

POSSIBLE FINANCIAL SOURCES FOR SMALL-TO-JUNIOR EMPOWERMENT MINING COMPANIES

DIRECTORATE: MINERAL ECONOMICS



mineral resources

Department:
Mineral Resources
REPUBLIC OF SOUTH AFRICA

**POSSIBLE FINANCIAL SOURCES FOR
SMALL-TO-JUNIOR
EMPOWERMENT MINING COMPANIES**

DIRECTORATE: MINERAL ECONOMICS

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ABREVIATIONS AND ACRONYMS USED

BOT	Built Operate Transfer
CBO	Community Based Organisation
DBSA	Development Bank of South Africa
DTI	Department of Trade and Industry
EA	Eccles Associates, Inc
ECDC	Eastern Cape Development Corporation
FDC	Free State Development Corporation
HDPs	Historically Disadvantage Persons
IDC	Industrial Development Corporation
M	Million
MCO	Micro Credit Outlets
MEEC	Mpumalanga Economic Empowerment Corporation
NAMF	The New Africa Mining Fund
NGOs	Non Governmental Organisation
NIB	Nedcor Investment Bank
PIM	Project Information Memorandum
RFIs	Retail Financial Intermediaries
SFS	Suppliers Finance Solution
SMMEs	Small Medium Macro Enterprises
SSP	Skills Support Programme
US\$	United State Dollar

OVERVIEW

A prosperous small business sector usually increases competitiveness in an economy and is an efficient vehicle for the creation of jobs. A well-managed small-to-junior mining sector has the potential to mine economically where large-scale mining is unable to operate profitably. In this way small-scale mining may make a meaningful contribution to the South African mining sector.

The commitment and active participation of financial institutions, the mining sector and the government will enable more aggressive lending and thus bring about economic and social progress. The Department of Minerals and Energy encourages access to funding for small-scale mining through the support of appropriate and targeted institutions. In South Africa, small-scale mining ranges from very small operations that provide subsistence living (artisanal mining), to the “junior” companies for which revenue is such that subsistence living is not the prime motivator. However, there is no generally agreed definition of the term small-scale mining. Although it is often defined with regard to mine’s output, capital investment, numbers employed or managerial structure.

The issue of access to finance for Small-to-Junior Mining Companies and/or Black Economic Empowerment Companies is a problem facing most existing and new business in South Africa today. Most applicants in the mining sector do not know whom to approach when looking for funds. They also do not know what is expected of them when making applications to financial institutions for assistance.

With this background the Department of Minerals and Energy has compiled this information as a One–Stop-Shop document of Financial Sources to fund Small-to-Junior Mining Companies and/or Black Economic Empowerment Companies. The information particularly clarifies some of the criteria that applications need to comply with in order to qualify for finance.

This document is organized into eight main chapters and covers the following:

Industrial Development Corporation (IDC);
The New Africa Mining Fund (NAMF);
Khula Enterprise Finance Limited;
Anglo Khula Mining Fund
Development Bank of South Africa (DBSA);
National Empowerment Fund
Provincial Institutions, details availability of financial houses in different provinces where small-scale mining can access funds; and
Incentive Schemes from DTI.

Each chapter and subchapter contains mainly a background, vision, mission statement, strategy, financing criteria and requirements, and contact details of the institution.

CHAPTER 1

INDUSTRIAL DEVELOPMENT CORPORATION (IDC)

1.1 Background

The Industrial Development Corporation of South Africa Limited was established in 1940. Even though the IDC is state-owned, it functions as a private enterprise, following normal company policy and procedures in its operations, paying income tax at corporate rates and dividends to its shareholder, and reports on a fully consolidated basis. The IDC recently established a special Black Economic Empowerment Scheme to provide financing for black South African enterprises, entrepreneurs, and employer organizations. The schemes cater for the creation of new enterprises, the expansion of existing enterprises, and the acquisition of control or a significant stake in existing enterprises.

1.2 Vision

To be the primary driving force of commercially sustainable industrial development and innovation to the benefit of South Africa and the rest of Africa.

1.3 Mission

The IDC is a self-financing state-owned development finance institution with the primary objectives of contributing to the generation of balanced, sustainable economic growth in Southern Africa, and to further the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

1.4 Core Strategies

- To maintain financial independence.
- To provide risk capital to the widest range of industrial projects.
- To identify and supporting opportunities not yet addressed by the market.
- To empowering emerging entrepreneurs.
- To promote medium-seized business
- To establish local and global involvement and partnerships in projects that is rooted in or benefits South Africa and the Southern African Development Community (SADC).
- To build and invest in human capital in ways that systematically and increasingly reflects the diversity of South Africa's society.

1.5 Main Financing Criteria

1.5.1 Financing Strategy

- To provide finance for junior mining houses.
- To facilitate acquisitions of mining assets by Historically Disadvantaged Peoples (HDPs).
- To finance mining related activities such as contract mining.
- To facilitate investment by foreign companies into the SA jewellery industry.
- To optimize site beneficiation opportunities.

1.5.2 Financing Criteria

South African citizenship

A minimum loan of R1 million (debt finance) and R5 million (equity)

- Reasonable financial contribution by owners.
- Projects which exhibit economic viability in terms of profitability and sustainability.
- A meaningful role in the management of the concern by the entrepreneur.
- Compliance with international environmental requirements.
- Sureties will be required from companies and individuals.
- A business plan

1.5.3 Specific Criteria for Mining Projects

Mining deals have unique requirements that include:

- Confirmation of mining and minerals rights.
- Commodity cycles, off-take agreements, etc.
- Environmental management programme and mining authorization.
- Exploration data indicating resources and grades according to Samrec codes.
- Geological reports, maps and minerals rights.
- Mining-specific accounting processing and working capital costings

1.5.4 Types of Finance Provided

- Commercial loans
- Guarantees
- Bridging finance.
- Export/ import finance
- Quasi-equity finance

1.6 Role As Preferred Investment Partner

- IDC does not seek shareholding or management participation.
- IDC's role as your preferred investment partner is to provide financial assistance.
- Financial participation is usually by way of loan finance, but other financial instruments include equity, quasi-equity, commercial loans, and wholesale

finance, share warehousing, guarantees, export/import finance and short-term trade finance.

- Finance is only made available after comprehensive risk management assessments.
- IDC finances its investment through retained earnings divestment from mature assets and domestic and international loans

1.7 Contact Details

Entrepreneurial Mining and Jewellery – M. Netshitangani

Mining and Beneficiation – S. Mkhize

Project and Structured Finance – S. Vermaak

Telephone Number: +27 (011) 269-3000

Facsimile: +27 (011) 269-3116

Email: minerals@idc.co.za or idc@idc.co.za

Website: www.idc.co.za

Physical Address: 19 Fredman Drive, Sandown, 2196

Postal Address: PO Box 784055, Sandton, 2146

1.8 Empowerment Finance

1.8.1 Objective

Assistance to emerging Industrialists / entrepreneurs to acquire a stake in formal businesses.

