

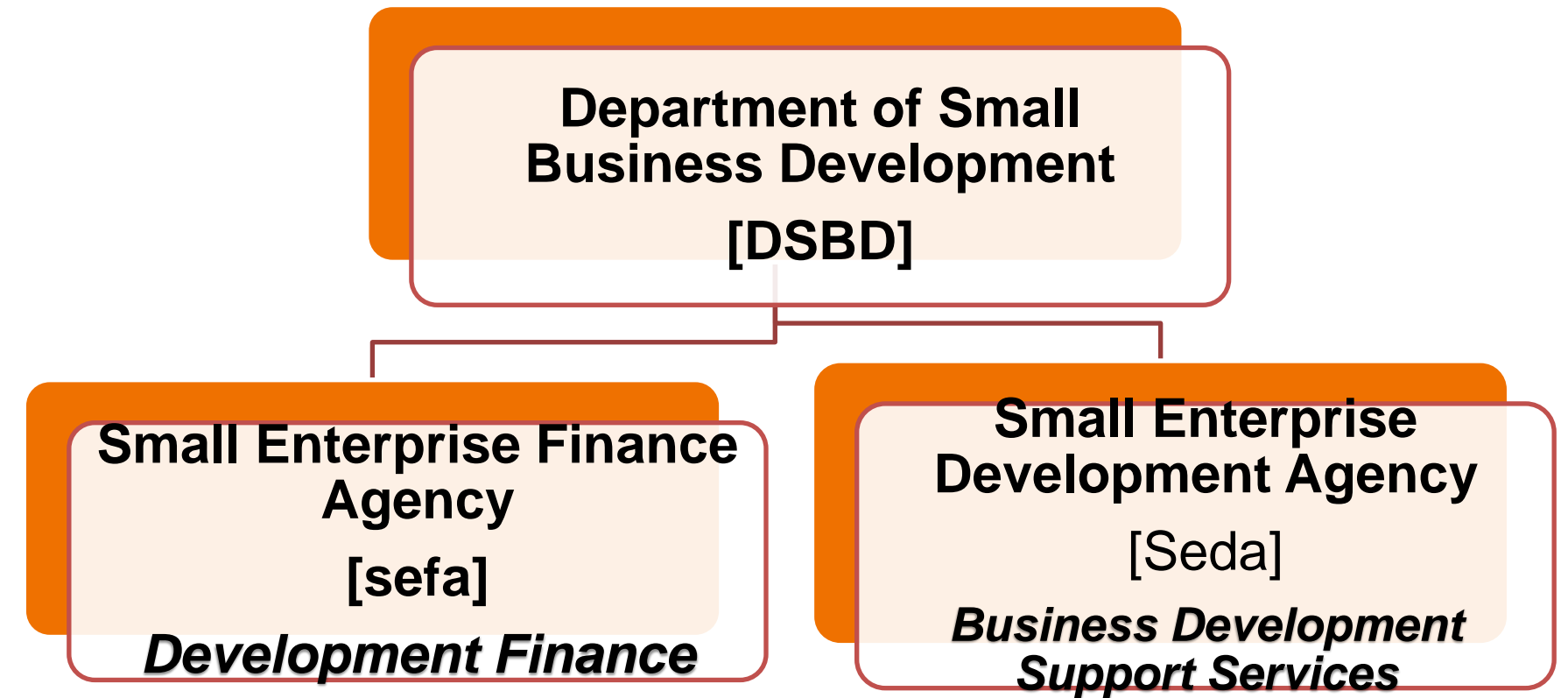
