

# Chairperson's Review



*Chairperson: Linda Mngomezulu*

**It takes an amount of great** humility to acknowledge that the size of GEP is not equal to the task. However there are multiples of other formations that compliment the work of this agency of the Gauteng Government.

I have pleasure in presenting the Chairperson's review for the 2007/2008 financial year which advanced into elaborating assistance to SME's. An increasing number of small and medium enterprises became beneficiaries of GEP's services. The increased number occurred as an outcome of robust marketing and direct contact with communities, including among others, through business opportunity workshops that were conducted under the auspices of the Department of Economic Development. The bold leadership of the honourable member of the Executive Council (MEC) Paul Mashatile continued to inspire great commitment and enthusiasm for which we are grateful.

The board and management of GEP continuously provided the requisite leadership and management style that instilled the sense of responsibility, high standard of accountability and reporting. Changes that occurred as a result of resignations did not alter the aptitude and the agency retained stability and high performance.

GEP's worth will always illuminate and sustain through its responsiveness to stakeholders'

expectations and socio-economic stimulations or challenges. It is fitting to record that an increasing number of small enterprises are confronted with adverse economic conditions which determines the manner in which we respond to their needs.

## Performance

The performance and financial information contained in this annual report indicates growth and improvement in GEP's capacity to serve the SMME community and stakeholders. The disciplined management and improved operational efficiencies boldly move GEP closer to realizing its vision of being Africa's leading enterprise support and business development agency. The past year did however present a number of challenges for SMMEs arising from spiraling inflation, energy costs and generally difficult trading conditions, particularly in respect to piloting equity financing for SMMEs which is raised as a matter of emphasis in the auditors' report. I am pleased to report that management has set up an aftercare unit to deal with the challenges in a systematic and professional way. More concerted and regular engagement with our financial support beneficiaries in particular will encourage better appreciation of the economic challenges they face.

Another area of concern that requires attention is GEP's non-compliance with legislation in terms of not being listed as a public entity as required in the PFMA; and also that GEP did not register as a credit provider as required by the National Credit Act. While management has endeavoured to address these matters, a concerted effort must be applied to comply as required.

## Corporate Governance

During the year under review the GEP board carried out its governance responsibilities with great commitment. While the majority of the board members were appointed in June 2007, the entire board and committees' meetings took place as scheduled and had the required quorums to take governance decisions.

We have worked hard with the executive authority to improve our relationship, reporting measures and strategic plan submissions to be in line with treasury regulations. These deliberations have culminated in a Shareholders' Compact which will hopefully better regulate the relationship and related responsibilities.

## The future

The needs of our SMMEs, particularly those from the second economy, are still far from being met. As a provincial development agency utilizing public funds, GEP is conscious of its responsibility to contribute to the Gauteng Growth and Development Strategy. A strategic alignment of GEP programmes with that of provincial departments, industries and municipalities will continuously remain an imperative in ensuring high capital & social returns. Developing and supporting viable SMMEs within the 20 prioritized townships will have a significant effect on eradicating poverty and under-employment of economic resources. It is not envisaged with any stretch of imagination that this mammoth task will be attained without a reasonable amount of resources. We will take into consideration the approaching socio-political

period which may increase pressure on the limited budget allocated to GEP. It is inevitable to increase our focus on community high impact programmes and increase defiance of the logic of the trade-off between effectiveness and efficiency. Management is continually monitoring the efficacy of our programmes and strives to achieve best outcomes.

## Appreciation

GEP is a unique institution situated in the economic hub of the South African economy in which one in six citizens are involved in the SMME sector. It is a privilege for me to serve as Chairperson of such an organization and in that capacity I would like to thank the entire management and staff for their loyalty and dedication to GEP and its mandate.

Under the leadership of our Chief Executive Officer, our senior management conducted themselves with true professionalism, accountability and integrity, continuing to position GEP for growth by increasing its capacity, which will contribute to the transformation of the economy.

Finally, I would like to extend appreciation and thanks to the members of the board, who, despite being non executive directors, are not always available formally. However they have continuously provided resourceful enterprising, sound guidance and advice during the past year.



---

Linda Mngomezulu  
Chairperson

# Chief Executive Officer's Review



CEO: David Buti Morobe

**Gauteng province still reflects a complex** duality, which has noteworthy achievements and levels of economic growth on the one hand, and high levels of poverty due to unemployment and lack of job opportunities on the other. The SMME sector remains a critical vehicle in respect of direct poverty reduction, creation of job opportunities, and contributing to transformation and meaningful participation of black people, women, youth and people with disabilities in the mainstream economy. The Gauteng Enterprise Propeller was established for this purpose as a one stop support and access service, providing both financial and non-financial support to SMMEs.

