The SA Scenario

- Create **5 million** jobs by 2020
- Incentives – more than R10bn
  - Manufacturing
  - Automotive
  - Infrastructure Investment

Various programmes have been put in place primarily driven by the New Growth Path
Structural Issues

**Education**
- Poor Education & Skills
- Lowest results in numeracy ability in Africa
- **25% unemployment rate**
  - 50% of males under 30 are unemployed
  - 1 out of 10 people who matriculate get a job

**Tax Base**
- 15 million citizens on welfare (7m of which are child grants)
- 6 million taxpayers (1.2m account for 72% of the personal income tax)
- 1.2% of companies pay 76% company tax
## The Evolution of BEE towards BBBEE

<table>
<thead>
<tr>
<th>Element</th>
<th>BEE Points achievable (*includes bonus points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>*23</td>
</tr>
<tr>
<td>Management (Board/Exco)</td>
<td>*11</td>
</tr>
<tr>
<td>Employment equity</td>
<td>*18</td>
</tr>
<tr>
<td>Skills development</td>
<td>15</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>20</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>15</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>107</strong></td>
</tr>
</tbody>
</table>

**1st Wave of BEE – emphasis on ownership, tide is turning towards ED and PP**

**Current Wave of BBBEE with an emphasis on Procurement and Enterprise Development**

### BEE Score, BEE Status, Recognition Level

<table>
<thead>
<tr>
<th>BEE Score</th>
<th>BEE Status</th>
<th>Recognition Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>100+</td>
<td>Level 1</td>
<td>135%</td>
</tr>
<tr>
<td>85-100</td>
<td>Level 2</td>
<td>125%</td>
</tr>
<tr>
<td>75-85</td>
<td>Level 3</td>
<td>110%</td>
</tr>
<tr>
<td>65-75</td>
<td>Level 4</td>
<td>100%</td>
</tr>
<tr>
<td>55-65</td>
<td>Level 5</td>
<td>80%</td>
</tr>
</tbody>
</table>
- **Total Expenditure** Available from JSE companies in 2007
  - > R 1.3 trillion per annum
  - Total **Measured** Procurement Spend
    - R 550 million

- **Targeted Spend** in the next 5 years
  - R 225 billion for all companies
  - R 55 billion for QSE companies
  - R 82 billion for Black Women Owned Companies

- **Current Spend** on BEE
  - R 15 billion Overall

- **Procurement Shortfall**
  - R 210 billion
Corporate Challenges in Dealing with SMEs

- **Visibility**
  “I can’t find them”

- **Capacity**
  “I require 5,000 widgets a month, they can only produce 1,000”

- **Funding**
  They do not have the ability to raise facilities with banks in order to invest capacity into their businesses

- **Standards**
  Quality standards such as ISO9000
“We do not have access”!!

We cannot raise the funding in order to execute on the contracts
The Top 4 Economies in the World Share a Passion for Entrepreneurship

1. USA
2. China
3. Japan
4. Germany

- SMEs drive innovation and productivity
- SMEs employ in excess of 60% of the total labour force
- SMEs are the largest creators of jobs in any economy
- SMEs are the largest contributors to GDP
**Funding Initiatives – Innovative Solutions**

- **Procurement Finance**
  - Cash flow/contract lending for SMEs that have valid and viable contracts with yourselves
  - Funding either at pre-invoice stage or post invoice to bridge the gap

- **Guarantee Funds**
  - Specific Solutions for Start-Ups
  - Solutions for Growth Businesses (expansion)
  - Equity/Venture Capital
    - Equity participation for SMEs
Supply Chain Finance

- **Contract**
- **Purchase Order Issued**
- **Vendor Finance**
- **Manufacturing Process**
- **Invoice Issued**
- **Invoice Clearing**
- **Accounts payable process**
- **Payment Received**

**Cash flow cycle**
Why Small Businesses Fail?

- Poor financial management: 34%
- Lack of management competence: 16%
- Inflation and economic conditions: 12%
- Poor book keeping and records: 12%
- Sales and marketing problems: 11%
- Staffing problems: 9%
- Union problems: 6%