1.8.2 Access Criteria

Emerging industrialists interested in small to medium sized ventures that comply with the following criteria:

- The business must be acquired as a going concern.
- The business must have economic merit. (i.e. be profit making and cash generative)
- The entrepreneur should play a meaningful role in the management of the concern.
- The minimum deal size is R5 million and the maximum R100 million.
- A minimum cash contribution of 10% of the purchase price is required from the entrepreneur.

1.8.3 Description

Medium term finance in the form of loans, equity and quasi-equity for:

- Management buy ins, management buy outs or leverage buy outs.
- Strategic equity partnerships.

The cost of funding is based on the level of risk attached to each transaction.

1.8.4 Contact Details

Empowerment SBU

IDC Call Centre: 086 069-3888

Telephone: (011) 269-3719

Website: www.idc.co.za

1.9 Entrepreneurial Mining and Beneficiation Finance

1.9.1 Objective

Development of small and medium-sized mining and beneficiation activities and Jewellery manufacturing.

1.9.2 Access Criteria

An economically viable business plan.
Minimum financing requirement of R1 million.

1.9.3 Description

Medium term finance in the form of loans, suspensive sales, equity and quasi-equity to:

- Establish or expand junior mining houses
- Acquire mining assets by HDPs.
- Undertake mining related activities such as contract mining
- Establish or expand Jewellery manufacturing activities
- Interest rates are competitive and risk related and based on the prime bank overdraft rate.

1.9.4 Contact Details

Entrepreneurial Mining and Beneficiation SBU

Contact Person: Abel Malinga

IDC Call Centre: 086 069-3888

Telephone Number: (011) 269-3252/3643

Website: www.idc.co.za

1.10 Export Finance

1.10.1 Objective

To assist the promotion of exports of capital goods and services by providing competitive US Dollar and Rand financing to prospective foreign buyers of equipment.

1.10.2 Access Criteria

All industrialists/exporters.

1.10.3 Description

Credit facilities for capital goods and services exported from SA (enabling exporters to offer competitive terms to foreign purchasers).

Payment terms at market related interests rates for facilities denominated in US Dollar or Rand.

1.10.4 Contact Details

International Finance Department

IDC Call Centre: 086 069-3888

Telephone Number: (011) 269-3273

Website: www.idc.co.za

CHAPTER 2

THE NEW AFRICA MINING FUND (NAMF)

2.1 Background

The New Africa Mining Fund (NAMF) is an investment platform that offers local and international investors an opportunity to participate in local mining projects. The Bakubung Initiative which is a forum for South African mining industry stakeholders to address industry issues initiated the NAMF. The NAMF is a Closed Fund with a ten-year term, the initial six years being the commitment period. It is intended that the Fund will raise a minimum of US\$50 million in capital commitments and thereafter, additional commitments will be accepted up to US\$175 million. Investors' committed funds will be accessed on a draw down basis. The Fund will focus on opportunities in South Africa in the first instance, and will then consider deserving projects in the broader focus of the African continent. The Fund is endorsed by the South African government, is supported by the South African mining industry and is managed by a team of mining experts. Decorum Capital Partners (Pty) Limited (Decorum) is the Fund Manager of the NAMF.

2.2 Objectives

- The principal objective of the Fund is to generate capital appreciation from profitable portfolio investments in junior mining projects with the aim of achieving a 20% return on investment over the investment period of the Fund.
- The Fund will promote economic empowerment initiatives in line with prevailing legislation. The Fund Manager's operations are supported by a mentoring structure that provides services that may be required by junior mining entrepreneurs.
- The Fund has been accepted as an important role player by the mining industry and it is anticipated that it will play a central role in eradicating barriers to the development of a vibrant junior mining sector.

2.3 Requirements

- Clients must have a sound knowledge of the mining Industry and the risks associated with it,
- Good geological information on the project
- Some expertise in the mining field, or access to sound mining experience through consultants or contractors
- Must participate in the financing of the project.

NAMF Board of Trustees is very particular that the entrepreneur accepts some of the project risk.

2.4 Strategy

- The strategy of the Fund is to invest in opportunities that have the potential to generate high value for investors, while satisfying the investment criteria of the Fund.
- The Fund will invest primarily in mineral resource projects at the feasibility stages, the resource definition, mine design and early production stages.
- The Fund will also invest in selected operative junior mining companies.

2.5 Strategic Relationship with NIB

Decorum has entered into an agreement with Nedcor Investment Bank [NIB] (part of the Nedcor banking group), whereby NIB holds 30% of the equity of Decorum Capital. NIB is a leading investment bank in Southern Africa with strong international ties and capabilities. The relationship with NIB offers the Decorum management team ready access to the wide range of skills, fund management expertise and resources of the Nedcor banking group.

2.6 Investment Criteria

- The Fund does not offer loan facilities for the new mining entrepreneur, as it wishes to participate in the value-add with an equity stake provides. The NAMF only take equity in the enterprises in which they invest.
- The Fund will not invest in a project for less than R10m, and the Trust Deed does not allow investment of more than R80, 00m in any one project.
- The Fund Manager will identify junior mining opportunities that satisfy the economic, social and environmental investment criteria, and recommend such projects for approval to the Investment Committee.
- Funds will only be drawn for investment in opportunities that have been approved by the Investment Committee.
- The Fund will always examine possible exit strategies from investments, so as to optimise returns to the investors.

2.7 Trustees

The Fund has secured the services of highly regarded industry leaders and professionals who will serve as the Board of Trustees (“the Board”). The Board will be responsible for all governance and policy issues of the Fund.

The Board is constituted and will operate in accordance with provisions of the Trust Deed. The Board will monitor operations of the Fund to ensure that the Fund Manager operates according to provisions of the Trust Charter.

Members of the Board of Trustees:

Name	Representation	Phone & Fax
Bridgette Radebe	Independent	T: (011) 880 0206 F: (011) 880 0207
Cobus Foster	Sanlam representative	T: (021) 950 2618 F: (021) 950 2552
De Wet Schutte	Harmony representative	T: (011) 684 0145 F: (011) 684 0188
Emile du Toit	DBSA representative	n/a
James Dowsley	Gold fields representative	T: (011) 644 2409 F: (011) 484 0550
Paul Johl	IDC representative	T: (011) 269 3274

N.M Ntsinde (Alternate)		F: (011) 269 3035 T: (011) 269 3035 F: (011) 269 3230
Phillip Condon Cassandra Colber (Alt.)	IFC representative	T: (011) 731 3031/3000 F: (011) 268 0074
Richard Linnell	Independent/trustee representative on IC	T: (011) 785 4510 F: (011) 807 6654
Simon Malone	Independent	T: (011) 880 3155 F: (011) 880 3322

2.8 Investment Committee

The Investment Committee will operate as a sub-committee of the Board, and will be responsible for making final decisions relating to portfolio investments and their realisation. The Investment Committee will be composed of at least two Trustees and any number of representatives of investors who have made capital commitments of at least US\$10 million.

