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Trade and Industry

Aim

The aim of the Department of Trade and Industry is to lead and facilitate access to sustainable economic activity and employment for all South Africans through higher levels of investment and increased access for South African products in international markets. The Department also aims to create a fair, competitive and efficient marketplace in South Africa for domestic and foreign businesses and consumers, with particular reference to the global competitiveness of industry, small, medium and micro-enterprise development and economic empowerment.

Policy developments

The Department of Trade and Industry has continued its gradual policy shift, started in 1995, which seeks to enhance the capacity of enterprises to compete globally and in the domestic market. This policy shift saw the phasing out of demand side assistance schemes which tend to be price-distorting, such as the General Export Incentive Scheme (Geis), and the replacement thereof with schemes which improve enterprises' ability to produce high quality, competitively priced goods for the international and domestic markets. These schemes, such as the Competitiveness Fund and the Workplace Challenge, coupled with the carefully managed tariff liberalisation programme, have significantly improved the productivity and sustainability of South African enterprises in both global and domestic markets.

A key area of work for the Department in the coming financial year will be in the investment policy arena.

The Tax Holiday Scheme that became fully operational during 1997/98 encouraged labour-intensive investment in priority manufacturing sectors and production in specific regions. The Department terminated the tax holiday in September 1999 and expects to put a new investment incentive scheme in place during 2000. The scheme has been developed with the assistance of the Industrial Development Corporation and aims to attract foreign investment.

Franchising is viewed as an important supplement to the entrepreneurship development strategy. The Department has been working closely with the Franchise Association of South Africa to provide more information to the public about franchising. This involves the development of a strategy for supporting small business franchising, including both financial and non-financial support. A comprehensive discussion document on a proposed franchise support strategy was released by the Franchise Steering Committee in September 1999.

The Department is investigating the creation of a support mechanism to assist industries in complying with environmental requirements.

The Motor Industry Development Programme (MIDP) was subject to a mid-term review during 1999 with changes, including the extension of the programme, to be introduced during 2000. In anticipation of the changes, new foreign direct investment in the motor manufacturing sector was announced.

The Department, in collaboration with the Department of Transport and other key role players, intends to introduce the taxi scrapping allowance during 2000. The project aims to regulate the industry by, amongst other measures, paying an allowance to scrap taxi vehicles and replacing the current minibuses with 18 and 35-seat models.

Expenditure estimates

Table 32.1 Expenditure by programme

	Expenditure outcome			Revised estimate	Medium-term expenditure estimate		
R million	**1996/97**	**1997/98**	**1998/99**	**1999/00**	**2000/01**	**2001/02**	**2002/03**
Administration	41,9	62,0	60,9	100,0	86,4	86,4	86,4
Trade investment, entrepreneurial development	3 136,0	2 359,6	1 764,0	1 515,3	1 943,3	2 003,9	2 072,0
Trade policy and global repositioning	10,7	11,4	18,6	31,4	24,3	24,3	24,3
Business regulation and consumer services	43,2	37,0	65,4	148,0	144,6	144,6	144,6
Departmental vote [1]	**3 231,8**	**2 470,0**	**1 913,9**	**1 794,7**	**2 198,6**	**2 259,2**	**2 327,3**
Public works[2]	–	–	–	–	5,0	5,0	5,0
Total	**3 231,8**	**2 470,0**	**1 913,9**	**1 794,7**	**2 203,6**	**2 264,2**	**2 332,2**
Change to 1999 Budget estimate	–	–	–	**(270,2)**	(11,0)	(27,2)	–

[1] *Authorised losses of R5 million in 1998/99 included.*

[2] *Appropriated on Vote 26: Public Works.*

- The *Administration* programme's main function is to conduct the overall objectives of the department.
- The *Trade, investment, entrepreneurial development and promotion* programme is responsible for the development of sectoral policies and the promotion of trade and industrial activities.
- The *Trade policy and global repositioning* programme is responsible for promoting trade relations and policies and the overall global repositioning of the economy.
- *Business regulation and consumer services* promotes orderly and fair internal trade.

The programme structure of the Department of Trade and Industry changed from ten programmes in 1999/00 to four programmes in the 2000/01 budget period.