Financial management, records & management competence = 62%

Source: Business Partners

Sales & Marketing = 11%
# Absa Enterprise Development Centres

<table>
<thead>
<tr>
<th>Location</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durban</td>
<td>127 Alice Street, Durban</td>
</tr>
<tr>
<td></td>
<td>ABSA BRANCH/Foskor</td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>204 Peter Kerchhoff Street, Pietermaritzburg</td>
</tr>
<tr>
<td>Ghandi Square</td>
<td>120 Fox Street, Jhb</td>
</tr>
<tr>
<td>Cape Town</td>
<td>LK Centre Corner of Seventh Ave &amp; Old Klipfontein Rd, Belgra</td>
</tr>
<tr>
<td>Khayelitsha</td>
<td>Shop 16, Khayelitsha Mall, Khayelitsha</td>
</tr>
<tr>
<td>Pretoria</td>
<td>124 Central House, 32 Central Road, Mabopane</td>
</tr>
<tr>
<td>Kimberley</td>
<td>Shop 201, 1st floor, 51 Jones Street, Jones Street Mall, Kimberley</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>144 Nelson Mandela Drive, Bloemfontein</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>20 Paul Kruger Street, Nelspruit</td>
</tr>
<tr>
<td>Phalaborwa</td>
<td>Absa Branch / Foskor</td>
</tr>
<tr>
<td>East London</td>
<td>85 Oxford Street, East London</td>
</tr>
<tr>
<td>Limpopo</td>
<td>70 Hans van Rensburg, Polokwane</td>
</tr>
<tr>
<td>Rustenburg</td>
<td>Midtown Mall, Shop no 1, 80 Berg Street</td>
</tr>
</tbody>
</table>
Purpose of the Enterprise Development Centres (EDC’s)

- Create a structured environment to foster and support entrepreneurs
- Access to skills development services through partnerships with alliance partners
- Facilitate access to financial products and services
- Develop sustainable and competitive SMEs through training interventions, workshops and relevant business information
- Facilitate structured workshops that address 3 phases - Idea, Planning and Operating
- Facilitate the Enterprise Growth Programme
Collaboration Model with various Government, NGO and Private Agencies

Black Business Supplier Development Programme (BBSDP)

Co-operative Incentive Scheme (CIS)
The Co-operative Incentive Scheme (CIS) is a 90:10 matching cash grant for registered primary co-operatives (a primary co-operative consists of five or more members). The CIS is an incentive for cooperative enterprises in the emerging economy to acquire competitive business development services and the maximum grant that can be offered to one co-operative entity under the scheme is R350 000.
Linking Big Buyers with Small Suppliers

SMEs
Complain about lack of access to business opportunities

Corporate Buyers
Complain about inability to find companies to partner within ownership, procurement, enterprise development
The Procurement Portal

**Benefits of Portal**
- **For Corporates**
  - Easily identify BBBEE suppliers
  - Simplified process - verification and validation of suppliers administered via portal
  - Eliminate the risk of fraud
  - eProcurement – the ability of smaller suppliers to transact electronically, accept RFQ, confirming purchase orders and submitting electronic invoices – reduces costs and increases efficiencies

- **For Suppliers**
  - Potential to diversify income
  - Increased visibility and marketing
  - Receive relevant leads & tenders on a daily basis
  - eProcurement – portal fulfills the functionalities of an ERP system to transact with corporates
  - Funding through vendor finance and invoice clearing for all deals concluded on portal

- **For ABSA**
  - Value add for Absa clients
  - First choice to bank more business and grow clients from small to medium
  - Increased ED spend
  - Real competitive advantage in the market

**Procurement Portal**
- Business 2 Business
- ERP system
- Verification & validation
Media Coverage – PnP Supplier Funding Transaction

Varkboer kry groei-ondersteuning

Pietman Roos, Johannesburg

Mr. Anna Phosa, die trots van die Varkboer met 350 000, het na die geld sevoordeel as die ondernemers met betrokkenheid in die sukses van PnP se oplepping van 10 tot 200 000 seker. ‘n Varkboer, een van die groter sevoordeel in die sukses van PnP se oplepping van 10 tot 200 000 seker.

Phosa het in ‘n persberig het dat die ondernemingskader met betrokkenheid na die viering van PnP se sukses in die sukses sevoordeel gebring het.

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Sisa Ntshona
Head : Enterprise Development
Absa Business Bank
Tel: 011 846 1582
Sisa.ntshona@absa.co.za