

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1392 [NW1540E]
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1392. Ms P T van Damme (DA) to ask the Minister of Finance:

Whether (a) the National Treasury and (b) all entities reporting to him are running development programmes for (i) small businesses and (ii) co-operatives; if not, why not; if so, in each case, (aa) what are the relevant details, (bb) what amount has been budgeted and (cc) how many jobs will be created through the specified development programmes in the 2016-17 financial year?

NW1540E

REPLY:

NATIONAL TREASURY

The National Treasury does not run development programmes for small businesses and co-operatives.

The mandate of implementing development programmes for small businesses and co-operatives resides with the Ministry of Small Business Development as well as other national departments through programmes dedicated to SMMEs and co-operatives development.

ACCOUNTING STANDARDS BOARD

The Accounting Standards Board (ASB) does not run any development programmes for small businesses and co-operatives. The ASB transfer payment is not sufficient to deliver on all aspects of its own mandate and its target stakeholders are all spheres of government. There is no funding available for development programmes for small businesses and co-operatives.

CO-OPERATIVE BANKS DEVELOPMENT AGENCY

- (i) The Co-operative Banks Development Agency (CBDA) was established to regulate, promote and develop co-operative banking, including deposit-taking and lending co-operatives.
- (ii) Co-operatives
- (aa) The CBDA provides tailor made capacity building trainings (development programmes) for 29 registered Co-operative Financial Institutions (CFIs) where the Board of Directors, committees and staff within those institutions are trained.

The training offered is in line with the legislative framework governing the CFIs (including all legislation in line with the business of the banks / financial cooperatives). The Capacity building programmes are also aligned to business concept concerning the short-term and long-term operations of the CFIs.

- (bb) The entity has during the current financial year 2016 – 2017 budgeted R1.7 million for development programmes referred to as trainings above.
- (cc) CFIs assist small businesses and other co-operatives in relation to financial support and other related banking services resulting in a positive socio- economic impact in the community in terms of job creation.

Although it is difficult to predict how many jobs will be created in future. To date the number of small businesses funded by the registered Co-operative Financial Institutions totals three hundred and sixty nine (369), and the total number of jobs created within those SMMEs at six hundred and forty six (646).

DEVELOPMENT BANK OF SOUTHERN AFRICA

(i), (ii), (aa), (bb) The nature of the Bank's lending business is primarily focused on the provision of banking services to municipalities, State Owned Entities and other entities for the promotion of infrastructure delivery in the country which limits the potential for direct development of small businesses and co-operatives by the Bank. The entities that use DBSA funding services are in turn expected and encouraged to create opportunities for small business and co-operatives during construction of the funded assets.

The Infrastructure Delivery arm of the Bank does promote SMME development opportunities in the appointment of Professional Service Providers and Contractors for the construction and refurbishment of school, housing and health facility projects on behalf of the government. The following opportunities have been created by the Infrastructure Delivery Division since it was established in 2013:

- 1 031 employment opportunities and 112 SMMEs benefited in projects implemented during 2013/14 FY
- 5 100 employment opportunities and 1 041 SMMEs benefited in projects implemented during 2014/15 FY with work packages valued at R270 million

- 6 585 employment opportunities and 675 SMMEs benefited in projects implemented during 2015/16 with work packages valued at R710 million (*still to be audited for financial year results*).

In addition, 2 907 apprentices were placed during 2013/14 in a programme managed by DBSA on behalf of the Department of Rural Development and Land Affairs.

(cc) In 2016/17, the Infrastructure Delivery Division of the Bank intends to create 16 682 employment opportunities and 194 SMMEs during the construction and rehabilitation works that is estimated at R4 billion.

FINANCIAL INTELLIGENCE CENTRE

Due to the nature of the work of the Financial Intelligence Centre (FIC) which is an institution established to develop financial intelligence, as well as its small size, means that the FIC is not able to run any development programmes for (i) small businesses or (ii) co-operatives.

FINANCIAL SERVICES BOARD

- (i) Yes
- (ii) No, not applicable
- (aa) In the financial services regulatory landscape, it has been recognised that focused mentoring initiatives were required for funeral parlours with regards to the retail distribution of funeral policies to consumers. This has led to the FSB, during the last four years, in co-operation with representative associations conducting workshops aimed at both training and assisting authorised entities in all regions of the country.

Six (6) such workshops were held during January to March 2016. In partnership with a major financial institution, in excess of 600 entities will be engaged during the quarter April to June 2016.

In addition, during the 2015/16 financial year guidance and assistance was provided through on-site visits to 158 authorised small Financial Service Providers (FSP) countrywide. The focus of this initiative was to provide assistance to identified FSP's to enable them to meet the compliance requirements and meeting the outcomes of Treating Customers Fairly.

(bb) and (cc) Not applicable.

GOVERNMENT PENSIONS ADMINISTRATIVE AGENCY

The GPAA is not running any specific developmental programmes for (i) small businesses and (ii) co-operatives, (aa) small businesses are incentivised as per the current BBBEE legislation of allocating points in line with the BBBEE level when quotations and bids are awarded, (bb) no amounts have currently been budgeted.