## Strategic Review

GEP has identified 6 strategic priorities towards fulfilling its role, achieving its goal and delivering on the goal, priorities and objectives outlined in the provincial Growth and Development Strategy.

### These are:

- Provision of efficient and timely financial support to SMMEs towards facilitating their development
- Provision of efficient and timely business development support to SMMEs towards increasing their professionalism and sustainability

- Contribute to the creation of an enabling environment for SMME's growth and sustainability
- Identify business opportunities and enhance business facilitation and business partnerships for, and between SMMEs
- Facilitate increased SMME participation, including women, youth and people with disabilities, in the Province's economic growth sectors and GPG's priority socio-economic development projects
- Ensure effective and efficient management of GEP

The year under review has been one of *"Reaching out to SMMEs Better"*. The case studies that are interwoven throughout our annual report provide moving examples of the many ways in which GEP is making a profound, positive impact on the SMME community in Gauteng. All the business units improved their reach throughout Gauteng, collectively assisting over 1300 SMMEs through tailored financial and non-financial support programmes. This saw 37% of the beneficiaries being Women-led SMMEs and 30% Youth-led SMMEs. The financial support projects helped directly create a total of 779 jobs, while the non-financial support projects led to the sustenance of 5214 job opportunities. During this period, more than 1200 SMMEs and co-operatives were trained in a variety of business management disciplines.

GEP is proud to have contributed to the successful production of Disney's "The Lion King" through a Guarantee to the BEE partner - Till Dawn Theatricals - that was facilitated through our Leverage Fund partnership.

## Challenges

While Gauteng province has been experiencing consistent growth over the last few years, macro economic conditions have become increasingly challenging in the third and fourth quarters of the year under review, resulting in many of our financial support beneficiary SMMEs struggling to keep up with required repayments. To mitigate these trying conditions, management is increasing capacity to provide aftercare and ongoing mentorship support.

## Management Priorities

To mature into a world class organisation, we will encourage a greater exchange of views between the Head Office, Regional operations and related stakeholders. Our management teams within GEP must continue to innovate and foster creative talent to deliver products that meet the needs of our SMMEs and those of their customers. In addition, our support services must be best in class for both front or back office support service. While our Information Officers and Business Relationship Managers are the visible members of the GEP family, our back office support staff in terms of legal support, supply chain management, finance and IT - play an equally important role behind the scenes facilitating seamless access to GEP services.

A number of departments, interest groups and entities have or are being engaged with the aim of establishing strategic partnerships which are mutually beneficial to GEP, the potential partners and more importantly our SMMEs. These include amongst others the Business Women's Association; the G-Fleet; CIPRO and the Department of Transport and Public Works to name

but a few. A concerted drive is also underway to draw on the experience of world class development agencies in countries such as Canada, India, Brazil and Singapore, yet remaining mindful of our local conditions. Priorities for the year ahead will include the launch of a programme aimed at revitalising township business that have suffered as a result of a number of factors - including the advent of large shopping mall developments. This will be coupled with our new programme to develop black franchisors through support of businesses that have potential to be franchised; first in Gauteng and then possibly in other markets.

## Appreciation

Once again it has been a year of intensive activity aimed at Reaching out Better to our SMMEs. In the first year of GEP's second MTEF period, we have so much to be proud of, and much work still to do. As we look ahead to another year of exciting opportunities and complex challenges, I am confident that the GEP team will once again demonstrate their diverse talents and commitment to taking this organization forward and providing a professional service to the Department of Economic Development and the Gauteng SMME community. My heartfelt thanks to all our people - past and present - for their commitment to GEP and serving SMMEs. I also extend my thanks to Honourable MEC Paul Mashatile for his steadfast commitment to GEP and wise counsel. I also thank our Chairperson, Mr Linda Mngomezulu and the Board for their support and critical input as we shape GEP's growth.



---

**David Buti Morobe**  
Chief Executive Officer

# The Board Members



*Board Chairperson:  
Mr. Linda Mngomezulu*



*Chief Executive Officer:  
Mr. David Buti Morobe*



*Deputy Chairperson:  
Dr. Enos Banda*



*Ms Pam Mgulwa*



*Adv. Josephine Ralefatane*



*Mr. Mxolisi Zwane*



*Mr. Dawood Coovadia*



*Ms Khunjulwa Sigenu*



*Ms Mumsy Mokoena*



*Mr. Siphon Majombozi*



*Adv. Brenda Madumise*



*Mr. Lebogang Maile*



# Business Overview

## **The Gauteng Enterprise Propeller (GEP) is**

a Provincial Government Agency established in 2005 under the auspices of the Department of Economic Development to provide non-financial support; financial support; and co-ordinate stakeholders for the benefit of Small Medium and Micro Entrepreneurs in Gauteng.

