

NCOP Ministerial Briefing on Small Business Development

Progress Made on Interventions to Mitigate the Impact of Covid-19 Pandemic on SMMEs

01 September 2020



small business
development
Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA



Outline

1. **sefa** administered interventions
2. Seda administered support
3. SMME Debt Relief
4. Payment holiday for sefa funded clients
5. Spaza Shops Support Programme update
6. Listing of SMME Brands
7. Township and Rural Entrepreneurship Programme Interventions
8. Newly launched interventions

1. sefa Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
SMME Debt Relief Fund	Business survival; Working capital provision; Job protection; Income protection	<ul style="list-style-type: none"> The lockdown created cashflow challenges in many SMMEs. This resulted in sefa receiving 35 865 applications compared to 250 applications per annum via its Direct Lending channel. This created capacity challenges in the timeous processing applications. Insistence on SMMEs registering their employees for UIF is critical Cashflow management is a critical skill that is needed by SMMEs Government has to move towards automation of most of its processes to be able to reach more SMMEs in a short time The funding allocated for the two schemes was insufficient in relation to the demand.
Business Growth/ Resilience Facility	Working capital (only direct costs), stock, bridging finance, purchase order and capital equipment finance	
Spaza Shops Support Programme (SSSP)	Networking or purchasing power (bulk buying); Coordinate & support bulk buying on a pre-approved basket of goods and distribution through participating wholesalers; Access to working capital injection and credit;	<p>The Programme is delivered through the effectiveness of PPP, namely, DSBD, Commercial Banks and Wholesalers. With the grant allocation being the 1st phase of the programme, the Govt. triple challenges are addressed by keeping the spaza shop owner in business.</p> <p>Target = 25 000 spazas to contribute to the 100 000 spazas target over MTSF period. The co-ordination of the project was assisted by SALGA in allowing municipalities to issue trading permits to the Spaza owners.</p>

sefa Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
Payment Holiday to sefa funded Clients	Provision of debt relief facility; Long-term business survival; Cash flow improvement; & Job protection	<ul style="list-style-type: none">▪ Most of the funded clients of sefa are in start-up phase. Businesses in the start-up phase of the business cycle experience cashflow challenges and market access barriers.▪ The SME relief facility has been an effective way of assisting businesses to improve their cash flows during this crises however, the future loan repayments will have a negative impact on the businesses.▪ The loan repayment holiday is a short term means of saving jobs for SMMEs however, a long term SMME viability programme is required to ensure their long term survival.▪ To monitor the implementation of the payment holiday, sefa is implementing a monthly business conditions survey to assess the business performance in terms turnover, employment and ongoing operational challenges.▪ Sustainability of sefa: the payment holiday to clients means no cash will flow to sefa during this period. This will have a negative impact on sefa operations and sefa will need to find alternative ways of increasing its revenue.

sefa Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
Tenants in sefa -owned properties	To grant tenants operating in sefa -owned properties a payment holiday during the lockdown	<ol style="list-style-type: none">1. Most tenants in sefa-owned properties were already experiencing cash-flow and rent payments challenges. Therefore, the rent relief will make have a positive impact on their cashflows.2. Majority of sefa properties are in the townships, hence, the support given contributes to the creation of jobs, reduction of poverty and addressing the prevailing inequality.3. To contain the spread of the coronavirus, only providers of essential services continued to trade.4. To adhere to the DoH protocols, the buildings' surfaces are regularly disinfected with appropriate chemicals, whilst the centres entrances are provided with hand sanitizers to spray customers coming and leaving the properties.

2. Seda Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
Assisting Applicants of the Debt Relief Fund with Compliance. Seda checked the gaps in the information that was submitted to Sefa and re-submitted the applications with required documents	To assist small businesses to qualify for the Debt Relief Fund by meeting all compliance requirements	<ol style="list-style-type: none">1. Sole Proprietors were not fully accommodated in the compliance requirements initially2. There is a need for an awareness drive to educate small businesses about the importance of submitting their annual returns to the CIPC3. The agency's virtual platforms were not fully prepared for the crisis which tended to affect the delivery of services at the beginning of COVID-194. There's a need for zero-rated platforms to assist clients to access services.

Seda Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
Assisting Applicants to the Spaza & General Dealer Support Programme to meet the CIPC requirements. The same support will be available to the small businesses that will participate in the other Informal Sector programmes that have been launched by the Department.	To assist owners of Spaza shops and General Dealers to qualify for the Spaza & General Dealer support programme by meeting all compliance requirements & post-funding Support	<ol style="list-style-type: none">1. The requirements for Spazas and other informal businesses to register as (Pty) Ltd's places onerous compliance requirements, for example, the need have a Board of Directors, annual returns etc. The solution is for the CIPC to consider a simpler process for micro and informal businesses2. Some of the municipalities, have been very supportive of the programme and referring clients to Seda to improve the uptake in their areas.3. Municipalities have a very important role to play as access points where the Department and its agencies doesn't have physical presence to bring services closer to the people.

