

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**“771. Prof C T Msimang (IFP) to ask the Minister of Small Business Development:**

**What steps has her department taken to promote small, medium and micro enterprises in the townships and rural areas where they are in competition with big businesses that intend to establish shopping malls and other big businesses in townships and rural areas; if not, why not; if so, what are the relevant details?”**

**NW1873E**

**REPLY:**

In the past number of years, the Department of Small Business Development (DSBD) through its agencies; the Small Enterprise Finance Agency (**sefa)** and the Small Enterprise Development Agency (Seda) has focused on promoting SMMEs across all sectors of the economy including townships and rural areas. SMMEs based particularly in townships and rural areas mostly battle to survive, let alone effectively compete with large businesses operating in townships. The DSBD and its entities’ role focuses on supporting these enterprises through the growth stages by offering financial and non-financial support in order to assist as many of them as possible to survive.

With the limited resources that our development agencies (**sefa** & Seda) have had at their disposal they have had no choice but to focus on smaller end of the SMME spectrum. Annexure A below, details some of the interventions undertaken on these smaller but important enterprises in township and rural areas.

Capital limitations for **sefa** & Seda also resulted in the entities focusing on investing small amounts to SMMEs particularly those in township and rural areas.

However, the recent capital allocations to the DSBD has amongst others given rise to the development of funds and Programmes such as:

* the Small Business Innovation Fund (SBIF);
* the sefa EU Fund; and
* the Blended Finance Programme.

These funds and programmes are properly conceptualised, and present an opportunity to agencies like **sefa** to do more in promoting SMMEs, not only for the stand-alone businesses but broaden their offering in supporting SMMEs in a more sector focused way and further encourage SMME group collaborations to explore opportunities available to them.

Most black business people in townships and rural areas tend to remain in the category of small enterprises for decades and never graduate to the next growth level and become Medium enterprises let alone large. Some of the reasons that hinder this graduation pattern is the (a) lack of capital; which leads to (b) the lack of capacity to deliver and (c) limited market access and procurement opportunities. To address this gap, the Department and its agencies intends to have parallel interventions to assist entrepreneurs operating small businesses and help them to graduate to operating medium and even larger enterprises.

Going forward the DSBD and its agencies will focus on unlocking and addressing these challenges as much as possible. It is the Department’s view that creating a vibrant SMME sector that contributes significantly to the economy cannot be the sole responsibility of government. The focus of the department during the sixth administration is on expanding incubation support to rural and township enterprises. The Department intends to open and strengthen the collaboration for effective SMME promotion partnerships with the private sector.

As an example, I wish to highlight some partnerships that the **sefa** already has in place with some private sector players:

Mercantile Bank

In December 2017 the International Finance Corporation (IFC) committed R740m to Mercantile bank over a 7-year term. The main purpose of the loan was to enable growth in SME lending, with a specific focus on black-owned and/or women-owned enterprises. To support this initiative, **sefa** provided partial collateral cover for SME’s which, other than for lack of security, would qualify for Mercantile Bank’s lending criteria.

Mac Steel

During the 2018/19 financial year, through a supplier credit guarantee programme in Gauteng, the **sefa** supplier guaranteeproduct enabled:

* 149 SMMEs to largely township based SMMEs acquired steel (on credit) in order to execute purchase orders/contracts they had at hand;
* 273 Jobs were created; and
* the value of the indemnity provided was only R12.5m.

Other such partnerships that are currently in place include partnerships with:

* First National Bank;
* Sasol;
* Transaction Capital;
* Mr Price Group; and
* Barnes Reinforcing Industries.

Another intervention targeted at township revitalisation is Pick n Pay market store partnership. This initiative is part of Pick n Pay’s commitment to inclusive economic participation. The generic franchise model has been enhanced by structuring an agreement with the market store owners so that they benefit from Pick n Pay’s bulk buying, logistics, systems (stock management and POS), training etc without paying a franchise fee. In turn Pick n Pay benefits from penetrating the township market and through the distribution of their products.

A facility amount of R60 million to provide funding to 15 retail stores that operate as Pick & Pay market stores under the Township Revitalisation Programme was approved in Q4 FY19. sefa provides financing with a 12-month moratorium on capital and interest and a 72 months repayment term. The stores are 100% owned by the store owners. To date sefa has approved 8 deals and opened 3 Pick n Pay Market stores in Katlehong (GP), Paarl (WC) and Bophelong (GP). The department through its Black Business Supplier Development Programme has approved funding totalling R757 262 to support two stores.

This partnership is currently being reviewed given feedback that has been received from some of the beneficiaries of the project.