Members of the Board of Investment Committee:

Name	Representation	Phone & Fax
Bobby Jurd (Chairman)	ABSA	T: (011) 350 4000
Hugo Smit	IDC representative	T: (011) 269 3731
Humphrey Mathe (Dr)	Independent	T: (011) 688 7660 F: (011) 836 5680
Keneiloe Mahafa	Independent	T: (011) 644 2413 F: (011) 484 2299
Pieter Kriel	Sanlam representative	T: (021) 950 2621
Richard Linnell	Independent/trustee representative on AC	T: (011) 785 4510
Stephen Arthur	Trustee representative	T: (011) 350 8367

2.9 Contact Details

Arthur B. Mashiatsidi

Neil Gardyen

Decorum Capital Partners (Pty) Limited

Postal Address: P.O. Box 411708, Craighall, 2024, South Africa

Telephone Numbers: (011) 380 3540

Facsimile: (011) 325 5512

CHAPTER 3

KHULA ENTERPRISE FINANCE LIMITED

(Empowering ideas, Empowering people)

3.1 Background

Khula Enterprise Finance Ltd was founded in 1996, as an independent agency of the Dept. of Trade and Industry in the form of a limited-liability company dedicated to improving access to finance for small, medium, and micro enterprises (SMMEs). Khula has been established to narrow the funding gap. The Retail Financial Intermediaries (RFIs) are banks, non-governmental organizations (NGOs), and provincial development corporations used for funds provision. Capitalized by grant funding from government, and overseas and local donors, Khula has developed a portfolio of products designed to assist RFIs in creating sustainable SMMEs.

3.2 Vision

To become a financing partner of first choice in SMME finance.

3.3 Mission

To promote sustainable access to loans and equity by SMME's through an effective network of intermediaries by offering a range of financial resources and information to the public, as well as business premises facilities.

3.4 Strategies

- Khula does not lend directly to the SMME applicants, but aids the growing network of outlets, which fall within a category of business called Retail Financial Intermediaries (RFIs) that deal with the public.
- Khula enables the applicant to qualify for business finance where there is insufficient or no security.

3.5 Financing Operations

3.5.1 Credit Guarantee Scheme

3.5.1.1 Individual Guarantee Scheme

The purpose of the individual guarantee scheme is to enable an entrepreneur to access funding from a participating bank or other financial institution. The scheme enables an entrepreneur to access funding for purposes of establishing, expanding or buying out an existing business, business assets and working capital. Facilities secured under the Khula guarantee scheme often include term loans, bank overdraft, revolving credit, installment sale, bank guarantees as well as construction performance guarantees. Credit assessment of all application is done by the bank itself. Upon satisfying itself that the application conforms to all its necessary lending requirements, the bank then approaches Khula for a guarantee, if and when it needs cover beyond that which the entrepreneur can provide.

Khula provides cover up to R1 million of the bank facility at 80%, with a 3% fee payable per annum in advance. The duration of the scheme is 36 months initially, but can be extended twice for periods of 12 months each time.

a) Criteria

- Applicant must be a South African Citizen.
- Applicant must be owner/manager of the business.
- Applicant must live within the borders of the Republic of South Africa.
- Applicant must provide at least 10% own contribution.
- Applicant must have the necessary skills and experience or access to such skills.
- The business must demonstrate financial viability.

b) Application procedure can be summarized as follows:

- Client prepares a business plan or may request help from the nearest **Thuso Mentorship Office**
- Client approaches his/her bank for finance.
- Bank then approaches Khula for a guarantee.
- Khula issues a guarantee to the bank.
- Bank releases funds to the client

c) List of Participating Banks in the Khula Credit Guarantee Scheme

- ABSA Bank Ltd
- First National Bank of South Africa Limited (FNB)
- Midlands Economic Equity Group (MEEG)
- Standard Bank of South Africa Limited
- Nedcor Bank Limited

3.5.1.2 Portfolio Guarantee Scheme

Through this facility, Khula can enter into partnership with an approved organisation, for example a retail financial intermediary ([RFI](#)), which lends to a specific targeted SMME market.

- Funds may be used to finance fixed assets and / or working capital.
- Sectors will include women, rural, disabled, the youth and other specific programmes such as emerging contractors, owner-drivers, taxi co-operatives etc.
- Khula will assume a risk of between 50-80%.

a) Structure

- Facility fee on 1% once off on the total facility.
- Utilisation fee of between 0.5% to 3% payable annually on outstanding balance.
- Appraisal fee if 0.5% non-refundable, payable upfront to a maximum of R10 000.
- Participation varies between 50-80% of the RFI's irrecoverable loss.
- Size of loan varies as per agreement with the RFI.
- Target market as per agreement.

b) Criteria

- Applicant must be a South African Citizen.
- Applicant must be owner/manager of the business.
- Applicant must live within the borders of the Republic of South Africa.
- Applicant must provide at least 10% own contribution.
- Applicant must have the necessary skills and experience or access to such skills.
- The business must demonstrate financial viability.

OR

- Due diligence by the Fund and Institution
- Agreements are signed with private enterprises where the objective is to provide credit facilities to the SMME in a specifically identified segment e.g. small contractors, etc.
- A criterion for the SMME applies as for individual guarantees.

c) Participating RFI's

- Unibank Limited / Awethu Brewery (Brewery Containers).
- Quatro Trading Company (Smartcard Trading).
- Emfin (Emerging Contractors).
- Sizabantu Guarantee Company (Initiative of the Bank Council loans range up to R50 000).

3.5.1.3 Institutional Guarantee Scheme

The purpose of the scheme is to cater for institutions that **on-lend** to the SMME market and are able to source such capital from the commercial banks. Agreements are signed between Khula and the commercial banks to enable utilisation of the scheme.

Finance has to be approved by the financial institution and would only apply to Khula for guarantee in a case where there is lack of collateral.

3.5.1.4 Qualifying criteria

- Retail financial institution on-lending to SMMEs.
- Business to be conducted within the Republic of South Africa, to South African citizens.
- Guarantees limited to 70% of the financing provided by the bank, such limit not to exceed 10% of Khula capital.