Seda Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
Compiling and validating databases of Seda clients and other stakeholders' that produce essential products & submitted to the DSBD for inclusion as suppliers to the Wholesaler & inclusion in the various RFIs	<p>To facilitate access to markets for the small, mostly township based suppliers through the Spaza Support programme</p> <p>Seda provincial network is utilising the same lists for opportunities that are available within provincial departments</p>	<ol style="list-style-type: none">1. Most of the suppliers need to be assisted with lowering their production costs through assessments so that their pricing can be competitive.2. There's a need for a lot of awareness programmes for the small suppliers on the importance of having their products certified and meeting product standards.

Seda Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
<p>Assisting these small suppliers to meet compliance & standards. There are Seda-supported Incubators that serve as testing stations</p> <p>Providing training of the small suppliers on Costing & Pricing.</p>	<p>To facilitate access to markets for the small, mostly township based suppliers through the Spaza Support programme</p> <p>Seda provincial network is utilising</p>	<ol style="list-style-type: none">1. Most of the suppliers need to be assisted with lowering their production costs through assessments so that their pricing can be competitive.2. There's a need for a lot of awareness programmes for the small suppliers on the importance of having their products certified and meeting product standards.

3. SMME Debt Relief Fund: Number of Programme Applications by Province

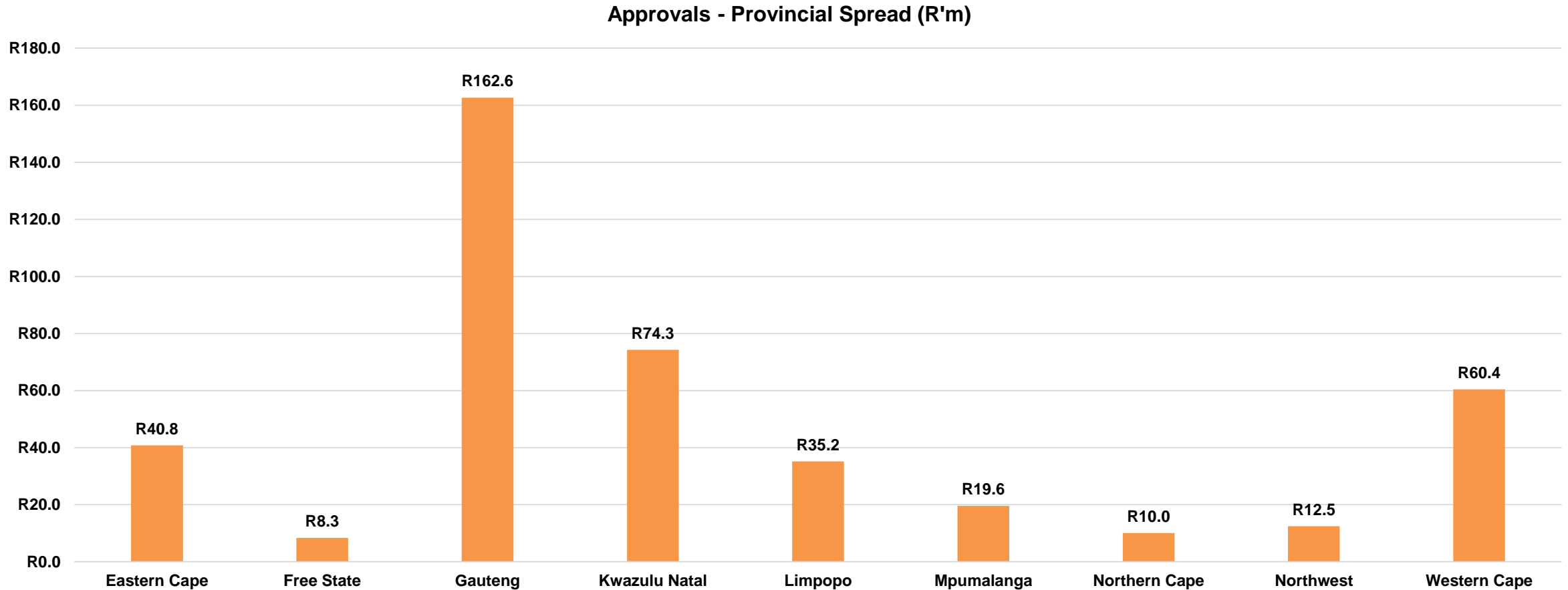
SMME Debt Relief Fund	Applications and Enquiries	Incomplete Applications Referred to Seda	Approved Application
Gauteng	12640	7547	529
Limpopo	3107	1855	130
Mpumalanga	2078	1241	87
Eastern Cape	3704	2211	155
Free State	956	571	40
KZN	6451	3852	270
North West	1243	742	52
Northern Cape	932	556	39
Western Cape	4755	2839	199
Total	35865	21414	1501

From the 2nd April until 22nd May 2020, the following was achieved under SMME Debt Relief Fund:

- A total of 35 865 applications were received
- 14 451 were complete applications (40% of total applications)
- 21 414 were incomplete applications (60% of total applications) that were referred to Seda for assistance

SMME Debt Relief Implementation Status as at 28th of August 2020

As at 8th May 2020, 1 501 SMMEs were approved to the total value of R513mil. The value of the approval was later revised to a total R424mil across the same SMMEs as the country moved from level 5 lockdown to level 4 and ultimately level 3 due to many SMMEs being able to recommence business operations and therefore only requiring support for fewer months.



