

# UPDATE ON COVID RESPONSE INTERVENTIONS AND LESSONS LEARNT

Presentation to the PC on Small Business Development and the Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour.

**3 June 2020**



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



# Outline

1. **sefa** administered interventions
2. Seda administered support
3. Number of applications received per province
4. Implementation status SMME Debt Relief
5. Payment holiday for sefa funded clients
6. Spaza Shops Support Programme update

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

Intervention	Objective	Lessons Learned
<b>SMME Debt Relief Fund</b>	Business survival; Working capital provision; Job protection; Income protection	<ul style="list-style-type: none"> <li>The lockdown created cashflow challenges in many SMMEs. This resulted in <b>sefa</b> receiving ± 14 800 applications compared to 250 applications per annum via its Direct Lending channel. This created capacity challenges in the timeous processing applications.</li> <li>Insistence on SMMEs registering their employees for UIF is critical</li> <li>The automation of the application forms also lacked data validation rules that could filter applications based on the eligibility criteria and documentation required.</li> <li>The funding allocated for the two schemes was insufficient in relation to the demand.</li> </ul>
<b>Business Growth/ Resilience Facility</b>	Working capital (only direct costs), stock, bridging finance, purchase order and capital equipment finance  <b>ON HOLD</b>	
<b>Spaza Shops Support Programme (SSSP)</b>	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
<p>Payment Holiday to <b>sefa</b> funded Clients</p>	<p>Provision of debt relief facility; Long-term business survival; Cash flow improvement; &amp; Job protection</p>	<ul style="list-style-type: none"> <li>▪ Most of the funded clients of <b>sefa</b> is in start-up phase. Businesses in the start-up phase of the business cycle experience cashflow challenges and market access barriers.</li> <li>▪ 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 intervention should have been a grant in order to ensure future sustainability of the SMMEs.</li> <li>▪ 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.</li> <li>▪ To monitor the implementation of the payment holiday, <b>sefa</b> is implementing a monthly business conditions survey to assess the business performance in terms turnover, employment and ongoing operational challenges.</li> <li>▪ Sustainability of <b>sefa</b>: the payment holiday to clients means no cash will flow to <b>sefa</b> during this period. This will negative impact on <b>sefa</b> operations and <b>sefa</b> will need to find alternative ways of increasing its revenue.</li> </ul>

# sefa Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
Tenants in <b>sefa</b> -owned properties	To grant tenants operating in <b>sefa</b> -owned properties a payment holiday during the lockdown	<ol style="list-style-type: none"><li>1. Most tenants in <b>sefa</b>-owned properties were already experiencing cash-flow and rent payments challenges. Therefore, the rent relief will make have a positive impact on their cashflows.</li><li>2. Majority of <b>sefa</b> properties are in the townships, hence, the support given contributes to the creation of jobs, reduction of poverty and addressing the prevailing inequality.</li><li>3. To contain the spread of the coronavirus, only providers of essential services continue to trade.</li><li>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.</li></ol>

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

Intervention	Objective	Lessons Learned
<p>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</p>	<p>To assist small businesses to qualify for the Debt Relief Fund by meeting all compliance requirements</p>	<ol style="list-style-type: none"> <li>1. Sole Proprietors were not fully accommodated in the compliance requirements initially</li> <li>2. There's a Seda for an awareness drive to educate small businesses about the importance of submitting their annual returns to the CIPC</li> <li>3. The agency's virtual platforms we were not fully prepared for the crisis which tended to affect the delivery of services at the beginning of COVID-19</li> <li>4. There's a need for zero-rated platforms to assist clients to access services.</li> </ol>

