youth in South Africa; and</p> <p>2. To profile young entrepreneurs as role models/mentors and market youth-owned businesses and networks in order to grow them by increasing their goods and service demand.</p>

Name of Programme	Youth Entrepreneurship Competition Awards
Targeted Beneficiaries	<ol style="list-style-type: none"> 1. Aspirant young entrepreneurs 2. Youth-owned and managed enterprises 3. Individual young entrepreneurs
Scope of the Programme	<ol style="list-style-type: none"> 1. The programme is envisioned to be a national umbrella award geared to cover the entire South African youth enterprise and entrepreneurial landscape. 2. Local and provincial youth entrepreneurs' competition awards that follow the similar format will be accommodated and act as feeders to this one. 3. This award is envisioned to be a youth component part of the National South African Business Award.
Implementing Agents	<ol style="list-style-type: none"> 1. Implementing institution: the Department of Small Business Development Youth Directorate supported by the Communications and Marketing Division. 2. Potential partner institutions: NYDA, Provincial Departments of Economic Development, South African Broadcasting Corporation (SABC), the private sector and youth business associations.
Key Performance Indicators	<ol style="list-style-type: none"> 1. Successful annual hosting of the national award event supported by all key stakeholders (output). 2. Increasing total entrepreneurial activities of young people covering all the sector categories, geographical spread, race groups and gender (outcome). 3. Increase GDP contribution by youth-owned enterprises and employment creation (impact);

Name of Programme	Sector-Specific Youth Catalytic Projects
Strategic Aim	1. The strategic aim of this intervention is to identify, plan and facilitate the creation of sector-specific youth catalytic projects with higher impact through leveraging on existing opportunities in the priority Sectors and Infrastructure Development Programmes of Government as expressed in the IPAP and the Regional Industrial Development Strategy (RIDS).
Objectives of the Programme	1. To package the existing business opportunities in the industrial, enterprise and economic action plans in order to make them easily available to the youth. 2. To catalyse youth projects by leveraging pre-formation, formation and funding support resulting in the creation of operational and sustainable youth-owned enterprises in the respective sectors.
Targeted Beneficiaries	1. Youth potential entrepreneurs (e.g. unemployed youth, graduates, youth in rural areas etc.) 2. Youth-owned enterprises
Scope of the Programme	1. The programme will give priority to those sectors that are identified in the priority Sectors and Infrastructure Development Programmes of Government as expressed in the IPAP and the RIDS. 2. It will also target those sectors that are of high interest to the youth (e.g. ICT etc.).
Implementing Agents	1. Implementation: the Department of Small Business Development Youth Directorate 2. Potential partners institutions: NYDA, Provincial Departments of Economic Development, enterprise development agencies and other relevant stakeholders

Name of Programme	Sector-Specific Youth Catalytic Projects
Key Performance Indicators	<ol style="list-style-type: none"> 1. Increase the quantum of youth-owned enterprises in the identified sectors (output) 2. Increase GDP contribution by youth-owned enterprises and employment creation (outcome) 3. Percentage increase on the contribution, by youth entrepreneurship to economic transformation (impact)

Name of Programme	National Youth Service Programme
Strategic Aim	<ol style="list-style-type: none"> 1. To provide structured learning opportunities and work experience to young people, thereby ensuring their participation in the mainstream economy through service.
Objectives of the Programme	<ol style="list-style-type: none"> 1. To engage young people in the delivery of services to communities to promote social cohesion. 2. To inculcate in young people an understanding of their role in the promotion of civic awareness and national reconstruction. 3. To inculcate a culture of service to communities. 4. To develop the skills, knowledge and abilities of young people to enable them to make meaningful transition to adulthood. 5. To improve youth employability through opportunities for skills development, work experience and support to gain access to economic and further learning opportunities.

