

DFIs in South Africa

President Jacob Zuma has declared 2011 as “the year for job creation” and government is ready to push forward with economic growth through the New Growth Path (NGP). Implementation of the NGP will require greater leveraging of key institutions and agencies of the State, including but not limited to, the various development finance institutions (DFIs) in the country.

As one of the key channels through which government funding reaches communities, these institutions all have a real opportunity to improve the quality of life of people in South Africa.

The table below gives a breakdown of some of the DFIs and their mandates. *Public Sector Manager* also looked at some perspectives and DFI operations to unpack this sector.

Institution	Mandate	Contact Details
Industrial Development Corporation (IDC)	The IDC is a self-financing, state-owned national DFI that provides financing to entrepreneurs and businesses engaged in competitive industries.	Tel: 011 269 3000 Fax: 011 269 3116 www.idc.co.za
Development Bank of Southern Africa (DBSA)	The purpose of the DBSA is to accelerate sustainable socio-economic development by funding physical, social and economic infrastructure. Its goal is to improve the quality of life of the people of the region. The bank plays a multiple role of financier, adviser, partner, implementer and integrator to mobilise finance and expertise for development projects.	Tel: 011 313 3911 Fax: 011 313 3086 www.dbsa.org
National Housing Finance Corporation (NHFC)	The NHFC was set up with a mandate to ensure that every South African with a regular source of income is able to gain access to finance, to acquire and improve a home of his or her own.	Tel: 011 644 9800 Fax: 011 484 0204 www.nhfc.co.za
Khula Enterprise Finance	Khula is dedicated to the development and sustainability of small businesses in South Africa. It provides finance, mentorship services and small business premises to small and medium enterprises (SMEs) through a network of partnerships and to encourage the sustainable development of SMEs while ensuring that Khula remains financially viable.	Tel: 086 005 4852 Fax: 012 394 6901 www.khula.org.za
National Empowerment Fund (NEF)	The NEF promotes and facilitates Black Economic Empowerment (BEE) and transformation. Its mandate and mission is to be a catalyst of Broad-Based BEE through asset management, fund management and strategic projects.	Tel: 011 305 8000 Fax: 011 305 8001 www.nefcorp.co.za
Independent Development Trust (IDT)	The IDT has a mandate to support government in meeting its social mandate of alleviating poverty in improving the quality of life of poor rural communities. It has created a reputation for being a development programme-implementing agency focusing on development planning, implementation, and the coordination of government programmes.	Tel: 012 845 2000 www.idt.org.za
Land and Agricultural Development Bank of South Africa	The Land Bank is a specialist agricultural bank guided by a mandate to provide financial services to the commercial farming sector and to agribusiness and to make available new, appropriately designed financial products that would facilitate access to finance by new entrants to agriculture from historically disadvantaged backgrounds.	Tel: 012 686 0500 Fax: 012 686 0718 www.landbank.co.za
National Youth Development Agency (NYDA)	The NYDA's mandate is to: advance youth development through guidance and support to initiatives across sectors of society and spheres of government embark on initiatives that seek to advance the economic development of young people develop and coordinate the implementation of the Integrated Youth Development Plan and Strategy for the country.	Tel: 086 009 6884 Fax: 086 606 6563 www.nyda.gov.za
National Urban Reconstruction and Housing Agency (Nurcha)	Nurcha supports the national programme to house all South Africans in sustainable human settlements. Nurcha provides bridging finance to contractors and developers involved in the construction of subsidy and affordable housing, community facilities and infrastructure.	Tel: 011 214 8700 Fax: 011 880 9139 www.nurcha.co.za
Rural Housing Loan Fund (RHLF)	The RHLF's core business is providing loans, through intermediaries, to low-income households for incremental housing purposes. Incremental housing is a people-driven process; and the RHLF's core business is to empower low-income families in rural areas to access credit that enables them to unleash the potential of their self-help, savings and local ingenuity to build and improve their shelter over time.	Tel: 011 621 2513 Fax: 011 621 2520 www.rhlf.co.za
South African Micro-finance Apex Fund (Samaf)	Samaf is tasked to facilitate the provision of affordable access to finance by micro, small and survivalist business for the purpose of growing their own income and asset base. The primary purpose of Samaf is to reduce poverty and unemployment and also to extend financial services to reach deeper and broader into the rural and peri-urban areas.	Tel: 012 394 1796 Fax: 012 394 2796 www.samaf.org.za
Micro Agriculture Finance Scheme of South Africa (Mafisa)	Mafisa was developed as a micro and retail agricultural financial scheme for economically active poor people. Mafisa allows access to financial services through selected institutions on an affordable and sustainable basis. It assists with loans to target groups, individuals, farmers and other groups as well as savings and banking facilities at approved financial institutions.	Tel: 012 319 7295 Fax: 012 319 7278