SMME Debt Relief Disbursements

The disbursements were structured so that SMMEs were paid out monthly according to the approved use of funds.

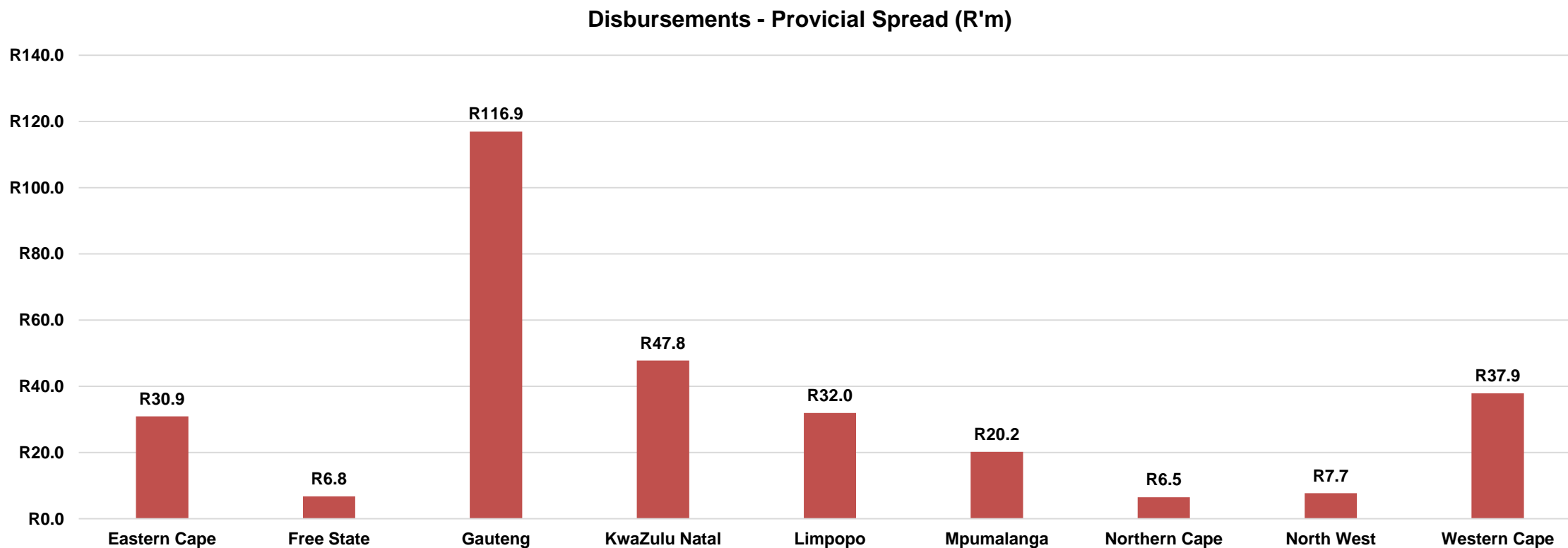
Therefore, every month they had to draw down on their facilities by providing proof that the previous tranche had been utilized for its intended purpose.

This was done to prevent fraudulent activity as well as to ensure that the SMMEs are compliant with the terms of the funding.

This approach proved a prudent approach as SMMEs did not end up being over indebted by drawing on funding that they did not require as the economy opened up in level 3 at the beginning of June 2020.

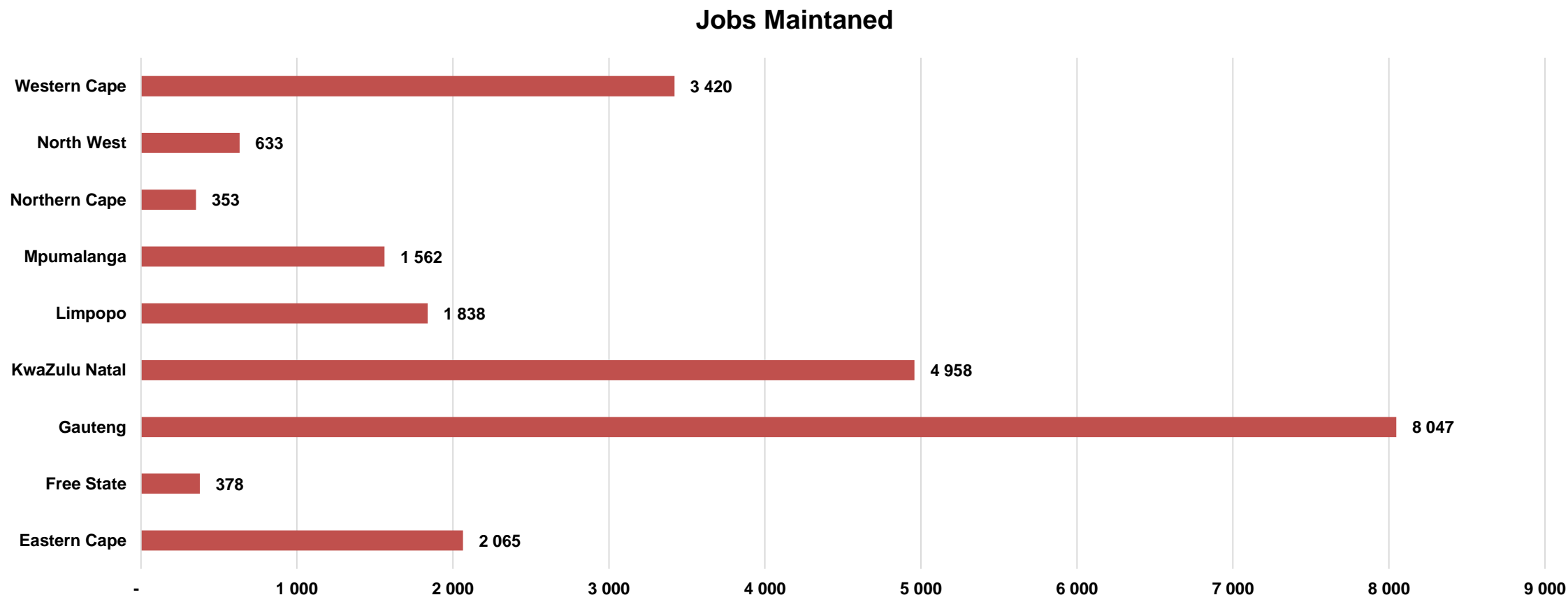
SMME Debt Relief Disbursements Continued....