Name of Programme	National Youth Service Programme
Targeted Beneficiaries	<ol style="list-style-type: none"> 1. Unemployed youth 2. Out-of-school youth 3. Unemployed post matriculants and graduates
Scope of the Programme	<ol style="list-style-type: none"> 1. The programme will be implemented within the Department of Small Business Development and COTIs 2. Provincial Departments of Economic Development 3. Private sector
Implementing Agents	<ol style="list-style-type: none"> 1. Implementing institutions: the Department of Small Business Development Youth Directorate, supported by the Skills for Economy and COTIs and the Communication and Marketing Division; 2. Potential partner institutions: NYDA, private sector, Departments of Economic Development, NGOs, Universities etc.
Key Performance Indicators	<ol style="list-style-type: none"> 1. Increase in the number of young people accessing learning opportunities, disaggregated by gender, race and geographic location. 2. Increase in the number of young people delivering services to communities, disaggregated by gender, race and geographic location. 3. Increase in the number of young people accessing economic opportunities in the form of employment and self-employment, disaggregated by gender, race and geographic location.

Name of Programme	Take a young person to work programme
Strategic Aim	1. The programme is designed to provide young persons who are at school studying Grade 11 and 12 with exposure in the Department of Small Business Development working environment to the following themes: career choice, entrepreneurship, IPAP2 high-priority sectors, technology and critical skills shortages among other key areas of industry, SMMEs and the economy.
Objectives of the Programme	1. To influence young people to choose careers in the area of industrial and enterprise development. 2. To market the Department of Small Business Development and its services to young people.
Targeted Beneficiaries	1. Grade 11 and 12 pupils
Scope of the Programme	1. The programme will be national targeting schools (Grade 11 and 12)
Implementing Agents	1. the Department of Small Business Development Youth Directorate with the support of GSSSD 2. Establish partnerships with schools through the Department of Basic Education.
Key Performance Indicators	1. An increased number of young people participating in the programme (output) 2. More young people empowered with knowledge and are clear on career choices

Name of Programme	Youth Entrepreneurship Collateral Fund
Strategic Aim	1. To address the difficulty of young entrepreneurs to secure funding due to their lack of assets to serve as collateral.
Objectives of the Programme	<ol style="list-style-type: none"> 1. To provide a non-refundable, once-off grant to young entrepreneurs that will serve as a collateral guarantee to secure a business loan to start their own businesses. 2. To mitigate the high cost of capital in terms of interest charged for loans offered. 3. To encourage third-party funding institutions to be less risk averse in providing loans to young entrepreneurs. 4. To act as a catalyst to stimulate the growth of youth enterprises.
Targeted Beneficiaries	1. Start-up enterprises owned by young people (SMMEs and Co-ops)
Scope of the Programme	1. The programme scope entails supporting youth start-up enterprises nationally, working closely with third-party finance institutions.
Implementing Agents	1. the Department of Small Business Development Youth Directorate supported the Industrial Development: Incentive Administration Division (IDIAD)
Key Performance Indicators	<ol style="list-style-type: none"> 1. Increase in the number of youth-owned enterprise securing business loans from third-party funding institutions. 2. Increase in the number of jobs created (self-employment and employees). 3. Increase in GDP contribution by youth-owned enterprises and employment creation (outcome).

Name of Programme	Youth Entrepreneurship Data System and Research Programme (YEDSRP)
Strategic Aims	<ol style="list-style-type: none"> 1. To develop an integrated data system that will aid the development of youth-owned and managed enterprises and entrepreneurship in terms of acting as a repository of information, aids research, co-ordination and reporting purposes. 2. To carry out research useful for assisting the development and growth of youth-owned and managed enterprises and entrepreneurship.
Objectives of the Programme	<ol style="list-style-type: none"> 1. To collate data on youth-owned enterprises and all its dimensions and variables (e.g. business sector, age, geographical location, gender etc.) into a single portal system. 2. To generate nationwide information on youth enterprise development that assists with monitoring, review and reporting purposes. 3. To collate business opportunities available for young entrepreneurs. 4. To carry out research in collaboration with reputable research institutions on a variety of issues informing development of youth enterprises.
Targeted Beneficiaries	<ol style="list-style-type: none"> 1. Youth Entrepreneurs 2. Youth Enterprises 3. Policy-makers responsible for youth enterprise development and promotion 4. All stakeholders involved in the area of youth enterprise development 5. Parliament and the three spheres of Government
Scope of the Programme	<ol style="list-style-type: none"> 1. The programme scope will be national with respect to dealing with youth economic participation issues in relation to youth enterprise development

Name of Programme	Youth Entrepreneurship Data System and Research Programme (YEDSRP)
Implementing Agents	<ol style="list-style-type: none"> 1. the Department of Small Business Development Youth Directorate supported by the Enterprise Development and the Economic Research and Policy Co-ordination (ERPC) units 2. Potential partner institutions: NYDA and the Provincial Departments of Economic Development, tertiary and other research institutions (e.g., HSRC, CSIR, NRF etc.)
Key Performance Indicators	<ol style="list-style-type: none"> 1. Statistical data system that is continuously updated with current and useful information on youth enterprise development and opportunities. 2. Percentage increase of young people accessing the information data system. 3. Percentage increase in the number of youth aware of and accessing government services. 4. Percentage increase in the rate of registered, operational and failure of businesses owned and managed by young people. 5. Ongoing conduct of relevant research at appropriate intervals.