Table 32.2 Economic classification of expenditure

	Expenditure outcome			Revised estimate	Medium-term expenditure estimate		
R million	**1996/97**	**1997/98**	**1998/99**	**1999/00**	**2000/01**	**2001/02**	**2002/03**
Current							
Personnel	146,4	138,6	145,4	193,9	184,9	211,4	228,0
Transfer payments	2 952,2	2 081,5	1 605,9	1 363,1	1 827,3	1 887,9	1 956,0
Other	76,0	180,9	108,4	196,1	168,8	142,3	125,8
Capital							
Transfer payments	48,1	56,5	43,0	0,0	0,0	0,0	0,0
Acquisition of Capital assets	8,5	12,5	11,2	41,6	22,5	22,5	22,5
Total	**3 213,8**	**2 470,0**	**1 913,9**	**1 794,7**	**2 203,6**	**2 264,2**	**2 332,2**

The main cost driver is current transfer payments, which represent around 83 per cent of the total budget of the Department. Transfer payments decline from R2 952,2 million in 1996/97 to

R1 363,1 million in 1999/00 due to the phasing out of Geis. In 1999/00 R186 million was taken out of the Manufacturing development programme, but added back as from 2000/01. Transfer payments are budgeted to increase substantially over the MTEF period to R1 956,0 million in 2002/03.

Spending on personnel increases from R145,4 million in 1998/99 to R184,9 million in 2000/01, rising to R228 million in 2002/03. The restructuring of the Department has meant that more assistance is required in the executive management office.

Other current expenditure decreases from R196,1 million in 1999/00 to R125,8 million in 2002/03 due to funds shifted from professional services to personnel.

Under the acquisition of capital assets, an amount of R22,3 million additional to the budget for 1999/00 was approved for information technology equipment. The higher amount for capital assets is also included in the budget amounts for the rest of the MTEF period.

Programme 1: Administration

Table 32.3 Programme Expenditure

	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R million		**1999/00**		**2000/01**	**2001/02**	**2002/03**
1999 Budget	65,2	100,0	100,0	64,5	64,5	–
2000 Budget	–	–	–	**86,4**	**86,4**	**86,4**
Change to 1999 Budget estimate	–	34,8	34,8	21,9	21,9	–

The *Administration* programme is responsible for conducting the overall management of the department; coordinating research on policy issues; analysing and forecasting the South African economy and formulating industrial policy; rendering centralised administration, legal and office support services; and managing personnel financial administration.

The amount recommended for 1999/2000 was increased by R34,8 million in the adjustment estimates due to funds rolled over for year 2000 compliance. The baseline medium-term estimates increase by R22 million in 2000/01 and in 2001/02 to provide for additional personnel in the executive management office.

Programme 2: Trade, investment, entrepreneurial development

Table 32.4 Programme Expenditure

	Budget estimate	Adjusted appropriation	Revised estimate	Medium term expenditure estimate		
R million		**1999/00**		**2000/01**	**2001/02**	**2002/03**
1999 Budget	1 896,3	2 157,3	1 595,1	2 046,7	2 123,3	–
2000 Budget	–	–	–	**1 943,3**	**2 003,9**	**2072,0**
Change to 1999 Budget estimate	–	261,0	(301,2)	(103,4)	119,4	–

The *Trade, investment and entrepreneurial development* programme is responsible for the development and promotion of trade and industrial activities. Activities of this programme include investment support, industry development, technology development, transfer and promotion, the restructuring of domestic manufacturing, small business development and support, and trade stimulation and facilitation.

Spending by programme has been reclassified to correspond to the Department's revised programme structure. Programme 2 incorporates seven programmes from the previous structure. These include *Industrial sector strategy*, *Investment support*, *Small business promotion and development*, *Trade facilitation*, *Standards and industrial environment*, *Technology enhancement in industry* and the Fund for Research into Industrial Development, Growth and Equity component of *Policy analysis and research*. The amount allocated to this programme from 2000/01 is in accordance with actual spending on these activities in 1999/00. Certain incentive schemes were discontinued with a subsequent reduction in funds required during the phasing-out process. The amount budgeted for the MTEF period does however include funds for new initiatives such as the scrapping allowance in terms of the taxi re-capitalisation programme.

The new Trade, investment and entrepreneurial development and promotion programme consists of five subprogrammes:

- Investment support
- Industry development and promotion
- Technology enhancement in industry
- Entrepreneurial promotion and development
- Trade facilitation.

The three main activities within the subprogramme Industry development and promotion include:

- Sectoral industrial promotion through the implementation of strategies for key industries in each sector and the role of the Board on Tariffs and Trade
- Spatial development initiatives (SDIs)
- Promotion of industrial and environmental management in industry.