INDEPENDENT REGULATORY BOARD FOR AUDITORS

The IRBA hereby declares that

- (i) Not applicable
- (ii) Not applicable

As the matter does not fall within the ambit of the IRBA.

PENSION FUNDS ADJUDICATOR

No developmental programmes are currently provided by the OPFA. The mandate and nature of the organization does not lend itself to development programs that would benefit small business or co-operatives to grow and develop their businesses.

The organization however undertakes outreach programs to inform the public of its mandate and services.

LAND BANK

- (i) Land Bank Development Programmes for Black Emerging Farmers
 - aa) The Land Bank established and championed the Retail Emerging Markets (REM) programme whose fundamental objective was the commercialisation of the Black emerging farmers within a period of five to eight years. REM provided subsidised interest rates to emerging farmers. The REM programme is now a product under the Commercial Development Banking Division. The criteria for the programme is as follows:
 - The farmer must have access to land and necessary natural resources that are required for farming activities; and
 - There must be end to end business support by an institution that has the capacity and track record.
 - bb) R180 million has been budgeted for the current financial year, 2016/17, and will be used for extending financial support to the Black emerging farmers.
 - cc) 2 783 jobs will be created by the end of the financial year (2016/2017) and will benefit a total number of 40 000 beneficiaries and 276 families.
- (ii) Land Bank Support for Cooperatives
 - aa) The Bank has been financing large agricultural cooperatives through a Cash Credit Account (CCA) facility. Some of these Cooperatives have turned into agribusinesses that continue to support farmers at different levels. Currently, these agribusinesses are encouraged to increase their support for emerging farmers. The Land Bank encourages

established Cooperatives to give technical, financial and management support to the smaller Cooperatives.

- bb) There are no specific budgets that are set aside for Cooperatives.
- cc) The Land Bank does not have this kind of information at its disposal as it gives loans directly to the larger Cooperatives.

OMBUD FOR FINANCIAL SERVICES PROVIDERS

(i) No

(ii) No

Due to the nature of the FAIS Ombud's activities, the mandate of the office and the relatively small size of the office, there are no opportunities for development programmes for small businesses and co-operatives.

In terms of procurement, the FAIS Ombud are working towards increasing purchases from SMME's. They have undertaken an investigation into which services are offered by co-operatives and where opportunities may exist to utilize those services that are relevant to their operations.

PUBLIC INVESTMENT CORPORATION

The Public Investment Corporation (PIC) provides asset management services to public sector clients, including the Government Employees Pension Fund (GEPPF), the Unemployment Insurance Fund (UIF), the Compensation Commissioners (CC) and the Associated Institutions Pension Fund (AIPF) which are the largest clients. The PIC enters into different Mandates with its clients for investments in different asset classes which investments contributes towards developing the economy whilst attracting investment returns for the client's portfolio. Through these investments the PIC, in different ways, contributes to small business development and these are set out below:

Unlisted Investments:

The PIC has R400 million committed to Business Partners and a further R500 million committed to an SME Fund (partnership with private sector corporates). The latter has a target fund size of R4bn. The R400 million with Business Partners is a revolving facility which has initially resulted in 349 SMEs being financed.

The PIC is also currently in discussions with other Developmental Finance Institutions regarding facilities amounting to approximately R6 billion for on-lending to black owned and managed SMEs.

Social Impact of Unlisted Investments since Inception

Social Impact up to March 2016	
Employment	
Total number of permanent employment opportunities sustained	88,606

Total number of temporary employment opportunities created	8,751
Total number of construction jobs facilitated	39,268
Total	136,625
Total number of new jobs 2015/16 (included under total)	7,119
Community upliftment and economic benefits	
Number of community groups supported (small loans)	60,169
Number of SME's supported through Isibaya operations (approved)	1,097
Number of Community Trust and Employee Share Schemes established and supported	14

Unlisted Properties:

The social impact and amounts committed for the PIC's Property Portfolio for approved projects during the 2015/16 financial year, is depicted in the table below:

Project Name	Approved Value	Jobs Created Actual + Targeted	Expected Completion
Central Square	R750,000,000	1,445	November 2016
Kasteel Park	R65,000,000	50	August 2016
72 Grayston Drive	R126,000,000	350	December 2016
BCX Head Office	R510,000,000	1,000	July 2017
Westville Village Market	R28,000,000	45	June 2016
JV Park	R24,000,000	30	June 2016
Centre Point	R413,000,000	15	April 2018
UIF – 94 WF Nkomo	R280,000,000	14	September 2018
OPEX Projects (spent + committed)	R262,000,000	930	March 2016
Total	R2 458,000,000	3,879	

Listed Investments:

The PIC has an external manager programme for part of its listed investments portfolio which was launched on 01 April 2009. This programme seeks to support black-owned asset management firms within South Africa. Currently the allocation to black-owned firms is approximately R57 billion, with allocations across fourteen asset management firms. The PIC has externalised assets to ten established BEE asset managers (local equity and property mandates), and four developmental BEE managers (local equity mandates). These BEE managers utilize the fees paid to them by the PIC, to hire black investment professionals, increasing the number of black professionals in the market. Managing and running internship programmes is another way they provide training to inexperienced black graduates, empowering them on a skill level for entry into the job market. The fourteen managers have created employment opportunities to 876 individuals across different skill sets in the market. The fees they have earned over the last financial year equal to approximately R277 million.

