



NATIONAL YOUTH DEVELOPMENT AGENCY

Approach to SMME Sector / Access to finance

October 2009

Previously operating as the National Youth Commission and Umsobomvu Youth Fund



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ECONOMIC DEVELOPMENT OF YOUTH AT A GLANCE

- Largest % of SA population
- Mostly unemployed / highest unemployment rate amongst youth
- Slow economic growth and lack of skills and experience – can not be absorbed into labour market
- Limited economic opportunities give rise to socio-economic problems (unskilled, crime, substance abuse, etc) – 9% of businesses surveyed youth owned.
- Addressing the youth challenges will address other problems as well

History

- Not specifically identified as a group that requires intervention (women, people with disabilities, rural, BBBEE, etc – Never a priority
- Fragmentation of interventions (UYF, NYC, PYC, etc)

NYDA AT A GLANCE

- Launched on Youth Day June 16 2009
- Established through merger of Umsobomvu Youth Fund and National Youth Commission

POLICY CONTEXT

- Integrated Youth Development Strategy
- National Youth Policy
- Created through NYDA Act 54 of 2008

Vision

- *Integrated and mainstreamed youth development in all organs of state, private sector and civil society for sustainable livelihoods*

Purpose

- *To mainstream and integrate youth development for sustainable livelihoods*

NYDA Objectives

- Initiate programmes directed at
 - poverty alleviation,
 - urban and rural development and
 - the combating of crime, substance abuse and social decay amongst youth;

- Promote a uniform approach by all organs of state, the private sector and non-governmental organisations to matters relating to or involving youth development; and

- Endeavour to promote the interest generally of the youth, particularly young people with disabilities and other vulnerable youth

NYDA KEY PERFORMANCE AREAS

1. Economic Participation	Aimed at enhancing the participation of young people in the economy through targeted and integrated programmes. The NYDA will support both for-profit businesses as well as social enterprises that promote job placement, self employment and income generating activities.
2. Education and Skills Development	Aimed at promoting access to quality education and skills to both in-school and out of school youth through 2nd chance interventions for school drop-outs and School to Work programmes.
3. National Youth Service	Aimed at providing young people with meaningful and accredited skills and activities that benefit their communities through national service and patriotism.
4. Social Cohesion	Aimed at engaging young people in activities that build their social capital, networks and strengthen the relationships that bind people and communities together. These activities will propel young people to reach their personal goals and develop their full capacity. Furthermore, young people will be aware of themselves and their rights and responsibilities



NYDA KEY PERFORMANCE AREAS *(CONTINUED)*

5. Information and Communications	Aimed at providing young people with information about various opportunities aimed at improving their living conditions. Through this area of work, the NYDA will also be able to provide information and career guidance services to young people.
6. Policy, Lobby and Advocacy	Aimed at creating platforms and other social dialogue forums to engage the state, civil society and other social partners for purpose of mainstreaming youth development.
7. Research, monitoring and evaluation	Aimed at generating a body of research, knowledge and best practice in the youth development sector. It will inform various ways through which government, business and other social partners can contribute towards youth development.
8. Effective and Efficient Management Resources	The NYDA aims to set efficient and effective management processes that will ensure that resources are managed optimally. This will be done through effective financial management process, risk management, legal, improved business processes and the development of controls.



KPA: Economic Participation 2010

59 800 jobs will be created:

- 12 800 out of Business Development Services
- 2 000 out of SME lending
- 40 000 Micro finance
- 5 000 out of co-operatives