# Seda Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
<p>Assisting Applicants to the Spaza &amp; 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.</p>	<p>To assist owners of Spaza shops and General Dealers to qualify for the Spaza &amp; General Dealer support programme by meeting all compliance requirements &amp; post-funding Support</p>	<ol style="list-style-type: none"> <li>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 businesses</li> <li>2. Some of the municipalities, like Tzaneen, have been very supportive of the programme and referring clients to Seda to improve the uptake in their areas.</li> <li>3. Municipalities have a very important role to play as access points where the Dept and its agencies doesn't have physical presence to bring services closer to the people.</li> </ol>

# Seda Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
<p>Compiling and validating databases of Seda clients and other stakeholders' that produce essential products &amp; submitted to the DSBD for inclusion as suppliers to the Wholesaler &amp; inclusion in the various RFIs</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 the same lists for opportunities that are available within provincial departments</p>	<ol style="list-style-type: none"> <li>1. Most of the suppliers need to be assisted with lowering their production costs through assessments so that their pricing can be competitive.</li> <li>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.</li> </ol>

# Seda Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
<p>Assisting these small suppliers to meet compliance &amp; standards. There are Seda-supported Incubators that serve as testing stations</p> <p>Providing training of the small suppliers on Costing &amp; 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"> <li>1. Most of the suppliers need to be assisted with lowering their production costs through assessments so that their pricing can be competitive.</li> <li>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.</li> </ol>

# Seda Administered Interventions to Combat the Impact of COVID-19

Intervention	Objective	Lessons Learned
Development and submission of proposals for funding of Unemployed Graduate to NSF and the Setas	To utilise unemployed graduate as an extension of Seda's Business Advisors to provide BDS to the Informal Businesses	

# SMME Debt Relief Fund: Number of Programme Applications by Province

SMME Debt Relief Fund	Applications and Enquiries	Incomplete Applications Referred to Seda	Approved Application	Spaza Shop Support Programme
Gauteng	12640	7547	529	183
Limpopo	3107	1855	130	425
Mpumalanga	2078	1241	87	48
Eastern Cape	3704	2211	155	401
Free State	956	571	40	72
KZN	6451	3852	270	1047
North West	1243	742	52	30
Northern Cape	932	556	39	9
Western Cape	4755	2839	199	31
<b>Total</b>	<b>35865</b>	<b>21414</b>	<b>1501</b>	<b>2246</b>

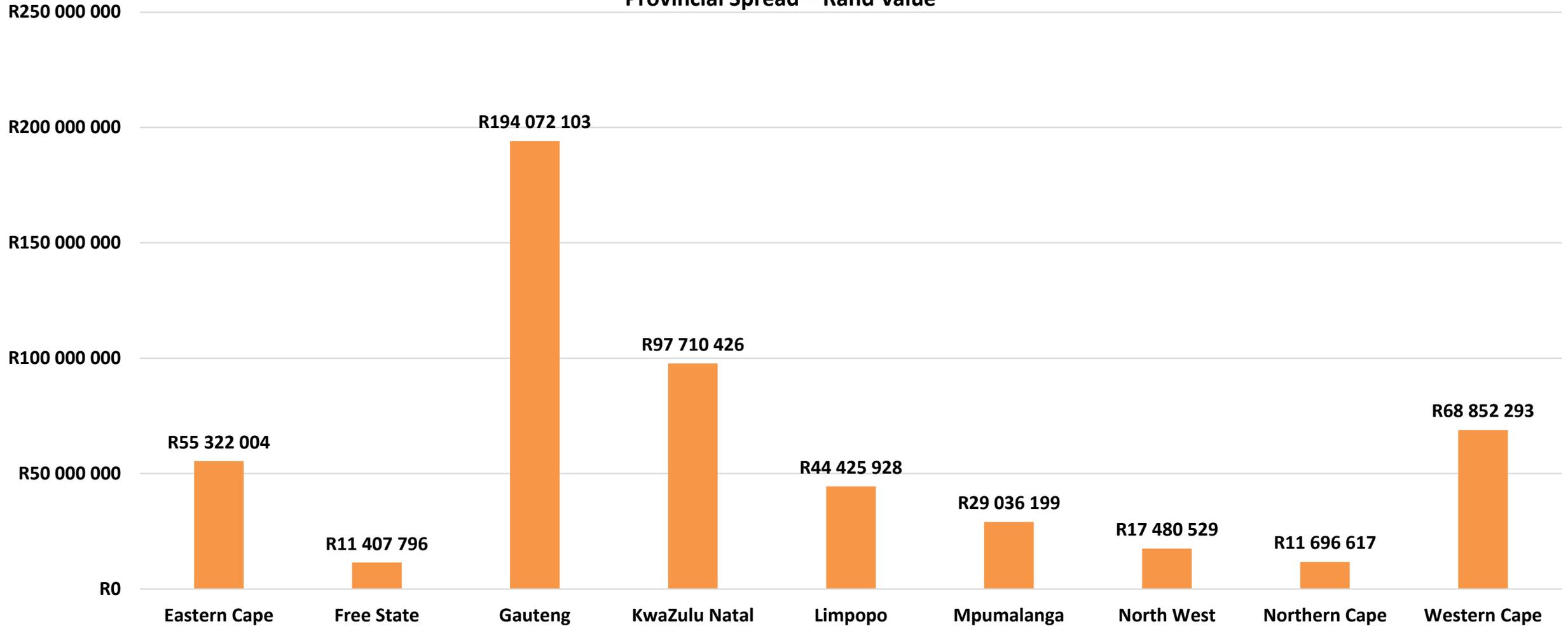
From the 2<sup>nd</sup> April until 22<sup>nd</sup> May 2020, the following was achieved under SMME Debt Relief Fund:

- 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

# Implementation Status as at 28<sup>th</sup> May 2020

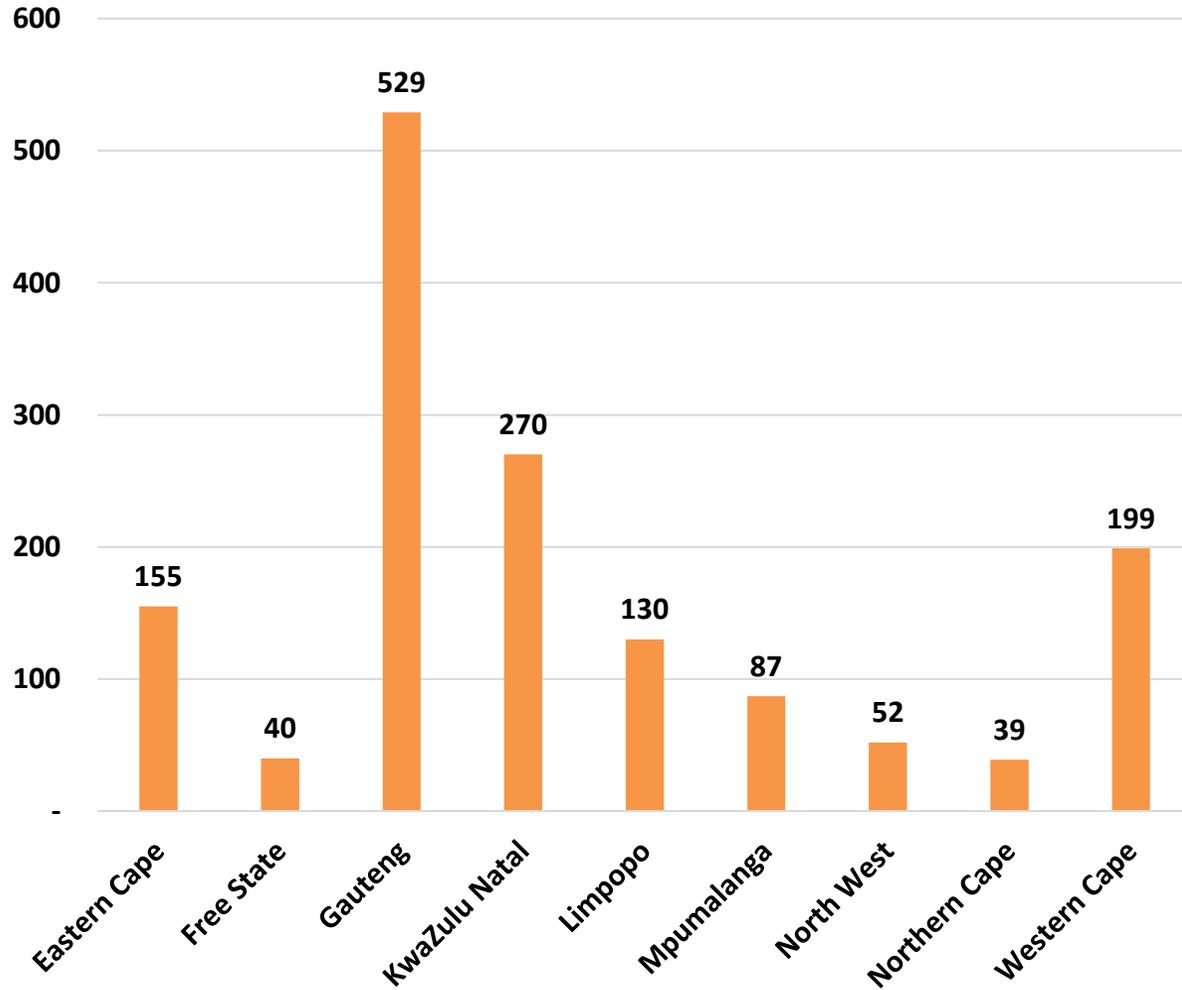
- Total 1 501 SMMEs have been approved with 21 580 jobs maintained and **total investment of R530 mil**

