

Media release from Gauteng Provincial Government, IDC and SA SME Fund

Launch of R300 million SMME Crisis Partnership Fund a game-changer for township business inclusion

- Gauteng Provincial Gov't leads the charge to dramatically shift growth and inclusion landscape for township SMMEs
- Partnership model can be replicated, scaled across all provinces
- Fund to be managed by the SA SME Fund

Tembisa, Gauteng, 5 October 2022 – Today, the Gauteng Provincial Government, the Industrial Development Corporation (IDC) and the SA SME Fund launched the SMME Crisis Partnership Fund, a R300 million debt fund for small businesses based in Gauteng townships.

There are more than 2 million formal and informal small businesses in SA, the majority of which are township-based, which are unable to access, or do not qualify for funding from the formal banking sector. Without this funding, they are unable to grow their businesses, create jobs or participate meaningfully in the economy.

The SMME Crisis Partnership Fund seeks to remedy this. Each of the partners have contributed R100 million towards the Fund. The Gauteng Provincial Government's share provides a first loss guarantee, meaning it will assume the first portion of any losses.

The partners believe this model, which leverages Government's underused first loss capital to attract private sector funding, is a game-changer in two respects. Firstly, it addresses the economic inclusion of township businesses in Gauteng, and secondly, it provides a blueprint which can be replicated and scaled in other provinces and nationally. It is an effective way of leveraging different skills sets and pools of capital to support entrepreneurs and help SMMEs grow.

The Fund is already committed to six intermediaries, with a seventh in the pipeline. Three intermediaries - Indlu Living, Profit Share Partners and Crede Capital Partners - have already finalised their agreements, and the full allocation process is expected to be completed by the end of this month. These intermediaries will facilitate the provision of working capital and asset finance to hundreds of small businesses and entrepreneurs.

One of the intermediaries, Indlu Living, is an excellent example of how capital can be used to fundamentally change the lives, livelihoods and landscape of townships across the country, and address the housing crisis head on. Indlu Living provides micro property and backyard developers in townships with an all-in-one rental management software, finance and property development solution. This allows landowners to fund the building of beautifully designed and rentable backyard rooms, and for the loan to be paid off from the rental income. Not only does this create a pool of township based property entrepreneurs, but it will also benefit an ecosystem of other small businesses, such as builders, electricians, and cleaning services. The SMME Crisis Partnership Fund will double Indlu Living's loan book, enabling it to create between 60 and 70 new property entrepreneurs.

Mr Parks Tau, Gauteng MEC for Economic Development says: "Today's launch of the SMME Crisis Partnership Fund is part of our deliberate approach to reignite the township economy and elevate it to respond to the current needs of society. For many years township property owners have struggled to get flexible and risk free funding to build backyard rental flats. We are working in partnership with Indlu Living to provide that assistance to property owners."

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The Gauteng Provincial Government’s SMME development entity, the Gauteng Enterprise Propeller (GEP) will be working hand in hand with SA SME and IDC in ensuring success of the fund.

Commenting on the launch, GEP CEO, Saki Zamxaka stated that the partnership will play an instrumental role towards realising the objectives of the Township Economy Development Act: “This partnership will help broaden access to funding for township based SMMEs, particularly as we will be working with implementing partners who already have a pipeline of applicants in the township economy.

Mr TP Nchocho, CEO of the IDC says: “This important partnership reflects our collective intent of supporting the growth of township economies and SMEs measurably. The Fund will enable entrepreneurs to contribute to creating sustainable jobs, increasing economic activity, and sustaining livelihoods. The IDC will use the learnings from this and other funds and investments to replicate the approach and impact in other provinces.”

Besides its investment of R100 million, the SA SME Fund – which was established by the CEO Initiative and works to support the SMME sector in a partnership between corporate CEOs and Government – will manage the fund on a pro bono basis. The SA SME Fund is experienced in allocating capital to reputable fund managers in the venture capital and private equity market, as well as to non-bank SME debt providers, who in turn invest in scalable SMMEs.

Mr Ketso Gordhan, CEO of the SA SME Fund says: “For our country to be prosperous and successful, it is imperative that we ensure that entrepreneurs and small businesses, especially those in the township environment, are economically included. In addition to igniting township SMMEs, this model facilitates the building of non-bank institutional funders, who have the requisite skills and experience to service this sector, unlike the banks who aren’t as effective in this environment. The Gauteng Province has proven to be a leader in developing this partnership, which hopefully will be replicated in other provinces.



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