3.5.1.5 Contact Details

Postal Address: P O Box 28423, Sunnyside, 0132
Telephone: (012) 394 5560/5900
Fax Numbers: (012) 394 6560
E-mail Address: helpline@khula.org.za
Toll free number: 0800 118815
Website: <http://www.khula.org.za/>
For Advice: 0860 118815

3.5.2 Loans

3.5.2.1 KhulaStart Programme

The KhulaStart Programme is an intervention based on the United Nations model of micro credit to promote greater access to micro credit by rural communities. The programme provides financial support for the lower end of the micro enterprise sector. It targets historically disadvantaged communities particularly women in rural and peri-urban areas. At least 70% of the loans should be given to women.

a) **Where and who can establish a micro credit outlet?**

Micro Credit Outlets (MCOs) are established in rural and peri-rural areas where there is a need for micro credit to assist women in particular; to start or expand their own small businesses. A MCO is initiated through existing Non-Governmental Organisations (NGOs) or Community Based Organisations (CBOs). They are established as a separate function of the existing NGOs or CBOs for micro credit facilities.

b) **Criteria**

Organisations willing to assist in establishing MCOs must be based in rural or peri-rural urban areas and must have some links with the community as well as community leadership. The NGO or CBO should already be involved in some form of SMME support activity in the community such as business training and advice. There must be a need for an MCO in the community and there should not be another lending facility offering a similar product within close proximity to the area where the MCO will operate.

c) **How does KhulaStart provide loans?**

KhulaStart uses the group solidarity methodology (gives loans to groups - not individuals). Individuals select themselves into groups of 3 -10 members and need to meet the criteria established for group participation. Most importantly the group has to be a cohesive one. The loans are disbursed on an incremental basis from R300 - R3 500 per member within a group. The group decides, based on the activity of the individual businesses, how much each member has to receive, and will subsequently stand surety for the full amount owed by the group as a whole.

d) **What type of businesses can be financed with a KhulaStart loan?**

Micro loans can be used to start or expand any type of legal business activity. MCOs should encourage diversification of business activities in their area and to actively seek "non-traditional" business activities for women clients. There is a strong bias placed on small scale manufacturing, crafts and tourism.

e) Contact Details

Fax Numbers: (012) 394 6560
E-mail Address: helpline@khula.org.za
Toll free number: 0800 118815
Website: <http://www.khula.org.za/>

3.5.2.2 Khula Equity Funds

Khula seeks to invest in companies that promise high returns. The type of investment vehicle used differs from one business venture to another. Khula normally provides equity funding or a combination of equity and debt funding in the form of a shareholder's loan. In some instances, Khula may invest in pure equity in return for a shareholding or in a debt investment that can be converted into equity at the option of Khula.

Other commonly used vehicles are preference shares, redeemable debentures, and equity investments with warrants attached. At the end of the investment term, which is between three and seven years, Khula would want to "exit" the investment made by way of the sale of its shares to the promoter or to any other party. The fund targets viable businesses run and managed by people from previously disadvantaged communities. Funding may be for a transfer of ownership of existing businesses or the expansion or acquisition of an existing one.

The fund also considers investments in joint ventures and new businesses that offer substantial job creation prospects and a fair return on capital investment. Companies that may be considered for funding have to be growth oriented SMEs.

a) Investment Criteria

The following are broad investment criteria for the Fund:

- **Size of investment:** The investment made by Khula in any company will range from R250 000 to R2, 5 million.
- **Financial viability:** Investment projects must exhibit, through realistic projections, capital growth and an exit plan for Khula, as well as the potential for achieving an attractive rate of return.
- **Innovation:** The fund will tend to favour investment in businesses that have an innovative product or service.
- **Patient capital:** The fund seeks longer-term (3-7 years) investments.
- **Ownership:** Projects must be owned and managed by South African citizens and preferably with a significant BEE component.
- **Social benefits:** Projects must generally result in ownership residing in or transferring to members of previously disadvantaged communities.

- **Industry diversification:** The fund investments will cover a broad range of businesses in a variety of industries. However, as a risk management tool, no more than 20% of the funds will be invested in any one industry.
- **Board representation:** The fund will always require participation on the board.
- **Equity stake:** Investments typically result in the fund owning a 26% to 49% minority share position depending on the valuation of the company and the amount of capital sought.
- **Own Contribution:** The promoter is required to make a financial contribution to the project commensurate to its level of risk and his or her financial ability.

b) Contact Details

Postal Address: P O Box 28423, Sunnyside, 0132
Telephone: (012) 394 5560/5900
Fax Numbers: (012) 394 6560
E-mail Address: helpline@khula.org.za
Toll free number: 0800 118815
Website: <http://www.khula.org.za>

3.5.2.3 Loans to Financial Retail Intermediaries

Khula provides various types of loans and financial support to retail financial intermediaries (RFIs) which meet the minimum qualifying criteria outlined below. The loans are provided to enable the RFIs to lend to entrepreneurs for business purposes. Entrepreneurs approach RFIs directly and not Khula. Only companies that are existing RFIs, or intend becoming RFIs, are eligible to access these products.

a) Types of financial support

Pioneer Loans

Pioneer loans are granted to RFIs that have no experience in lending activities. The loan is interest free.

Capitalisation Loans

Capitalisation loans are granted to RFIs that have graduated from the pioneer stage or to RFIs that have demonstrated success on their own, the loan attracts an interest rate of 5% per annum.

Business Loans

Business Loans are granted to RFIs that have graduated from the Capitalisation loans. The loan attracts an interest rate of prime minus 3% depending on the profile of the RFI.

Seed Loans

Seed loans are provided to RFIs to support their lending activities. These loans are interest free and may be used to fund operational expenses. A further benefit is that these loans may be converted to a grant if the RFI achieves pre-agreed performance targets.

Capacity Building

This grant funding is provided to RFIs that have qualified for assistance from Khula. The grants are used for human resource development, like the training and debtor's management system, loan/business development officers, development of debtors, and management system. The funds can also be used for the research, training for board members and management information system implementation. These grants must be utilised in compliance with Khula's procurement policy.

b) Contact Details

Postal Address: P O Box 28423, Sunnyside, 0132

Telephone: (012) 394 5560/5900

Fax Numbers: (012) 394 6560

E-mail Address: helpline@khula.org.za

Toll free number: 0800 118815

Website: <http://www.khula.org.za>

c) List of Retail Financial Intermediaries (RFI)

NAME OF RFI	TELEPHONE NUMBER	CRITERIA	LOAN AMOUNTS	LOCATION
GAUTENG PROVINCE				
Nicro Enterprise Finance	(011) 3393177/8	Individuals including ex-offenders	R 750 R 10 000	Johannesburg
Basani Business Development Services	(011) 3333831 (011) 3360047	Individuals with existing businesses for more than 6 months. No working capital provided.	R 6000 R 100 000	Johannesburg
Khethani Business Finance	(011) 781 7224	Head office		Randburg
Khethani Business Finance	(011) 832 3222	Individuals with existing businesses for more than 2 years	R 6 000 - R250 000	Johannesburg
Marang Financial Services	(012) 320-1745	Head office		Pretoria
Marang Financial Services	(012) 804-0248/0819	Solidarity Groups	R 500 R 3000 per person	Mamelodi/Silverton
Marang Financial Services	(016) 4222003	Solidarity Groups	R 500 R 3000 per person	Vereeniging/Evaton
Artpac Lending Services	(011) 8385137 /3895/3730	Construction and related industries	Up to R100 000	Johannesburg
NORTH WEST				
Ikusasa Empowerment Trust	(018) 462 5096	Individuals	R1 000 - R10 000	Klerksdorp
WESTERN CAPE				
Khethani Business Finance	(021) 6837656	Individuals with existing businesses for more than 2 years	R6 000 R250 000	Claremont

Nicro Enterprise Finance	(021) 462 0017	Head Office		Cape Town
Nicro Enterprise Finance	(021) 374 9521	Individuals including ex-offenders	Up to R10 000	Mitchell's Plain
Isibane Capital Partners	(021) 510 0382	Construction and related industries	Up to R225 000	Maitland