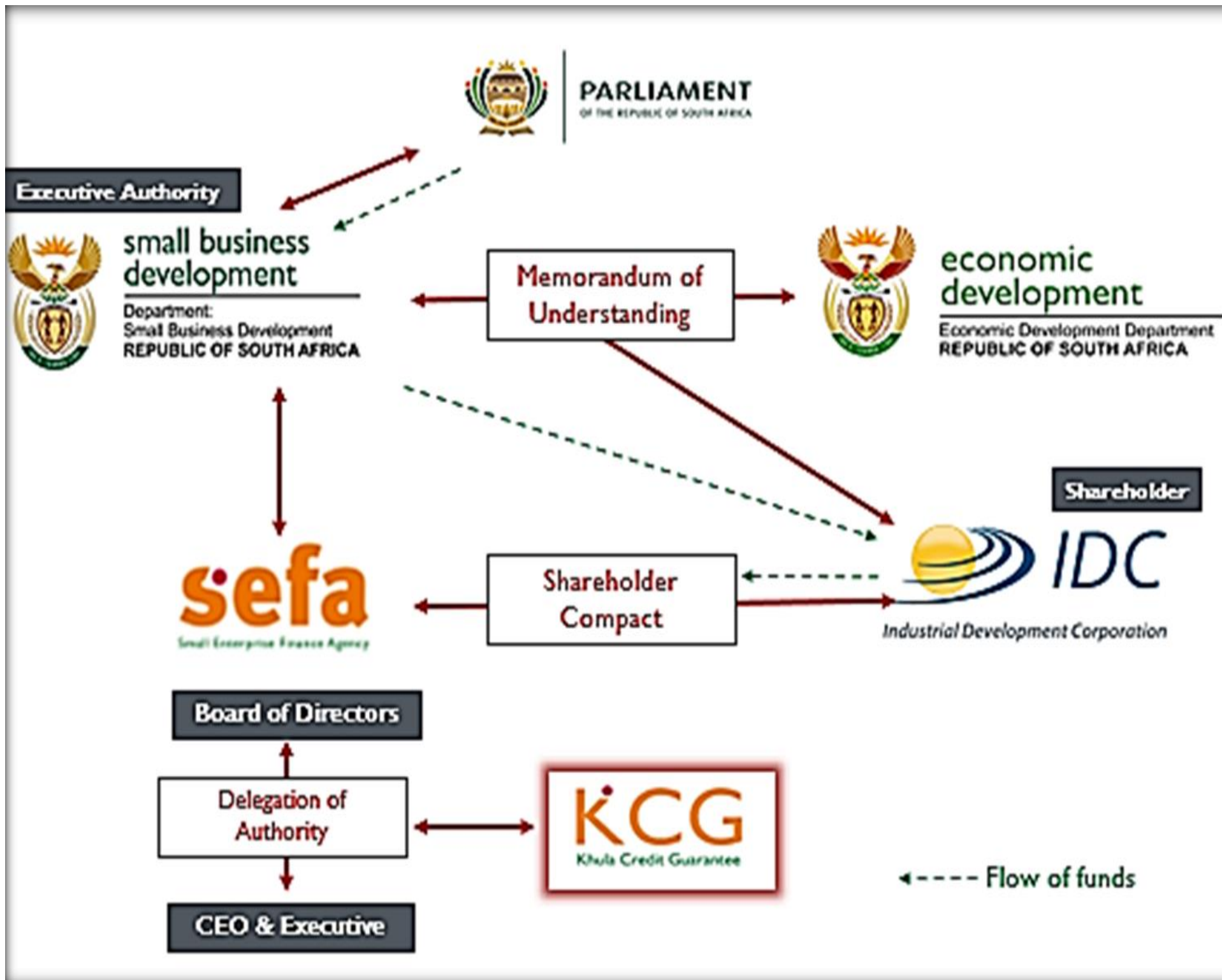