The core business is to support both financial and non-financial support of SMME. The GEP mandate is developed on the premise focusing on these main areas:

- To create an enabling environment for small businesses in Gauteng including amongst others SMMEs, Cooperatives and BBBEE firms
- To develop support programmes for SMMEs, Cooperatives and BBBEE firms
- To coordinate stakeholders for the development of SMMEs in Gauteng

The strategic outlook for the implementation of the mandate focuses on three main areas of development; namely the creation of enabling environment, the development of support programmes for non-financial and financial services as well as the institutional arrangements.

In 2006, Gauteng Enterprise Propeller commissioned a report as a joint initiative with other players in the field for small business to comprehensively understand complexities related to market sizing, benchmarking, market segmentation and analysis. According to the Finscope report, informal sector constitute 64%, unregistered business 18% and registered 17% in Gauteng. Furthermore the report categorizes small business according to seven BSM segments.

GEP is aligned to key government strategies and policies including amongst others the National Small Business Act of 1996 as amended, Cooperative Development Policy for South Africa of 2004 as well as the Strategy for Broad Based Black Economic Empowerment of 2003 as amended.

In shaping the GEP business model, it is imperative to be mindful of both trends in the global economy, within which South Africa is a small player and of the limitation in the availability of resources. Globalization brings important opportunities but also real dangers and constrains to the economy. Gauteng remains a major player which can equally be adversely affected by globalization.

One of the uncertainties in the next period is the success or otherwise of NEPAD and its implications for Gauteng. If NEPAD succeeds, Gauteng can grow even stronger and extend its export trade relations into Africa. If NEPAD is not able to succeed, we may be relying more on other less secure global players.

The population of Gauteng is currently estimated to be just fewer than 10 million people and projected to reach 15 million in 2014. The Finscope report indicates that one in six adults is involved in small business hence Gauteng Government through GEP is making small business a priority. Gauteng has a strong possibility of continuing to grow as a national, continental and international economic powerhouse. It is also likely that the economy will grow in the direction that we have set for it, with growth in the business and financial sectors and a decline in the mining sector. Also anticipated is an increase in tourism, particularly business tourism, and possibly sport tourism. However, existing industries such as the manufacturing and mining sectors will remain important for the next ten, if not twenty years.

One of the critical challenges is to translate economic growth into employment growth and thus reducing inequality and poverty. Critical to this will be the extent to which we are able to grow labour absorbing sectors (e.g. Tourism, Manufacturing, Construction, Services, and Infrastructure).





2008  
2007  
2006  
2005  
2004  
2003



# Operations Review



*Chief Operations Officer: Thandiwe Ngqobe*

**The year under review saw considerable** steps being taken towards consolidating operations across GEP with a vision to achieve top class performance through each of the business units. Resources for Financial Support were amplified; the process of separating Regional Operations from Enterprise Support was embarked upon, laying the ground for much needed product development and after care support, to improve the sustainability of our SMMEs. HR needed strategic and executive guidance to ensure that it fulfils its role as a business partner to the core and support units. This much needed organizational structuring and development process, consolidated the operations and led to visible changes in performance. Amongst the various improved initiatives realized, the following deserve special mention:

- Launched tailored financial support products for SMMEs requiring startup, expansion, franchise and contract finance;
- Approved funding to the value of R64.2 million (2006/7 : R18.4m) to 65 SMME projects through the GEP Financial Support programme;
- 37% of the funding went to women owned enterprises, whilst 30% funded youth led enterprises;
- Created over 750 sustainable jobs through our financial support interventions;
- Provided business development support to more than 1300 SMMEs (2006/7:744 SMMEs). The interventions led to indirect sustenance of over 5000 jobs;

- Contributed to the success of the 'Lion King' production by facilitating finance for the BEE partner;
- Established strategic partnerships for the benefit of SMMEs;
- Accredited 206 SMMEs GEP Service Providers quality to better serve;
- Recognized women entrepreneurs by hosting the GEP Women in Business Breakfast;
- Increased access to GEP services by establishing satellite offices in Bronkhortspruit, Heidelberg, Mohlakeng and Soweto;
- Employees empowered through GEP's bursary award.

The detailed report for each business unit is contained in their respective divisional reviews.

The plan for 2008/09 is to position GEP as per the Gauteng Spatial Development Plan to ensure that our support programmes to SMMEs can leverage areas of overlap between economic activity and poverty pockets, and where there is significant public sector investment. GEP must play a facilitative role to ensure that opportunities are availed to SMMEs in the execution of infrastructure and other strategic projects in the Province. In passing these opportunities to SMMEs, GEP will consolidate its strategic partnerships to ensure that all SMME categories (BSM levels) are afforded support and access to opportunities to participate in the economy.