



## **KHULA INTRODUCES NEW BUSINESS MODEL AND LAUNCH OF SMME SUPPORT PROGRAMME**

JOHANNESBURG (Wednesday, 25 August 2010) – Khula Enterprise Finance Ltd (Khula), a development finance institution serving the small and medium enterprise (SME) sector through facilitating access to finance, is to embark on a new strategic direction with the introduction of a new business model aimed at reaching its target market more effectively. The new business model, Khula Direct, gives SMEs the option to deal directly with the organisation rather than through third party financing intermediaries, Khula's current wholesale model.

Chairperson Malose Kekana said that Khula Direct is intended to meet the funding needs of SMEs more fully. "Khula Direct aims to better address the lower end of the market – a targeted intervention – and, as such, is geared towards smaller loans, an area where there is currently a funding gap," said Kekana. "As its name suggests, Khula will have a direct relationship with that segment, which will enable us to service it better."

Currently, funding of between R10, 000 and R3 million is made available to SMEs through its countrywide network of public and private finance partners – commercial banks, retail financial intermediaries (RFIs) and corporates.

The introduction of Khula Direct is expected to have a three-fold benefit: promoting access to the organisation; furthering the development of the SME sector; and ensuring the financial sustainability of the organisation.

Also expected to promote access to business opportunities is the recently-formed partnership between Khula and the June and Andrew Mlangeni Foundation. Formed by the former Rivonia trialist and struggle icon, who spent more than 26 years on Robben Island, Mlangeni is passionate about the economic enfranchisement of South Africans, largely through the growth and development of SMMEs. The collaboration between the two organisations has brought about the establishment of an SMME Support Programme (SSP) aimed at a number of outcomes:

- increasing the number of sustainable SMMEs;
- increasing the number of decent jobs;
- improving total entrepreneurial activity amongst South Africans;
- increasing the achievement of B-BBEE goals; and
- improving SMME access to products and services to those previously denied entry, such as those in rural and peri-urban areas, women-owned enterprises, youth and people with disabilities.

In addition, Khula is looking at partnering with organisations like Business Unity South Africa (BUSA) and other industry players to leverage funding for the SSP and to encourage financial and non-financial mutual support amongst these organisations in order to better support SMEs.

"We believe that through these initiatives we will be in a stronger position to deliver on our mandate of creating a vibrant and sustainable SME sector – and, in turn, the growth of South Africa's economy," said Kekana.

Khula supports the SME sector through a number of products and other support services including wholesale loans, credit indemnities, joint-venture funds, and business support services (pre and post loan mentorship). Approved by Cabinet in 2008, a pilot phase of Khula's direct lending product is to be rolled out by the end of 2010.

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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; and
- 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)
- 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 the ICT 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 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 – 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 and private sector.