EASTERN CAPE

Business Finance Promotion Agency	(041) 4870190	Individuals with existing businesses	R5 000 R100 000	Port Elizabeth
Marang Financial Services	(039) 7374974	Solidarity Groups	R 500 R 3000 per person	Matatiele
Marang Financial Services	(039) 255-0685	Solidarity Groups	R 500 R 3000 per person	Mount Frere
Marang Financial Services	(047) 5323929	Solidarity Groups	R 500 - R 3000 per person	Umtata
Marang Financial Services	(039) 253-1804	Solidarity Groups	R 500 R 3000 per person	Lusikisiki

MPUMALANGA

Marang Financial Services	(013) 7551807	Solidarity Groups	R 500 R 3000 per person	Nelspruit
Marang Financial Services	(082)6749476	Solidarity Groups	R 500 R 3000 per person	Bushbuckridge
Marang Financial Services	(013) 790-1763	Solidarity Groups	R 500 R 3000 per person	Komatipoort/Malelane
Marang Financial Services	(017) 8831934	Solidarity Groups	R 500 R 3000 per person	Elukwatini
Marang Financial Services	(013) 737 6723	Solidarity Groups	R 500 – R3 000 per person	Hazyview
Beehive Entrepreneurial Development Centre	(013) 2351695	Individuals and Groups	R 800 R10 000	Lydenburg
Beehive Entrepreneurial Development Centre	(013) 656 0840	Individuals and Groups	R 800 R10 000	Witbank
Beehive Entrepreneurial Development Centre	072 632 6041	Individuals and Groups	R 800 R10 000	Carolina

LIMPOPO PROVINCE

Small Enterprise Foundation (SEF)	(015) 307-5837/5418	Solidarity groups	R500 R10 000 per person	Tzaneen
Marang Financial Services	(013) 262-3242	Solidarity groups	R 500 R 3000 per person	Groblersdaal
Marang Financial Services	(015) 291-4830	Solidarity groups	R 500 R 3000 per person	Pietersburg
Marang Financial Services	(013) 795-5343	Solidarity groups	R 500 R 3000	Acornhoek
Marang Financial Services	(015) 307-5753	Solidarity groups	R 500 - R 3000	Tzaneen

NORTHERN CAPE

FREE STATE

Retmil Financial Services	(051) 448-8954	Startup and existing businesses	R50 000 - R250 000	Bloemfontein
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KWAZULU NATAL

Ithala Development Finance Corporation	(031) 907-8784	Individuals	Up to R 2 000 000	Umlazi
Ithala Development Finance Corporation	(031) 309 1073	Individuals	Up to R 2 000 000	Umgeni/Greyville
Ithala Development Finance Corporation	(039) 682 3254	Individuals	Up to R 2 000 000	Port Shepstone
Ithala Development Finance Corporation	(035) 794 2301	Individuals	Up to R 2 000 000	Ngwelezane/Empangeni
Ithala Development Finance Corporation	(033) 345 8351	Individuals	Up to R 2 000 000	Pietermaritzburg
Ithala Development Finance Corporation	(036) 367 8410	Individuals	Up to R 2 000 000	Ladysmith
Khethani Business Finance	(031) 261-6657	Individuals with existing businesses for more than 2 years	R6000 - R250 000	Durban
Marang Financial Services	(031) 3012295	Solidarity Groups	R 500 - R 3000 per person	Durban
Marang Financial Services	(033) 7011486	Solidarity Groups	R 500 - R 3000 per person	Underberg
Marang Financial Services	(033)394 1655	Solidarity groups	R 500 - R 3000 per person	Pietermaritzburg
Marang Financial Services	(035) 792-1756	Solidarity groups	R 500 - R 3000 per person	Empangeni
Marang Financial Services	(035) 831 0800	Solidarity groups	R 500 - R 3000 per person	Nongoma

CHAPTER 4

ANGLO KHULA MINING FUND

4.1 Fund Profile

The Anglo/Khula Mining Fund (“the Fund”) is a joint initiative between Anglo American Corporation of South Africa Limited (“Anglo”) and the Khula Enterprises, a DTI initiative. The fund will focus mainly on investing and adding value to viable small and medium sized black owned and black empowered businesses, involved in small scale mining and related activities in South Africa.

For the purposes of the fund, a black owned company is defined as a company that is at least 50.1% owned and managed by black people and a black empowered company is one that is at least 25.1% owned and managed by black people.

4.2 Fund’s Investment Guidelines

- Individual investments by the fund will range from a minimum of R1m and a maximum of R5m and shall only be applied for the acquisition of plant and equipment and the funding of working capital requirements;
- If the Fund acquires an equity stake in the investee company, such equity stake will not exceed 49% of the issued share capital of the investee company;
- As far as possible, the Fund will target investments that will be co-funded with Anglo or one of its subsidiaries; and
- Investments that demonstrate substantial job creation will be favorably considered particularly where empowerment instruments or structures are established during the life of the investment with conclusion at exit. These instruments may inter alia include management buy-outs, buy-ins and transition of ownership.

4.3 Compulsory Investment Criteria

The following criteria are compulsory requirements for a successful application:

Investment to include mining and mining contractors

- The owners of the investee company must be involved on a permanent basis, in the day-to-day management and operations of the investee company;
- The owners of the investee company must contribute to the investee company from their own resources to ensure commitment and risk sharing;
- The project must indicate a real internal rate of return of at least 15% (net of management fees charged by the Fund);
- The investee company shall comply with all necessary legal requirements as well as Anglo’ standards and procedures regarding environmental and safety policies; and
- Deal flow of the investee company should emanate primarily from contracts between the investee company and Anglo and its subsidiaries.

4.4 Application Format

All applications to the Anglo/Khula Mining Fund (“the Fund”) must be presented in the form of a formal business plan, containing the following information:

- Reserve statement signed by a qualified geologist;
- Details of the proposed drilling program to upgrade the reserve classification to proven and probable status if applicable;
- Detailed mine plan, signed by a qualified mining engineer;
- An assessment of the environmental impact of the proposed operations;
- Detailed processing plan signed off by an engineer/metallurgist specialising in the appropriate mineral;
- A detailed marketing plan supported by either sufficient market research or agreements with agents/off-take agreements with clients;
- Details of the management team, including CV’s indicating the qualifications of the individuals involved;
- A detailed financial model reflecting the mine, processing and marketing plan on a monthly basis for the first three years of operations and annual cash flows for the life of the operations, inclusive of:
 - major economic assumptions;
 - price assumptions;
 - identification of major cost drivers;
 - environmental liability provision;
 - tax calculations, including Secondary Tax on Companies;
 - working capital movements; and
 - financing assumptions;
- Strategic plan of the company, including a proposed exit strategy for the Fund and future fund raising ideas; and
- Details regarding the corporate structure of the company.

4.5 Administrative Matters

- Applications to the fund must be submitted in the format outlined in 2 above;
- A financial and technical due diligence will be conducted in respect of the investee company and its business prior to an investment being made; and
- The Fund will be represented on the Board of the investee company subsequent to the investment.