Outputs and service delivery trends

Table 32.5 Trade, investment, entrepreneurial development and promotion: Key activities and outputs

Key activities	Outputs
Support and promote global competitiveness and sustainable manufacturing activities	Tax Holiday Scheme
	Regional Industrial Development Programme
	Small Medium Manufacturing Development Programme
Formulation and implementation of strategies to develop different industries through a sectoral approach	Sectoral Partnership Fund
	Development of different industrial strategies
	Workplace Challenge programme
	Design and research to recapitalise the taxi industry
Investigation of custom tariffs and measures against unfair import competition	Tariff applications and investigations
	Import and export control
Support and promote economically viable structures in strategic areas where a major investment project is situated.	Identify investment projects such as Spatial Development Initiatives, Industrial Development Zones and development corridors
Support to SMMEs	Financial support through credit guarantees
	Access to technology
	Provide training
	Cluster studies
	Preferential procurement programme
Export development	Attract foreign direct investment
	Support for exhibitions and national pavilions
	Export credit reinsurance support for capital goods
	Establishment of export councils
	Improvement of market access through accreditation and standardisation

The Department supports investment and manufacturing activities through various funds and investment development programmes. Currently 174 projects are operating under the Tax Holiday Scheme with a total investment of R6,6 billion and potential job opportunities of about 15 000. 1 333 projects with a total investment of R20,6 billion are making use of funds provided for by the Regional Industrial Development Programme. The Small Medium Manufacturing Development Programme has supported 1 232 projects with R2,7 billion of investment.

The Sectoral Partnership Fund gives financial assistance to partnerships to support sustainable economic growth and job creation. For example, partnerships in the motor industry export market have led to substantial economic benefits for the industry. More than 40 different industrial strategies have been put in place. The Workplace Challenge programme has assisted in enhancing management and worker cooperation on the shop floor to increase competitiveness.

About 200 tariff applications are dealt with each year. During 1998/99, 80 investigations were conducted. 2 500 rebate permits were received for consideration during 1999/00, compared with 2 195 applications in the previous year. 17 anti-dumping investigations were initiated in 1999/00, six of which are now at an advanced stage.

Significant progress has been made with 23 industry strategies. 28 518 import and export control and rebate permits were issued. Furthermore, 120 duty credit certificates and 40 rebate certificates were issued.

During 1999, the South African Bureau of Standards developed 312 standards to improve market access, 231 of these are direct adoptions of international standards.

A technology transfer guarantee fund for small, medium and micro-enterprises is being negotiated with Khula, which assists SMMEs financially. If approved the fund will be launched during 2000.

The Export Marketing and Investment Assistance Scheme (EMIA) partially compensates exporters for certain costs incurred in respect of activities aimed at developing export markets for South

African markets. The scheme also aims to bolster foreign direct investment in South Africa. The scheme receives about 4 500 applications each year, 40 per cent of which yield no obvious results or returns for the country. Outputs however include entrepreneurial skills development and empowerment. Most applications are received from start-up companies and from previously disadvantaged groups**.**

The Motor Industry Development Plan (MIDP) was introduced in 1995 to provide some protection to the motor industry and enable it to meet the requirements of world-class competition. The MIDP allowed for a progressive reduction in import tariffs and the introduction of a system which allows manufacturers to rebate import duties by using credits earned on the local content value of component and vehicle exports, thereby encouraging export trade. Outputs include a higher contribution to economic development through increased production of motor vehicles and components, an improved sectoral trade balance and the creation of sustainable employment. The South African motor industry, which is labour intensive by world standards, has now increased its exports of motor vehicles and components to become the country's third largest export, after gold and diamonds.

Policy developments

The Environmental Support Fund (ESF) will focus on assisting industries in complying with environmental legislation. It is to render support through multilateral agreements and incentives in order to limit potential damage to the environment and to sustain economic growth.

The Department embarked on a quality development programme for the small, medium and micro-enterprises (SMME) sector:

- In partnership with the South African Excellence Foundation, the Department developed an excellence model specifically for the SMME sector. The model follows a holistic approach to quality and focuses on critical factors for successful businesses.
- A quality infrastructure initiative was launched with Ntsika. The programme will assist the SMME sector to adopt product and service standards that will raise the quality of their products and allow them to gain a foothold in export markets.
- The Environmental Support Fund is also designed to assist SMMEs in the manufacturing sector to adopt cleaner production methods and technologies to minimise pollution.