Economic resuscitation for companies in distress

With stories from around the globe of well-established companies being impacted on by the global economic downturn, and government bail-outs becoming commonplace – often with little effect – it is of great interest to see South Africa's approach to this problem and to learn of the efforts of the Industrial Development Corporation (IDC) to assist distressed companies, writes **Mandla Mpangase**.

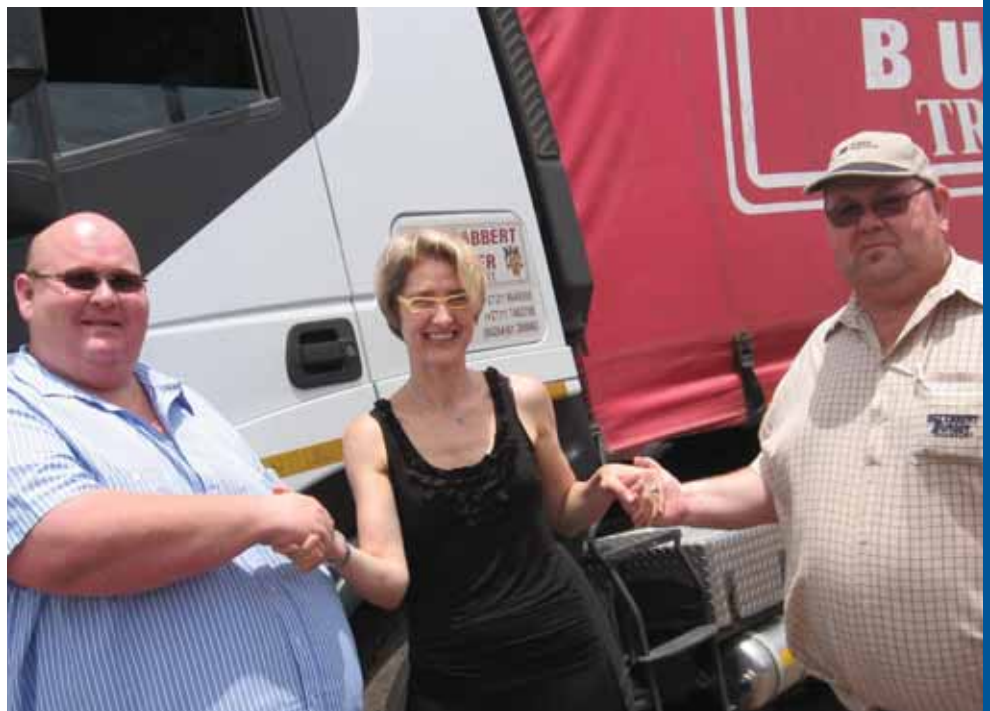
As you near the town of Wellington in the Western Cape, two things start to happen. Firstly, you find yourself marvelling at the beauty of the lush green surrounds of the Paarl area. Secondly, you start noticing more and more trucks passing you by, all branded with the name: Slabbert Burger. As you make your way down Distillery Road through the heart of this picturesque town, the frequency of these passing trucks increases, until you find an impressive head office and adjoining truck depot, with red corrugated roofing with the same branding as the passing trucks.

These are the headquarters of Slabbert Burger Transport. It has the intimacy of a small business about it, but is by no means a small player in the southern African transport industry. This second-generation family-owned business has come a far way from its inception in 1957, when founder Burger bought his first few trucks and began offering logistical services to fruit farmers and fruit-juice manufacturers in Paarl.

Today, the company employs more than 800 people, and with a fleet of over 400 vehicles, services diverse sectors from food and beverage to mining and steel. But this tale of success could have been lost, just a few months ago.

Director, Martin Burger, explains: "We have many clients in

the steel industry, which in the last couple of years leading up to 2008, was going through a boom. There was a big push from these clients for more and more logistics capacity and an increased number of trucks. Steel industry clients require in-bound and out-bound logistics for bringing in raw material crucial in the steel production process – such



From left to right, Martin Burger, Katinka Schumann of the IDC and Jannie Burger

as lime, manganese and coal, and for exporting finished products. This shortage in supply was further aggravated by the failing of the local railway services in accommodating the increased demand for transport."

