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State's SME strategy has 'minuscule effect'

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CAPE TOWN — The effect of the government's small business development strategy had been "minuscule" and needed to be "massified", trade and industry director-general Tshediso Matona has told Parliament's trade and industry committee.

The institutional structures and product offerings were in place but needed to be ramped up, Matona said on Friday.

"We are doing things on such a minuscule scale that given the needs and challenges we will not be able to make an impact," he said at the conclusion of briefings to the committee by the Small Enterprise Development Agency (Seda) and the SA Micro Finance Apex Fund (Samaf).

The department was undertaking research into small business development to understand the needs in the market place and calibrate its policies.

Matona said small business development was complex as the three tiers of government had concurrent competence over the function which gave rise to complications and contradictions.

Seda CEO Wawa Damane told the committee the organisation had built up clients of 137998 small businesses.

Seda received state funding of R254m in the 2007-08 fiscal year plus R111m from other sources and has been allocated R268m in the coming year with additional funding of R267m anticipated.

Samaf was created to increase access to micro-finance through the wholesale funding of developmental financial intermediaries for on-lending; to contribute to the capacity building and sustainability of intermediaries; and support the development of effective micro-finance networks. In the 2008-09 financial year it will receive R88m from the state.

Samaf CEO Sithembele Mase told the committee that so far R52,5m in loans had been approved and R24m disbursed. The slow draw down of approved funds was because of the inability of financial intermediaries to disburse funds to clients due to poor financial reporting.