

Implementation Update on COVID-19 Response Programmes

Presentation to the Western Cape Provincial
Parliament's Ad Hoc Committee on COVID-19

15 May 2020

Outline

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4. Spaza Shops Support Programme
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6. Other Informal/micro business support programmes
7. Implementation status on SMME Relief/Growth Fund
8. Progress to date on Spaza Shops and General Dealer Support Programme

1. Background

- a) Since the declaration of COVID-19 as a national disaster and subsequent lockdown, the department together with its entities quickly moved to design interventions that are responsive to the challenges faced by SMMEs
- b) The main purpose of these interventions is too keep businesses afloat during the lockdown as they are not generating any income to sustain themselves and protect jobs
- c) These interventions differ between those designed for small businesses as well as those designed for informal businesses
- d) It is also an opportunity to introduce customized interventions for township and rural areas based businesses especially those in the informal sector
- e) The department is already working on post-lockdown interventions to ensure that businesses are assisted to upgrade their business processes and get appropriate financial support to operate in a different operating environment that we will see going forward

2. SMME Debt Relief Fund

- a) Rationale for facility: To ensure that SMMEs do not close down completely and that they are supported with working capital to ensure that jobs are retained in the economy. Applicable to companies that were in business on 29 February 2020.
- b) The elements of working capital covered through the Scheme:
 - i. Payroll assistance - assists employers who's employees do not qualify for UIF Relief, on condition that those employers register their employees with UIF/ or made arrangements with UIF to fulfil their outstanding obligations. Payment is directly to employees bank accounts but applications are done by employers;
 - ii. Rental assistance (facility or equipment) – assists businesses to pay their rental obligations for either working tools and facilities/ business premises. In case, facilities rentals – there is potential for landlords to double dip from banks rescheduling of mortgage repayments whilst collecting rent from their tenants;
 - iii. Utilities– to assist with municipal bills for 3 months, this also alleviates pressure from municipalities who are facing severe financial constrains and yet they must continue to deliver basic services.
- c) All SMMEs qualify to apply on the set criteria except for businesses in the informal sector as dedicated programme is designed for the sector

2.1 SMME Debt Relief Fund


Target Market	SMMEs that are negatively impacted, directly or indirectly by the COVID-19 pandemic
Eligibility Criteria	<p>Registered business before 29th Feb 2020; Company must be 100% owned by South African Citizens; Employees must be 70% South Africans; Be registered and compliant with SARS & FICA; Registration on the National SMME Database: https://smmesa.gov.za/ Relevant Industry Certification – where applicable;</p>
Application requirements	<p>Register on the www.smmesa.gov.za portal ID Copies of Directors/members; 3 months Bank Statements; 6 months Cash Flow Projections – where applicable; Proof of funding required e.g. payroll, lease agreement, utility bill etc. Business Profile;</p>
Funding Terms	<ol style="list-style-type: none"> The facility offers working capital only – strictly direct costs which should be auditable; Maximum R500k per SMME will be considered depending on requirements; The term of the funding will be determined by the business cash flow with a maximum of 6 months moratorium; Loan facilities will be at an interest rate of Prime less 5%. It must be emphasized that the business needs will be assessed to ensure that the fund is not used for what is not intended for;
Budget	Current Facility: R200mil

3. Business Growth Facility

- a) Rationale for the facility: The funding will give local manufacturers and suppliers an opportunity to produce and strengthen their place in the market, which may lead to long term contracts post the COVID-19 pandemic

- b) This facility will fund the following:
 - i. Production/supply of health care and related products that will be utilized to combat the spread of COVID-19 pandemic.
 - ii. Local production/manufacturing/supply of various products that will be required by the country emanating from a shortage due to COVID-19 pandemic.
 - iii. Only businesses that responded to the Request for Information on suppliers issued by the Department.