8.2 Mainstreaming Interventions

Poor performance on youth economic empowerment in South Africa is also due to the fact that very few Estimates of National Expenditure (ENE) reports mention youth³⁵, an indication that departments pay limited attention to youth development and economic empowerment. Where departments do implement youth programmes, they tend to grossly under-report actual expenditure for specific items benefiting the youth.

Of the eight mid-term strategies of the Department of Small Business Development, seven are meant to promote direct investments and growth in the economy with an emphasis on employment creation. However, these strategies do not prioritise youth as beneficiaries. These mid-term strategies are International Trade and Economic Development (ITED), Consumer and Corporate Regulations Division (CCRD),

Industrial Development Incentive Administration Division (IDIAD), Trade and Investment South Africa (TISA), Industrial Development Division (IDD) and Marketing and Communications.

The seventh strategy, which is Broadening Participation Division (BPD), has established a Youth Directorate to drive the mainstreaming of youth in the department. However, most of the strategies/policies and programmes within this division have yet to systematically target and mention the youth as beneficiaries.

Almost all the Department of Small Business Development agencies, particularly those involved in the enterprise development arena (i.e. **seda**, NEF etc.) have not elevated youth as beneficiaries that will systematically be targeted for support in all products and services and reported accordingly. This highlights the need for the Department of Small Business Development and its agencies to earnestly undertake a process of mainstreaming youth in all policies,

³⁵ Midterm Estimates of National Budget Expenditure Review, CASE, 2006

strategies and programmes and budget accordingly.

It is important to note that youth mainstreaming is the responsibility of all spheres of Government, including all agencies dealing with enterprise development (e.g. the IDC). Given the important role played by the private sector in job creation and economic growth, it is also critical that Government prioritise the formation of partnerships with this sector to promote the mainstreaming of youth enterprise development with the context of their business operations, particularly, their supply chains.

The following programmes have been identified to increase the economic participation of the youth through youth enterprise development:

Name of Programme	Youth Entrepreneurship Data System and Research Programme (YEDSRP)
Strategic Aim	1. The strategic aim of this programme is to improve the performance, survival rates, and profitability of youth owned and youth managed enterprises through providing hand holding and coaching.
Objectives of the Programme	<ol style="list-style-type: none"> 1. To facilitate business to business mentorship, which entails the twinning of a youth owned enterprise facing economic challenges as a result of poor management skills and experience with well established and successful business to provide coaching and mentorship support services to mitigate the risk and ensure sustainability of the entity. 2. To twin young entrepreneurs with individual business mentors for the provision of coaching and mentorship support services. 3. To profile youth enterprises and entrepreneurs that have successfully undergone and completed the mentorship and coaching programme, and in turn use them to mentor and coach other emerging youth businesses.
Targeted Beneficiaries	<ol style="list-style-type: none"> 1. Youth Entrepreneurs; 2. Youth Enterprises;
Scope of the Programme	1. The scope of the programme is national focusing on those deserving youth owned enterprises and youth owned enterprises that are under-performing or are at risk of closure.

Name of Programme	Youth Entrepreneurship Data System and Research Programme (YEDSRP)
Implementing Agents	<ol style="list-style-type: none"> 1. Implementing Agency: The Small Enterprise Development Agency (SEDA) will implement the programme; 2. the Department of Small Business Development Youth Directorate will play a support and facilitating role to ensure the implementation of this programme, working closely with its partners and key stakeholders; 3. Provincial Departments of Economic Development and their implementing agencies will implement the mentorship and coaching programme at the provincial level; 4. The NYDA will also implement all components of the mentorship and coaching programme.
Key Performance Indicators	<ol style="list-style-type: none"> 1. Percentage increase of budget allocation and expenditure to coaching and mentorship support service; 2. Percentage increase of youth owned enterprises and entrepreneurs undergoing coaching and mentorship; 3. Percentage increase of successful youth owned enterprises and young entrepreneurs who have completed the mentorship and coaching programme in various sectors; and 4. Percentage of successfully mentored young entrepreneurs/ businesses providing mentorship to other young entrepreneurs/businesses.

