**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**1341. Mr R W T Chance (DA) to ask the Minister of Small Business Development:**

Whether she is aware of the dispute between a certain company (name furnished) and the Small Enterprise Finance Agency (**sefa**) (details furnished); if not, why not; if so, what steps is she taking to investigate (a) the causes of the dispute and (b) the allegations of corruption at **sefa** which has impaired the company’s ability to fulfil its obligations to clients? NW1489E

**Question 1:**

Whether she is aware of the dispute between Razoscan (Pty) Ltd and **sefa** as outlined in a letter to the Minister dated 14 March 2014 from the owner of Razoscan, Ms Mendiswa Mzamane.

**Reply:**

**sefa** is not aware of the letter or its contents by the said Ms. Mzamane to Honourable Minister Zulu. However, **sefa** would like to highlight the dispute with Ms Mendiswa Mzamane as follows:

**Purpose of Razoscan (Pty) Ltd Transaction**

The transaction was to export 15 (fifteen) containers of fruit (oranges known as Valencia) to one of the largest importers of fruit in Dubai, viz Floral Fruit LLC. Purchase orders were placed with Razoscan (Pty) Ltd in US Dollars for the fruit.

**Stakeholders and Background**

**Razoscan (Pty) Ltd** approached **sefa** for funding in February 2015 for loan facility of R3 200 000.00 (inclusive of Initiation fee & VAT) in order export of fruit (referred to as the “exporter”).

**Floral Fruit LLC**: large retail entity in Dubai (referred to as “the Importer”); who imports fresh fruit from most parts of the world. Clinched a deal with Razoscan (Pty) Ltd last year (2015) for Razoscan (Pty) Ltd to supply fresh fruit.

**Cosmo Fruit (Pty) Ltd**: a key player in the fruit industry in the Western Cape. An importer and exporter of fresh who was approached by Razoscan (Pty) Ltd to source fresh fruit from farmers in the Western Cape.

**FNB:** the commercial bank appointed by Razoscan (Pty) Ltd to overlook the flow of funds and proceeds resulting from the export of fruit.

**N.B**: Agreements are in place for the following: importer and exporter; exporter and fruit supplier; **sefa**/FNB and Razoscan (Pty) Ltd.

**Background**

After battling for over 5 (five) months to get all the required information to put together the deal, **sefa**’s Investment Officer presented the deal to **sefa**’s credit committee in June 2015. The deal was declined after **sefa** had followed its normal systems and procedures in the assessment of Razoscan (Pty) Ltd’s application for funding based on the following reasons:

**Poor profitability**

Ms Mendiswa Mzamane, the owner of Razoscan (Pty) Ltd, showing inability to carry out the transaction and lack of adequate expertise and industry knowledge; and poor backup and no financial strength to carry out the transaction for a start-up business in the highly competitive sector.

Ms Mendiswa Mzamane, the owner of Razoscan (Pty) Ltd, appealed the “decline decision” and presented her model where she indicated how she will mitigate the risk. She was afforded two meetings where she presented her model. One meeting was held at **sefa**’s Centurion Head Office (attended by key **sefa** internal stakeholders). The other meeting was held at IDC offices where she also presented her risk mitigating factors. Key **sefa** stakeholders attended the meeting. FNB, who are her bankers and key players in the transaction, attended all meetings represented by Mr Richard Harvey.

Razoscan (Pty) Ltd’s application was finally approved by **sefa** in July 2015. By then the following key areas formed part of the deal:

* Suppliers: the new supplier of the fresh fruit was Cosmo Fruit (Pty) Ltd – owned by Ioannis Ntinos. Ms Mendiswa Mzamane, the owner of Razoscan (Pty) Ltd had already changed suppliers three times. **sefa** had to conduct due diligence on all of the suppliers;
* FNB as the commercial bank of Razoscan (Pty) Ltd had to oversee the export transaction. A Collection Agreement was signed between **sefa**, Razoscan (Pty) Ltd and FNB, in order to regulate the flow of the transaction and to agree on the parties respective roles and responsibilities; and
* Fruit: at approval there was only one type of fruit to be exported namely, Valencia (oranges). The agreement with Floral Fruit was to export 15 containers but only 1 was shipped.