Member of the board of Trustees:

Name	Phone Numbers
Mr AH Calver Chairperson	(011) 638 3115
Mr XGS Sithole	(011) 394 5560
Mr D Masile	(011) 477 0904
Mr GK Maud	(011) 638 2160
Mr MH Rogers (Alt. to Mr Maud)	(011) 373 6897
Mr S Luthuli (Atl. to Mr Sithole)	(012) 394 5560

4.6 Contact Details

Mr George Serobatse

Fund Manager

4th Floor

44 Main Str,
Johannesburg

2001

Postal Address:

Telephone:

Fax Number:

E-mail

Website:

P.O. Box 61587, Marshall Town, 2107

+27 (011) 638 4509

+27 (011) 638 8637

gserobatse@angloamerican.co.za

www.zimele.co.za

CHAPTER 5

DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)

5.1 Background

Development Bank of Southern Africa (DBSA): DBSA was originally formed in 1983 by the South African Government to fund development projects in the formerly "Independent" Black Homelands of Transkei, Ciskei, Venda, and Bophuthatswana. Today DBSA is expected to play a major role in mobilizing and providing loan finance and technical assistance for major development projects in South Africa and in neighboring Southern African countries. DBSA membership is open to any country in Southern Africa. It functions as a "banker's" bank, providing soft loans to governments, local authorities, development corporations, and non-governmental organizations, which in turn make loans to individuals in bank-approved projects. DBSA's financial resources include share capital contributions from its members and loans obtained from financial markets. Grant aid from the South African Government comprises an important source of DBSA's funding.

5.2 Vision

DBSA's vision is the progressive realisation of an empowered and integrated region, free of poverty, inequity and dependency. The DBSA seeks to be a leading change agent for sustainable socio-economic development in the SADC region, and a strategic partner in Africa south of the Sahara.

5.3 Mission

To contribute to development by mobilising and providing finance and expertise, and by establishing partnerships to develop infrastructure to improve the quality of life of the people of southern Africa.

5.4 Investment Focus

- Regional infrastructure
- Municipal infrastructure
- Rural infrastructure
- Social infrastructure
- Eco-tourism infrastructure
- Enterprise infrastructure
- Institutional infrastructure

5.5 The Bank's Financing Role

DBSA's financing role entails the provision of a range of financial products to private and public sector organizations. Where the bank's financial products are not necessary to finance the project efficiently, the bank will not consider a financing

role. The bank's role will be determined primarily by the need to play a catalytic role in leveraging private sector investment for infrastructure projects.

The financial instruments that the bank can make available include:

- Loan finance
- Equity investments
- Guarantees
- Refinancing commitments
- Preparation assistance loans to public sector clients

5.6 Financing Criteria

Below is an indicative list of the kind of project documentation DBSA needs in order to carry on with an application on a project finance deal. Of course, these requirements may vary, depending on the size of the project, its nature, domain, etc. In general, a 'project information memorandum' (PIM), prepared by the sponsors or their advisors, provides a synthesis of this documentation.

5.6.1 Financial Structure

- Main players (financier's involved, financial advisor, arranger, etc.)
- Business plan (objectives, resources used, roll-out period, main milestones)
- Project costs (pre-operating, capex, opex, etc.)
- Funding structure (equity, debt, cash generated from operations, etc.)
- Main financial agreements (e.g. sponsors support agreement)
- Financial model, including electronic version (e.g. Sheets for main results, assumptions, market, cash-flows, funding, tax, profit and loss, balance sheet)
- Security analysis
- Securities (performance bonds, assets, guarantees, advance payments, etc.)
- Distribution regime (concession fees, royalties, dividend, repatriation of capital, etc.)

5.6.2 Contractual Structure

- Concession, lease or built-operate-transfer (BOT) agreement, Government licences or right to operate (if applicable).
- Constitutive documents of the project company.
- Main operating agreements (management, contractors, procurement, off-take, maintenance, etc.)
- Government role and impact on the company (approvals, regulations, etc.)

5.6.3 Market

- Market study (e.g. product, value added, competition, market shares, prices, etc.)
- Volume and tariff data (existing, if applicable, and assumed values used in projections)
- Marketing strategy (objectives, market segments, pricing, promotion campaign, etc.)

5.6.4 Operational and Technical Issues

- Preparatory studies and surveys
- Main design aspects (process, patents, maps, plans, etc.)
- Organisation of operations
- Environmental impact study (and management plan)
- Land regime (titles, etc.)

5.6.5 Economic and Development Issues

- Socio-economic assessment (cost-benefit analysis of the project)
- Empowerment and small/medium/micro enterprises programme for capacity building and transfer of skills to the community.

5.7 Contact Details

Development Bank of Southern Africa
1258 Lever Road
Headway Hill
MidRand

Postal Address: Halfway House, P.O. Box 1234, Midrand, 1685
Telephone: +27 (011) 313-3911
Fax Number: +27 (011) 318-3086
Website: www.dbsa.org.za

CHAPTER 6

National Empowerment Fund (N.E.F)

(Delivering support to black entrepreneurs, communities and individuals)

6.1 Background

The NEF's is a DTI initiative in 2004 to support the BEE Act 53 of 2003, the South African Government's Broad Based BEE Strategies and related scorecard. The Group and Entrepreneurial Scheme Division of the NEF aim to deliver support to entrepreneurs in the small and medium-sized enterprise sector and to foster business development. In addition, it provides capital to assist in the development of community and rural projects. Furthermore it seeks to promote a culture of equity investment and savings among Historically Disadvantaged Persons (Hips) through various programmes.

6.2 Qualifying criteria for products

- **Generator:** For the creation of start-up businesses that require funding from R250 000 to R1 million.
- **Accelerator:** For the development and expansion of existing business requiring funding from R1 million to R3 million
- **Transformer:** To facilitate transformation of existing enterprises, decision-making and control levels. Funding ranges from R3 million to R10 million.

6.3 How do you apply for funding?

- Determine the funding requirements of the business and indicate the nature of the transaction to be concluded (start-up, expansion or buy in buy out)
- The investment transaction must comply with the eligibility criteria, if you are not eligible **do not apply**
- The investment transaction must qualify under the Entrepreneur Support product criteria
- Submit a summary application for funding
- Submit a comprehensive application for funding
- Meet with an NEF transaction executive

6.4 Company Business Plan (proposed minimum contents)

6.4.1 Executive Summary

Insightful overview of the Plan

6.4.2. History and Background of the Entity

- Prior year financial statement (3-5 years)
- Recent Management Accounts

6.4.3. Product Idea or Service

- Specific of Product / Service
- Benefits of Product / Service
- Unique selling proposition
- Output capacity and details on fixed assets involved in production
- Empowerment considerations

6.4.4 Management Team

- Detailed CV's
- Key members of the business and responsibilities and contract period
- Complementary skills
- Incentivisation and retention of team
- Statement of personal assets and liabilities of Applicant(s)
- Staff Organogram
- Employment equity considerations

6.4.5 Marketing

- Market analysis (size and growth)
- Target Market
- Competition and competitive analysis
- Marketing Strategy to realize objectives

6.4.6 Business System and Organisation

- Process of putting together and managing the activities and people to deliver the product to your consumers
- Organisational Chart
- Accounting systems and control features (debtors, creditors, bank acc. Etc.)

