

# Khula readies bold plans

BY STEPHEN TIMM

THERE will be very few out there who envy Setlakalane Molepo. A former manager at the Industrial Development Corporation (IDC), Molepo has taken what must be the country's toughest job when it comes to assisting business owners.

As the new MD of Khula, the government's small business finance agency, Molepo, who took office on 1 June, is set to preside over the agency's transformation from an agency that lends through intermediaries and banks, to one that lends directly to business owners.

It's no easy task. He will not only have to realign the bank's lending strategy, but also improve its image, which has been battered in recent years by its failure to give out more guarantees through the banks.

The KhulaDirect plan was approved in principle by Parliament in December and the agency has been instructed to work on a business plan which it is to present to the Department of Trade and Industry.

At the moment, Khula lends to business owners through the banks and through small business financiers it refers to as retail finance intermediaries (RFIs).

Lending directly to business owners would enable Khula to take ownership of the pre-approval stage and the monitoring of loans.

But the plan does not involve turning Khula into a commercial bank. Speaking to Bignews, Molepo said the agency wouldn't be able to afford the construction of an entirely new infrastructure.

It was, however, looking at using



Setlakalane Molepo

the approximately 290 branches across the country, which are owned by RFIs and the Small Enterprise Development Agency (Seda) to lend directly to businesses.

When it came to the RFI outlets,

Molepo said the plan was for Khula to possibly take ownership of these.

"We may have to acquire majority shares in some of those RFIs so that we can rebrand them and make sure that they actually push the mandate

of Khula," said Molepo, who added that most of the RFIs depended solely on Khula to inject funds to lend to clients.

"If Khula doesn't inject money they won't have any other resources. Because of this, it actually makes sense for Khula to buy a majority stake in these RFIs," he said, adding that the thinking behind this is that the RFIs could keep their systems and staff in place.

A further idea was for those RFIs good in one area — for example debt factoring — to then help capacitate other RFIs.

Molepo said Khula would continue making use of banks to disperse and collect finance, the difference being that the agency would now have the "final word" on loan approvals.

Most of the banks had already bought into the idea, he said.

Khula's partnership with Anglo Zimcle in a mining fund and Business Partners, in a start-up fund, as well as Khula's 20% stake in Business Partners, would remain unchanged even with the implementation of the KhulaDirect scheme, Molepo said.

Other changes at Khula included a restructuring of the organisation's provincial centres, which up until now had only been involved in marketing the fund.

Those based at the provincial centres would now be expected to advise entrepreneurs on what is required in a business plan, while continuing to exploit opportunities to finance business owners.

Molepo said the agency had also been revamping its mentorship

scheme. Mentors will now have to be graded and accredited with the Institute of Business Advisors before they can do work for Khula.

The new scheme will have 400 mentors at its disposal.

Molepo previously served at the IDC as the head of the metals, transport and machinery products business unit from 2007 until this year, after starting at the IDC in 1999 as a manager.

He said he aimed to bring the experience he gained in setting up a business support system while serving as the head of the risk capital facility business unit from 2005 to 2007. Molepo said he believes his experience in setting up this unit is what probably attracted him to take up the position at Khula.

In his view, the biggest problem faced by business owners was not necessarily just a lack of finance, but could include problems such as access to information and the need for entrepreneurs to build capacity in their business, he said.

Khula would be asking the government for about R600m this financial year.

This is slightly less than the R720m granted to Khula last year for onlending to its intermediaries and joint venture partners. Much of Khula's operations are funded from its balance sheet.

Said Molepo: "The challenge is to make sure we remove the prejudices that were there before.

"It's going to be important that we rebrand, communicate our strategy and tell people why we went KhulaDirect and once we've gone KhulaDirect, that it is successful."