To date R306.7mil has been disbursed across 1 159 SMMEs, broken down as follows:



SMME Debt Relief Disbursements Continued....

The disbursements supported the maintenance of the 23 254 jobs in the economy, spread across the country as follows:



SMME Debt Relief Disbursements Continued....

The SMMEs disbursed to were in the following sectors:

Level 1 Sectors	Sum of Disbursed	Count of SMMEs
Agriculture, hunting, forestry and fishing	6 736 537	24
Community, social and personal services	107 054 325	435
Construction	39 845 566	146
Electricity, gas and water supply	2 523 434	11
Financial intermediation, insurance, real estate and business services	22 281 472	88
Manufacturing	38 270 734	140
Mining and quarrying	8 173 728	12
Transport, storage and communication	15 384 096	55
Wholesale and retail trade: repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants	66 467 418	248
Grand Total	306 737 311	1 159

4. Payment Holiday for **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 vary per funded SMME depending on the entity's cash flow needs;
 - b. The debt repayments are 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.

Lending Type	Total Outstanding Balance	Total Instalment Postponed	Jobs Saved	number of Entities
Direct Lending	R334 423 074,35	R75 105 762,21	6327	220
Wholesale Lending	R146 200 396,00	R30 612 761,00	31084	6
Total	R480 623 470,35	R105 718 523,21	37411	226

5. Spaza Shop Support Programme Update as at 28th August 2020

SSSP – Application update

Spaza Shop Support Programme										
	Applications					Approvals				
Province	Applications	Male	Female	Youth	No. of jobs	Approvals	Male	Female	Youth	No. of jobs
KZN	4549	1530	3019	941	5103	2271	944	1327	588	2672
NW	123	90	33	18	145	83	63	20	12	98
GP	368	244	124	60	589	226	152	74	42	377
LP	2071	945	1126	321	2174	987	568	419	169	1063
NC	84	35	49	18	108	38	20	18	14	46
EC	875	353	522	235	1039	701	302	399	188	835
FS	355	216	139	102	539	197	117	80	55	317
MP	360	113	247	57	404	93	51	42	21	119
WC	75	28	47	13	100	30	15	15	6	45
TOTAL	8860	3554	5306	1765	10201	4626	2232	2394	1095	5572

Spaza Shop Support Programme Update as at 28th August 2020

SSSP – Budget vs Actual update

Spaza Shop Support Programme Provincial budget allocation

Province	SPAZAS & General Dealers Per Province	Budget Rands	No . of approvals	Amount committed to Spazas (R)	Budget balance (R)
Total EC	3 200	22 444 890	701	2 453 500	19 991 390
Total FS	1 430	10 030 060	197	689 500	9 340 560
Total GP	5 370	37 665 331	226	791 000	36 874 331
Total KZN	5 000	35 070 140	2271	7 948 500	27 121 640
Total LP	2 690	18 867 735	987	3 454 500	15 413 235
Total MP	2 110	14 799 599	93	325 500	14 474 099
Total NC	840	5 891 784	38	133 000	5 758 784
Total NW	1 840	12 905 812	83	290 500	12 615 312
Total WC	2 470	17 324 649	30	105 000	17 219 649
TOTAL	24 950	175 000 000	4 626	16 191 000	158 809 000

6. Listing of SMME Brands

Introduction and Background

- In light of the impact of COVID-19 on food security and market access for SMMEs, embarked on the exercise of matching SMME Brands with Wholesalers.
- As a measure of mitigating the supply chain shortages during the onset of the COVID-19 pandemic the Department, through its SMME portal and agency databases, contacted clients in order to develop a list of SMMEs with the potential to supply to the wholesale value chain.
- To date the list contains 78 SMMEs of which 26 are currently under negotiation for listing with various wholesalers.