Name of Programme	Youth Entrepreneurship Promotion and Awareness Programme (Outreach)
Strategic Aim	<ol style="list-style-type: none"> 1. The strategic aim of this programme is to promote and raise awareness of entrepreneurship, targeting young people, throughout the country to encourage them to view entrepreneurship as the first option in their economic participation endeavours.
Objectives of the Programme	<ol style="list-style-type: none"> 1. To improve the culture of entrepreneurship among the South African youth. 2. To increase economic participation among South African youth in relation to entrepreneurial activity. 3. To increase employment opportunities to South African youth, particularly self-employment.
Targeted Beneficiaries	<ol style="list-style-type: none"> 1. Youth enterprises 2. Unemployed youth 3. Out-of-school youth 4. Tertiary students 5. Unemployed graduates
Scope of the Programme	<ol style="list-style-type: none"> 1. The scope of this programme is national and the Department of Small Business Development Youth Directorate will partner with all role players in its delivery.
Implementing Agents	<ol style="list-style-type: none"> 1. Implementing agencies: the Department of Small Business Development Youth Directorate, supported by the Communication and Marketing Division; 2. Partnership Institutions: COTIs, Provincial Departments of Economic Development, Municipalities, and the NYDA.

Name of Programme	Youth Entrepreneurship Promotion and Awareness Programme (Outreach)
Key Performance Indicators	<ol style="list-style-type: none"> 1. An increased number of outreach/information dissemination campaigns targeted at youth and youth enterprises. 2. Percentage increase of young people gaining access to information on the entrepreneurship development products and services offered by the Department of Small Business Development. 3. Percentage increase of the number of youth enterprises accessing the Department of Small Business Development enterprise development support programmes as a result of the campaigns. 4. Percentage increase on the number of youth-owned enterprises established due to information disseminated during the campaigns.

Name of Programme	Business Incubation for Young Entrepreneurs
Strategic Aim	<ol style="list-style-type: none"> 1. The strategic aim of the programme is to grow youth-owned and managed enterprises by ensuring their sustainability through an incubation mechanism.
Objectives of the Programme	<ol style="list-style-type: none"> 1. To establish five national incubation centres that will be used to support the growth of youth-owned enterprises. 2. To mainstream youth enterprises to already existing incubators to increase accessibility.
Targeted Beneficiaries	<ol style="list-style-type: none"> 1. Youth Enterprises

Name of Programme	Business Incubation for Young Entrepreneurs
Scope of the Programme	1. The scope of incubation services offered will be national and will include those sectors that young people are most interested in and can play a meaningful role in growing youth-owned businesses, i.e. ICT, tourism, clothing and textiles, value addition sectors on mining products, etc.
Implementing Agents	1. the Department of Small Business Development Youth Directorate in partnership with the NYDA, seda, Provincial Departments of Economic Development, universities of technology, and the private sector.
Key Performance Indicators	1. To successfully establish five operational incubation centres to benefit or support youth enterprises. 2. Percentage increase in uptake of the youth-owned businesses that are incubated and sustainable. 3. Percentage increase in the number of jobs created through incubated enterprises. 4. Percentage increase of youth-owned enterprises that benefit from this service, disaggregated in terms of sectors.

Name of Programme	Business Development Support Services for Youth Enterprises
Components of the Programme	1. Business Infrastructure support for young entrepreneurs 2. Access to markets 3. Capacity Building and Skills development for youth in business