What happened next was a double blow: In a notoriously competitive industry like transportation, the continuous pressure and growing demand for service drove the com-

DEVELOPMENT FINANCE INSTITUTIONS: CASE STUDY

pany to almost double its fleet from 220 to 450 trucks in the space of just three years. This was met with the sudden collapse in transport demand from the mining, steel and construction industries in the wake of the global economic crisis. The company was left facing severe cash-flow pressures and an inability to service debt.

"Things became progressively more difficult. In mid-2009, we began experiencing a serious cash-flow problem, which we couldn't trade out of. That's when we decided to approach the IDC for assistance," says Burger, who has a background in general management and has been with the company since 1991.

The IDC is a self-financing, development finance institution. It was established in 1940 to promote economic growth and industrial development in South Africa. Realising that South Africa would not be spared the effects of the global downturn, in 2008, the IDC set up a R6,1-billion fund to assist companies that were negatively affected as a result of the recession. The fund focuses on assisting businesses, like Slabbert Burger Transport, who have successful track records and a strong potential to emerge from the crisis. However, the main objective is to preserve existing jobs while creating new ones.

As part of the IDC's intervention, a due diligence study was conducted which revealed that the company could return to a position of profitability on a month-to-month basis. This meant the company could definitely trade out of its situation given the opportunity.

Katinka Schumann, Divisional Executive of Services Sector, says at the time that the commercial banks were tightening their lending criteria; the IDC was able to step forward and provide a R60-million facility to assist Slabbert Burger Transport.

"We provided the company with the necessary support they needed to help them turn their operations around. The IDC team involved has done a tremendous job. The company is not completely out of the woods yet, but the worst is definitely behind them," explains Schumann.

As one of the largest businesses in the area, Slabbert Burger procures services and supplies from many of the smaller businesses in the Paarl area. To avoid a ripple effect (on small businesses), the IDC prioritised paying all outstanding small creditors up front. This allowed these small businesses to continue trading unaffected by Slabbert Burger's cash-flow woes.

"If it wasn't for the IDC we would've drowned. We were able to retain jobs. The IDC's support has given our banking partners the reassurance to continue doing business with us. The IDC team has been very helpful. If I ever need advice, I know they're just a phone call away. The team is a sounding board for ideas and a great support structure," says Burger.

The help of the IDC enabled the company to continue operations, keep alive a 53-year-old legacy, save hundreds of jobs and ignite hope for future growth.



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Promoting development *finance* in Africa

Writer: Mbulelo Baloyi

Last year marked 50 years of independence from colonial rule for most African countries. During this time, several African countries have made great strides to overcome years of underdevelopment.

Central to this development has been economic renewal, driven by the long-term objective to better the lives of Africa's people.

To harness this economic renewal of the continent, a number of African countries came together to establish multilateral institutions with the sole objective of advancing the political, economic and cultural causes of their respective countries such as for example, what is now known as the African Union (AU).

There are also various regional bodies that look at the economic and political interests of several countries on a geopolitical basis. Among such bodies are the Southern African Development Community (SADC), the Economic Community of West African States, the Arab League, and the Common Market for Eastern and Southern Africa.

It was against this background that the Association of African Development Finance Institutions (AADFI) was established in 1975.

Headquartered in the Ivory Coast capital city of Abidjan, the AADFI is an international organisation created under the auspices of the African Development Bank (ADB).

The members of the AADFI are banking and financial institutions engaged in development finance activities in Africa and membership is open to any banking or finance institution in Africa.

The AADFI Chairperson is Mvuleni Geoffrey Qhena who is also the Chief Executive Officer of the Industrial Development Corporation (IDC) in South Africa and its Secretary-General is John Amihere.

The IDC, an agency of the Department of Trade and Industry (dti) and the Development Bank of Southern Africa (DBSA) are the official partners of the AADFI.

During the past decade, the IDC, through its Africa Unit, has been proactively identifying investment opportunities on the African continent working with other member development fi-

nance institutions within the association, according to Qhena.

"In supporting the South African Government's leading role in promoting the New Partnership for Africa's Development, we view ourselves as the catalyst for sustainable industrial development in Africa," says Qhena.