Provincial Spread – Rand Value

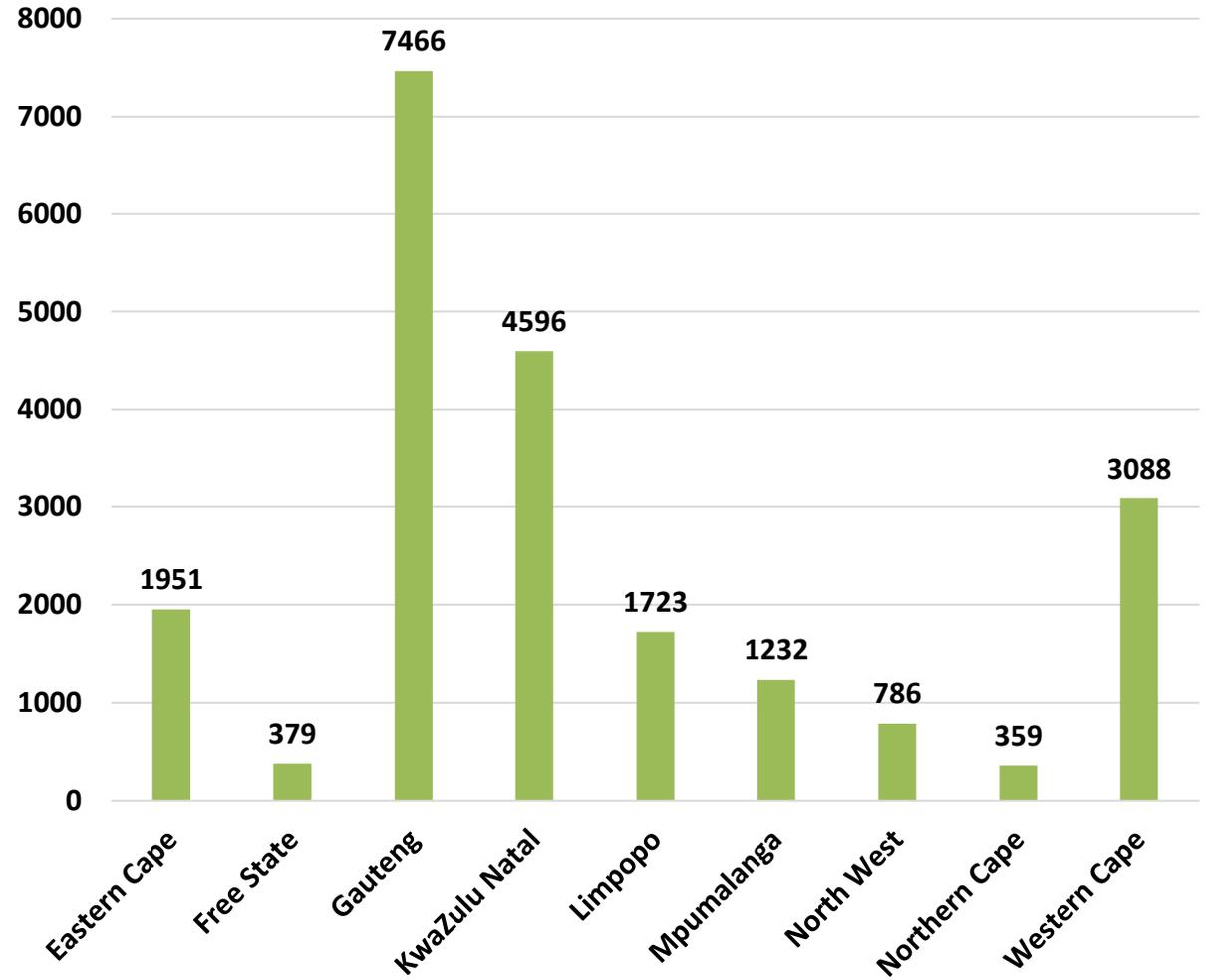


# Implementation Status as at 28<sup>th</sup> May 2020

## Provincial Spread - No of SMMEs



## No of Jobs



## 5. Payment Holiday for **sefa** funded Clients

**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 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.

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.

Under **sefa**'s Wholesale Lending, there are four intermediaries that requested payment holiday. Three of these entities are based in Gauteng and one in Mpumalanga.