Name of Programme	Business Development Support Services for Youth Enterprises
Strategic Aims	To grow youth enterprises and ensure sustainability through the provision of business infrastructure, access to markets and skills and capacity building which constitute Business development Support Services.
Objectives of the Programme	<ol style="list-style-type: none"> 1. To provide adequate and cost-effective business infrastructure to youth-owned and managed enterprises. 2. To provide young entrepreneurs with access to markets, particularly those located in rural and peri-urban areas. 3. To leverage BEE enterprise development by encouraging private-sector enterprises to provide business infrastructure and capacity-building and skills development to youth-owned enterprises. 4. To leverage BEE procurement by encouraging the private sector to provide procurement opportunities to youth-owned enterprises. 5. To mainstream youth enterprises within EMIA, so that they benefit in terms of trade missions, national and international pavilions, etc. 6. To mainstream youth enterprises with regard to the designated 10 products. 7. To mainstream youth entrepreneurs and businesses to the existing programmes dealing with capacity-building and skills development in the following institutions: seda, SETAs, Tertiary Education Institutions, enterprise development agencies, etc.
Targeted Beneficiaries	<ol style="list-style-type: none"> 1. Youth Entrepreneurs 2. Youth Enterprises
Scope of the Programme	<ol style="list-style-type: none"> 1. The scope of the programme is national, covering and benefiting youth enterprises and entrepreneurs.

Name of Programme	Business Development Support Services for Youth Enterprises
Implementing Agents	<ol style="list-style-type: none"> 1. the Department of Small Business Development Youth Directorate supported by the Economic Infrastructure unit and BEE unit. 2. Potential partner institutions: NYDA, seda, Department of Public Works (national and provincial), Department of Agriculture and Land Affairs, Municipalities and the private sector.
Key Performance Indicators	<ol style="list-style-type: none"> 1. Percentage increase of business infrastructure, access to markets and building capacity and skills development provided to young entrepreneurs and youth enterprises. 2. Percentage increase of budget allocations and expenditure for youth business infrastructure development support, investment allocated to market access, building capacity and skills development. 3. Percentage increase of youth-owned enterprises that benefit from the youth business infrastructure programme, market access and building capacity and skills development.

A close-up, profile view of a Black male scientist wearing safety goggles and a white lab coat. He is holding a black and red pipette, dispensing a liquid into a glass container. The background shows laboratory equipment, including a rack of test tubes and a white tube. The text "CHAPTER 10: CO-ORDINATION, MONITORING, EVALUATION, REVIEW AND REPORTING MECHANISMS" is overlaid on the image in white, bold, sans-serif font.

CHAPTER 10: CO-ORDINATION, MONITORING, EVALUATION, REVIEW AND REPORTING MECHANISMS

This section outlines mechanisms that will be utilised to co-ordinate, monitor, review and report progress on enterprise development as well as measure the impact of this strategy. Overall, these measures will assist in determining the success of the strategy in promoting youth-owned and managed enterprises and entrepreneurship in South Africa. All youth enterprise development programmes contain provisions for clear measurable targets and evaluation frameworks.

10.1 Co-ordination, Review and Monitoring Mechanisms

The responsibility of developing the tools and mechanisms for co-ordination and monitoring falls squarely on the Department of Small Business Development Youth Directorate, supported by enterprise development agencies, provincial departments of economic development and the NYDA. Provincial departments will be co-ordinated

through the Provincial Co-ordination Committee on Youth Enterprise Development (PCCYED). The provincial chapter of the NYDA will form part of the aforementioned structure to enable closer co-ordination between the Department of Small Business Development and relevant stakeholders.

The co-ordination structure will have the responsibility of monitoring the implementation of this strategy, and the tools to do so will be developed by the Department of Small Business Development. This structure will hold quarterly meetings in which all stakeholders are expected to attend to share experiences and good practice, and report on progress made. In this regard, the Department of Small Business Development intends producing at intervals a publication reporting on the “State of Youth Enterprise Development”.

In the area of broadening economic participation, there exist a number of boards/councils whose mandate is to advise the Minister of Trade and Industry on the developments and progress in this area. These structures, which comprise the

National Small Business Advisory Council (NSBAC), Co-operatives Advisory Council (CAC), BEE Advisory Council and the South African Women Entrepreneurs Network (Sawen), will contribute to the co-ordination and monitoring aspects of this strategy. It is also important for young people to be represented in these boards/councils to ensure that issues of youth enterprise development are prioritised, co-ordinated and implemented.