**Approval of the Deal** (see below – Approval and Disbursement of Funds)

 **Loan Structure**

|  |  |  |
| --- | --- | --- |
| **Loan Structure** | Total Rand value | R2 868 000.00 (excluding fees) |
|  | Term  | 60 days |
|  | Grace Period | n/a |
|  | Grace Type | n/a |
|  | Interest rate | Prime 9.25 + 5.75% = 15% |
|  | Initiation Fee | 5% of Loan (incl. VAT) = R163 476.00 |
| **Description of Business** | Fresh fruit exporter to Dubai (UAE) |

**Approved and Disbursed Funds**

**Cost of 15 Fruit Containers (inclusive of cost freight/inspection/insurance, etc) R2 868000.00**

**sefa initiation fee @ 5% (inclusive of VAT) R 163476.00**

**Total Loan Value R3 031476.00**

**Disbursement Status**

Instruction to make Disbursement of the amount of R2 868 000.00 was given by **sefa** at the instance of Ms Mendiswa Mzamane, the owner of Razoscan (Pty) Ltd to FNB in October 2015 to release the payment to Cosmo Fruit who would then take the funds and secure fruit from the farmers. Cosmo Fruit was thus paid an amount of R2 868 000.00 to secure the entire fruit of 15 (fifteen) containers.

**Update on Export of one container and the awaited proceeds**:

Only one container was shipped by Cosmo Fruit (who also assisted with the freight and loading).

The importer’s bank has not honoured the payment for the one container due to error from FNB with regard - to the payment instructions. FNB send payment instructions that did not match those agreed upon and as a result of this error the importer’s bank will not pay.

Ms Mendiswa Mzamane, the owner of Razoscan (Pty) Ltd, has since instructed her bank FNB to amend the instructions.

It was later discovered that Cosmo Fruit (Ioannis) has shipped the wrong fruit i.e. class 2 instead of class 1;

Ms Mendiswa Mzamane, the owner of Razoscan (Pty) Ltd, alleges that Razoscan (Pty) Ltd has a dispute with Cosmo Fruit (Pty) Ltd which is owned by Ioannis Ntinos.

**Question 2:**

 If not, why not.

**Reply:**  **sefa** and Razoscan (Pty) Ltd have entered into a legally binding loan facility agreement or an amount of R3 031 476.00 on 17 September 2015 and the whole loan facility has been to date fully disbursed in terms of the provisions of the loan facility agreement.

**Question 3:**

(3) If so, what steps is the Minister taking to investigate (a) the causes of the dispute and

**Reply:**

1. **sefa** is not aware of the specific dispute referred to in the letter dated 14 March 2014; and
2. Razoscan (Pty) Ltd is currently in breach of the provisions of the loan facility agreement and **sefa** is proceeding with legal action against Razoscan (Pty) Ltd as well as against Ms. Mzamane, as the surety for the obligations of Razoscan (Pty) Ltd, arising from the loan facility agreement. Currently the legal process is underway. In conclusion, **sefa**’s rights shall at all material times remain reserved to protect its interest.

**Question 4:**

 If so, what steps is the Minister taking to investigate (b) Ms Mzamane’s allegations of corruption at **sefa** which she claims has impaired her company’s ability to fulfil its obligations to clients?

**Reply:**

* **sefa** is not aware of the nature of the corruption claims alleged and/or made by

Ms. Mzamane in the letter dated 14 March 2014;

* + **sefa** is not aware of any corruption relating to Razoscan (Pty) Ltd application for funding

and the transaction; and

* **sefa** therefore has no basis to institute any investigation into the matter.