



Case Notes 1

Driving Economic Growth in South Africa

About Seriti Institute

Seriti Institute, formed in 2009, is a social enterprise specialising in Community Development. Seriti's supports interventions which promote community self-reliance. Seriti implements and manages community development projects, and provides other technical services such as capacity building and training within communities it works in.

About Seriti TALKS

Seriti TALKS is a platform that brings together development practitioners, academics, policy makers, funders, and other stakeholders to share knowledge, ideas and experiences. The purpose of Seriti TALKS is to promote networking among all stakeholders involved in the development fraternity, while also trying to influence change among policy makers by disseminating best practice models of development.

The first "agricultural" series of the Seriti TALKS was held on the 27th June 2019, and focused on Ecosystem Development for Small Enterprise (EDSE) Programme and its role in driving growth in South Africa.

Ecosystem Development for Small Enterprise (EDSE) Programme

The EDSE programme is a European Union (EU)-funded initiative that seeks to support the South African government to align its programmes and policy initiatives by gathering evidence and sharing it with the decision makers, in order to improve government's policies and reforms. The strategic focus of the EDSE is by design, more inclined towards technical support, rather than interventions. There are three key problems that motivate the EDSE technical support initiatives and these are as follows:

Firstly, South Africa is not investing sufficiently to capacitate Small, Micro and Medium Enterprises (SMMEs) in order to meet the requirements, and to make them "credit ready".

Secondly, the skills in the job market are not responding to the requirements of the industry or private sector. In other words, there is a mismatch between the skills and the available

jobs, and therefore, there are a host of people that are employed in jobs that they are not equipped to perform (i.e. jobs in which the inappropriate people are employed). This is a demand and supply issue where skills and capabilities are matched to the roles and responsibilities that are needed by organisations.

Thirdly, South Africa is not inclined to entrepreneurialism, and future strategies of developing SMMEs will need to accommodate this reality.

The mandate of EDSE and its support areas

In order to address the aforementioned challenges, the EDSE Programme has identified several areas of support in order to help Government in aligning its policy and support initiatives. These include:

- Innovative Financing – the EU provides zero cost financing. The innovation is to blend capital and de-risk the funding. But the institutions or intermediaries are not de-risking to the levels that the programme desires (i.e. risk mitigation and the cost of capital).
- Training Land Bank analysts to understand client adaptation and who qualifies for soft loans.
- Educating SMMEs to be aware and to respond to changes needed to access the blended finance.
- Other interventions that are being considered by the EU programme include:
 - o Encouraging the culture of entrepreneurship, which can partly be done by promoting learning and the sharing of experiences among various projects. Broadly, there needs to be a social drive to promote the culture of entrepreneurship – starting with communities, teaching children at school, at churches and teaching basic business principles.
 - o Upskilling of labs and certification, competitiveness interventions and promoting access to finance among high potential SMMEs.

Areas and Issues for further consideration

Generally, SMMEs tend to think differently about financing, and as such, the Government and civil society needs to think innovatively around how they can support them.

There is an apparent lack of interest in agriculture from the youth, and this boils down to economic opportunities. Current spatial planning and development patterns are sustaining the patterns of rural-urban migration.

The way government approaches the prioritisation to development ensures that provinces that are more developed receive more preference in development focus and support. Thus, the approach of using Poverty Nodes in Provinces – as a way of ranking government priority areas needs to be revised.

The Missing segment (e.g. youth) – The terminology used by the bank tends to exclude the segments of the population, particularly the youth, from accessing bank funding. There are opportunities for banks to support young farmers if they strategically target and support the successful high potential farmers who lack finance.

There is a new wave of technological advancements, associated with the Fourth Industrial Revolution (4IR) and supply chains. Skills tied to the statistical analysis of big data management and block chain technology could help to keep South Africa in the game in terms of accessing new markets, which require higher levels of transparency and traceability systems. These are just examples of the kind of 4IR interventions that can increase competitiveness.

Speak Profile

Mr Nazeem Sterras



Nazeem Sterras is currently contracted by Palladium Group as an Agricultural Development Non-Key Expert on the EU funded programme for SMME Development, Ecosystem Development for Small Enterprises (EDSE). Prior to this, Nazeem served as the CEO of the Western Cape Fine Food Initiative (WCFFI), now known as Food South Africa, from 2012 until 2018. As a Development Finance practitioner, with expertise in agricultural finance and SMME development (agro-processing, industrial parks, international trade, export commodities, business strategy and agricultural economic development), Nazeem conducted workshops, presentations, exhibitions in conjunction with the DTI, DAFF and Trade Promotion Agencies and is a regular guest at conferences, locally and abroad.