Among the economic sectors that the IDC has been focusing on when investing in Africa are manufacturing, mineral beneficiation, agro-industries, mining, oil and gas, energy and industrial infrastructure.

In addition to the above economic sectors, the IDC's focus has also been on tourism, telecommunications, information technology, selective franchising, retail infrastructure and a host of other activities.

Qhena says the corporation's Africa Unit through its different divisions provides guidance to prospective clients with respect to the IDC's requirements and expectations.

"We also provide export opportunities for South African capital equipment and related services. We have become the African development finance institution of choice, both throughout Africa and internationally."

The AADFI also provides its members with statistical and technical data on projects, changes and trends in the banking sector in Africa and the world.

The association has a database of members, consultants, projects and emerging markets in Africa.

"In supporting the South African Government's leading role in promoting the New Partnership for Africa's Development (NEPAD), we view ourselves as the catalyst for sustainable industrial development in Africa"



It also produces a quarterly information bulletin, a directory of financial institutions in Africa, press clippings on development issues, an annual report of activities and a biannual finance and development review.

The AADFI maintains close cooperation with several international organisations and institutions, including the:

- n ADB
- n United Nations Industrial Development Organisation
- n the United Nations Economic Commission for Africa
- n AU
- n World Bank Group.

Membership of AADFI enables banking and finance institutions to benefit from AADFI assistance for lines of credit from development partners.

Utilising its continent-wide network of banking and financial institutions, the association enters into dialogue with multilateral institutions on development policies and issues concerning project financing and promotion in Africa.

Member DFIs also benefit from technical assistance for in-house training as well as staff exchange and secondment to member institutions.

DFIs that are members of the AADFI benefit from protocol services and assistance for business activities in Côte d'Ivoire, especially with the ADB Group.

DFIs that are members of the association usually provide seed or developmental funding in the following economic sectors: transport; telecommunications; oil and gas; mining and minerals; electrification; power generation; infrastructure; healthcare; education; agriculture; rural economy; small, medium and micro-enterprise development and industrial development.

For more information on the AADFI, go to www.aadfi.org.za

Funding big change

In South Africa, the African Development Bank (ADB) is working with the Development Bank of Southern Africa (DBSA) to provide funding for some of the major infrastructural development projects, particularly in the area of power generation.

The bank's 2008–2012 *Country Strategy Paper for South Africa* was developed in collaboration with the National Treasury, the bank's principal counterpart in South Africa, and through consultations with other country stakeholders.

It is built around three main pillars: private-sector development, regional integration and capacity-building.

Bank lending has included a Credit Risk Sharing Line to Nedcor of R1 billion (about US\$170 million) to promote the development of small and medium enterprises, natural resources, Black Economic Empowerment and infrastructure projects.

The bank has also provided a R695-million (US\$100-million) in sovereign regional line of credit to the DBSA to finance competitive infrastructure development, expansion and rehabilitation projects in the Southern African Development Community (SADC) subregion.

In 2004, the bank approved a R45-million (US\$ 6,28 million) programme to develop small, medium and micro-enterprises through franchising.

More recently, the bank has also approved a R3, 475-billion (US\$-500 million) loan to Eskom Holdings Limited, South Africa's electric power utility, and has invested R1 billion (US\$ 170 million) in Nedbank's 10-year Domestic Medium Term Note Programme to facilitate the expansion of Nedbank's community-development activities.

To make its operations in the country more effective, the ADB, in the last quarter of 2008, concluded an agreement with the Government of South Africa for the opening a regional office in Pretoria.

The South Africa Field Office will cover Botswana, Lesotho, Namibia, South Africa, Swaziland, Zimbabwe and the SADC Secretariat, previously covered by the bank's Mozambique Field Office.



Bringing communities to life: the National Empowerment Fund at work



Jozini Tiger Lodge is boosting the local community

It is often – and ignorantly – argued that Black Economic Empowerment benefits those who are politically connected. However, one state agency has been making significant strides to debunk this widely-held myth, reports **Mbulelo Baloyi**.

Since its inception in the late 1990s, the National Empowerment Fund (NEF) has sought to realise its core objective of promoting and facilitating meaningful black participation in the mainstream economy, thus ensuring that there is equality and real transformation in the economic landscape of South Africa.

An agency of the Department of Trade and Industry (the dti), the NEF has been a key financier and supporter of business enterprises owned and managed by black entrepreneurs.

In addition, this dti agency has also been inculcating a savings culture among South Africans, particularly black people, through promoting savings and investment schemes such as the Asonge Share Scheme. This has ensured that there is broad-based participation of black people in equity ownership.

Just over a year ago, the rural community of Jozini in the far north of KwaZulu-Natal also attested to this when a four-star

lodge, financed by the NEF, entered the lucrative tourism and hospitality market in this very impoverished part of the province.

The 60-room Jozini Tiger Lodge is partly owned by the Signature Life Hotels Group with the local community holding a 33% ownership in the tourism and conferencing facility.

Situated a stone's throw away from the imposing Pongolapoort Dam, also known as the Jozini Dam, the Jozini Tiger Lodge has stimulated an economic boom in an area that is recognised as the gateway to the northern Maputaland area of KwaZulu-Natal.

Signature Life Hotels Group partnered with Jozini Tiger Lodge owners Cobus Brecher, Nathi Thusi, Alex Shazi and Albert Lourens to develop this accommodation and conferencing facility in this small town famous for its water-sports attractions.

About the National Empowerment Fund (NEF)

- n The NEF was established by the NEF Fund Act, 1998 (Act 105 of 1998), to promote and facilitate black economic equality and transformation. Its mandate and mission is to be a catalyst for Broad-Based Black Economic Empowerment in South Africa.
- n The objectives of the NEF are to finance and support business enterprises owned and managed by black entrepreneurs, as well as to promote savings and investment schemes for black people and in so doing, to develop an understanding of equity ownership and a culture of savings among its beneficiaries.
- n Until the Asonge Share Scheme was launched in June 2007, the activities of the NEF centred principally on providing financing and support for black empowerment businesses and entrepreneurs.
- n The establishment and promotion of a savings and investment culture among all black people, supported by clear and accessible savings and investment products, is key to assisting South Africans to move to full participation in the inclusive economy.

With NEF funding, the owners of Jozini Tiger Lodge hoped to stimulate the economy and support the region, which forms part of KwaZulu-Natal's Elephant Coast tourism route.

To ensure that there was meaningful and broad participation of black people, the lodge recruited over 80% of its staff from the local Myeni Traditional Authority. In addition to working at the lodge, locals are also involved in several community projects that include mentoring in the leisure and hospitality industry.

Most of these projects, including setting up a curio and craft shop inside the lodge, benefit the local population. Set against the scenic background of the Lebombo mountains and the natural beauty of the Jozini Dam, the lodge has certainly stimulated the economic profile and recognition of the region.

According to Signature Life Hotels' Managing Director, Alan Vels, the patronage shown by the lodge guests has been overwhelming.

"Tourism's capacity to employ women and youth, as well as other vulnerable members of society, can contribute greatly to socio-economic development. Not only will the Jozini Tiger Lodge provide accommodation and entertainment to visitors but it also offers employment opportunities to the community," said Vels.

Zulu monarch King Goodwill Zwelithini officiated at the opening ceremony of the lodge and praised the initiative taken by the owners to enhance the economic profile of the Jozini area.

He further lauded them for involving the local community by providing entrepreneurial opportunities through a community trust.

The Zulu monarch also remarked that the majority of those employed at the lodge were women.

"I am proud to be here seeing what a true partnership between the Government and private sector can do to create

work opportunities for the people of Jozini. The opening of this lodge will certainly take the Umkhanyakude district forward on its path of socio-economic development."

He added that initiatives like the Jozini Tiger Lodge played a meaningful role

in closing the economic and social gap between the rich and the poor.

He also said the vegetable garden set up for the community to sell their produce back to the Lodge's kitchen would pave the way to a successful partnership.

As part of its mandate of ensuring that there is a culture of savings and investment among black people, the NEF has also facilitated mass participation of previously disadvantaged people in the mainstream economy.

Through investment schemes such as the Asonge Share Scheme, the NEF says the promotion of a savings and investment culture among black people should benefit the bridging of the gap between the first and second economies also known as inclusive economy.

NEF Chief Executive Officer Philisiwe Buthelezi says the successful Asonge Share Scheme has also debunked the myth that the investment world is only for the rich.

The highly successful R2-billion Asonge Share Scheme, which sold MTN shares at a discount to black shareholders and stokvels has attracted 86 000 investors.

"Investment opportunities are available to any South African," said Buthelezi.