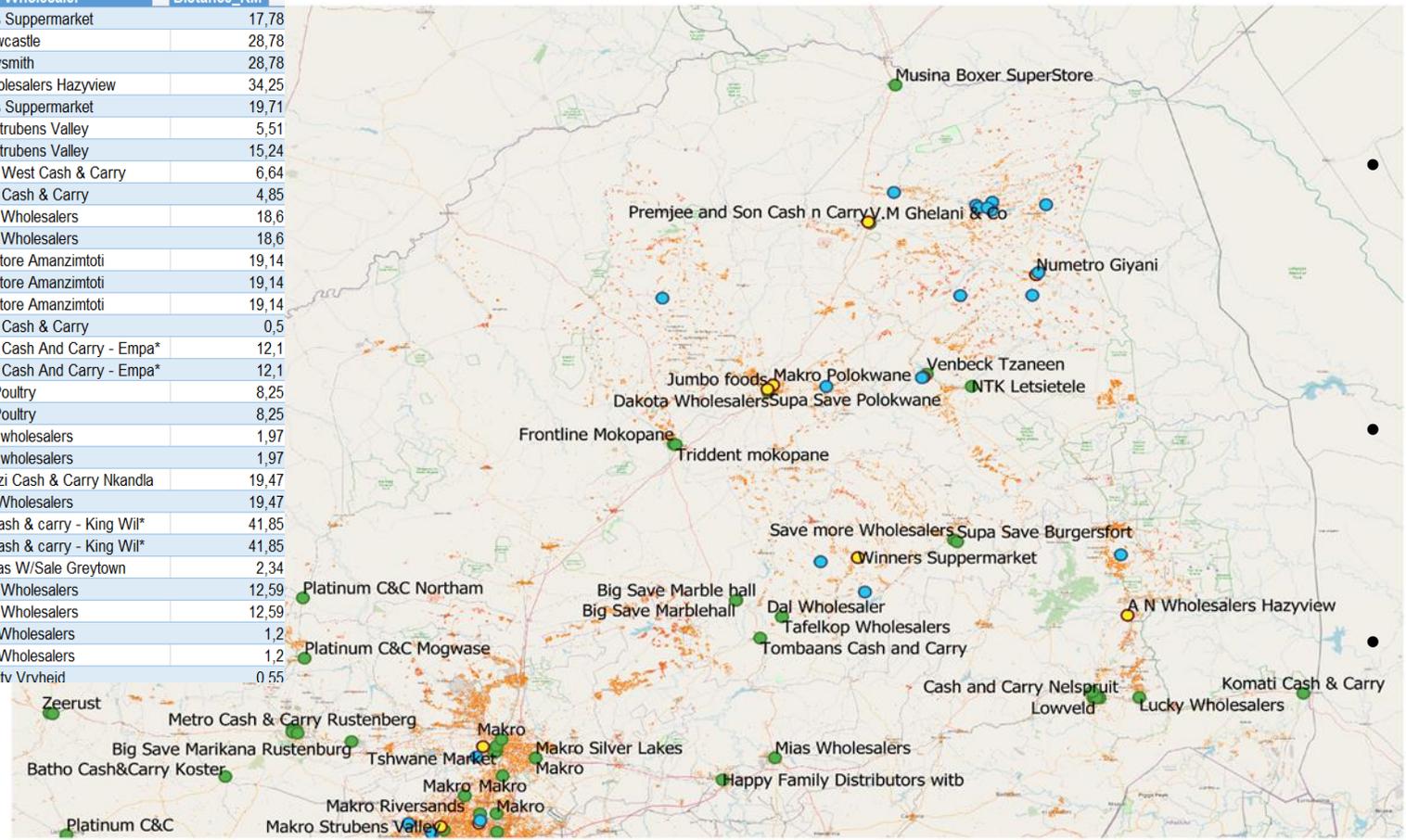
## 6. Spaza Shop Support Programme Update as at 27<sup>th</sup> May 2020

### Spaza Shop Support Programme

Province	Applications	Male	Female	Youth	Approvals	Declines	Referrals	No. of jobs
KZN	1047	542	505	277	401	90	43	1323
NW	30	24	6	5	9	5	3	40
GP	183	124	59	30	70	14	1	321
LP	425	243	182	57	116	52	28	476
NC	9	2	7	2	1	0	0	11
EC	401	176	225	107	68	33	13	520
FS	72	37	35	17	13	1	0	118
MP	48	32	16	13	12	5	2	77
WC	31	17	14	10	12	6	0	41
<b>TOTAL</b>	<b>2246</b>	<b>1197</b>	<b>1049</b>	<b>518</b>	<b>702</b>	<b>206</b>	<b>90</b>	<b>2927</b>

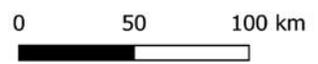
# Mapping of Spaza shops and wholesalers

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 Citv 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

- **So far we have matched 13 SMMEs with wholesalers for market access**
- 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.

# DSBD interventions to assist SMMES

- DSBD, through Seda, is providing business development services (BDS) to SMMEs being matched to wholesalers in the form of:
  - Training on pricing and costing
  - Workshops on promotion and marketing
  - Business coaching and mentoring on business growth and upscaling of production
  - Provide advice on branding and product labelling
  - Provide assistance on bar coding
  - Provide assistance on business planning to those seeking working capital
- DSBD, through sefa, is providing access to funding to those small enterprises that need working capital for upscaling their production
- DSBD is further investigating the use of e-commerce platforms to popularise, market and facilitate linkages and transactions between the SMMEs and the market

**THANK YOU.**