BASKET OF GOODS IDENTIFIED

A basket of goods was created which outlined the products most often purchased by spaza shops. From time to time, as we identify more products produced by small businesses, this list is adjusted. To date, the following 48 products were identified:

1. Canned food stuff	2. Tea	3. Atchaar	4. Vinegar	5. Sliced beetroot	6. Long life milk
7. Hand sanitiser	8. Body lotion	9. Washing powder	10. Household cleaner	11. Bath soap	12. Dishwashing liquid
13. Toilet paper	14. Sanitary towels	15. Toothpaste	16. Sweets	17. Chips	18. Cloth mask
19. White Flour 12.5kg	20. Brown Flour 12.5kg	21. All Purpose/Cake Flour	22. Bread Yeast	23. Custard Powder 2.5kg	24. Eggs 60's +
25. Sugar 12,5kg	26. Baking Powder 1kg	27. Butter 1kg	28. Cooking Oil 5l	29. Jam (Strawberry/Apricot 900g)	30. Fresh Cream 2l
31. Castor Sugar 750g	32. Icing Sugar 750g	33. Coconut 1kg	34. Coco Powder 1kg	35. Corn Starch 500g	36. Mealie Meal
37. Morogo	38. Baby food	39. Amabele	40. Bottled water	41. Fruit and veg juices	42. Spices
43. Condiments	44. Soup	45. Soya Mince	46. Soya Biryani	47. Dried citrus fruit/ nuts	48. Peanut butter

Listing Process

INITIAL PROCESS (LINKED TO THE SPAZA SHOP SUPPORT PROGRAMME)

- a) Location of Wholesalers and negotiation of discounts for the Spaza shops participating in the Spaza Shop Support Programme
- b) Preparation of a Legal Agreement by Sefa on the pricing arrangement
- c) Signing of Agreement

NEXT STEPS

- a) Introduction of local brands to Wholesaler and negotiation of listing
- b) Facilitate listing arrangements between Wholesaler and SMME
- c) Facilitate support interventions for SMMEs that have compliance challenges
- d) Monitor transaction and provide regular feedback to the DSBD Task Team

OUTCOMES OF LISTED ENTERPRISES

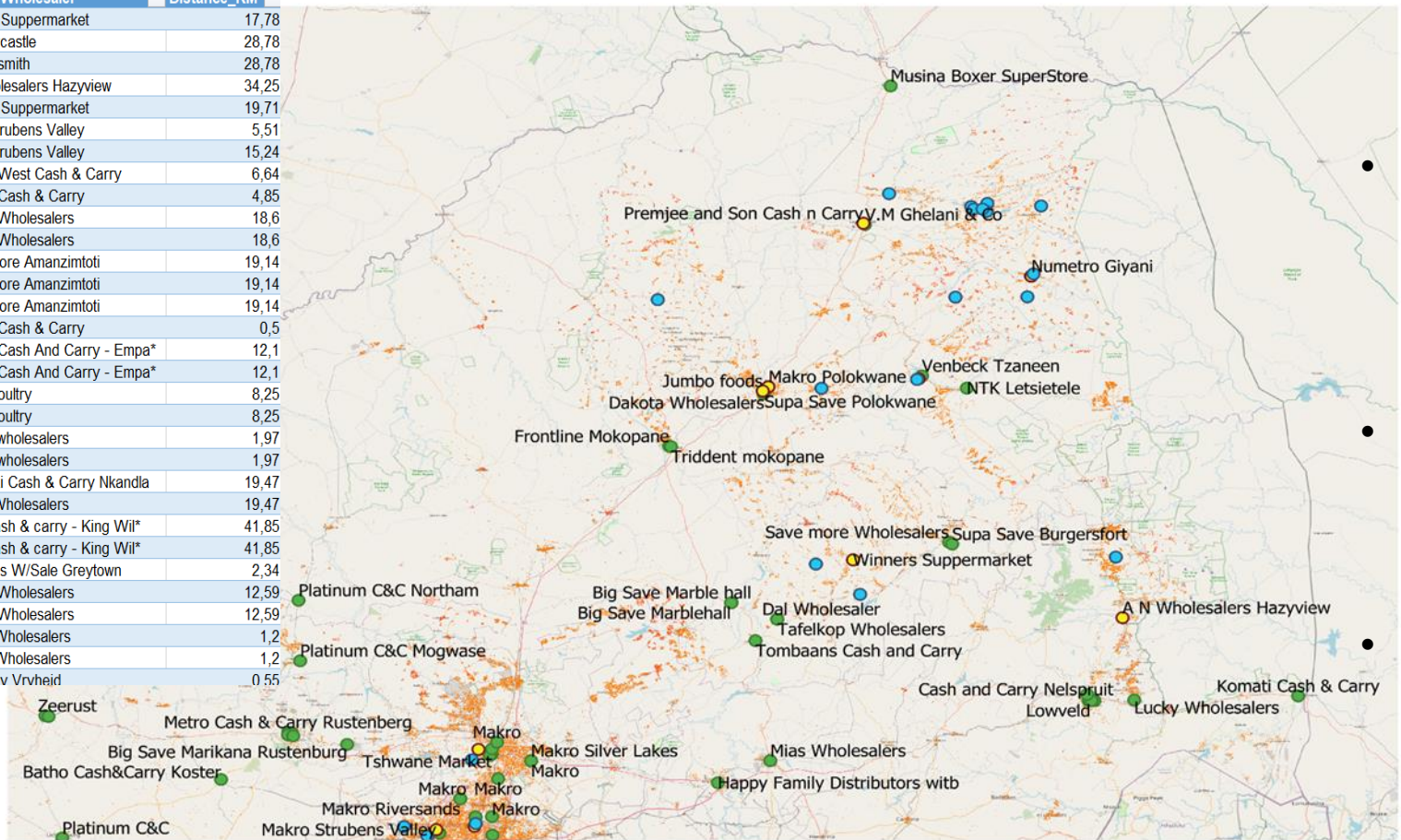
Product	Brands	Contact person	Wholesaler	Number of jobs	Ownership		
					Women	Youth (Yes/No)	People with Disabilities (Yes/No)
Tea	Midi	Fhumulani Magidi	Premjee & Sons	305	State owed entity managed by a lady	Limpopo Economic development agency	—
Sliced beetroot	TM foods	Tryphina Mosomane	Premjee & Sons	15	1	No	No
Tea	Magwa	Chuma Vekani	Discount	1241	Owned by the department of Agriculture	—	—
Sanitary towels	Lindiwe	Lindiwe Nkuna	Devland	14	1	No	No
Body lotion, roll on, perfumes, hand sanitiser	Milk Pure	Thembani Nghalaluma	Devland	2	No	No	No
Liquid soap	Glochem	Mmoni Sehlapelo	Devland	1	1	No	No
Body lotion	Marula	Portia Mngomezulu	Devland	95	1	Yes	No
Household cleaner	Enpro	Andy Matakanye	Devland	5	1	Yes	No
Atchaar	Monate Spice	Pitso Mototo	BIBI	6	1	Yes	No
Dry beans	Perfect	Katleho Motsoasele	BIBI	8	0	No	No

