



KHULA APPEALS TO BUSINESS COMMUNITY TO SUPPORT AND DEVELOP SME SECTOR

JOHANNESBURG (Wednesday, 01 September 2010) – Khula Enterprise Finance Ltd (Khula) today held discussions with financial and non-financial institutions in the public and private sector to garner support for small and medium enterprise (SME) development in South Africa. This follows initiatives announced last week (25 August) by the development finance institution which wants improve financial access to SMEs, a key sector in terms of the country's economic growth.

Attending today's meeting were representatives from a cross section of the business community including Business Unity South Africa (BUSA), Johannesburg Chamber of Commerce and Industry (JCCI), South African Chamber of Commerce and Industry (SACCI), Foundation for African Business and Consumer Services (FABCOS), Cape Chamber, Centre for Entrepreneurship at the Wits Business School, National African Federated Chamber of Commerce (NAFCOC), Business Coalition South Africa (BCSA), South African Women Entrepreneurs' Network (SAWEN), Afrikaanse Handels Instituut (AHI) and Absa Bank.

"We need to build an alliance between government and the small business sector," said Khula Chairperson Malose Kekana. "Small business is vital to the continued sustainable growth of the country and we encourage the public and private sector to accord SMEs the priority they deserve."

Current SME challenges, he said, lay in enterprise support, entrepreneur capacity and the regulatory environment. The sector has also been affected by the impact of the global recession which closed down many SMEs and continues to affect those that have survived.

Khula is to implement initiatives aimed at addressing some of those challenges, including the launch of Khula Direct, a countrywide direct lending facility, and the establishment of an SMME Support Programme in collaboration with the Andrew Mlangeni Foundation.

It also advocates a one-stop shop (bringing together for example, SARS, CIPRO and other agencies that are necessary for SME regulatory compliance) to assist small businesses cut through bureaucratic red tape – a stumbling block in the formalisation of many new and existing businesses. Kekana said that the one-stop shop model was working effectively in Australia, assisting SMEs within a three-hour time frame and that South Africa could do the same within 12-hours.

To more effectively meet the needs of the sector, other proposals are:

- an integrated approach from all stakeholders;
- a pooling of the knowledge base and practices which currently resides with these stakeholders;
- a change in the perception of the SMEs which rank lowly on the commercial lending scale;
- more responsive and knowledgeable government departments that deal with SMMEs;
- a programme to encourage the registration and formalisation of businesses as well as education around the advantages of both;
- a more coordinated approach to skills development through the creation of a Ministry for SMEs;
- the revitalisation of the gender movement on SMME development;

- finalisation of the Cooperative Bank Bill allowing members to pool their financial resources;
- 10% of BBE funding to be allocated to SMME development;
- the 3% of NPAT (net profit after tax) allocated for enterprise development be channelled to the right beneficiaries; and
- focus on rural and township SMEs that are being displaced by larger businesses.

A Task Team of volunteer representatives from today's session have agreed to work on a plan of action, which will be presented at the next Stakeholder Session scheduled for October 2010.

"We want to take our demands to government," stated Kekana. "As agents of change, this will become the Economic Freedom Charter that will realise Khula's vision of empowering people in communities."

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Editor's notes

About Khula Enterprise Finance Ltd (Khula)

Established in 1996 and operating as an independent agency under the auspices of the Department of Trade and Industry, Khula's mandate is to assist in the growth, development and sustainability of the SME sector through providing finance, mentorship services and small business premises, at the same time ensuring the financial viability of the organisation. The organisation is accountable to its shareholder, the Economic Development Department, and to the SMEs that it supports.

Its target market is primary black-owned owner-managed formal SMEs that require finance of between R10, 000 and R3 million for start-up and expansions of early stage businesses. Its focus is on underserved provinces, rural areas and 'urban poor' communities, as well as women-owned enterprises.

With a staff complement of over 100, Khula has a presence in all nine provinces; there are more than 11 regional offices and a centre in each province.

A new 13-member Board of Directors, comprising 12 non-executive directors (including one dti representative and the Khula Managing Director), was appointed with effect from April 2010. They are Mr Malose Kekana (Chairperson), Ms Sizeka Rensburg, Mr Marius Ferreira, Mr Vusi Twala, Mr Dennis Jackson, Dr Zoe Lees, Mr Nkululeko Swana, Ms Duduzile Thabede, Mr Mojalefa Mohoto, Mr Ismail Tayob, Ms Nomgando Matyumza and Mr Noah Greenhill. The last three were reappointed from the previous Board.

Products and services include:

- wholesale loans: Land Reform Empowerment Facility(LREF) provides financial assistance to emerging black farmers and entrepreneurs who would like to invest in agricultural projects; and non-bank Retail Finance Intermediaries (RFI) that on-lend Khula funding and ensure that loans originally received from Khula are repaid;
- Khula Credit Indemnity Scheme: financial support from participating financial institutions (Absa, FNB, Nedbank, Standard Bank) to enable entrepreneurs access funding in order to establish, expand or buy out an existing business;
- business support services: accredited mentorship programme pre- and post-loan approval in partnership with the Institute of Business Advisors of South Africa (IBASA); and

- business premises (industrial and retail): subsidised rental property to encourage small business operators to move into formal operating space.

Joint ventures include:

- Business Partners-Khula Start-up Fund: to assist entrepreneurs establish new businesses or embark on early-phase business expansion;
- Anglo-Khula Mining Fund: provides seed funding for junior mining projects;
- Enablis-Khula Loan Fund: a partnership between Khula, Enablis and FNB Enterprise Solutions, provides guarantees for loans in ICT-focused businesses;
- Khula Enablis SME Acceleration Fund; provides risk capital funding for several business sectors including transportation, tourism and agriculture;
- Khula-Akwandze Fund: a joint venture between Khula Enterprise Finance Ltd (Khula) and Akwandze Agricultural Finance (Pty) Ltd (Akwandze), provides agricultural development loans to small- and medium-scale sugarcane growers and contractors within the sugarcane production value chain in the Nkomazi region of Mpumalanga; and
- Regent Factors Reverse Factoring: allows entrepreneurs to access working capital, thus reducing the time gap between the delivery of goods or services and payment to provider

About the June and Andrew Mlangeni Foundation SMME Support Programme (SSP)

The SSP will implement four key activities:

- Recognition of Programmes (Award Programme) - aimed at encouraging public and private organisations contribute towards the objectives of the SSP. The following category of programmes will be evaluated for recognition: finance; business development support programmes (e.g. mentoring, training, business advisory); enterprise development programmes; procurement programmes; and employee / skills development programmes.
- Fundraising Programme - will support the fundraising efforts of non-government organisations working in the focal areas covered by the SSP. In addition, the Foundation will raise funding which will be distributed to these organisations.
- Finance and Non-Financial Support Programme - will conceptualise programmes that are aimed at filling a specific niche or gap in the market. The SSP will not compete with or displace any existing programmes but will rather partner to strengthen those programmes.

Knowledge Management – the SSP will establish a knowledge management resource in the SMME support field which will enable sharing of best practices and will also support capacity-building for practitioners in the public a public and private sector.