3.1 Business Growth Facility

Target Market	SMMEs producing products and services that help combat the COVID-19 pandemic	
Eligibility Criteria	<p>Registered business before 29th Feb 2020; Company must be 100% owned by South African Citizens; Employees must be 70% South Africans; Be registered and compliant with SARS & FICA; Registration on the National SMME Database: https://smmesa.gov.za/ Relevant Industry Certification – where applicable;</p>	
Application Requirements	<p>Register on the www.smmesa.gov.za portal ID Copies of Directors/members; 3 months Bank Statements; 6 months Cash Flow Projections – where applicable; Latest Annual Financial Statements or Management Accounts not older than three months from date of application; Business Profile;</p>	
Funding Terms	<p>a) The facility will offer working capital (only direct costs), stock, bridging finance, purchase order and capital equipment finance; b) The type of facility as well as the amount required will be based on the funding needs of the business; c) The term of the funding will be determined by the business cash flow and debt sculpting techniques will be utilized; d) Loan facilities will be provided at an interest rate of Prime less 5% pa. The business needs will be assessed to ensure that the fund is exclusively used for the finance stated in (a),</p>	
Budget	Current Facility: R300mil	

4. Spaza Shops and General Dealer Support Programme

- a) Support opportunities for self-employment and job-creation at economic entry level whilst improving the circulation of money within townships and rural areas;
- b) Create opportunities for some informal businesses to be intermediary step to formal economy and get as many people as possible into the tax net
- c) Realize potential for spazas, general dealers, small hardware stores and spares shops, sole proprietors and artisanry businesses to serve as centres for locally manufactured goods and services,
- d) Strengthen informal businesses as local convenient and service centres for access to basic goods and services;
- e) Facilitate dedicated support programmes to make informal businesses profitable, successful and recognized in the formal economy.

KEY ASSUMPTIONS

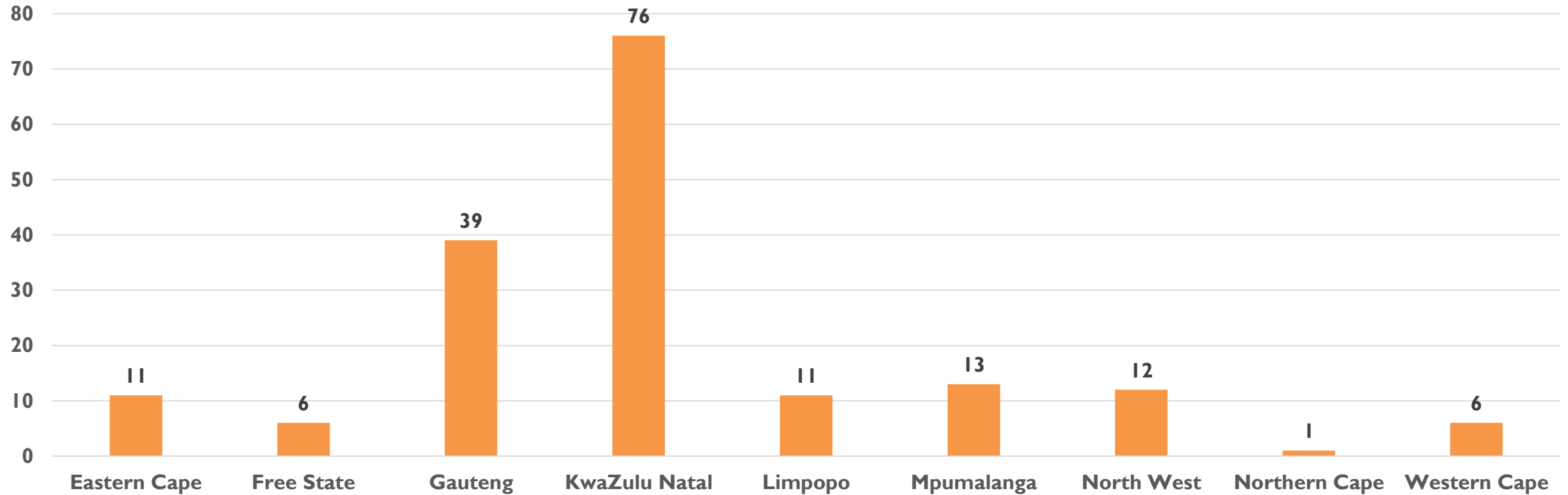
- i. The informal business owners will benefit through the envisaged social relief grant in the short term;
- ii. The informal businesses are part of essential services or part of the businesses to re-open first;
- iii. Support is granted to licensed businesses in line with the Business Act of 1991 as amended
- iv. The sector specific approach improves line of sight and impact assessment of the initiatives
- v. The support is a combination of working capital investment and access to revolving credit backed by the Khula Credit Guarantee Scheme across different initiatives.