OUTCOMES OF LISTED ENTERPRISES

Product	Brands	Contact person	Wholesaler	Number of jobs	Ownership		
					Women	Youth (Yes/No)	People with Disabilities (Yes/No)
Toilet paper	Carolm	Caroline Motebang	BIBI	4	1	No	No
Sanitary towels	Dear Bella	Matefo Morakeng	BIBI	15	1	No	No
Toilet Paper		Lutendo	Platinum C&C	20	1	No	No
Biscuits	Nations Choice	Cassim	Platinum C&C	40			
Hand sanitiser	Phepisa	Phephsile Maseko	Goldfields	7	1	No	No
Biscuits	Silvastar	Sylvester Kgotso Serage	Numain & Sammys (NC)	5	0	Yes	No
Spices, Sauces, Garlic and Atchaar	HQ Foods	Ebrahim Adams	One-up Cash and Carry	55	1	Yes	No
Sauces/con diments	Chilli Thwaa	Molebatsi Letswalo	Goldfields	5	1	No	No
Toilet paper	Absolute Tissue	Absalom Shavhani	Goldfields	4	1	Yes	No
Tea	Midi	Fhumulani Magidi	Makro	305	0	No	No
Cosmetics	Marula	Portia Mngomezulu	Makro	95	1	Yes	No
Sanitary towels	Lindiwe	Lindiwe Nkuna	Kit Kat	14	1	No	No
Sliced beetroot	TM foods	Tryphina Mosomane	Big Save	15	1	No	No
Dairy Creamy Maas	Over The Top	Lehlogolo	Big Save	4	1	No	No
Household cleaner	Elegant Line	Nelly Shezi	Jack Morrisson	34	1	No	No
Cosmetics	La Rosa cosmetics	Mbali Buthelezi	Jack Morrisson	5	1	No	No

Mapping of Spaza shops and wholesalers

Location of approved Spazashop	Nearest Wholesaler	Distance_KM
Katlehong	Winners Supermarket	17,78
Roodepoort	TFS Newcastle	28,78
Roodepoort	Tfs Ladysmith	28,78
Soweto	A N Wholesalers Hazyview	34,25
Roodepoort	Winners Supermarket	19,71
Roodepoort	Makro Strubens Valley	5,51
Krugersdorp	Makro Strubens Valley	15,24
Atteridgeville	Pretoria West Cash & Carry	6,64
Orlando East	Devland Cash & Carry	4,85
Umzumbe	Bargain Wholesalers	18,6
Umzumbe	Bargain Wholesalers	18,6
Hluhluwe	Makro Store Amanzimtoti	19,14
Hluhluwe	Makro Store Amanzimtoti	19,14
Hluhluwe	Makro Store Amanzimtoti	19,14
Kwa-Mashu A	Favours Cash & Carry	0,5
Phongola	Phoenix Cash And Carry - Empa*	12,1
Phongola	Phoenix Cash And Carry - Empa*	12,1
Chatsworth	Peries Poultry	8,25
Chatsworth	Peries Poultry	8,25
Harding	Bargain wholesalers	1,97
Harding	Bargain wholesalers	1,97
Nkandla	Inkanyezi Cash & Carry Nkandla	19,47
Nkandla	Jadwat Wholesalers	19,47
Durban	Weirs cash & carry - King Wil*	41,85
Durban	Weirs cash & carry - King Wil*	41,85
Greytown	Kharodias W/Sale Greytown	2,34
Margate	Bargain Wholesalers	12,59
Margate	Bargain Wholesalers	12,59
Pinetown	Classic Wholesalers	1,2
Pinetown	Classic Wholesalers	1,2
Vrvheid unknown	Value Citi Vrvheid	0,55



