



1. BUSINESS RECOVERY PROGRAMME

2. INFORMAL TRADERS SUPPORT PROGRAMME

PREPARED BY: DSBD PORTFOLIO

PRESENTED TO: SBI WEBINAR

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small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

seda 
SMALL ENTERPRISE DEVELOPMENT AGENCY
an agency of the dsbd

sefa
Small Enterprise Finance Agency

Presentation Outline

1.	Purpose
2.	Background
3.	Business Recovery Programme focus areas
4.	Informal Traders Support Programme
5.	Interim Relief Measures
6.	Sefa Funded Clients
7.	Update on the Business Recovery Package

PURPOSE

To present to the SBI webinar on:

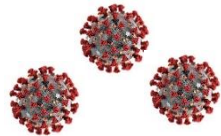
- The initiatives put in place to support formal and informal businesses through the Department of Small Business Development and its agency's the Small Enterprise Development Agency (Seda) and the Small Enterprise Finance Agency (**sefa**) to ensure stabilization of the economy.

BACKGROUND

- SMMEs in both the informal and formal sector who operate in the affected provinces and cities have been affected by the recent riots and looting.
- SMMEs across all sectors who have retail, production or office space in the city streets and malls have had their goods and equipment looted and or damaged.
- The Impact is not only on the informal and formal SMME retail sector, but even in all other sectors including the services sectors whereby either equipment has been looted and or damage as well as the damage to property.
- In addition, taverns and shebeens which were closed due to the level 4 restrictions, have suffered with their alcohol stock being looted
- Destruction of the business infrastructure has been severe. We need to mobilize resources to restore law and order in order to protect property and safeguard economic infrastructure.
- Disruptions in the supply chains more especially in cases where stock is not able to reach shelves, Informal businesses not able to ply their trade resulting in loss of income to SMMEs, this will lead to increased poverty, unemployment and decrease in the growth of the GDP.

BACKGROUND

ECONOMIC CONSIDERATIONS: THE COMPOUNDING ECONOMIC PROBLEM



A fragile pre-COVID-19 base

- low economic growth rates
- Unemployment,
- Poverty,
- Inequality
- formal employment



1. Hard Lockdown: The economy is still reeling from the 2020 hard lockdown

2. Lockdown level 4 when unrest erupted

- Trade: Restricted businesses operations - 20h00
- Prohibition of sit-down meals
- Prohibition of liquor sales
- Tourism: Prohibition of leisure travel in and out of Gauteng
- The cross-cutting limit to 50% occupancy of floor space, including employees.



Emerging protest-induced considerations

- Ransacked malls and shopping centers (**investor sentiment**)
- Destruction of infrastructure
- Restricted Mobility & burned trucks (**impact on supplies**)
- Looting (**Further decimation of businesses**, especially those that do not have business insurance)
- More job losses
- A likely surge in informal employment

Implications

- An increasing need for social security amid the existing fiscal pressures.
- Compounded health problems in the coming few weeks (the stalled vaccine rollout and new infections)
- Delayed economic recovery - Borrowing from the recent (March 2021) IMF study;
 - ✓ GDP will likely remain about a %point below year-on-year, until 1.5 years after protests.
 - ✓ An average social unrest episode causes a 1.4 %point drop in returns over a two-week event window.

BACKGROUND

According to the South African Property Owners Association (SAPOA) and Business Leadership South Africa (BLSA), the estimated cost of the recent violent protests on the economy of KwaZulu Natal & Gauteng is as follows:

- R1.5 billion in stock has been lost.
- Damage to the tune of R15 billion recorded on property and equipment.
- More than 800 retail stores were looted and 100 were completely burnt.
- This has impacted negatively on about 50 000 informal traders and 40 000 businesses. To date 150 000 jobs are reported to be at risk.

This necessitates the introduction of formal and informal sectors business recovery support packages to accelerate business and economic recovery with a view to curb job losses as well as business closure.

BUSINESS RECOVERY PROGRAMME

The Business Recovery Support Programme will focus on the following:

- **Uninsured** small enterprises impacted negatively by the unrest predominantly in KwaZulu Natal and Gauteng provinces.
- Small enterprises which require funding for working capital (including stock), equipment (including delivery vehicles) and furniture as well as fittings.
- Small enterprises with existing funding from other lenders will still be considered.

FINANCIAL SUPPORT

The programme offers the following financial support:

- Blended Finance which is a combination of a grant (**60%**) and a loan (**40%**).
- Interest rate on the loan component is limited to 5%.
- Initial payment moratorium of up to maximum of 12 months for small enterprises in KwaZulu Natal and Gauteng and six (6) months for other Provinces.
- Repayment period of a maximum of 60 months.
- Maximum funding accessible per entity is R2 million.

NON-FINANCIAL SUPPORT (BDS)

- **Pre investment**
 - Small enterprises will be assisted by Small Enterprise Development Agency to package their funding applications.
- **Post investment**
 - The programme through the Small Enterprise Development Agency will offer customised Business Development Support based on the needs of the small enterprises.

