

PRESENTATION BY GAUTENG ENTERPRISE PROPELLER

**CEO KEYNOTE ADDRESS TO THE SMALL BUSINESS
INSTITUTE (SBI)**

WEDNESDAY, 08TH SEPTEMBER 2021

PRESENTATION OUTLINE

- **GEP Establishment**
- **Demographics**
- **SMME Landscape**
- **GEP Product Offering**

- **SMME Partnership Building Relief Fund**

- **Medium to Long-Term Initiatives to promote the growth of SMME in Gauteng**

GEP ESTABLISHMENT

GEP WAS ESTABLISHED TO ADDRESS MARKET FAILURES THROUGH THE PROVISION OF FINANCIAL AND NON-FINANCIAL SUPPORT TO SMALL BUSINESSES THAT FAIL TO MEET THE FUNDING QUALIFYING CRITERIA OF BANKING INSTITUTIONS

THE OBJECTIVES OF GEP AS PER THE ACT ARE TO AMONG OTHERS

- **PROMOTE, FOSTER AND DEVELOP SMALL ENTERPRISES IN GAUTENG**
- **IMPLEMENT THE POLICY OF THE GAUTENG PROVINCIAL GOVERNMENT FOR SMALL ENTERPRISE DEVELOPMENT**
- **DESIGN AND IMPLEMENT SMALL ENTERPRISE DEVELOPMENT SUPPORT PROGRAMMES WITHIN GAUTENG**
- **ESTABLISH AND PROMOTE A SUPPORT NETWORK IN ORDER TO INCREASE THE CONTRIBUTION OF SMALL ENTERPRISES TO THE GAUTENG ECONOMY**
- **PROMOTE ECONOMIC GROWTH, JOB CREATION AND EQUITY**

Demographics



Economic Growth – 1.2



Population:
SA - 60.14
GP - 15.81 million



Gini coefficient - 63



Poverty – 55 per cent of
SA population



Unemployment – 34.4

Source: Stats SA 2020

SMME Landscape

The number of SMMEs in SA declined by 11% (290 000) year on year from 2.65 million to 2.36 million in 2020 Q3. 58 000 SMMEs closed business in 2020 Q3.

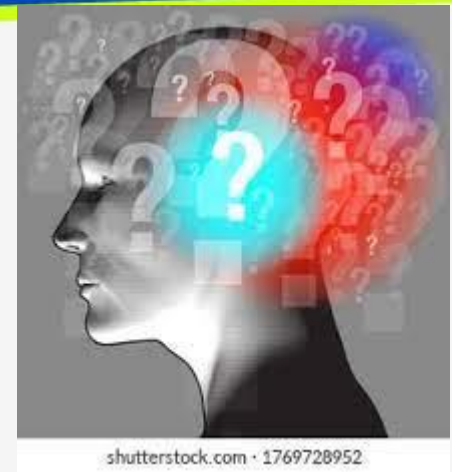
In Gauteng, the number of SMMEs declined 9,4% year on year from 864 280 to 783 410 in 2020 Q3.

2019 Q3	2020 Q2	2020 Q3	Quarterly Change	Yearly Change
864 280	871 812	783 410	88 402 (-10,1%)	80 870 (-9,4%)

SMME Landscape

- Of all jobs lost in the economy, 90% were lost in the SMME sector. SMME employment contracted by 1,5 million in 2020 Q3.
- Total employment provided by SMMEs declined 14% year on year in 2020 Q3 to 10.1 million.
- In comparison with Gauteng, the Western Cape lost the largest number of SMMEs. Other provinces that showed severe impacts were North West and Limpopo with relatively large informal sectors.





