



STATEMENT ISSUED BY THE FREE STATE MEC OF ECONOMIC, SMALL BUSINESS DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS ANNOUNCING THE PROVINCIAL ECONOMIC RECOVERY INCENTIVES

17 JUNE 2020

Bloemfontein. Following the declaration of the National Lockdown and the restriction of the trade of non-essential goods, National departments announced several relief packages to the hard hit SMMEs in the country. The intervention is aimed at saving businesses in distress and, eventually, save jobs.

Records showed, however, that a worrying low number of Free State companies were able to access these schemes. Concerned about this situation, DESTEA developed systems to track Free State businesses' applications and identify any challenges experienced in the process of adjudication in these departments and Development Funding Institutions (DFIs).

To address the economic challenges worsened by the pandemic, the Department developed a Value Chains Economic Recovery Approach. In terms of this approach, the Free State Executive Council has mandated DESTEA to coordinate government expenditure in our sister departments, with the goal to ensure that SMMEs benefit in value chains of various sectors in the Free State economy.

In each identified sector of the Free State economy, we have identified commodities and services, and are in a process to identify specific SMMEs that can potentially benefit from each of these opportunities.

Our efforts to stimulate economic recovery and prevent loss of jobs and creating new jobs will prioritize the following key sectors over the short to medium term:

- Infrastructure
- Agriculture
- Manufacturing
- Tourism
- Digital economy



We intend to introduce measures to stimulate demand and supply through interventions such as a substantial infrastructure build programme, the speedy implementation of economic reforms, the transformation of our economy and embarking on other steps that will ignite inclusive economic growth. To this end, focus will be on the stimulation of demand and supply. On the demand side;

- The demand should be stimulated by the measures put in place by the National Treasury, SARS, UIF, SASSA, etc.
- Only through the saving of existing jobs, will businesses be able to experience pre-COVID 19 demand levels.
- Provincial and Local government procurement processes should be re-focused to stimulate demand
- Government procurement should be limited to local businesses, except in the case of specialized items/services.

On the supply side;

- Focus support on key services and products that were in high demand during the 1st 3 months, next 3 months and from the last quarter of this year
- Focus on sectors which are the highest employers in our province. This should determine where the most jobs could be saved. Businesses should also capitalize on the currently poor exchange rate to optimize the value of exports.

Every effort will also be made to assist SMME's to recover during the post-lockdown period. Among others the Department will:

- Provide financial and non-financial support relating to operational space, training, marketing etc.
- Facilitate demand and supply channels amongst SMME's to create "artificial" demand and supply at this level of the economy.
- These actions, supplemented by the national stimulus packages, should shorten the recovery process.



We are further going to intensify systems and processes to reduce the cost of doing business. This will include, but not limited to;

- Monitor and mitigate excessive post-COVID price increases.
- Finalization of standardized incentive packages for all districts and sectors.
- Subsidization of broadband solutions for businesses.
- R&D on ICT solutions to reduce business operational costs and for improved exposure/marketing.

Localization and industrialization will play a central role towards economic recovery. This we will do by ensuring that;

- Departmental and municipal procurement should be limited to local businesses, except in the case of specialized items/services.
- Improved investment promotion.
- Revised strategy for MAP-SEZ.
- Increased maintenance and operational funding to the FDC for industrial parks.

Immediate and short term interventions to stimulate economic recovery in the province have been endorsed by the Executive Council. To ensure this, certain adjustments had to be made to provide relief funds to deal with the social and economic impact of the pandemic in the Free State. The recovery package will ease the financial impact of the lockdown and will enhance the sustainability of several Free State enterprises during this economic crisis.

The package is divided into **formal** and **informal** sectors. Focus will strictly be on key strategic sectors. The main objective with this intervention is the retention of current jobs and creation of new ones linked to our value chain approach. Every application will be subjected to due diligence to avoid investing in failed businesses.

Formal businesses sector

1. **COVID-19 Risk-Sharing Incentive Scheme** will provide support of up to 40% of co-funding requirements to operational South African-owned enterprises required to expand their operations. The fund is in partnership with the Provincial Developmental Finance Institutions (DFIs), with the objective of de-risking some of the viable business proposals within the priority sectors and with the potential to create jobs especially during this pandemic.



2. **Enterprise Support Incentive Scheme** is offered to South-African owned enterprises operating in the Free State with an annual turnover of min. R150 000 for business operations and rental relief.

Priority Sectors on both the two schemes are

- Manufacturing: COVID-19 PPE, ventilators, test kits, hospital linen and clothing, detergents, hand soap and sanitizers, toilet paper.
 - Agro-processing: manufacturing, small bakeries, production and packaging of food products (water, milk, maize meal, flour, eggs, vegetables etc);
 - Logistics: Grocery and food deliveries
3. **Manufacturing Support Incentive Scheme** - aimed at providing support in industrial parks through the provision of rental holidays and seed funding for operational costs.
 4. **Bridging Finance** will be administered by the Free State Development Corporation (**FDC**) to address cash-flow needs of SMME's who have to meet specific contracts or orders from both the private and public sectors.

Finance is targeted to SMME's in the Construction, Service, Manufacturing and Retail industries with order from public and private entities and they should be ready to sign a cession agreement and/or other security option.

To qualify for the above, businesses should be:

- A CIPC registered legal entity (including cooperatives);
- The business must be 100% owned by South African nationals; 70% of the business's employees must be South Africans, and in the case of non-South African employees - they must hold valid work permits issued by the Department of Home Affairs;
- The business must be SARS and UIF registered;
- Licensing (Business Act no 71 of 1991)
- The business must have a valid business account that has been operational for 6 months. Business accounts for the COVID-19 Risk-Sharing and Enterprise Support incentive schemes must be operational for at least 12 months;
- Central Supplier Database registered (MAAA number);
- BBBEE Level 1 (COVID-19 Risk-Sharing Incentive Scheme BBBEE Level 1 - 3)



To access more information and apply for the relief packages, interested businesses are urged to visit the department's website www.destea.gov.za or download the 'Let's Talk' mobile App available both on the Apple App Store and Google Play Store and go to the DESTEA SMME mobile app to access the application form.

Informal businesses sector

Spaza shops and hawkers are the DNA of the township and rural economy aimed at bringing economic development to local areas as envisaged through the government's Revitalization of the Township and Rural Economy. In support of this sector, DESTEA developed packages to assist those businesses that could not benefit from the Department of Small Business Development's Spaza shop and general dealer support scheme. The packages are;

1. **Spaza Shops and General Dealers** support to assist South-African owned spaza shops and general dealers with the bulk purchase of goods. DESTEA will issue a voucher which will be redeemable at the approved wholesalers and in collaboration with one of the commercial banks.
2. **Hawkers Support** – Qualifying hawkers will be provided with income relief which can be used towards stock purchase and business resuscitation.
3. **Waste Pickers Support**– the programme is aimed at providing a temporary relief to waste pickers whose livelihoods were also impacted on by the lockdown.

Requirements for funding for the support programmes:

- Business should be willing to register for CIPC
- Business should be owner managed
- A South-African ID
- Businesses should have municipality permits
- Businesses must have been operational for at least 6 months.

To apply business owners should dial *120* 636639# and fill in their particulars and allocated trade advisors will contact them for verification and further processing.

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