sefa

SEFA 2022

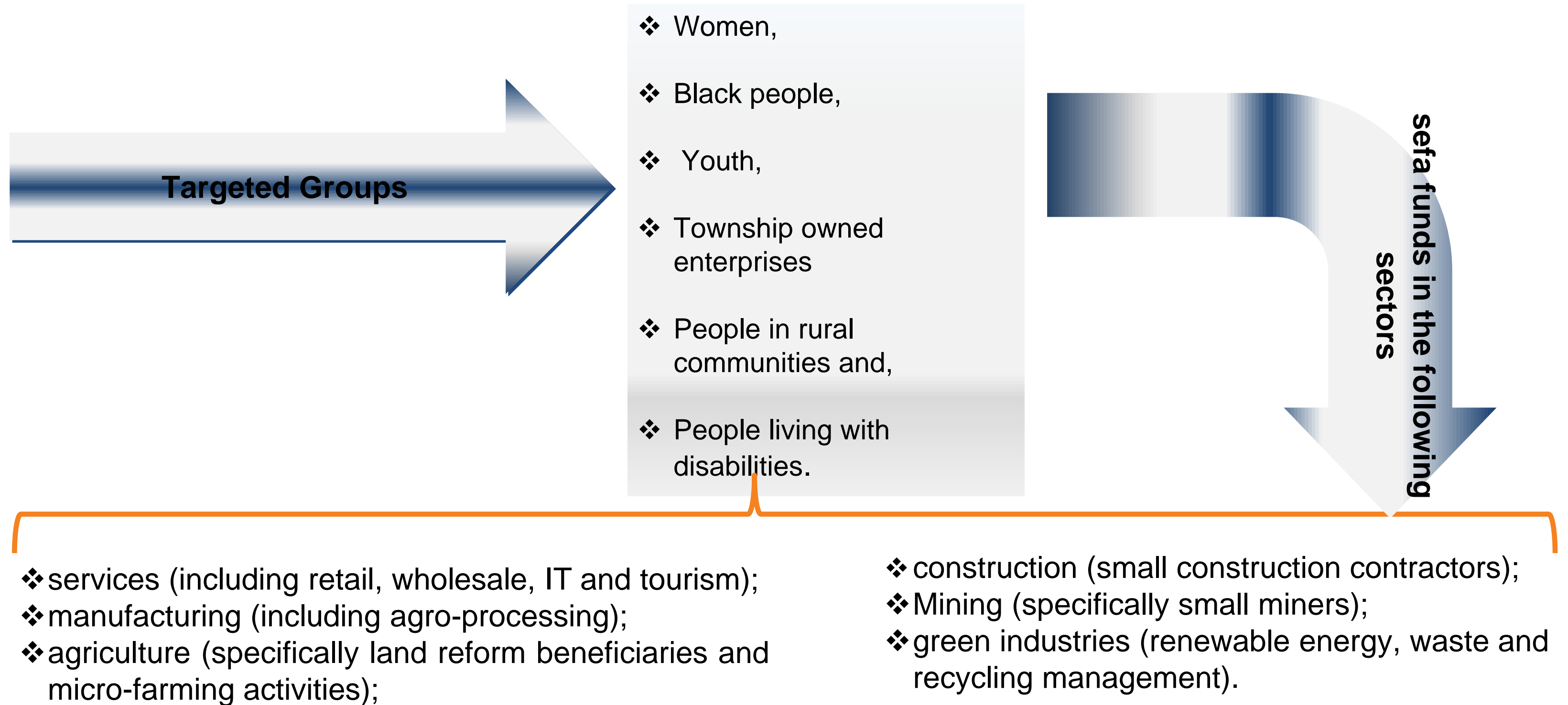
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Governance Structure



Five Principles Underpinning sefa's Operations & Strategy

- **Market Failure:** sefa's activities are geared towards **correcting market failure and crowding-in the private sector**. The organisation plays in **high risk spaces** where the private sector would normally never look at, and thereby increase the probability of venture capital, angel finance, and most importantly **start-up finance**. The size of SMMEs, and amount of funding they require, are the major key impediments of access to funding to small businesses since smaller loans are expensive to administer.
- **Catalytic or unlocking latent potential:** sefa strives to be a leading catalyst for the development of **sustainable micro, small, and medium sized businesses** through the provision of finance; targeted capacity building and business support to enhance viability and growth of SMMEs. sefa unlocks *SMME and co-operatives opportunities* emanating from *preferential procurement, localisation, black industrialist programme, B-BBEE, enterprise and supplier development programmes*.
- **Transformative:** The strategy is also one of the transformation tools that seeks to redress the **SMME funding gaps for R500 to R15 000 000** accentuated by the inability to accumulate savings and assets required by commercial lenders.
- **Partnership: Cooperation, Coordination and Collaboration:** sefa forms strategic partnerships and consolidates existing ones so that both government and the private sector take responsibility for **addressing the challenges faced in enterprise development**.
- **Focus on the SMMEs:** sefa ensures that SMMEs across the spectrum are able to **access finance** since the private sector focuses on the high-end of the market. sefa endeavours to make its **funds available especially to the SMMEs** that requires **smaller loans** that are administratively expensive to the private sector.