During the financial year ending March 2016, R11.5bn was allocated to existing external managers, all of which were black-owned firms. R9.5 billion was allocated to four existing established BEE managers, while R2bn was allocated to a developmental BEE manager. For the 2016/2017 financial year, the PIC have budgeted approximately R20bn to be allocated to the existing as well as new BEE asset managers.

In addition to the above the PIC in the 2015/16 financial year also paid approximately R88 million in brokerage to brokers, who are registered with the JSE, and who have a BEE rating of level 4 and better.

SOUTH AFRICAN AIRWAYS

1. South African Airways (SAA) committed to develop and support inclusive supplier sourcing and procurement. SAA embarked on the supplier summits roadshows for SMMEs. The Summits provided an opportunity for SMMEs to engage directly with the SAA Group Buyers, network and share experiences with other businesses. The summit included presentation session and individual consultation sessions. The sessions covered the procurement procedures: RFQ (Request for Quotation) and RFP (Request for Proposal) process, advice on common mistakes by potential suppliers / bidders when tendering. Participants have been encouraged to engage Developmental/Funding Agents present at the summits to assist them with development and funding opportunities. These engagements were held in major areas around the country, such as Midrand, Durban, Port Elizabeth, Mbombela and Mahikeng and will be continuing to other provinces.
2. Ideally Enterprise and Supplier Development (ESD) budget is the 3% Nett Profit after Tax (NPAT) of the company. Although SAA has not recorded NPAT, ESD remains a priority as explained hereunder:
 - SAA utilises its supplier database as one of the vehicles to achieve the development objectives.
 - Where feasible and viable, SAA is setting out to unbundle its big contracts to allow and increase participation of SMMEs, encouraging its Large Enterprise and Qualifying Small Enterprises (QSEs) to subcontract with SMMEs.
 - The key element of supporting SMMEs is that the airline pays small business suppliers within fifteen days of receiving required documentation.
 - SAA provides rent free space for SMMEs that secured a tender with SAA and whose services are required onsite, for example, office space and storage facilities.
3. SAA has developed a collaborative Supplier Development (SD) Programme for SMMEs. The programme is being reviewed by the Board. This proposed programme has been developed taking into cognisance SAA's loss making situation.

The collaborative initiative will include but not limited to development finance institutions and business development agencies. The latter would conduct business diagnosis and render business support services, in certain instances.

It is envisaged that this network of partners would be carefully grown over time to address the evolving execution requirements of SAA's SD programme and in line with the airline's implementation capabilities.

SOUTH AFRICAN REVENUE SERVICES

- (i) (aa) SARS Procurement runs supplier development programmes which assist small suppliers to equip them on how to follow the tender process. SARS is looking at further expanding the Supplier Development Plan in the 16/17 year but the details around this is yet to be finalised.

(bb) The budgeted amount for this programme is R800, 000.00.

(cc) This programme is aimed at equipping Small Businesses but it is not foreseen that it will assist with further job creation in 16/17 as a result.

(ii) (aa) SARS does not have any current programmes aimed at co-operatives. This will have to be looked at to see if there are any future opportunities.

(bb) No amount was budgeted in this regard.

(cc) No impact on job creation in 16/17 as a result.

SASRIA

Sasria SOC Limited adopted twenty four (24) Small Businesses through the Gauteng Department of Economic Development as well as two small businesses that are currently on Sasria's procurement database. The focus of this enterprise development is the development of Black Owned EME and QSEs.

The small businesses were provided with training in the following areas:

- Business Essentials
- TER Web and Marketing Presence
- TER Bookkeeping Essentials
- TER Compliance Essentials
- TER Legal Essentials

An amount of five hundred and eighty six thousand three hundred rand (R586 300) was invested towards the above-mentioned training; this investment also entails a one year mentoring program for the small businesses.

One million rand (R1m) has been budgeted for enterprise and supplier development for the 2016/2017 financial year. The focus will remain on proving small businesses with training and mentoring as well as inclusion of same in the procurement database for future use.

While Sasria has not estimated the number of jobs to be created at this stage, jobs will indeed be saved through the initiative.

TAX OMBUD

The office of the Tax Ombud, established in terms of the Tax Administration Act 28, 2011, does not run development programmes for small businesses nor co-operatives. In terms of the Act, the expenditure connected with the functions of the Office is paid out of the funds of SARS. Therefore all procurement for the Office is done through SARS. Moreover the office does not enjoy full legal status.
