



**small business  
development**

Department:  
Small Business Development  
**REPUBLIC OF SOUTH AFRICA**

# **SMALL BUSINESS SUPPORT PROGRAMMES: RESPONSE TO COVID-19**

**MAY 2020**

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# 1. PURPOSE

1. To share the interventions that have been introduced as part of the relief measures.
2. To share practical plans that are aimed at supporting SMMEs to recovery post the “hard lockdown”.
3. To also present a plan on the differentiated interventions aimed at supporting various categories of informal businesses.

## 2. SUPPORT FOR SMMEs – KEY ELEMENTS/ PILLARS

1. Relieving the debt burden of SMEs through SMME Debt Relief Finance Scheme
2. Ensuring business viability
3. Strengthening domestic demand through localisation
4. Supporting and restructuring the informal businesses
5. **Exclusions** because relevant departments prefer to manage their SMME support initiatives:
  - a) Hospitality and tourism sector
  - b) Arts and culture
  - c) Primary agriculture

### 3. SMME DEBT RELIEF FINANCE SCHEME

1. 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.
2. The elements of working capital covered through the Scheme:
  - a) **Payroll assistance** - assists employers whose 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.
  - b) **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.
  - c) **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.
3. All SMMEs qualify to apply on the set criteria except for businesses in the informal sector as dedicated programme is designed for the sector.

## 4. TYPES OF SUPPORT OFFERED TO INFORMAL BUSINESSES

- a) Networking or purchasing power (bulk buying)  
Facilitate, coordinate and support bulk buying and marketing initiatives
- b) Access to working capital investment and revolving credit through Khula Credit Guarantee Scheme  
The amounts required for both working capital investment and revolving credit depends on the informal business category
- c) Business knowledge;
  - i. Provide basic book keeping and customer service training
  - ii. Facilitate for access to basic business tools (e.g. instant payment and cashless payment technology)
- d) Health and hygiene support; and  
Support them to meet the health and occupational health and safety standards
- e) Legal compliance
  - i. Facilitate for the licensing through municipalities in accordance with applicable legislation
  - ii. Facilitate CIPC, SARS and UIF registration
  - iii. Assistance with access and management of business banking accounts

## 5.1 DEDICATED INFORMAL BUSINESS SUPPORT

1. The plan entails getting the informal businesses accounted for in the formal economy by facilitating their registration with SARS and were necessary with CIPC and UIF with dedicated support using Unemployed Accounting/ Business Graduates and small law firms;
2. The following Schemes are planned and some finalised (first four):
  - a) **Spaza shops and general dealers Scheme** - targets to reach 100, 000 shops and this includes bulk buying arrangements.
  - b) **Auto spares, Auto Fitment Centres and Mechanics and Motorbody repairers shops Scheme**- targets to support at least 2500 Auto spares, 2500 Auto Fitment Centers and 10 000 Mechanics and Motorbody repairers over 12 months.
  - c) **Bakeries and confectioneries support programme**-target is to reach 2000 enterprises.

## 5.1 DEDICATED INFORMAL BUSINESS SUPPORT (cont.)

- d. **Artisanry Business Support Scheme** – targets to support at least 50, 000 tradesmen/ artisanry businesses and sole traders. The scheme also targets packaging their participation in the public infrastructure programme.
- e. **Informal Clothing and Textile businesses** – targets to support at least 15, 000 sewists whilst also creating opportunities for access to markets with option to organize them through secondary cooperatives
- f. **Hairdressers, beauticians and wellness spas** - like spaza shops – hairdressers can become an effective channel to market for beauty and personal care products that are manufactured by local businesses. The target is to support at least 15, 000 hairdressers and beauticians.
- g. **General hawkers and street vendors** – the proposal is to provide stock to approximately 150, 000 municipal licensed hawkers.



## 5.2. Spaza shops and general dealer support programme

- a) There are approximately 150 000 – 200 000 spaza shops in South Africa and they employ at most two people including the owner and therefore have a potential of creating 300 000 to 400 000 jobs
- b) Support opportunities for self-employment and job-creation at economic entry level whilst improving the circulation of money within townships and rural areas;
- c) Realize potential for spaza shops to serve as market for locally manufactured goods, through an inclusion of products manufactured SMMEs including cooperatives to the supported basket of goods;
- d) Strengthen spaza shops as locals convenient centres for access to basic goods;
- e) Facilitate support programmes to make spaza shops profitable and successful.

## 5.2. Spaza shops and general dealer support programme (cont.)

- e. Create opportunities for spaza shops to be intermediary step to formal economy.
- f. Negotiated and entered into bulk buying arrangements with wholesalers who have national presence and some emerging wholesalers;
- g. Wholesalers will serve as bulk buying centers with preferential discounts to participating spaza shops;
- h. Wholesalers who are willing to stock products manufactured by South African SMMEs and 100% SA produced goods;
- i. Partnered with banks on the execution of the spaza support under the Khula Credit Guarantee Scheme:
  - 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 (will also assist in building the credit profile of this category of business); or
  - A full R7 000 credit facility.

## 5.3 Bakeries & Confectionaries Support Programme

### Programme Interventions

- a) Access to markets (spaza shops, school nutrition schemes, hospitals, military & other social relief programmes)
- b) Working Capital Investment that includes:
  - i. Bulk Buying Facility on pre-approved products through pre-selected wholesalers - (leveraged on the Spaza & General Dealers Support facility).
  - ii. Accounts payable - rental expenses & utilities costs – once off.
  - iii. Operating equipment and supplies costs – (once off and dependent on business needs).
  - iv. Revolving Credit facility provided at interest rate of prime less 5% (leverage on Spaza and General Dealers Support facility).

## 5.4 Automotive Aftermarket Support Programme

### Customised Interventions :

- a) Motor Mechanics (service centers) & Motor Body Repairers (MBRs)
  - i. Trade test certification (for those not certified as yet)
  - ii. Technical assistance for accreditation to insurance industry and/ or car service centres including government fleet – fulfilment of quality requirements
  - iii. Automotive workshop service management training and support
- b) Auto Spares Shops & Fitment centers
  - i. Automotive workshop service management training and support as well as relevant equipment support
  - ii. Discount package with non-original spare parts manufacturers

## 5.5 Artisanry Business Support Programme

### Programme objectives:

- a) Support established artisanry businesses in defined trades within the informal, micro and small business sector;
- b) Support retrenched and unemployed tradesmen in defined trades to establish and operate their own artisanry businesses
- c) To facilitate the participation of supported artisanry business in the public infrastructure programme
- d) Depending on the Agreement with the DEL, the Scheme can be implemented in 3 phases:
  - Phase 1 – Supporting informal/ micro tradesmen who are already running their own artisanry businesses
  - Phase 2 – Supporting Tradesmen on the DEL databases to establish their own artisanry businesses
  - Phase 3 – Supporting unemployed tradesmen to establish and manage their own artisanry businesses

## 6. Lessons learnt

**The roll-out of the various schemes has highlighted the following:**

- There is high demand for relief measures for SMMEs.
- Inconsistent availability of credible databases to identify beneficiaries.
- Schemes have not made provision for dispute resolution, recourse only to courts therefore the establishment of Small Business Ombudsman is critical.
- Partnerships between spheres of government and private sector have been used to achieve efficiency.
- Needs for SMMEs differ per sector and sub-sectors and there is a need to customize.
- Coordination of support across sector departments is critical.
- Post investment support as well as monitoring and evaluation is critical to measure the impact of investment.

**END**

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