The Department of Trade and Industry supported the following activities:

- The South African Bureau of Standards (SABS) is aligning South African standards with international and South African Development Community (SADC) standards. This will enable exporters to design and test their products locally, in compliance with world standards.
- In October 1999, the National Metrology Laboratory signed a Mutual Recognition Agreement between member countries of the Metre Convention Treaty. This agreement, signed by 40 countries, will enable South Africa and eventually SADC to demonstrate the equivalence of our measurement system to those of our trading partners.

The South African National Accreditation System (Sanas) was audited by the European Accreditation to assure them that Sanas is deserving of their Mutual Recognition Agreement. South African products which received product certificates issued by Sanas will not have to be retested in Europe.

Programme 2 is to provide for a scrapping allowance to taxi operators as an incentive to surrender and scrap their current vehicles and either purchase new purpose-built vehicles, or exit from the industry. Motor vehicle assemblers will be contracted to supply these vehicles at an agreed price against a qualifying scrapping allowance. The programme aims to contract a package deal with the consortiums in the motor industry to supply the 18 and 35-seat models. This will include maintenance facilities, finance and insurance arrangements, electronic ticketing and tracking capabilities.

Programme 3: Trade policy and global repositioning

Table 32.6 Programme Expenditure

	Budget estimate	Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
R million		**1999/00**		**2000/01**	**2001/02**	**2002/03**
1999 Budget	31,0	31,5	31,5	30,6	30,6	–
2000 Budget	–	–	–	**24,3**	**24,3**	**24,3**
Change to 1999 Budget estimate	–	0,5	0,5	(6,3)	(6,3)	–

This programme is responsible for promoting trade relations, setting trade policies, entering into trade relations, maintaining agreements and global repositioning.

The former programme 6 therefore becomes programme 3 under the new programme structure. The decrease in funding is due to reprioritisation.

Outputs and service delivery trends

Table 32.7 Trade policy and global repositioning: Key activities and outputs

Key activities	Outputs
Agreements to reduce trade barriers	European – South Africa Free Trade Agreement
	World Trade Organisation
	Trade and Investment Framework Agreement
Preparation of trade offers to African countries	SADC Protocol

During 1999 South Africa approved a Free Trade Agreement with the European Union (EU). While the EU Council of Ministers has approved the agreement, the Parliaments of every EU member as well as the South African Parliament still must formally approve it. The agreement involves duty free access for 95 per cent of South Africa's exports to the EU and for 85 per cent of the EU's exports to South Africa. The EU will reduce its tariffs slightly faster than South Africa, reaching the target levels within ten years, while South Africa has twelve years to reach its target levels.

At present 56 per cent of EU commodities enter South Africa duty-free, but the balance are subject to relatively high import duties. At least 37 per cent of EU commodities face duties in excess of 10 per cent with a trade-weighted average import duty of 11 per cent. Under the agreement, duty-free EU products entering the South African Customs Union (Sacu) will increase by 29 percentage points, to 85 per cent, over the next 12 years. It is expected that the goods excluded from the duty-free access will be those goods most likely to harm South African agricultural producers, plus traditionally sensitive items such as shoes, textiles and clothing.

At present the EU allows 75 per cent of South Africa's imports to enter the EU duty-free, and only 5 per cent of the EU's imports from South Africa face tariffs in excess of 10 per cent. Indeed, the average trade-weighted tariff is only 1,7 per cent, but many goods, especially agricultural goods, are subject to EU quotas. These quotas will be increased under the agreement. Duty-free South African goods entering the EU will increase by twenty percentage points over the next ten years. The least liberalisation will occur in agricultural products and the most in manufactured products.

The lowering of duties is likely to reduce the amount of revenue that goes into the Sacu customs pool. Those countries that are dependent on tariff revenue will have to make the most changes in their tax system. Both Lesotho and Swaziland are dependent on Sacu revenue for around half their government revenue. South Africa depends on international trade taxes for only 3,4 per cent of its total tax revenue.

Trade ministers and officials from more than 150 countries met in Seattle in December 1999, where they were expected to launch a new round of multilateral trade negotiations. These countries failed to reach agreement on the agenda for a new round, but negotiations on agricultural and services liberalisation are scheduled to resume early this year. In addition, consultations are underway to resolve some of the problems identified in Seattle, with a view to building the foundations for the launch of a new trade round, probably sometime after the US Presidential elections in February 2001. South Africa is expected to play an important role in all of these negotiations and consultations.

