

DEPARTMENT OF SMALL BUSINESS DEVELOPMENT, SEDA AND SEFA

COVID-19 SMME EMERGENCY FUNDING PACKAGE

23 MARCH 2020

PACKAGE OF EMERGENCY FUNDING

The following funding packages will be administered by **sefa** in order to support SMMEs in response to the COVID-19 pandemic through the following interventions:

1. Business Growth Facility
2. SMME Relief Finance; and
3. Restructuring of **sefa**-funded SMMEs

For qualifying businesses, the Emergency Funding package will under no conditions be used for what it was not intended for;

1. Business Growth Facility

This facility will fund the following:

- a. Production/supply of health care and related products that will be utilized to combat the spread of COVID-19 pandemic.
- b. Local production/manufacturing/supply of various products that will be required by the country emanating from a shortage due to COVID-19 pandemic.

Rationale for the facility:

- a. 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.

1. Business Growth Facility cont.

Funding Terms:

- a. The facility will offer working capital (only direct costs), stock, bridging finance, purchase order finance 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. It must be emphasized that the business needs will be assessed thoroughly to ensure that the fund is exclusively used for the finance stated in (a), as misuse will not be tolerated under any conditions;
- e. Business Development Services from Seda, like Products testing, Certification, etc.

1. Business Growth Facility cont.

Qualifying Criteria:

- a. Businesses geared to take advantage of supply opportunities resulting from the Coronavirus pandemic or shortage of goods in the local market;
- b. Company/business must be 100% owned by South African Citizens;
- c. Company must be 51% black owned;
- d. Employees must be 70% South Africans;
- e. Priority will be given to businesses owned by Women, Youth and People with Disabilities;
- f. Be registered and compliant with SARS;
- g. Be UIF compliant;
- h. **Registration on the National SMME Database – www.smmesa.gov.za**

1. Business Growth Facility cont.

Funding requirements:

- a. Complete the simplified online application platform;
- b. Company Statutory Documents;
- c. FICA documents;
- d. Certified ID Copies of Directors/members;
- e. 6 months Bank Statements;
- f. Latest Annual Financial Statements or Management Accounts not older than three months from date of application (Statement of Financial Performance and Statement of Financial Position) – where applicable;
- g. Business Profile;
- h. Project Execution Plan;
- i. 12 months Cash Flow Projections (with clear assumptions) – where applicable;
- j. Copy of Lease Agreement or Proof of ownership;
- k. Relevant Industry Certification – where applicable;
- l. Copy of Contract or Purchase Order
- m. Facility Statements of Other Funders - where applicable;
- n. Quotations for applied funding;

1. Business Growth Facility cont.

sefa application process:

1. SMME submits funding application with www.smmesa.gov.za registration number and supporting documentation to dedicated **sefa** email address info@sefa.org.za
2. **sefa** national team reviews application and completeness (**sefa call center**)
3. Sefa performs verification

2. SMME Relief Finance

This facility will fund the following:

- a. Soft loan funding that will keep the existing businesses afloat during the COVID 19 pandemic for 6 months from April 2020;

Rationale for facility:

- a. The majority of SMMEs will experience severe reduction in demand and subsequent reduction in revenues due to the COVID 19 pandemic. As a result, it is important 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.

2. SMME Relief Finance cont.

Funding Terms:

- a. The facility will offer working capital only – strictly direct costs which should be auditable;
- b. Maximum R500k per SMME will be considered depending on requirements;
- c. The term of the funding will be determined by the business cash flow;
- d. Loan facilities will be at an interest rate of Prime less 5%. It must be emphasized that the business needs will be assessed thoroughly to ensure that the fund is not used for what is not intended for as any misuse is totally prohibited;

2. SMME Relief Finance cont.

Qualifying Criteria:

- a. Businesses which are negatively affected due to the Coronavirus pandemic;
- b. Company must be 100% owned by South African Citizens;
- c. Company must be 51% black owned;
- d. Employees must be 70% South Africans;
- e. Priority will be given to businesses owned by Women, Youth and People with Disabilities;
- f. Be registered and compliant with SARS;
- g. Be UIF compliant;
- h. Registration on the National SMME Database – www.smmesa.gov.za**

2. SMME Relief Finance cont.

Funding requirements:

- a. Proof that the business is negatively affected by COVID-19 pandemic
- b. Complete the simplified online application platform
- c. Company Statutory Documents
- d. FICA documents
- e. Certified ID Copies of Directors
- f. 6 months Bank Statements
- g. Latest Annual Financial Statements or Latest Management Accounts not older than three months from date of application (Statement of Financial Performance and Statement of Financial Position) – where applicable
- h. Business Profile
- i. 12 months Cash Flow Projections (with clear assumptions) – where applicable
- j. Copy of Lease Agreement or Proof ownership
- k. Facility Statements of Other Funders - where applicable
- l. Detail breakdown on application of funds including salaries, rent etc.

2. SMME Relief Finance cont.

sefa application process:

1. SMME submits funding application with www.smmesa.gov.za registration number and supporting documentation to dedicated **sefa** email address info@sefa.org.za
2. **sefa** national team reviews application and completeness (**sefa call center**)
3. Sefa performs verification

3. Restructuring of funded SMMEs

The following interventions will be provided to **sefa** funded SMMEs that are negatively affected by the COVID-19 pandemic:

Payment Moratorium/Holiday:

- a. A payment moratorium/holiday will be given to **sefa** funded SMMEs for a period of a maximum of six months to reduce the instalment burden of loan obligations on clients during the COVID-19 period (if COVID-19 pandemic goes beyond the six months period, re-evaluation of the moratorium will be made);
- b. Deferments of Capital or both Capital and Interest. The interest accrued will not be capitalised into the loan facility over the proposed 6-month maximum period;
- c. Funded SMMEs must submit proof of the negative impact of COVID 19;
- d. This will be implemented using the **sefa** Post Investment team and signed off by the Executive – Post Investment

3. Restructuring of funded SMMEs cont.

Debt Restructuring

- An analysis of **sefa** funded SMMEs will be conducted to assess which clients require restructuring of the loan accounts;
- This could take the form of extended loan term, interest review and additional funding where required;
- The facilities will vary per funded SMME depending on the entity's cash flow needs. **sefa** will utilise the emergency funding to assist the affected SMMEs;
- The debt repayments will be sculpted to match the pattern of the cash flows
- 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.
- Normal **sefa** delegation of authority will apply to the approval of debt restructures

Frequently Asked Questions (FAQs)

- How can I access funding?
- How much is the interest rate?
- Which businesses are you targeting?
- Is it a grant or loan?
- What is the repayment period?
- What is funding approval lead time?

THANK YOU



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA