

# PROGRAMME PERFORMANCE DEVELOPMENT FINANCE



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## STRATEGIC GOALS

To create a development investment portfolio producing:

- A quality development investment portfolio; with
  - A market-related sustainable return; thereby
  - Creating sustainable jobs.
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# PROGRAMME PERFORMANCE

## DEVELOPMENT FINANCE

### 1. OUTPUTS AND SERVICE DELIVERY TRENDS

Programme	Budget disbursements R 'million	Actual disbursements R 'million	Deviation %	Reason for deviation
Sub – Programme 1: Term Loans	66	77	17	Good deal flow resulting from communication campaign and improved levels of efficiency.
Sub – Programme 2: Equity Investments	18	10	-44	Clients preferred Term Loans to Equity investments.
Sub – Programme 3: Trade Finance	10	73	630	Support provided to school feeding and food parcel programmes.
Sub – Programme 4: Contractor Finance	40	141	253	Increased government spending on social infrastructure.
Sub – Programme 5: Micro Loans	12,5	11	-12	Clients preferred to use Trade Finance product instead of traditional micro finance.

#### 1.1 Sub-programme 1: Term Loans

Performance in 2008/09

Measurable objectives	Performance measure	Planned performance R 'million	Actual performance R 'million	Deviation %	Reason for deviation
To provide financial assistance to SMMEs	Value of Term Loans	66	77	17	Good deal flow resulting from communication campaign and improved levels of efficiency.

Trend in performance from 2005/06 to 2008/09

Measurable objectives	Performance measure	2005/06 Actual approvals R 'million	2006/07 Actual approvals R 'million	2007/08 Actual disbursed R 'million	2008/09 Actual disbursed R 'million	Compound annual growth %	Comment
To provide financial assistance to SMMEs	Value of Term Loans	43	29	28	77	21	Disbursements grew by 175% compared to the previous financial year. Performance measurement has been changed from approvals to disbursements to reflect actual impact and not only potential.

#### 1.2 Sub-programme 2: Equity Investments

Trend in performance in 2008/09

Measurable objectives	Performance measure	Planned performance R 'million	Actual performance R 'million	Deviation %	Reason for deviation
To provide financial assistance to SMMEs	Value of Equity Investments	18	10	-44	Clients preferred Term Loans to Equity.

Trend in performance from 2005/06 to 2008/09

Measurable objectives	Performance measure	2005/06 Actual approvals R 'million	2006/07 Actual approvals R 'million	2007/08 Actual disbursed R 'million	2008/09 Actual disbursed R 'million	Compound annual growth %	Comment
To provide financial assistance to SMMEs	Value of Equity Investments	20	5	13	10	-21	No real trend as clients prefer the use of Term Loans instead of selling equity in their businesses. Equity investments in SMMEs are not always the preferred method in providing financial support to SMMEs.

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### 1.3 Sub-programme 3: Trade Finance

Performance in 2008/09

Measurable objectives	Performance measure	Planned performance R 'million	Actual performance R 'million	Deviation %	Reason for deviation
To provide financial assistance to SMMES	Value of Trade Finance	10	73	630	Support provided to school feeding and food parcel programmes.

Trend in performance from 2005/06 to 2008/09

Measurable objectives	Performance measure	2005/06	2006/07	2007/08	2008/09 Actual disbursed R 'million	Compound annual growth %	Comment
To provide financial assistance to SMMES	Value of Trade Finance	N/A	N/A	N/A	73	N/A	New product.

### 1.4 Sub-programme 4: Contractor Finance

Performance for 2008/2009

Measurable objectives	Performance measure	Planned performance R 'million	Actual performance R 'million	Deviation %	Reason for deviation
To provide financial assistance to emerging contractors	Value of Contractor Finance	40	141	253	Increased government spending on social infrastructure.

Trend in performance from 2005/06 to 2008/09

Measurable objectives	Performance measure	2005/06 Actual approvals R 'million	2006/07 Actual approvals R 'million	2007/08 Actual disbursed R 'million	2008/09 Actual disbursed R 'million	Compound annual growth %	Comment
To provide financial assistance to emerging contractors	Value of Contractor Finance	59	31	27	141	34	Disbursements grew by 422% compared to the previous financial year.  Performance measurement has been changed from approvals to disbursements to reflect actual impact and not only potential.

### 1.5 Sub-programme 5: Micro Loans

Performance for 2008/09

Measurable objectives	Performance measure	Planned performance R 'million	Actual performance R 'million	Deviation %	Reason for deviation
To provide financial assistance to micro enterprises	Value of Micro Finance	12,5	11	-12	Clients preferred to use Trade Finance product instead of traditional micro finance.

Trend in performance from 2005/06 to 2008/09

Measurable objectives	Performance measure	2005/06	2006/07 Actual approvals R 'million	2007/08 Actual disbursed R 'million	2008/09 Actual disbursed R 'million	Compound annual growth %	Comment
To provide financial assistance to micro enterprises	Value of Micro Finance	N/A	0,8	2,6	11	271	Strong growth of 323% over the last year as a result of strategic targeting of micro enterprises.

## 2. DEBT COLLECTION PERFORMANCE FROM 2005/06 TO 2008/09

Measurable objectives	Performance measure	2005/06 (actual)	2006/07 (actual)	2007/08 (actual)	2008/09 (actual)
Reduce Default Rate of Loan Book	Percentage collected from annual disbursements not impaired.	N/A	N/A	N/A	95.2% (new measure)

## 3. JOBS CREATED

Measurable objectives	Performance measure	Planned performance	Actual performance	Deviation %	Reason for deviation
Jobs created and/or saved	Permanent jobs	1,440	1,529	6	Good deal flow resulting from communication campaign and improved levels of efficiency resulted in greater job creation.
	Temporary jobs	2,200	4,497	104	

## 4. BUDGET 2008/09

Programme	Budget R 'million	Actual R 'million	Deviation %	Reason for deviation
Development Finance	23,6	37	57	Impairment of old book and increased bad debt collection costs.

## 5. CHALLENGES IN 2008/09

- The legacy of the low quality of development investments made in the past continues to have a strong negative impact on the business of providing development finance to entrepreneurs in the Province.
- Collection of the bad debts remains a challenge.
- Providing proper after-care to existing clients continues to be a challenge.
- Striking a healthy balance between obtaining a commercial return and at the same time effecting sustainable socio economic development remains a challenge.
- Managing the expectations of aspiring entrepreneurs and converting their dreams into reality requires well prepared and thought-out business plans. This remains a challenge as these are not always presented with applications for financial assistance.

## PROGRAMME PERFORMANCE: DEVELOPMENT FINANCE

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### 6. ACHIEVEMENTS IN 2008/09

- Finalised the development investment policy.
- Designed and refined product offering.
- Successful launch of new product offering through advertising and communication campaign.
- Improved processes resulted in higher levels of efficiency and improved service delivery through shorter turn-around times.
- Played a key developmental role in the school feeding program by providing loan finance to SMME service providers.
- Directly involved in the creation and/or retention of more than 6000 jobs in the Eastern Cape.
- Provided funding to re-vitalise the pineapple industry in the Eastern Cape.
- Provided financial support to more than 800 SMMEs compared to around 130 the previous year.
- Geographical spread of loans cover 53 locations across the Eastern Cape.
- More than 60% of all loans were disbursed into rural areas.
- 45% of loan beneficiaries during the year were female.
- 22% of loan beneficiaries during the year were younger than 35 years.
- 85% of all loans were for amounts less than R500 000, indicating the significant role played by ECDC in providing financial assistance to SMMEs.