6.4.7 Realisation and Roll out Schedule

- Funding required and basis of utilization
- Important milestone in the development of the business
- When must these milestones be reached?
- Assumptions used in the business plan

6.4.8 Risks

- Identify and assess the risk the business might face
- How will these risks be dealt with and impact minimized?
- A proper SWOT analysis

6.4.9 Financial Projections

- State assumptions used in projection
- Revenue Model
- Income Statement
- Balance Sheet
- Cash Flow Statement
- Financial projections to have the ability for scenario testing with
- clear key value drivers/variables
- By altering variables, three scenario: Base, Best; Worse
- Break-even analysis
- Specify drivers for investors expect?
- What returns (IRR) can investors expect?
- How will investors realize their profits?
- Size of Capital required?

6.4.10 Valuation

- Directors valuation
- Basis of valuation

6.4.11 An Exit Strategy

- For private investors / management

6.5 Contact Details

Mr Thabang Lentsoalo

National Empowerment Fund
West Block
187 Rivonia Road
Morningside
Johannesburg
2057

Postal Address: Melrose Arch, P.O. Box 31, Melrose North, 2076
Telephone: +27 (011) 305-8118
Fax Number: +27 (011) 305-8001
Website: www.nefcorp.co.za

CHAPTER 7

7.1 COMMERCIAL BANKS

7.1.1 Background

All major South African Banks have different products to finance SMMEs. Banks normally prefer existing businesses as compared to Start-ups. Interest depends on the risk profile of the client.

7.1.2 Target Group

Any business.

7.1.3 Loan Amount

- R60 000 to R100 million
- When advancing loans, the financier might require to take up a percentage of equity in the business.

7.1.4 Requirements

- Banks require that securities provided cover the amount of the loan applied for.
- Business plan
- Stringent assessment criteria
- Good credit rating

7.1.5 Contact Details

Access bank **websites** to find out about their products and services: ABSA, First National Bank, Investec Bank, NBS Bank, Nedbank, Nedcor Group, Rand Merchant Bank, Standard Bank and Wesbank.

7.2 Eccles Associates, Inc

7.2.1 Background

Eccles Associates (EA) is a corporate finance and financial advisory firm headquartered in New York. In South Africa the firm specializes in providing financial structures for small and medium sized business. An initial amount of US\$25 million (R250 million) has been allocated to the Supplier Finance Solution (SFS) program. The SFS program is ideal for suppliers that are confronting cash flow constraints when implementing large orders presented by large companies and/or parastatal contracts. They work with the SME's to structure the correct financing terms based on the cash flows of the company.

7.2.2 Financing Products

- Asset Based Finance
- Advances
- Pre-Delivery and Order Finance
- Debtor Financing
- Overdraft Lines

7.2.3 Target Group

Short-term Working Capital Funding

- Existing, and viable, Small and Medium Enterprises

Long-term funding – Debt and Equity

- Early stage, Replacement capital, Refinancing and venture capital

7.2.4 Loan Amount

- R1 million upwards (Short-term Working Capital Funding)
- R10 million upwards (Long-term funding – Debt and Equity)

7.2.5 Requirements

Short-term Working Capital Funding

- Minimum Turnover: R3 – R5 million
- Minimum number of years in business: 1 – 3 years
- Profitable: Net profit before tax plus depreciation is positive on most recent available financial statement

Long-term funding – Debt and Equity

- Criteria depends on the funding opportunity
- Business plan
- Asset base of above R1 million

7.2.6 Contact Details

Steven Weddle – Director

Freddie Du Plessis – Associate

Michael Parr – Associate

Telephone Number: +27 11 881-5923

Facsimile: +27 11881-5846

E-mail: corporatefinance@eccles.co.za

Website: <http://www.eccles.com/>

CHAPTER 8

ZIMELE INVESTMENTS (PTY) LTD

8.1 Background

Zimele Investments (Pty) Limited is an enterprise development and an empowerment initiative of Anglo America. In line with Anglo American's commitment to South Africa's socio-economic growth, Zimele concentrates on the establishment and promotion of small and medium enterprises (SMEs). Zimele, derived from Zulu and Xhosa meaning, "to be independent", invests in the enterprises through its investment fund and holds minority stakes of up to 20%.

8.2 Target Group

Small to medium sized business with Black shareholding. It is located nationally.

8.3 Loan Amount

Equity financing up to R1,5 million

8.4 Criteria for Evaluation

- No cash based businesses
- Extremely commercially viable business
- There must be a transfer of technical and business skills to the entrepreneurs
- The project must create sustainable wealth for its participants
- The equity partners must contribute financially from their personal resources to the project
- The owners (including the black empowerment partners) must be managers of the business
- The business must be registered as a (Pty) Ltd and as such must have an appointed auditor
- The project must have the scope to grow and expand beyond Anglo American Group markets

8.5 Contact Details

Ms Natasha Hiralal

Telephone Number: (011) 638-4170

Facsimile: (011) 638-5321

E-mail: nhiralal@angloamerican.co.za

CHAPTER 9

PROVINCIAL INSTITUTIONS

9.1 Eastern Cape Development Corporation (ECDC)

9.1.1 Background

The Eastern Cape provincial government attempts to alleviate the unemployment rate in the province by establishing Eastern Cape Development Corporation (ECDC). There are four branches existing in the Eastern Cape Province.

9.1.2 Target Group

Eastern Cape Citizens

9.1.3 Loan Amount

- R600 000 to R3 million
- Repayment conditions are between 12 months to 5 years.
- Interest charged depends on the type of business.

9.1.4 Requirements

- Business plan
- Viable businesses of any type.

9.1.5 Contact Details

Telephone Numbers:

Port Elizabeth: (041) 586-4029

East London: (043) 704-5600

Queenstown: (045) 838-3611

Umtata: (047) 501-2200

Head Office

Ocean Terrace Park

Moore Street

Quigney

East London

Tel: (043) 704 5600

Fax: (043) 704 5700

Postal Address: P O Box 11197, Southernwood, 5213

9.2 Free State Development Corporation (FDC)

9.2.1 Mandate Statement

- To establish and develop sustainable SMME's in the Free State Province by providing both financial and non financial services.

9.2.2 Vision

- The SMME provincial development agency of choice.

9.2.3 Mission

- To provide financial and business development services that result in the establishment of sustainable SMME's for economic growth and development in the Free State Province.

9.2.4 Target Group

- Small Micro & Medium Enterprises.
- Target sectors
 - Tourism.
 - Agro-processing.
 - Mineral beneficiation.
 - Chemical down streaming.

9.2.5 Loan Amount

- R 5 000 to R10 million.