DIRECT LENDING	WHOLESALE LENDING	MICRO-FINANCE	CO-OPERATIVE FINANCIAL INSTITUTIONS (CFIs)	CREDIT GUARANTEE SCHEME	SPECIALISED FUNDS
<ul style="list-style-type: none"> Working Capital Facilities Asset Finance Term Loans Revolving Loans Bridging Loans Short-term Trade Finance 	<ul style="list-style-type: none"> Retail Finance Intermediaries Joint Ventures Structured Finance Solutions <p>Offerings include : Business loans are for partners to on lend to SMMEs</p> <ul style="list-style-type: none"> Non Bank Financial Intermediaries Revolving credit facilities Equity in JVs (incorporated) 	<ul style="list-style-type: none"> sefa has partnered with 8 MFIs of which 5 are active MFIs nationally Joint Ventures Micro Finance Institutions 	<ul style="list-style-type: none"> sefa had partnered with 10 CFIs across the country (<i>currently not active</i>) Model being revised 	<p>Aim is to indemnify lenders for default from SMME</p> <p>Partners include</p> <ul style="list-style-type: none"> Commercial Banks Non Bank Financial Institutions Corporate ESDs Supplier Credit Guarantees <p>LICENSED NON-LIFE INSURER REGULATED BY THE PRUDENTIAL AUTHORITY UNDER SARB</p>	<ul style="list-style-type: none"> Godisa Fund (Transnet partnership) EU Fund SBIF Small Business Innovation Fund LREF Land Reform Empowerment Facility for emerging black farmers. Tourism Equity Fund with Dept of Tourism
<ul style="list-style-type: none"> Funding from R50k up to R15 million per SMME 		<ul style="list-style-type: none"> small scale finance – between R500 and R250k. 	<ul style="list-style-type: none"> facilities from R500 up to R50k 		

Maximum counterparty limit for intermediaries is R150 million but it can be increased over a three year period depending on the deal pipeline

EU Financing Agreement

What it aims to achieve

Activity	Description
Wholesale Lending	<ul style="list-style-type: none"> • Initiatives between sefa and other Financial Institutions (FIs) with specific focus on increasing access to finance for SMMEs. • SMMEs with potential as suppliers to corporate or government value chains. • Initiative should leverage sefa's own funding and substantial leveraging of funding from other FIs, notably private sector institutions and corporates.
Business development support (BDS) and capacity building	<ul style="list-style-type: none"> • Provision of BDS to the SMMEs financed. • Capacity building support to sefa and FIs financed to build internal capacity in order to assist in the implementation of the programme and enhancement of further lending to SMMEs. <p>This support will be carried out by the Technical Assistance Team (TAT) through complementary support.</p>

Stakeholders	<p>Sponsor : European union</p> <p>Owner : DSBD</p> <p>Implementer: Sefa</p> <p>Monitoring : National Treasury</p>
Aim	The programme aims to address the unemployment, poverty and inequality through the development and support of SMMEs and Co-operatives



Programme Objectives

Improve the competitiveness of SMMEs and their ability to meet procurement requirements of large multinational/local corporations and state-owned enterprises

Improve access to finance for SMMEs with limited access to finance

Support relevant government institutions in their efforts to improve the regulatory and administrative environment for SMMEs

Rollout Plan

Wholesale lending channel, through the Khula Credit Guarantee Scheme(KCG)

Priority sectors and market segments: Job creating and growth sector and micro enterprise finance

Total Funding

EUR52 245 800

Allocation to sefa: EUR 30 000 000

Funding managed by sefa : EUR 20 000 000 Innovation Fund

EUR 10 000 000 ESD Fund

Key information

- **Funding:** EURO 20m/R300m (@R15/EURO) from EU
- The leverage to be derived from utilising KCG is 6 times higher than any distributing channel at **sefa**

INNOVATION FUND-sector allocation

Agri Business-	R100m
Automotive	R80m
Green Industries	R33.3m
ICT	R33.3m
Medical	R33.3m
Spaza	R20m

R80 m KCG partnership with Deciduous Fruit Development Chamber (DFDC) & SBSA

KCG has partnered with DFDC and SBSA by providing a R80 million Credit Guarantee to act as collateral to emerging black producers of stone and pome fruit. The purpose is to double the deciduous fruit industry, unlock barriers to entry which includes access to funding and land, increase participation of black growers and improve quality and livelihoods of fruit industry workers.

Deciduous Fruit Industry of South Africa

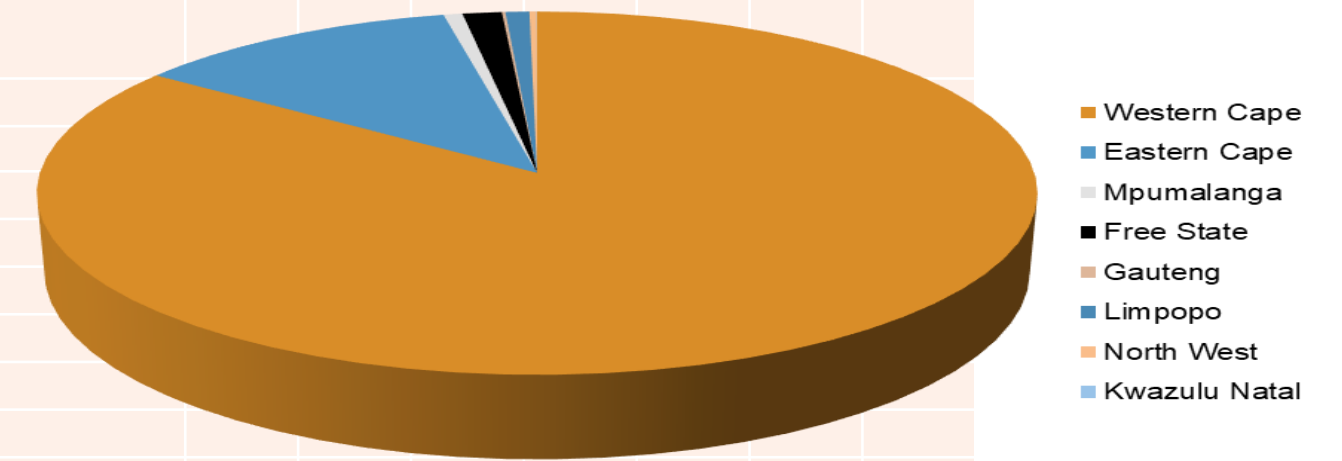
100% Black owned as Percentage of the Industry 2016/17

Province	Industry	Black Owned	%
Western Cape	45 890	807	1,76%
Eastern Cape	6 402	346	5,40%
Mpumalanga	368	10	2,72%
Free State	764	7	0,92%
Gauteng	69		
Limpopo	464		
North West	142		
Kwazulu Natal	6		
TOTAL	54 105	1 170	2,16%

Deciduous Fruit Industry of South Africa Stone and Pome Fruit per province 2016/17

Province	Hectares
Western Cape	45 890
Eastern Cape	6 402
Mpumalanga	368
Free State	764
Gauteng	69
Limpopo	464
North West	142
KwaZulu Natal	6
TOTAL	54 105

Annual Turnover R14bn



R20 m allocated to Essential Oil (Currently underway with Lending partners)

This growing industry presents opportunities to the small-scale growers which due to the geographical location are mostly likely to farm on communal land. The challenge is that communal is not easily taken as a form of collateral by commercial banks unless there is a provision of a credit guarantee. Partnership with multiple funders can assist the growers to own a distillery so that they can scale up the production of herbs.