1. 7 200 new business will be created

30 000 Micro Loans issued

450 loans will be issued to co-operatives

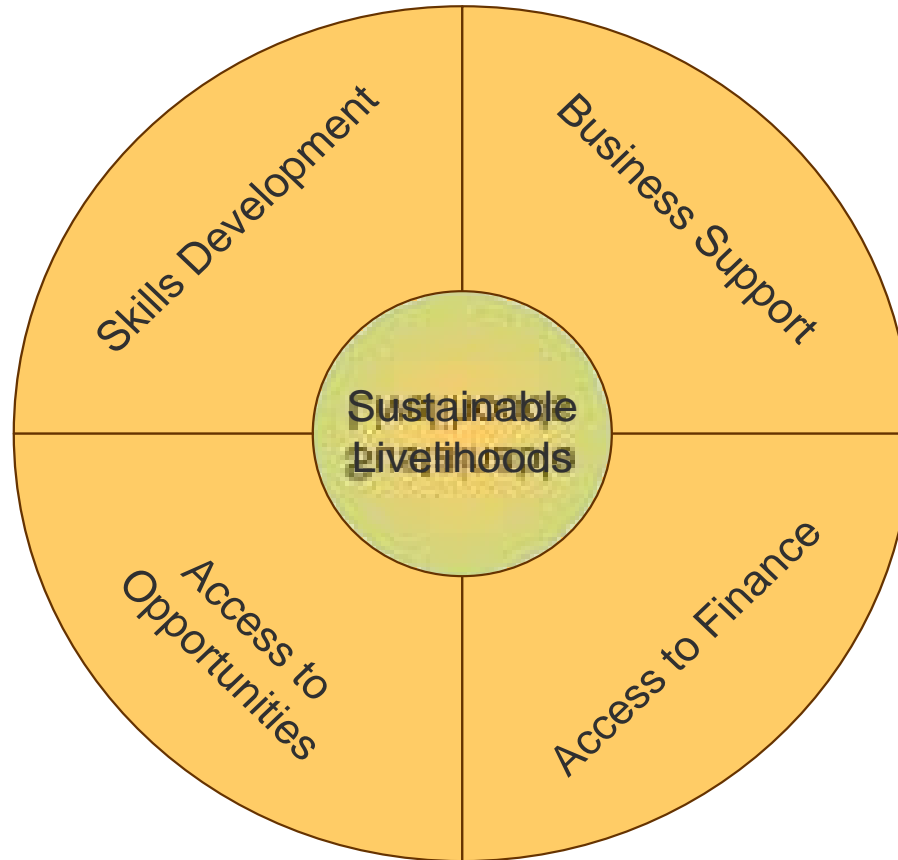
160 SME loans issues

60 % loans to young women

65% in Peri- urban, semi rural and rural areas



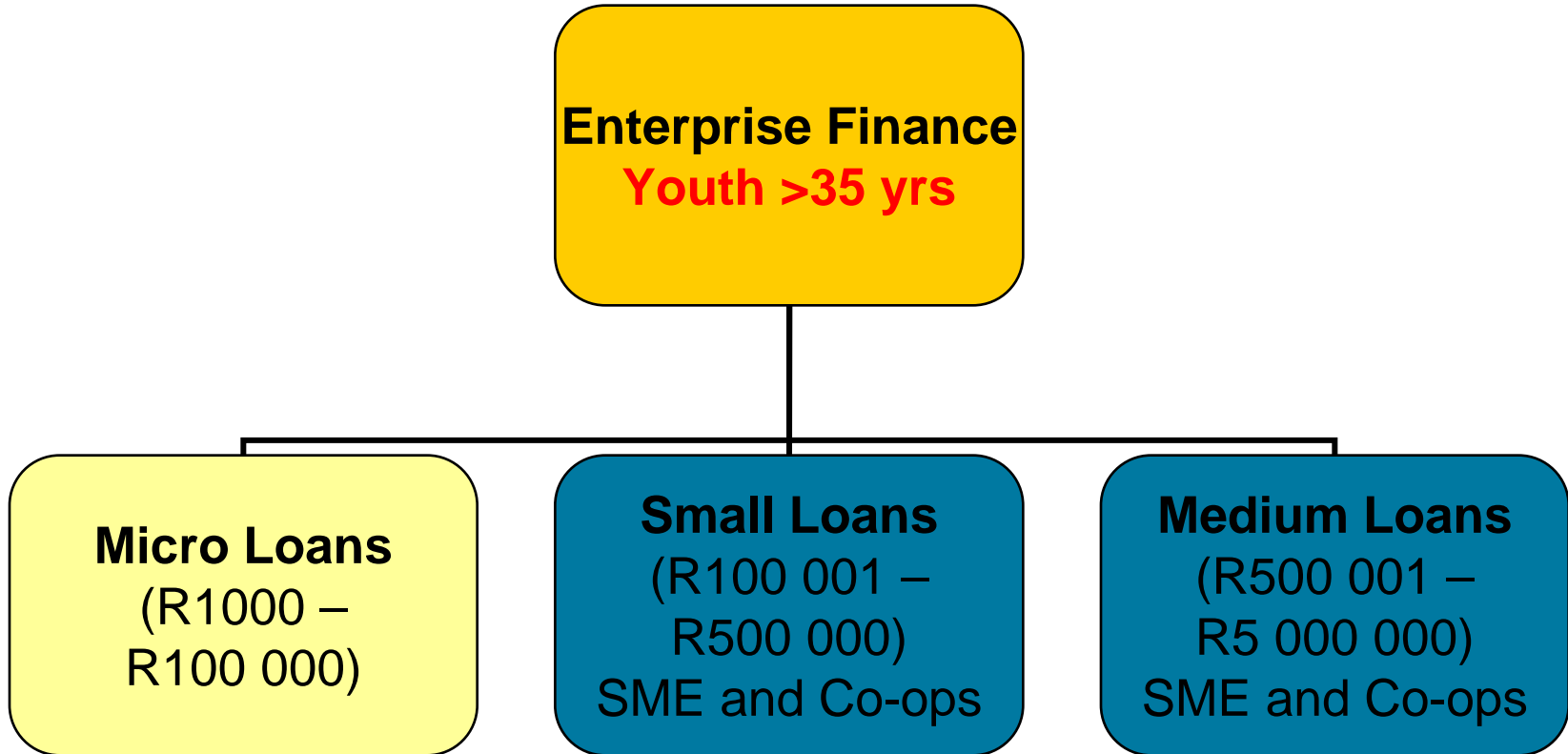
ECONOMIC DEVELOPMENT APPROACH



SMME TARGETED OFFERINGS

- **Various skills development programmes**
 - Incl entrepreneurship education and training
- **Business Consultancy Voucher Programme**
 - Over 35 000 businesses assisted
- **Market Linkages - BOSS**
 - Business Opportunity Support Service: assist with securing business opportunities (i.e.: Retail & distribution; Procurement; Equity)
- **Volunteer Mentorship Programme**
 - youth mentees matched with business mentors
- **Enterprise Lending programmes**

ENTERPRISE LENDING APPROACH



DELIVERY MODEL

SMME FINANCE

NYDA

(R1000 to R 5 mil)
Managed internally and
direct approach

PARTNERS

(Up to R10m)

- FNB Progress Fund
- Business Partners Franchise Fund
- Masisizane
- WDB
- Marang
- SEF

TARGET MARKET

- **Young people: 18 – 35 years old**
 - All races
 - Predominately out of school
 - Predominately unemployed
 - Catering for diverse cohorts of youth
 - Skilled / unskilled
 - Rural / peri-urban
 - Youth with disabilities
 - HIV / Aids
 - Women
 - Social Entrepreneurs
- 298 NYDA information dissemination and access points in all municipalities:
 - 71 Full Service YACs
 - 212 YAC Points
 - 15 YAC Mobiles

HISTORICAL PERFORMANCE

- **> R 700 million disbursed to SMME's**
- **> 50 000 individual businesses**
- **> 57 000 employment opportunities created**