So what is our response as GEP to build tenacious SMMEs



GAUTENG ENTERPRISE PROPELLER FINANCIAL AND NON FINANCIAL SUPPORT

Financial Support to
SMME's / Industrialists and
Co-Operatives

Micro Finance/Contract
Finance/Asset
Finance/Term Loans

Township Economy Fund
Partnerships with the R250 million
budget
Leverage to between R500 and R1
billion

Post-Investment Support

Non-Financial Support /
Business Development
Support (BDS)

General Business Advice

SMME & Co-Operative
Training

SMME & Co-Operative
Support Programs ie CIPC
Registration/Business
Plans

Current GEP Funds

Township Business Renewal
Program

Community Fund
Grants to micro traders

Co-operative Assistance
Programme

SMME PARTNERSHIP REBUILDING FUND

- GEP in partnership with the Industrial Development Corporation (IDC) has established a R 100 million fund to assist SMME businesses and Co-Operatives which were negatively impacted by the Covid 19 pandemic and the recent civil unrests
- The funds are available to informal, start-up, co-operative and formal businesses based in Gauteng
- The relief programme will focus across all segments of the economy
- The assistance will be in the form of grants as well as hybrid funding models up to a maximum of R1 million rand
- Qualifying criteria differ for the different categories of businesses listed above and is detailed on the GEP website
- The fund was launched on the 24th August 2021

Medium to Long-Term Initiatives to promote the growth of SMMEs within Gauteng

Establish strategic partnerships to leverage the current funding allocated to GEP

Background

The SMME sector has experienced unprecedented challenges over the past few years

- The Provincial Treasury announced under the Department of Economic Development allocated an additional budget of R250 million SMME support, part of which was used to establish the R 100 million Rebuilding Fund with the IDC
- The above funding is aimed at reaching vulnerable small businesses who do not have access to formal banking facilities support and create sustainable SMME's in Gauteng. This is a direct response to the economic hardship felt by SMMEs, particularly the unbanked and under-banked small firms based in and linked to the townships of Gauteng

IDC Fund - Partnership Overview

- GEP together with the Board and Shareholder decided to pursue a partnership with the IDC given their reputation and experience in establishing financing partnerships i.e. an SMME Fund. The IDC is a development finance institution of government which has established and sound business processes in disbursing and managing of funds, whilst GEP has the capability to fund and has a pipeline of deals for funding. The business objectives of IDC are aligned to that of GEP in the space of development finance institution.
- The mandate of this fund will be a general SMME funding mandate and be independent of the current Rebuilding Fund

IDC Fund-Partnership Overview

Target fund size	R500 million (R250 million first close August)
Fund life	Open ended
Fund structure	Disburse through partners (IDC and other investee companies)
Type of investment	Blended finance, debt, and grant
Maximum loan size	R1-R10 million a transaction R1-R1 million a transaction 50/50 grant/loan R1-R50 000 grant for micro traders
Loan terms	12-36 months
Minimum commitment period	36 months open ended
Return	DFI economic development (partners to be negotiated)

Retail Fund Partnership

Background

The retail property sector has experienced unprecedented challenges over the past few years. These include the fact that:

- A significant part of the commercial property sector has remained stagnant
- The retail and office environments have not registered notable uptake
- The changing consumer behavior has impacted retail spaces as some consumers prefer to purchase goods on line
- The remote working opportunities or “working from home” have affected “foot fall” in shopping malls.
- Covid-19 pandemic has significantly impacted consumer purchasing power.
- The competition commission ruling that exclusive leases are anti-competitive
- A need by the sector to put corrective measures and guidelines and a need to setup a sector fund with SAPOA.

Retail Fund-Partnership Overview

Target fund size	R100 million (R30 million nearing first close)
Fund life	Open ended
Fund structure	Fund manager appointed by Property owners to manage (PE Fund)
Type of investment	Debt or equity into the fund
Maximum loan size	R5 million
Loan terms	12 – 36 months
Minimum commitment period	Three years

General Initiatives

- In the process of engaging and establishing strategic partners to achieve maximum leverage in order to further the mandate of GEP across all economic sectors within Gauteng for eg. Gauteng Tourism Authority
- Partnering with various SETA's to establish training and development programs
- Establish a fund with a specific focus on contract based funding
- Establish a Youth Assistance Program to fund youth entrepreneurs
- Enhancement of GEP's Business Support Programs to ensure programs achieve maximum impact and create sustainable entrepreneurs

Thank you