4.1 Spaza Shop and General Dealer Support Programme

Target Market	SMMEs running Spaza Shops and General Dealers
Eligibility Criteria	<p>The spaza Shop / General Dealer must be owner-managed and operated Owner must have a valid South African identification document. Must register on SMMESA portal https://smmesa.gov.za/ Spaza shop / General Dealer must hold license to trade, municipal permit or if they do not have, they must obtain one before they can access support. CIPC, SARS and UIF registration OR Be willing to register before approval of support Undertaking to comply with the Consumer and Customer Protection and National Disaster Management Regulations and Directions Willing to submit monthly management accounts (Seda to assist with bookkeeping support)</p>
Application requirements	<p>Register on the www.smmesa.gov.za portal ID Copy Valid municipal permit / licence to trade</p>
Funding Terms	<p>a. Networking or purchasing power (bulk buying): Coordinate and support bulk buying on a pre-approved basket of goods and distribution through participating wholesalers</p> <p>b. Access to working capital injection and credit</p> <ul style="list-style-type: none"> • Maximum R3 500 working capital investment through a bulk buying facility with selected wholesalers on pre-selected basket of goods • Additional R3 500 credit facility; or • A full R7 000 credit facility
Budget	Current Facility: R175mil to reach 25 000 Spazas.

4.2 Participating Wholesalers to Support Spaza Shops

Wholesalers / Affiliates / Branches



- To date, there are 9 wholesalers that have signed up for the programmes with affiliates and branches throughout the country. The programme will remain open to wholesalers to join, on condition they agree to the terms & conditions of the programme.

5. Payment Holiday for sefa funded Clients

Given the prevailing economic conditions and the pronouncements by the Minister of the Department Small Business Development (DSBD) to assist the small business sector, **sefa** is offering various relief programs to SMMEs including **sefa** funded clients. One of the interventions is the restructuring of loans of **sefa** funded clients.

The restructuring of loans on **sefa** funded clients comprise of 2 interventions as follows:

1. Providing payment holiday/postponement of instalments of up to six months to sefa clients. **The payment holiday is on both capital and interest.**
2. Debt restructuring (review of funding period, interest and funding instruments) and provision of additional funding to clients who are seeking relief during this period:
 - a. The facilities will vary per funded SMME depending on the entity's cash flow needs;
 - b. The debt repayments will be sculptured to match the pattern of the cash flows; and;
 - c. The additional funding will be offered at prime less 5%. This will ensure that the already funded SMMEs are protected from high interest rates and are offered an opportunity to survive post the COVID 19 pandemic.

There are 219 clients in the Direct Lending (DL) active book who will be eligible for a blanket payment holiday. These clients have total outstanding loan balance of R335m.