Progress and the effectiveness of this strategy with regard to its implementation will have to be tracked, meaning that there is a need for the performance of this strategy to be evaluated and reviewed at intervals to ascertain whether it is yielding the desired outcome as expressed in its objectives. Evaluation and Review of this strategy will be carried out by the Department of Small Business Development in partnership with reputable research institutions, universities and other relevant stakeholders in the youth sector. It will also work in collaboration with the above-mentioned co-ordination and monitoring structure using the following models:

- Annual Reports, which will be tabled at the end of each financial year;
- Mid-Term Reviews; in every three-year budget cycle, the performance of the strategy will be reviewed;
- The 10-year major review will be carried out to determine whether the strategy has met its objectives with the purpose of ascertaining whether it should be discontinued or enhanced and extended to a particular period.

This strategy is intended to operate for a 10-year period starting from 2013 until 2023 with the aforesaid models used to report and review performance. The review of the strategy will be carried out to ascertain progress with respect to the measurable indicators as outlined in each programme.

10.2 Reporting Mechanisms

Reporting is an information-gathering process designed to account, monitor and track progress and impact on the

implementation of the YEDS. Furthermore, it may highlight gaps and constraints and thus aid the process of enhancing interventions.

Reporting on the performance of this strategy is viewed as a critical component of achieving youth enterprise development. the Department of Small Business Development will have the overall responsibility of reporting progress on implementation of the strategy to the Minister of Trade and Industry and the NYDA. the Department of Small Business Development will use the PCCYED to gather information from its key stakeholders and partners for reporting purposes

The following tools will be used as reporting mechanisms:

- **Quarterly Reports** will be collated by the Department of Small Business Development from inputs provided by the Provincial Departments of Economic Development through the aforesaid reporting structure every quarter of

each financial year;

- **Annual Reports** will be collated by the Department of Small Business Development from inputs provided by the Provincial Departments of Economic Development through the aforesaid reporting structure each financial year;
- **Mid-Term Report** will be collated by the Department of Small Business Development from inputs provided by the Provincial Departments of Economic Development through the aforesaid reporting structure in every three-year budget cycle;
- **Ten-Year Major Report** will be compiled by the Department of Small Business Development during the 10th year to determine whether the strategy has met its objectives.



CHAPTER 11: CONCLUSION

In conclusion, this strategy is envisaged to be operational for 10 years, from 2013 until 2023. Its performance will be reviewed using three models, namely the annual and mid-term reviews as well as the major 10-year review.

More importantly, the strategy promotes and accelerates the development and growth of entrepreneurship and youth-owned and managed enterprises. It encourages the mainstreaming of youth enterprise development in existing core programmes. It also proposes the development of unique support programmes aimed at promoting the development of youth entrepreneurship and youth-owned and managed enterprises to achieve high impact.

the Department of Small Business Development, supported by the provinces and the NYDA, will lead the process of co-ordinating, implementing and monitoring the rollout and impact of the strategy.



APPENDIX 1: IMPLEMENTATION PLAN OF THE YEDS

Summary of Recommendations on support interventions for other relevant stakeholders	
Recommendation	Responsible stakeholder
1. Inclusion of entrepreneurship education in school curriculum <ul style="list-style-type: none"> The Department of Basic Education should develop and include entrepreneurship education in the curriculum of schools 	<ul style="list-style-type: none"> The Department of Basic Education
2. Student Co-operatives <ul style="list-style-type: none"> Facilitate the establishment of Student Co-operatives in high schools and institutions of higher learning 	<ul style="list-style-type: none"> The Departments of Basic and Higher Education
3. Unification of Youth Business Chambers <ul style="list-style-type: none"> Facilitate the creation of a unified national youth chamber 	<ul style="list-style-type: none"> NYDA SAYC
4. Learnership <ul style="list-style-type: none"> The New Venture Creation Learnership should be significantly expanded and applied across South Africa 	<ul style="list-style-type: none"> Department of Higher Education

Summary of Recommendations on support interventions for other relevant stakeholders	
Recommendation	Responsible stakeholder
<p>5. Broader mainstreaming</p> <ul style="list-style-type: none"> Enterprise development agencies and institutions should broaden the scope of their target groups to explicitly include youth-owned and managed enterprises on the provision of support and report on progress accordingly Provincial and local government authorities, including provincial enterprise development agencies, should develop youth enterprise development strategies that are aligned to this strategy, provincial SMME development plans, provincial growth and development strategies as well as integrated development plans. They must also set aside budgets to support youth enterprise development initiatives All relevant stakeholders must comply with the proposed target (30%) with respect to procurement, budget allocation and expenditure, and programmes Qualifying criteria for financial and non-financial support programmes must be flexible to accommodate and enhance accessibility by young entrepreneurs 	<ul style="list-style-type: none"> National and Provincial Enterprise Development agencies Provincial Departments for Economic Development Municipalities