SADC governments continue to negotiate the stalled SADC Trade Protocol that was signed by the heads of state, but not yet ratified by sufficient countries to come into force. The protocol intends to eliminate tariffs on intra-SADC trade over eight years.

The United States and South Africa signed a Trade and Investment Framework Agreement (Tifa) in February 1999. The Tifa, the first ever negotiated with a country in Sub-Saharan Africa, establishes the terms of reference for a structured dialogue on trade, intellectual property and investment issues between the United States and South Africa. The Tifa creates a trade and investment council, composed of representatives of both governments, which will meet regularly to discuss specific trade and investment matters, negotiate agreements if appropriate, and identify and work to remove impediments to trade and investment flows. While the trade and investment council is a government-to-government body, the private sectors of both countries may also be consulted.

Tifas provide a mechanism in which trade, investment, intellectual property and other issues can be addressed promptly. The last Tifa meeting was held in July 1999.

Programme 4: Business regulation and consumer services

Table 32.8 Programme Expenditure

	Budget estimate	Adjusted appropriation	Revised estimate	Medium term expenditure estimate		
R million		**1999/00**		**2000/01**	**2001/02**	**2002/03**
1999 Budget	73,9	147,9	147,9	73,0	73,0	–
2000 Budget	–	–	–	**144,6**	**144,6**	**144,6**
Change to 1999 Budget estimate	–	74,0	74,0	71,6	71,6	–

The policy objective of this programme is to promote a business environment through regulation and consumer services and promote industrial fairness and protection of intellectual property.

The increase in the budget allocation is mainly due to additional funding for the Competition Commission and the Competition Tribunal, also the rollover for the automation of companies.

Outputs and service delivery trends

Table 32.9 Business regulation and consumer services: Key activities and outputs

Key activities	Outputs
Verification by National Inspectorate	Reduce theft, corruption and fraud
Regulation of companies and close corporations	Registration of companies, close corporations
Investigations of Competition Commission/ Tribunal	Handling of complaints
	Provide advisory service
Provide strategies on national and regional intellectual property rights	Harmonising copyright laws of SADC
	Registration of patents, designs and trademarks

Consumer protection is overseen by the National Consumer Affairs Office, the Competition Commission and the National Inspectorate.

The investigative powers of the National Inspectorate together with consumer programmes and effective company law enables effective combating of theft, corruption and fraud. Verification by the National Inspectorate led to the following:

- Draft legislation (National Inspectorate and Unfair Business Practice Bill)
- Identification of contraventions in respect of specific legislation and government policies
- Identification of unfair business practice
- Outlawing of unfair business practice based on the Consumer Affairs Committee report submitted to the Minister.

Nationally the South African Patents and Trademark Office (Sapto) made some headway in the promotion and the need for protection of geographical indications, cultural copyrights and neighbouring rights, as well as indigenous technologies and state emblems.

Sapto is participating in the harmonisation of copyright laws of member states of SADC. South Africa is under pressure to join the African Regional Industrial Property Organisation and the Minister is awaiting this request. Sapto's approach will be based on Regional Economic Blocks and this will determine the resources which must be channelled to this project.

In 1999, the registration of 19 656 trademarks, 5 415 patents, 29 copyrights and 1 083 designs was accomplished.

This programme is also responsible for regulating gambling, lotteries and liquor affairs in order to protect patrons and communities, and to encourage economic development and empowerment. The programme also promotes industrial fairness by acting against dumping and other forms of unfair competition.

The licence to operate the new national lottery was awarded to Uthingo, to start operating in March 2000. Money generated from the lottery will be allocated to good causes such as the Reconstruction and Development Programme, benefiting schools and community development projects. In addition, it is estimated that between 30 000 and 40 000 new jobs will be created by the lottery through new retailers selling the tickets.

The Gambling Board has evaluated 104 applicants for special licences, which involve 300 sites with an average of 20 machines per site.

The Competition Act of 1998 was implemented on 1 September 1999. The Competition Act provides for two separate juristic persons, namely the Competition Commission and the Competition Tribunal. These bodies have the authority to:

- Authorise or prohibit mergers
- Prohibit contraventions of restrictive practices and abuse of dominant positions

- Mediate in relation to any conduct prohibited in terms of the Act by determining whether prohibited conduct has occurred and if so, impose a remedy.

Business has responded positively to the provisions of the Act, both in terms of notifying the Competition Commissioner of mergers as well as in invoking the Act to address anti-competitive conduct in the marketplace.