- This illustration shows an example of spatial analysis of approved spaza shops, nearest wholesalers and participating wholesalers.
- The analysis on the slide is based on the towns where approved spaza shops are located.
- Information on the geographic locations of approved applications is required to do the detailed analysis. **N.B** Orange patches represent settlements

- Approved spaza shops
- Nearest Wholesalers
- Selected Wholesalers

Location of human settlements
■ 0



Lessons learnt on matching SMMEs with wholesalers

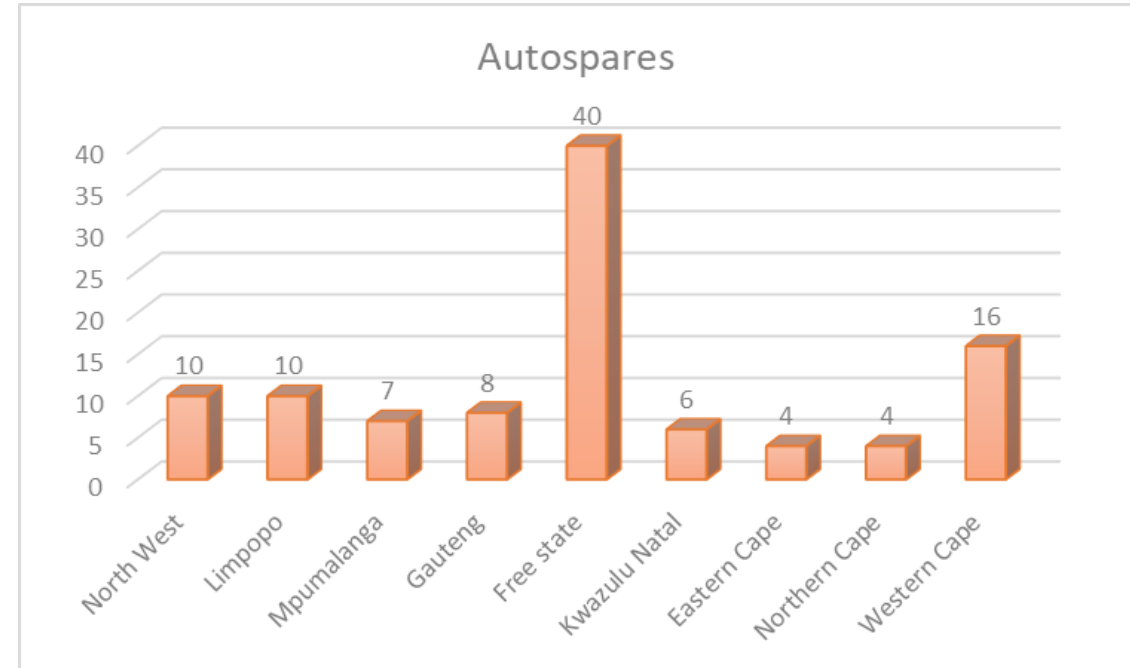
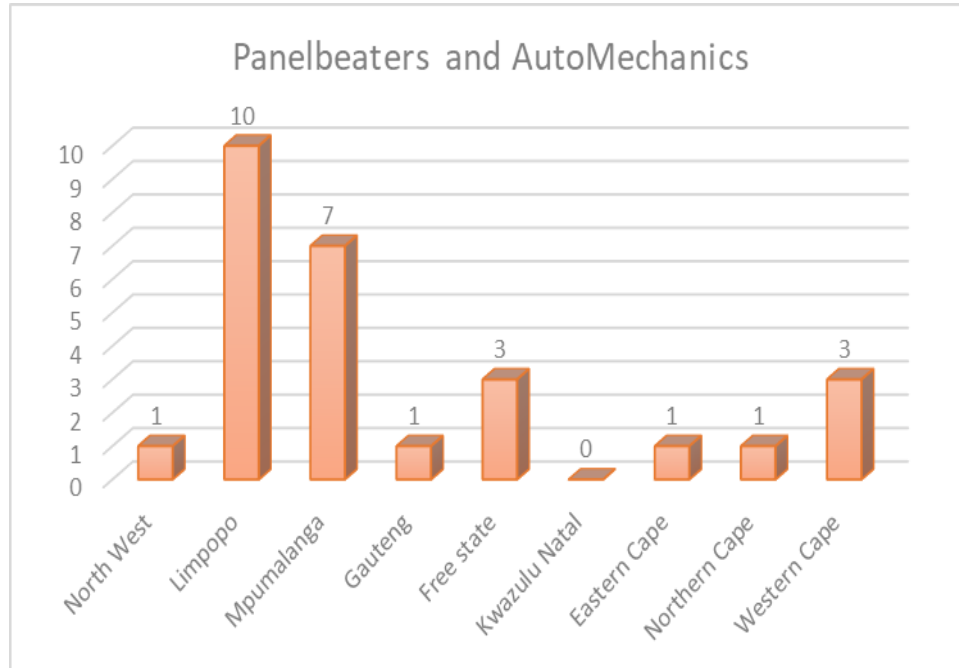
- **Collaboration with wholesalers must be conditional on them listing locally producing SMMEs for market access opportunities**
- Some of the SMMEs are used to selling their products to the informal and formal markets such as community, spaza shops, general dealers and retail stores.
- The wholesale market is new for most if not all SMMEs and the following lessons have been noted:
 - ✓ SMMEs need to adjust from using a retail price to a wholesale price, given that they supply in bulk and have to offer discounts
 - ✓ SMMEs need to learn better packaging, branding, labelling and bar coding on their products
 - ✓ SMMEs need to market and promote their products aggressively using affordable methods such as word of mouth, door to door selling and social media
 - ✓ SMMEs need to line up reliable and affordable suppliers of the raw material they use in production. A case in point is that most SMMEs that produce hand sanitisers ran out of the alcohol component and some experienced unavailability of packaging components.