King Goodwill Zwelithini, Zola Mafu and Dr Mangosuthu Buthelezi at the opening ceremony of Jozini Tiger Lodge.

Free State:

A provincial picture on development finance

Development finance institutions (DFIs) were established to accelerate sustainable socio-economic development through funding. The purpose of DFIs is to ensure investment in areas where the market fails to invest sufficiently. DFIs have a key role to play in realising government's key priority areas. As government embarks on a new economic growth path in an effort to better the lives of South Africans, it is institutions such as the DFIs that it will have to tap into to improve the lives of people.

While many of the national DFIs are well known, the role and achievements of provincially-based DFIs tend to be localised. On the flip-side of this, though, is that it is precisely their closeness to communities that places them in better stead to recognise and boost local potential.

One such DFI is the Free State Development Corporation (FDC). The former Free State Investment Promotion Agency (FIPA) was recently incorporated into the FDC to turn it into a formidable economic development agency responsible for a wide array of activities in that province.

The FDC Act, 1995 (Act 6 of 1995), was amended to reflect the incorporation of the FIPA after the decision of the executive council of the Free State legislature. This Amendment Act was promulgated and became effective on 8 June 2010. The Act sets out the main objectives of the corporation as follows:

- n promoting and developing small, medium and micro-enterprises (SMMEs)
- n assisting Free State-based SMMEs with funding
- n assisting those Free State-based SMMEs in financial distress
- n initiating economic empowerment projects that will benefit the Free State
- n promoting investment in and trade within the province and identifying, analysing, publicising and marketing investment and trade opportunities in the provincial economy, in such manner and by such means as the



Thabo Makweya

board of directors may from time to time deem appropriate

- n undertaking, at the request of the responsible member or other stakeholders or agencies, activities for which the necessary resources can be raised and which, in the opinion of the board of directors, will contribute to the strengthening of the provincial economy.

This has positioned the FDC as a key economic development change agent in the province that is focusing on contributing to the economic transformation of the provincial economy through targeted interventions in enterprise development, property development as well as export and investment facilitation.

The FDC management team, led by Acting CEO Thabo Makweya, is in the process of implementing a comprehensive turnaround strategy to enable the FDC to deliver on its extended mandate.



A pilot project to provide about 150 jobs at the outset has just been unveiled in the Kroonstad Moghaka Municipality. The medical supplies company Unicore is to produce band-aids, abdominal swabs, medical linen, wound pads and uniforms for the health sector. "The project has huge potential in terms of growth and job creation," says Makweya. He adds that there is, for example, no local manufacturer of swabs in the country. The factory, a R35-million total investment, is a pilot venture in establishing a "manufacturing triangle" in the area of Parys, Sasolburg and Kroonstad.

Additional investments in excess of R850 million are in the pipeline for the Free State, all part of the corporation's turnaround strategy.

Makweya said the FDC's leadership had a number of key priorities to drive the corporation to make an impact on poverty. Key among them is ensuring that the FDC obtains a clean audit consistently to improve areas of compliance. This means sharpening compliance and promoting business excellence in the FDC.

The corporation has adopted a strategy that will assist with a bigger impact on the war against poverty. In this way, the FDC will leverage funding to accelerate the attainment of its objectives. The acting CEO of the FDC is also set to announce a number of major outreach programmes to link up with investors, especially in the Orient.

The FDC SMME Funding Policy is also to be amended to enhance issues such as criteria for the granting of loans and approval processes. The corporation has set itself a loan recovery rate of above 70% to contribute to the sustainability of the organisation and increase the number of entrepreneurs to be assisted.

Some of the entrepreneurs who were assisted by the FDC and who have become successful in their businesses include Freddy Kenney of Kenworth Centre in Mangaung. Kenney is widely regarded as a versatile and talented businessperson with interests in low-cost housing development, retail development and construction.

Another entrepreneur is Clara Makara, who obtained a Woolworths franchise in November 2006 in Ladybrand together with her partner Pule Makgoe. The Ladybrand shop was turned around in one year and they then bought another Woolworths franchise in Phuthaditjhaba. Both shops have shown positive growth rates (Ladybrand 50% and Phuthaditjhaba 30%). Makara won the Best Franchisee Award in 2010.

As part of the new-look FDC, a new unit, known as Grow Free State, has been established. The unit will be responsible for mega-projects that will generate much-needed jobs. This exciting new addition to the fold will be responsible for project management as well as dedicated major infrastructure projects.