



**Minutes of SEFA visit to the CSIR  
CSIR Knowledge Commons, Sedibeng  
13 August 2014 at 10:00 – 12:30**

**Present:**

CSIR		SEFA
Themba Belle TM (Chair) Sean Moolman (SM) Petrus Matji (PM) Fanie Marais (FM) Richard Bean (RB) Engeli Beukman (EB) Charl Harding(CH)	Martin Mgangira (MM) Sihle Dlungwana (SD) Dusty Gardiner (DG) Lara Kotze Jacobs (LK) Themba Belle (TB) Eunice Ndeke (EN)	George Mothoa (GM) Sipho Marala (SMA)

**Apologies:**

Thakhani Makhuvha (SEFA)  
Vuyelwa Matsiliza (SEFA)

<b>1 Welcome, Apologies, Confirmation of the minutes and Opening Remarks</b>	
<p>1.1 TB welcomed all to the meeting, noted apologies and participants introduced themselves.</p> <p>1.2 The purpose of the meeting was to identify areas for potential cooperation between the two institutions.</p>	
<b>2 Areas of interest</b>	
<p>2.1 <b>Technology Localisation Implementation Unit (TLIU) RB</b> – Mainly support to SMEs in supply chains of State Owned Companies (SOCs). Firm-level TAP (Technology Assistance Package) – does not fund capital equipment. A big need for finance for capital equipment for SMEs. The CSIR Technology Localisation Unit is looking at various interventions in the market. It has identified localisation opportunities from Transnet and Eskom. Their services include: Quality control, software, and training service providers on behalf of the clients. Sma noted that SEFA provides direct funding from R50k - R5m.</p> <p>2.2 <b>Enterprise for Creation Development (ECD) EB</b> – Projects typically funded by government departments (such as DST), with co-funding from others.</p> <p>The CSIR Unit has been working on major projects in various parts of the country.</p> <p>2.2.1 Projects include: Call centre, essential oils, recycling, fish smoking; working for water programme and sisal businesses.</p> <p>2.2.2 Some of their services include: Providing technologies for solutions to benefit communities, enterprises and individuals; Identify opportunities for: Assessment, packaging, business plans, enterprise creation and development, training, incubators, feasibility studies, capacity development for local economic development projects; establish new enterprises for poverty alleviation, agriculture and agro processing, incubators, enterprise creation for development.</p> <p>2.2.3 CSIR has partnered with Innovation Hub to focus on technologies for start-up companies.</p> <p>2.2.4 Sma noted that there are synergies that can be explored.</p> <p>2.3 <b>Water (BE) PM</b> – Water &amp; wastewater infrastructure - still a bit early stage for SEFA to get involved.</p>	

The Unit was also exploring biogas upscaling and roll out countrywide. The CSIR Built Environment team was collaborating with Material Science and Manufacturing CSIR Units in exploring water infrastructure delivery in the country. Currently assessing water networks. R&D work at an early stage.

- 2.4 **Construction infrastructure (SD)** - schools, clinics. Partners: Department of Public Works, CIDB, SA Council of Project and Construction Management Professions (SACPCMP). Also looking at Green Economy, Innovative Building Technologies. Focus is on skills development, training & mentorship of building contractors (thereafter they move out, register with CIDB, and start doing business. At this stage funding support is needed).

SMA stated that SEFA have been supporting a number of building contractors over the past few years, but losing a lot of money. Not sure where things are going wrong - contractors are registered with CIDB, (issues such as underquoting, inferior work, poor project management, customers not wanting to pay, etc.). SEFA is interested in continued support (skill & mentoring, etc.) of building contractors post-funding. (Sihle comment: SACPCMP in process of vetting and registering mentors.)

- 2.5 **Road pavement design MM** - Mostly with SANRAL, but now also supporting small contractors/entrepreneurs that e.g. import new and/or green technologies and want to use it in road pavement construction in SA. Assist with adapting the tech for SA environment. Training for pothole repair. Department of Transport supported first group that was trained. Agreement certification - new construction technologies. SANRAL suppliers.

2.5.1 SMA indicated that SEFA can consider the green supply value chain area.

- 2.6 **Bio-manufacturing Industry Development Centre (BIDC) Programme** - LK made a presentation on the CSIR BIDC programme. She noted that: BIDC translates bio-manufacturing concepts and technologies into market-ready products and services. The facility offers competency throughout the value chain from laboratory scale validation through to technology prototyping and pilot manufacture. Provides process and product development, process optimisation, scale-up, regulatory support, commercial manufacturing services and incubation of SMMEs to enable the development of a vibrant

and sustainable bio-economy in South Africa and throughout the African continent. Funded by DBSA Green Fund and DST.