Province	Species	Total ha
Eastern Cape	Geranium, Rosemary, Lavender	200
Free State	Tagete, Artemisia, Lavendin	70
Gauteng	Lavendin, Rosemary, Artemisia	
KwaZulu-Natal	Lavendin, Rosemary, Eucalyptus, Geranium, Tea tree, Lemon tea tree, Spearmint, Lemongrass, Artemisia, Melissa, Thyme	422
Limpopo & Machado	Lippia, Geranium, Rosemary, Lavendin, Tea tree,	91
Mpumalanga	Vetiver, Citronella, Lippia, Eucalyptus, Artemisia, Rosemary, Geranium, Lemongrass	943
Northern Cape	Marjoram, Rosemary, Lavender	45
North West	Geranium, Rosemary, Lavendin	40
Western Cape	Eriocephalus, Lavender, Lavendin, Buchu, Rosemary	77
Total		1970

Essential oils have evolved to become one of the most vital ingredients in many of the world's largest industrial manufacturing sectors industries, including aromatherapy, cosmetics and perfumery, deodorants, food and beverage flavouring, domestic and industrial cleaning products and health-care pharmaceuticals.

The opportunities exist for SMMEs in the rural areas in the priority provinces

R30 m KCG partnership with MRPG (currently not active)

The Credit Guarantee has facilitated access to funding to the emerging rural smallholder farmers through public-private partnerships arrangements with MR Price Group. The Innovation Fund Credit Guarantee intends to scale up the number of smallholders that are participating in the cotton growing industry as well as increase their hectareage.

The funding increased from R10m in 3 years. Uptake of MRPG's funding increased from R2m in 2017/18 to almost R10m in 2020/21. KCG has provided an 80% guarantee of the facility.

	2017/18 (Pilot)	2018/19	2019/20	2020/21
Provincial Footprint	MP	MP, Lim, NW	MP, LP, NW, FS	MP, LP NW, FS,NC
Number of Co-ops	13	21	29	31
Hectares supported	~900 Ha	1375 Ha	1634 Ha	1660 Ha
Members Supported	190	263	447	748
% women participation	60%	63%	56%	60%
Loans Total	R2 502 590	R3 896 577	R7 872 925	R10 058 000
Loan balances	R 235 532	R 89 771	R4 232 701	R3 520 300
% Recovery	90,6%	97,7%	46,2%	30.2%
Disbursement to Black Suppliers	0	R1 159 959	R3 019 736	R1 171 082
% Disbursement to Black Suppliers	0%	30%	38%	35%



R80 m KCG partnership with ABSA for the Automotive Aftermarket



Auto Body Builders

Independent, Start up

- Been in business for over 5 years
- Operating from their Yard
- Have the skill to rebuild
- Lack of equipment and working capital
- No formal structure or Business structure



Auto Mechanics

Independent Rural

- Been in business for about 5 years
- Generalist in all car functionalities except body repairs
- Have basic tools
- Diagnostic tools available
- No working capital
- Operates 7 days a week



Auto Spares Shops

B2B, Wholesalers, New and Used Parts

- Has been in business for 3 years
- Sell parts to different buyers from individual to other informal business
- Employees more than 2 people
- Operates from a formal structure



Auto Fitment Centres

- Been in business for over 3 years
- Qualified specialist
- Basic Machines to operate
- Operates from a formal structure
- Has stock and formal business bookkeeping



The funding has been designed from bank data and industry knowledge to start mapping customer jobs and possible solutions. And it has bias to businesses located in the townships and rural areas. It also facilitate the accreditation for the small automotive businesses with South African Insurance Association

Funding is blended : R500k – R1m (80% loan 20% grant)

R20 m SPAZA SHOP SUPPORT PROGRAMME

The financial package: R15 000

- A grant in the amount of R 10 500 through Nedbank Purchasing Card
- R4 500 Credit through Approved Wholesalers or
- Nedbank Revolving credit

Business development support

- Legal compliance law CIPC, SARS, and UIF registration
- Networking or purchasing power (bulk buying)
- Coordinate and support bulk buying on a pre-approved basket of goods and distribution



Application form is available on sefa internet

Eligibility Criteria for Informal Traders:

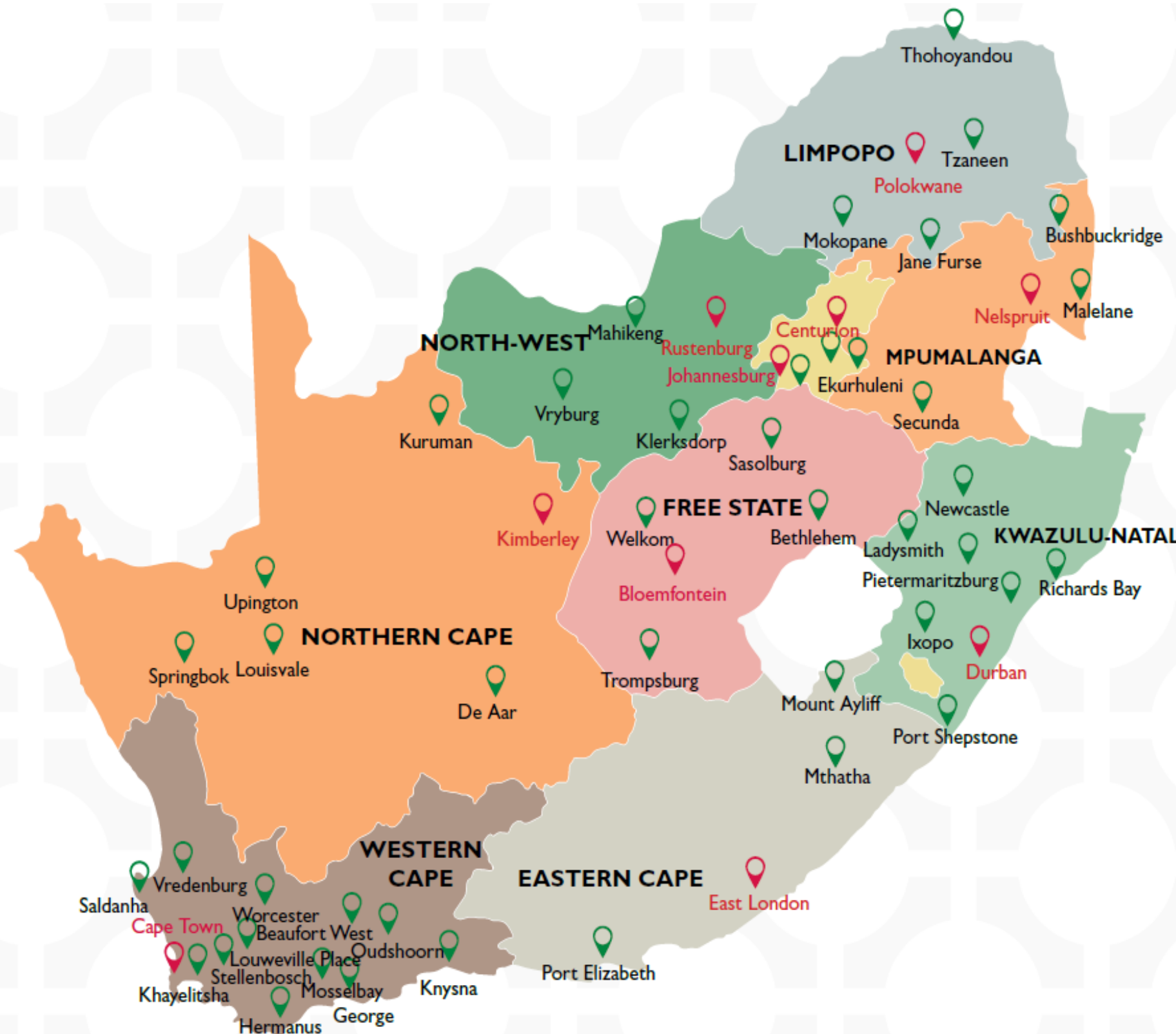
- Participants must be SA Citizens or have permanent residence
- Participants must be natural persons in possession of valid ID documents



sefa's FOOTPRINT

-  **sefa** Offices
-  Co-locations

Specialised access points, and other access points are not indicated on the map.



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*THANK
YOU*