Summary of Recommendations on support interventions for other relevant stakeholders	
Recommendation	Responsible stakeholder
<p>6. Increased awareness on micro-financing programmes and instrumentation available for young entrepreneurs</p> <ul style="list-style-type: none"> • The Finmark Small Business Survey revealed that there was a gap in the market for loans in the R100 to R900 range • Existing micro-finance institutions catering to this segment should enhance their awareness campaigns targeting this market 	



APPENDIX 2: A CALL TO ACTION

The YEDS calls on all sections of South African society to engage with young women and men in the support and development of youth-owned and managed enterprises.

All national government departments that can contribute to enterprise development are called upon to create and improve the policy and legal and regulatory framework for youth-owned and managed enterprises. This requires deliberate and co-ordinated efforts by all national development departments to work collaboratively to ensure that the economic participation of young women and men is inextricably linked to policy and strategic frameworks. National government agencies are called upon to collaborate more frequently and effectively. They should monitor the involvement of youth enterprises in their programmes and services, and ensure the voice of youth businesses is heard in economic and enterprise development policy-making. Only then can the precise developmental and support needs of the youth be properly understood.

Provincial government departments must contribute under the leadership of the Department of Economic Development and are called upon to ensure that their provincial growth and development strategies incorporate strategies that respond to the needs, opportunities and capacities of youth-owned and managed enterprises. To achieve this, provincial government authorities should maintain close and regular contact with provincial and local youth structures as well as with young women and men who own and manage businesses. They should monitor their total contribution to youth-owned and managed enterprise development and report on this contribution on an annual basis.

Local government authorities are called upon to consult with their young women and men regularly and ensure the needs, opportunities and capacities of youth enterprises are incorporated in the integrated development plans of councils. They should also monitor their total contribution to youth-owned and managed enterprise development and report on

this contribution on an annual basis.

The **private sector and business community** are called upon to engage young people who are already in business. This engagement can take many forms: they can offer sub-contracting and procurement opportunities; become mentors to young people, offering advice and guidance; form partnerships with young men and women; and help young people better understand the dynamics of business. The business community can also forge links with local schools, educational institutions and training centres to provide advice and information from a business point of view. Efforts should be made within the organised business sector to support the development of youth business chambers and associations. The private sector (e.g. banks) is called upon to look beyond the collateral requirements to underpin business loans for young people and to introduce new mechanisms for training young people.

Youth development organisations, such as the South

African Youth Council (SAYC), Youth Development Network (YDN) including youth chambers and councils, are called upon to recognise and promote the value of entrepreneurship and business development. These organisations are encouraged to adopt good practices in business development and encourage a culture of entrepreneurship among young men and women wherever possible.

Business development organisations at national and local levels are called upon to recognise the special economic needs of young people and identify business opportunities that can address these needs. Business development services should be tailored to meet the specific needs of young people. Where this is not the case, close consultation with youth development organisations should be pursued to better understand youth development practices and how these can be effectively translated into business support services.

Education and training agencies, including schools,

colleges, universities and technikons, are called upon to introduce entrepreneurship development programmes that encourage young men and women to consider and explore entrepreneurship. This should include the opportunity for students to gain work experience (e.g. internships) in small and medium-sized enterprises.

Local communities are called upon to encourage young women and men who are in business or planning to start a business. Local communities can play an important role in setting social norms and attitudes, which are conducive to young people seeing the value in entrepreneurship and the importance of building a business rather than adopting a “get rich quick” attitude based on entitlement, easy credit and conspicuous consumption.

Young women and men are called upon to consider the full range of career options. While entrepreneurship is not for everyone, the enterprise option can be a relevant and rewarding career. Young people in business should reach out

to others, offering advice and guidance where possible. They should participate in youth and business structures, including chambers of commerce and other forms of business organisation.

The **media** are called upon to contribute to the communication of youth enterprise role models and messages that support the promotion of entrepreneurship.

Young people should not be labelled as a problem in South African society. While they have special needs and vulnerabilities, young women and men can contribute directly to national social and economic development and youth enter

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