The Competition Commissioner has been notified of 64 mergers and acquisitions of which six are large mergers. To date 21 mergers have been approved. Most mergers have been assessed within the time frame stipulated in the Act, that is 30 days for intermediate mergers and 60 days for large mergers. The need for extensions occurred as a result of incomplete filings.

- To date the Commission has received 43 complaints alleging the abuse of dominant market position. Of these complaints 23 were from small business in relation to intermediate suppliers; 6 complaints of alleged horizontal restraints against companies within the chemical industry. 14 Complaints of vertical restraints, relating to market foreclosure resulting from either distribution agreements or pricing policies, were received from the raisin, Information Technology and retail grocery industries.
- The commission provided 20 advisory opinions which constituted clarifications of the Act. These have overwhelmingly been related to merger cases.
- 20 introductory presentations and practitioner workshops on the Act were made to a number of stakeholders in most of the provinces, including trade unions and business. The Commissioner also dealt with over 1 000 enquiries about the Act.

The Competition Tribunal has received a total of 15 cases, of which eight were applications for interim relief from the Act. Three cases have been withdrawn and the Tribunal has issued orders in two cases. Of the six large mergers of which the Tribunal has been notified, two have been withdrawn and the Tribunal will consider recommendations from the Commission on the remaining four.

Any South African producer may petition the Board on Tariffs and Trade (BTT) for tariff protection or the reduction of tariffs. Petitions for tariff protection are decreasing in view of Government's firm policy to phase down tariffs and concentrate on improving international competitiveness.

In complying with its WTO commitments, South Africa has worked on reforming its complex tariff structure. In the past few years, South Africa has simplified and reduced its overall tariff rate from more than 20 percent to an import-weighted average rate of 7 percent.

The South African Companies Regulatory Office deals with matters related to the registration of companies and close corporations. The office has now developed a web site which gives information on companies. Since March 1997, there were 37 388 visitors to the site.

A notice was given in the Government Gazette (1762 of 1999) that all companies' registration numbers would be changed from 1 January 2000 in order to ensure compatibility for the year 2000.

Public entities reporting the Minister responsible for Trade and Industry

Industrial Development Corporation (IDC)

The Industrial Development Corporation is wholly state-owned and was established to contribute to the generation of balanced and sustainable economic growth and the economic empowerment of the South African population. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

The IDC Group has an equity participation or interest of more than 20 per cent in Findevco (Pty) Ltd, Impofin (Pty) Ltd, and Konoil (Pty) Ltd.

Findevco provides loan finance to industrialists and project development initiatives, funded from foreign currency commercial loans raised on the capital markets, and shareholders' loan funds from the IDC. Impofin was established to mobilise medium to long-term international credit lines which are available for financing imported capital equipment and related services. Konoil is wholly owned by the IDC. It holds the IDC's equity investment in Sasol Limited and in Polifin Limited.

In addition to these subsidiaries, the IDC has substantial interests in a number of other companies.

The IDC has for a number of years been independent of government funding. Funding requirements are generated internally, or by disposing of mature equity investments, or by borrowing externally, mainly in the international capital markets.

The market value of the listed shares currently held by the IDC is R3 082 million. The guarantees provided to other parties are R5 366 million, with counter guarantees obtained of R2 918 million. Net guarantees provided are thus R2 448 million.

Khula Enterprise Finance

Khula Enterprise Finance Ltd was established in 1996 to improve the availability of loan and equity capital to small, medium and micro enterprises by offering loans, guarantees and seed funds in a sustainable manner to retail financial intermediaries in need of capital and capacity.

Khula has only one trading subsidiary, called Khula Credit Guarantee Ltd. During 1999/00 1 566 guarantees were issued amounting to R275 million averaging 7 833 jobs created. This brings the total guarantees to 3 656 since inception of the scheme. Since inception a total number of 136 672 loans were issued amounting to a commitment of R260 million and 27 retail financial intermediaries were established. 22 community based organisations participated in Khula Start, this resulted in 3 200 group loans issued and on average 4 737 jobs were created. R62 million was committed for 17 projects for funding under the Land Reform Credit Facility. The Mentorship programme established 4 centres and referred 150 applicants to banks of which 60 were successful and an amount of R10 million was earmarked.

The total assets of the Khula Group of companies have increased from R187 million in 1997 to R380 million in 1998. Turnover has increased from R17 million in 1997 to R45 million in 1998. The total debt of the Khula Group of Companies currently stands at R557 million, which is a non-interest bearing loan (with no specific repayment date), owed to Ernani Investments (an IDC subsidiary).