CRITERIA

- The small enterprise must be negatively affected by the unrest that took place in July 2021 (SAPS case number to be submitted).
- Be a registered legal entity in South Africa (CIPC).
- Be a 100% owned by South African citizens.
- Have been in operation as at 30 June 2021 (Bank statements to prove operations)
- Be registered and compliant with the South African Revenue Service.
- Be registered on the National SMME Database – <https://smmesa.gov.za>
- Preference will be given to businesses in KwaZulu Natal and Gauteng.
- Affidavit confirming that the business is not insured (the conditional grant provided in the scheme will be converted into a loan should the business benefit from insurance post approval).
- Informal businesses are excluded since there is a dedicated support package for them (Informal Traders Support Package).

FUNDING REQUIREMENTS

- FICA documents (e.g Municipal accounts, etc);
- Certified ID copies of Directors/Members;
- 3 months bank Statements;
- Latest Annual Financial Statements;
- Three (3) years Cash Flow Projections (with clear assumptions);
- Copy of Lease Agreement or Proof of Ownership;
- Facility Statements of Other Funders - where applicable;
- Quotations for applied funding; and
- Detailed break down on application of funds including salaries, rent etc.

IMPLEMENTATION PROCESS

- Applications are submitted to BRP@sefa.org.za.
- Funding queries can be directed to BRP Hotline on 0860 663 7867 or email: info@dsbd.gov.za.
- Upon receipt of the applications, they are reviewed and completed applications are subjected to due diligence exercises and subsequently submitted to **sefa** for approval.
- Follow ups are made with SMMEs whose funding applications are incomplete to submit the outstanding information.
- SMMEs that require non-financial support are referred to **Seda** for further handling.

BUDGET IMPLICATIONS

- Total budget available is R300 million secured through the reprioritization process.
- Targeting 150 small businesses predominantly in KwaZulu-Natal and Gauteng.

INFORMAL TRADERS SUPPORT PROGRAMME

INFORMAL TRADERS SUPPORT PROGRAMME

The Programme is aimed at supporting informal and micro businesses in the informal sector following the unrest.

- Provision of business focused support (financial and non-financial) through the Township and Rural Entrepreneurship Programme specifically the Fruit & Vegetable Vendors Scheme.
- The Programme will support 17 667 entrepreneurs @ R3 000 each (as a once-off grant) amounting to a cumulative amount of R53 000 000 via the banking partners.
- Business Development Support linked to the Programme will be coordinated through **Seda**.

CRITERIA

- Must be a South African and must produce a valid South African ID document.
- Should have a bank account in SA and those who do not have should be willing to be assisted to open and use an SA bank account.
- No minimum turnover required for vendors.
- Willing to participate in the DSBD/ Seda facilitated business development processes.
- Preference will be given to businesses owned by women, youth and people with disabilities.
- **NB:** Applying entities in this category need not be registered with CIPC and SARS due to their size and status of operations.

IMPLEMENTATION PROCESS

- **sefa** and the nominated bank to enter an arrangement in terms of implementation of the Programme (such as the existing Nedbank agreement on the Fruit & Vegetable Vendors Scheme)
- Applications to be done via the participating bank -**Nedbank**.
- **Nedbank** will utilise the various Informal Traders Associations to package applications and verify the operations of the Informal Traders.
- Disburse grant funding via Nedbank and Nedbank to provide periodic reporting to sefa on all disbursed funds. Associations can submit their members applications on sefainformaltraders@nedbank.co.za
- Seda to provide post funding support where necessary.

INTERIM RELIEF MEASURES

- Implementation of moratorium on permits and business licences requirements.
- The requirements for business permits and licences to be lifted until 31 December 2022.
- This has the potential of reducing the cost of doing business for the period covered by the moratorium.
- It is expected that the SMMEs including Co-operatives will plough back the money into their respective businesses (Acquire equipment or Stock).
- However, SMMEs and Co-operatives will be encouraged to strive to comply with the Business Act.
- Reduction of the cost of finance or borrowing for SMMEs and Co-operatives.
- Considering the increase in the grant component and reduction in the debt component of the Blended Finance model to make funding more accessible to SMMEs and Co-operatives more especially those in the informal sector.

sefa FUNDED CLIENTS

sefa funded clients

	Number of Companies Impacted	Economic Sectors	Business Insurance Cover	Total sefa Exposure
Gauteng	6	Food Retail (4), Fuel Retail (2)	All 6 are covered	R12 816 687.24
Kwa-Zulu Natal	5	Services (Eye care) (1) Food Restaurants (4)	All 5 are covered	R2 096 572.08
Total	11			R14 913 259.32

UPDATE ON THE BUSINESS RECOVERY SUPPORT

- Information as at 20 August 2021

REGIONAL OFFICE	KwaZulu Natal	Gauteng South	Gauteng North	TOTAL
Total Number of applications received	30	10	19	59
Total Value of applications received	R30 000 000	R9 700 000	R8 100 000	R47 800 000
Total Number of applications being processed	13	5	3	21
Total Value of applications being processed	R15 500 000	R2 593 000	R1 500 000	R19 593 000
Projected approvals dates	25-08-2021	25-08-2021	25-08-2021	25-08-2021

Thank You!



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