9.2.6 Requirements

- Comprehensive and viable business plan.
- Minimum 65% security covers on the loan.
- Project must be in the Free State Province.

9.2.7 Contact Details

Mr Ross Mutchinya

Tel: (051) 400 0800

Fax: (051) 447 2313

e-mail: fdccorp@fdc.co.za

Website: www.fdc.co.za

Postal Address: P.O. Box 989, Bloemfontein, 9301

9.3 Basani Business Development Services

9.3.1 Background

This is a credit-lending institution for small and medium sized businesses. They assist existing business entities that have a minimum of six months in operation. This is a Khula Retail Financial Intermediary (RFI), and supports strong poverty alleviation projects. The institution is located in the Gauteng Province.

9.3.2 Target Group

Existing businesses only (6 months at least)

9.3.3 Loan Amount

- R6000 to R600 000
- Repayment conditions depends on the loan amount
- Interest rate at 28% per year on a reducing balance method (prime Linked)

9.3.4 Requirements

- South African ID document
- Financial statements for previous year
- Business plan
- Cash flow projection
- Certificate of registration (where possible)
- Security (title deed/policy)

9.3.5 Contact Details

Sandile Zwane

Telephone Number: (011) 838 6158

Facsimile: (011) 838 6169

9.4 Ithala Development Finance Corporation

9.4.1 Background

Ithala is a development corporation for KwaZulu-Natal (KZN). All loans must have a development or empowerment impact aspect to it.

9.4.2 Target Group

KZN small businesses in manufacturing, commerce, tourism and emerging building contractors.

9.4.3 Loan Amount

- Micro loans: R500 – R100 000
- Small loans: up to R1.5 million
- Medium loans: up to R5 million
- Repayment conditions are based on the life expectancy of the item financed, e.g. equipment.

9.4.4 Requirements

- Business plan
- Business must be viable
- Owner's contribution from 25% to 35% of the loan amount

9.4.5 Contact Details

Mr Thulani Mashita

Tel: (031) 309 1073

Fax: (031) 309 1086

Cnr Kolling and Umgeni road

Postal Address: P.O. Box 47662, Greyville, 4023

9.5 Mpumalanga Economic Empowerment Corporation (MEEC)

9.5.1 Background

Mpumalanga Economic Empowerment Corporation (M.E.E.C.), formerly the Mpumalanga Development Corporation was created by the Mpumalanga Provincial Government for the main purpose of SMME development in that province. The Head office is located in Ekandustria 15km from Bronkhorstspuit. The Corporation has branches in Hazyview and Secunda. It offers a wide range of products, but the core business of the corporation is SMME financing.

9.5.2 Target Group

Any start-up or existing SMMEs.

9.5.3 Loan Amount

R15 000 to R1.5 million.

9.5.4 Requirements

- South African Citizenship
- Minimum 10% own contribution in cash and/or assets
- The applicant must offer security for the loan
- Detailed business plan approved by the MEEC

9.5.5 Contact Details

Keabetswe Tshukudu

Telephone Number: (013) 752-2466

Fax Number: (013) 755-1756

Mail: P.O. Box 1300, Ekandustria, 1020

Website: meec.co.za

e-mail: keatsh@meec.co.za

CHAPTER 10

DEPARTMENT OF TRADE AND INDUSTRY (DTI) – INCENTIVE SCHEMES

10.1 Vision

The DTI's primary role is to facilitate access to sustainable economic activity and employment for all South Africans.

10.2 Objectives of DTI

The processes to achieve this vision involve these key objectives:

- Attracting higher levels of domestic and foreign investment.
- Increasing market to access foreign investment.
- Achieving a fair, efficient and competitive market place for domestic and foreign businesses and consumers.

10.3 Outcomes of DTI

These processes must lead to specific outcomes of which the most important are:

- Promotion of the development of Small, Medium, and Micro Enterprises (SMMEs).
- Increasing opportunity for Black Economic Empowerment.
- Reducing inequality and poverty.
- Strengthening of the international competitiveness of South Africa business.
- Developing the SADC region.
- Servicing the economic citizen.

10.4 Financing Operations

10.4.1 Emerging Entrepreneur Scheme

10.4.1.1 Objective

To increase access of finance for SMMEs through banks

10.4.1.2 Access Criteria

Accessible to independently owned SMMEs, with assets of less than R2 million before financing. SMMEs must meet the bank's normal lending criteria

10.4.1.3 Description

To enable an entrepreneur to access funding from his/her bankers for the establishment, expansion or acquisition of a new or existing business. The maximum indemnity is 60-70% and the maximum facility is R75 000.

10.4.1.4 Contact Details

Telephone Number: (012) 394 5560
Facsimile: (012) 394 6560
Website: www.khula.org.za

10.4.2 Skills Support Programme (SSP)

10.4.2.1 Objective

To encourage greater investment in training, improve industrial training systems, create opportunities for introduction of new advanced skills in RSA and facilitates employment promotion.

10.4.2.2 Access Criteria

Available countrywide to local and foreign firms for training grants under the Skills Support.

10.4.2.3 Description

A cash grant for skills development to enable investors and large expansions to prepare their work force.

The following ceiling will apply:

50% of training costs will be subsidized, with a ceiling of 30% of actual costs.

10.4.2.4 Contact Details

Contact Person	Andre Potgieter, Francois Truter, Patric Khumalo
Telephone Number	0861 843 384
Email Address:	<u>enterprise@dti.pwv.gov.za</u>

10.4.3 Small and Medium Enterprise Development Programme

10.4.3.1 Objective

To create wealth, generate employment, develop entrepreneurship, promote empowerment, utilise local raw material, ensure sustainability of projects receiving incentives in the long run, reduce investment lost for small and medium investors.

10.4.3.2 Access Criteria

Available countrywide to local and foreign firms investing not more than R100 million in land, buildings, plant and equipment in new projects or expansion of existing projects.

Legal entities as well as sole proprietors and partnerships (excluding Trusts) engaged in qualifying manufacturing, high value agricultural projects and agro-processing, aqua culture, bio-technology, tourism information and communication technology investments, recycling, culture industry and business service may apply.

10.4.3.3 Description

The incentive package provides for:

An investment grant for two years on approved qualifying assets calculated as follows:

- First R5m investment - 10% pa
- Next R10m investment - 6% pa
- Next R15m investment - 4% pa
- Next R20m investment - 3% pa
- Next R25m investment - 2% pa
- Next R25m investment - 1% pa

An additional investment payable in the third year based on the ratio of Human Resource remuneration expressed in terms of manufacturing cost must be a minimum of 30%.

The incentives are tax-exempted in terms of Act 10 (zH) of Income Tax Act No. 58 of 1982 as amended.

10.4.3.4 Contact Details

Please note that the SMEDP replaces the former SMMDP (Small Medium Manufacturing Development Programme)

For further information on SMEDP, please contact:
The Enterprise Organisation (TEO - a division of)
The Department of Trade and Industry
Private Bag X86
PRETORIA
0001
RSA

Telephone Number **0861 843 384**
E-mail Address: enterprise@dti.pwv.gov.za