Budget for next three years

2010-2011	2011-2012	2012-2013
R 930m	R 935m	R940m



Sources of SMME Capital

SOURCE	ADVANTAGES	DISADVANTAGES / RISKS
Own Capital – Savings, inheritance, pension proceeds, etc, disposal of assets	<ul style="list-style-type: none"> • No debt repayments • No contracts • Easily accessible • Less pressure on cash flow 	<ul style="list-style-type: none"> • Deplete resources • Ability to make additional investments / diversify • No backup resources • All eggs in 1 basket • Returns are lower
Family and Friends	<ul style="list-style-type: none"> • Soft repayment terms • Based on trust • No security required 	<ul style="list-style-type: none"> • Family feuds • Break up of personal relationships • Deterioration in relationships may affect the business as soft debt can be called up • Later demands



Sources of SMME Capital

SOURCE	ADVANTAGES	DISADVANTAGES / RISKS
Personal Bank loans (Access bonds)	<ul style="list-style-type: none"> • Longer term • Security is already registered • Based on track record as an individual bank client 	<ul style="list-style-type: none"> • Difficulty with taxation • NCA implications • Mismatch of loan term vs assets financed • Access to capital limited to displayed payment ability and available security • Tie up the equity in the personal asset
Business Loan - Bank	<ul style="list-style-type: none"> • Based on a firm agreement 	<ul style="list-style-type: none"> • Collateral is generally required • Risk appetite is lower for new businesses • Must maintain adequate gearing levels



Sources of SMME Capital

SOURCE	ADVANTAGES	DISADVANTAGES / RISKS
Bank Overdraft	<ul style="list-style-type: none">• Easily accessible	<ul style="list-style-type: none">• Short term in nature• Use for short term needs• Not for use for long term assets• Can become "hard core"• Can be called up
Credit Cards	<ul style="list-style-type: none">• Easily accessible	<ul style="list-style-type: none">• High interest cost• Short term• Not healthy



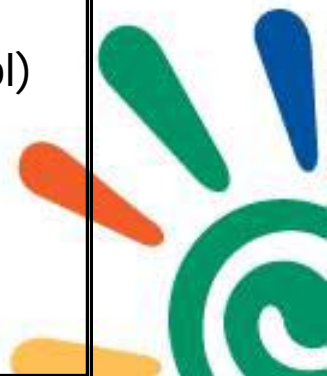
Sources of SMME Capital

SOURCE	ADVANTAGES	DISADVANTAGES / RISKS
Trade Creditors	<ul style="list-style-type: none"> • Accessible through limit and term negotiation • Ideally used to fund debtors 	<ul style="list-style-type: none"> • Limits are controlled by the creditor • Can impact on continued supply if terms are breached • Change in ownership? • Reliance on a financier who is less stable
Debtors Factoring	<ul style="list-style-type: none"> • Use existing debtors book to raise money 	<ul style="list-style-type: none"> • Must be good quality debtors • Limited to level of debtors • Admin as well as interest cost • Erodes profit
DFI's (NYDA, IDC, NEF, etc)	<ul style="list-style-type: none"> • No specific collateral requirements • Flexible own capital requirements 	<ul style="list-style-type: none"> • Specific development mandates eg • Youth • Job creation cost • Empowerment levels • Time frame often long



Sources of SMME Capital

SOURCE	ADVANTAGES	DISADVANTAGES / RISKS
Venture Capital and Private Equity (Institutions)	<ul style="list-style-type: none"> • Higher business risk appetite • Higher financial risk appetite • Normally not operationally involved • Clearly defined relationship by contract 	<ul style="list-style-type: none"> • Require high returns to compensate for risk • Shareholding participation • Loss of independence • Limitations on decision making ability • Pay the debt, dividends, buy out partner
Angel investors (private high net worth individuals)	<ul style="list-style-type: none"> • Higher business risk appetite • Higher financial risk appetite 	<ul style="list-style-type: none"> • Often require operational involvement (financial control) • Prescriptive i.t.o business strategy • Normally not eager to exit • Pay the debt, dividends, buy out partner



THANK YOU!!!!