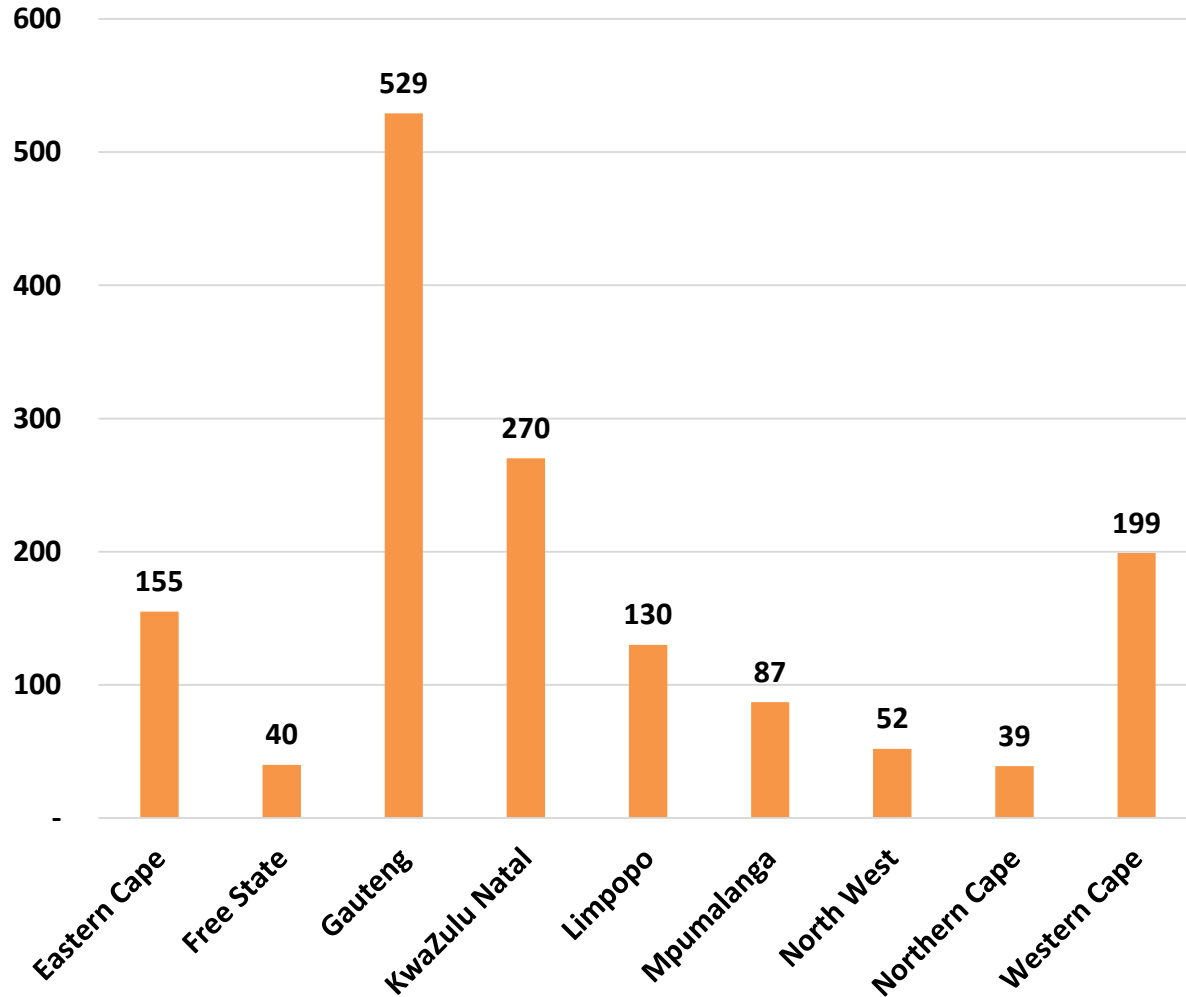
6. Other customised informal business interventions

The following schemes are being finalized and will be launched soon:

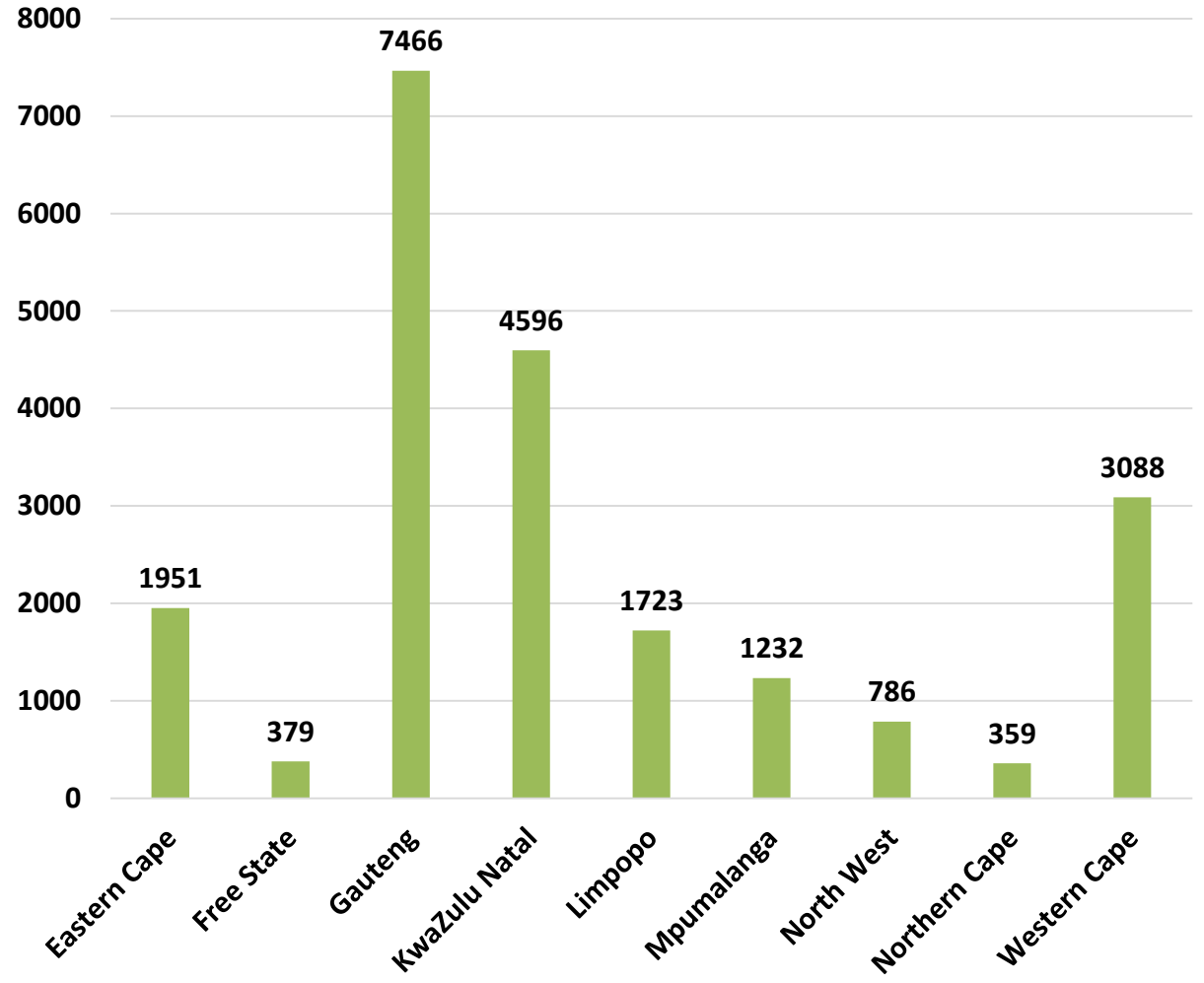
- a) Auto spares, Auto Fitment Centres and Mechanics and Motorbody repairers shops Programme. Grant and revolving credit facility.
- b) Bakeries and confectioneries support programme. Grant and revolving facility
- c) Tradesmen and Artisan businesses/ Sole Traders. The scheme also targets packaging their participation in the public infrastructure programme.
- d) Informal Clothing and Textile businesses – targets to support sewists whilst also creating opportunities for access to markets with option to organize them through secondary cooperatives
- e) Hairdressers, beauticians and wellness spas - like spaza shops – hairdressers etc can become an effective channel to market for beauty and personal care products that are manufactured by local businesses.
- f) General hawkers and street vendors
- g) Professional business services
- h) Small scale manufacturing

7. Implementation Status on Growth Fund /SMME Debt Relief

Provincial Spread - No of SMMEs



No of Jobs



8. Progress on approvals: Spaza Shops Support Programme

Spaza Shop Support Programme							
Province	Application	Male	Female	Youth	Approvals	Declines	No. of jobs
KZN	123	67	56	25	105	11	145
NW	6	6	0	0	3	3	10
GP	28	22	6	7	21	3	55
L	30	16	14	5	25	3	35
NC	1	1	0	1	1	0	2
EC	6	3	3	3	5	0	19
FS	3	1	2	0	2	0	7
MP	2	0	2	0	1	0	6
WC	5	3	2	3	3	2	7
TOTAL	204	119	85	44	166	22	286

THANK YOU.