- 2.7 SMA noted that is possible for funding instruments to be explored.
- 2.8 Typical incubation period 6 months - 2 years. After incubation, B IDC would assist enterprises to set up their own manufacturing facilities - would then require funding. In partnership with Egoli-Bio etc., continue business support post-incubation. Bio-manufacturing definition= extracting / producing any biological active material / ingredient from a biological source, and that you can produce a marketable product. 70 SMEs applied in first round of B IDC. 4 currently being incubated, and 8 in due diligence. They all need investment to improve their facilities, to scale, to set up new facilities, etc. Benefit is that companies don't have to invest in capex until they have market traction (off-take agreements, sales, etc.).
- 2.9 **Transnet (PO) CH** – CSIR-Transnet relationship focused on two main areas:
  - 2.9.1 **R&D** - could result in new IP and ultimately new businesses (suppliers to Transnet and others).
  - 2.9.2 **Supplier development** – Biggest focus in terms of Transnet supplier development = 1064 locomotives (Transnet order placed for the 1064 locomotives - manufacturing has to happen in SA. But if SA manufacturing can't happen, it moves back to origin country. So supply chain development critical). China North Rail, China South Rail, GE, Bombardier. "1064 localisation". Local investment estimated at R8 bn. Supplier development = 40% funded by Transnet, 60% by DST. TLIU is leading this. OEMs sitting with the funds that they have to spend in localisation, but they don't know where to spend it.
  - 2.9.3 **Local locomotive** supply chain needs to be scaled up by a factor of about 8 to do the manufacturing. The programme will run for 4 years. Need to look at sustainability of industry after that - i.e. what will they then produce for whom with all the manufacturing capacity? Future: own Transnet / African locomotive.
  - 2.9.4 **SEFA: Transnet Godisa fund** not well marketed/well known in Transnet => person now

appointed in Transnet to drive this.

- 2.9.5 Sma indicated that SEFA is funding some Transnet projects.
- 2.9.6 Sector analysis is an area that needs to be explored as it has relevance to the intergovernmental forum that has been set up to look at small business. SEFA's mandate is to fund small businesses; SEFA wants to scale their activities, hence the need for partnerships. Currently reporting to the Department of Economic Development but will be moving shortly to the new Ministry for Small Business Development that has been set up. SEFA has just launched a funding facility with TEP (Tourism Enterprise Partnership) - TEP has knowledge of tourism industry - can assess business viability, etc. So SEFA & TEP do joint assessments on funding applications based on skills.
- 2.9.7 SEFA also supports pilots for technologies for small businesses that might be replicated across the country. SEFA could finance local companies taking up CSIR technology licences (up to R5m - above this amount, IDC project). Technologies that can improve local production – TLIU. SEFA looking for partnerships with incubators (see incubators as critical de-risking mechanism).
- 2.9.8 **ECD & BIDC interest in SEFA:** possible investment in start-ups; investment in programmes. Interest in BE project looking at locally manufactured water pumps, sanitation, and road pavement design. SEFA does both wholesale lending & loans directly to SMEs. Reports to IDC. SEFA = primary body in SA for small business development, in close collaboration with SEDA. Structured financing solutions. Manages a fund for Department of Rural Development & Land Reform (assist black farmers on reclaimed land; assist black farmworkers to acquire equity in commercial farms. Scope has expanded - production loans, etc.). Microfinance fund / product - up to R50k, via intermediaries. Support cooperatives. SME lending; funding principally, but with development focus. (Both directly to small businesses as well as to incubators that support small businesses). Can go up to R100m per project / fund / solution. National Small Business Act definition of SME: 2 of 3 must be present: (i) < 200 people; (ii) annual turnover < R60m; (iii)

Assets < R30m. Maximum loan sizes - all loans <R50k => micro-enterprises; loans up to R5m => small business; larger than R5m => SEFA does not fund this - need to go to IDC or NEF.

2.9.9 **Other SEFA projects:** Working in aluminium beneficiation with current price of steel, aluminium cans have become economically viable. CSIR could potentially assist with technology in this area: Tyre recycling; Sugarcane production; Awethu; Tourism Enterprise Partnership; Women in rail; Infrastructure fund (supports green buildings, etc.).

### 3 Discussion

- 3.1 SMa - A Broad MoU with priority projects for collaboration should be signed.
- 3.2 Funding solutions for CSIR projects will be explored for ECD, BE, Road Pavement and Bio-manufacturing.
- 3.3 Need for short term interventions – e.g. six month interventions.
- 3.4 SEFA serves on a government forum that consists of all departments having interest & activities in enterprise development. SEFA can feed into this forum issues such as Transnet supplier development issues (value chains, etc.). Small Business Department is planning strategy session in September - SEFA can channel CSIR inputs into it.

### 4 Actions

- 4.1 CSIR representatives for each priority area to prepare summary of inputs for the next intergovernmental forum by 18 August 2014.
  - RB/EB/CH
- 4.2 CSIR and SEFA to map out MoU areas.
  - TB to share MoU template with SEFA

### 5 Closing

- 5.1 The Chair thanked all for their contribution and closed the meeting at 12h30

Hereby confirmed by signature of the Chairperson as an accurate record \_\_\_\_\_ Date \_\_\_\_\_