7. Township and Rural Entrepreneurship Interventions as at 28 August 2020

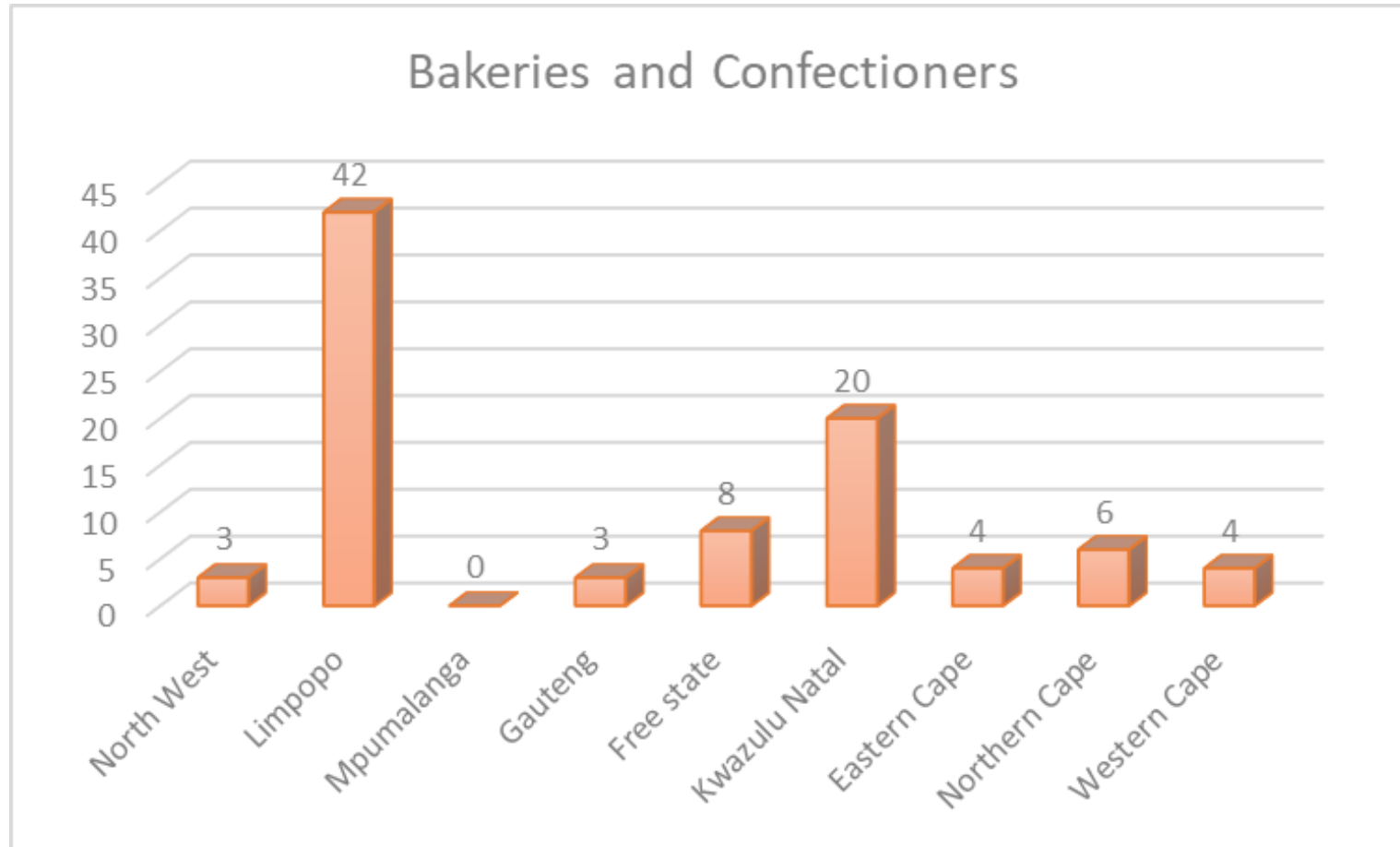
Clothing and Textile – Provincial Spread



Automotive Aftermarkets – Provincial Spread



Bakeries and Confectioners – Provincial Spread



8. Finalised and to be launched initiatives

- Business Viability Scheme
- Small Enterprise Manufacturing Scheme
- Personal Care Support Scheme (including hair saloons)
- Tshisanyama and cooked food scheme
- Fruit and Vegetable Hawkers



THANK YOU.