



**small business
development**

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

PROGRAMME GUIDELINES

Shared Economic Infrastructure Facility (SEIF)

**An Infrastructure Programme of the Department of Small
Business Development**

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Disclaimer

This guideline document provides the criteria to assess proposals from potential SEIF projects and the process of applying for the incentive. The guidelines are approved and issued by the Director General of the Department of Small Business Development (DSBD) for purposes of ensuring clarity on the aim(s) and requirements of the programme. DSBD reserves the right to amend the guidelines as it deems appropriate.

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Glossary of Terms

AC	Adjudicating Committee
DSBD	Department of Small Business Development
IPAP	Industrial Policy Action Plan
NDP	National Development Plan
NIBUS	National Informal Business Upliftment Strategy
NIPF	National Industrial Policy Framework
PFMA	Public Finance Management Act
SARS	South African Revenue Service
SEDA	Small Enterprise Development Agency
SEIF	Shared Economic Infrastructure Facility
SMME	Small, Medium and Micro Enterprise
SONA	State of the Nation Address
VAT	Value Added Tax

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Definitions

Adjudication Committee	An independent committee comprising officials of the Department of Small Business Development and any persons appointed by the Director General of Small Business Development for the purpose of adjudicating, approving and monitoring of any application under the SEIF.
Applicant	Entities that seek (apply for) SEIF funding
Contract	A binding written agreement between two or more persons or entities that is enforceable by law.
Economically Depressed Area	An area (town, community or other geographic area) that is designated as a depressed area by the department, based on indicators of economic distress or dislocation, including but not limited to unemployment, poverty and job loss.
Employment Creation	<p>Full-time employment: Persons that work at least forty (40) hours a week for the same employer and receive wages that is in line with rates as determined by the Department of Labour.</p> <p><i>Equivalent to Contract/ Seasonal/ Temporary employees, 1 920 hours worked per year will be an equivalent of one full-time employee.</i></p>
Implementing Agent	An Implementing Agent is a public entity with expertise and capacity to deliver infrastructure projects on behalf a government department. This entity has to comply with government legislation and regulations governing the delivery of infrastructure.
Infrastructure	It is a public good characterised by open access to networks and systems, and public ownership, except where the state has concessioned these to a private party or privatised a state-owned entity in this respect. Infrastructure, unless concessioned by the state, cannot be owned and controlled by a private enterprise, and does not include facilities that are part of the "plant" or process of a production facility or investment project.
Nodes	Nodes are areas in which efficiencies in infrastructure and investment can be obtained from the clustering of activities and which provide opportunities for sustainable development. That is, the clustering of various activities at appropriate nodal locations which provide a network of opportunities centres.
Project	Certain activities that have a single definable <i>purpose, end-item or result</i> , usually specified in terms of cost, schedule and performance requirements. Every project is <i>unique</i> , and involves <i>temporary activities, uncertainty and risk</i> and can be considered as a set of activities that might be approved or rejected as a whole.
Secretariat	SEIF Secretariat consists of DSBD officials, or such other persons as appointed by the Director General for the purpose of management and administration of the SEIF.
Shared Economic Infrastructure Facility	It is an infrastructure/common infrastructure that pools resources in a single structure and spreads them among independent businesses within the same area/ space to optimise their performance.
Special Localities	It's a designated area meant for an economic development, used as a tool to promote growth. The zones act as a magnet for investment in desirable activities in specially designated areas by providing quality infrastructure, complemented by an attractive fiscal package, business support services, cluster formation and minimal regulations
Support Programme	An instrument for policy implementation. Subsidies given by government and its agencies to a private/public sector commercial project, because of the expected public benefits arising from such projects

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1. Overview

- 1.1 The Department of Small Business Development (DSBD) has initiated the Shared Economic Infrastructure Facility (SEIF), a programme aimed at assisting small enterprises (including informal, micro, small and medium businesses as well as co-operatives) in improving their competitiveness and sustainability, in order to become integrated into the main economy. SEIF is an instrument responding to the ecosystem identified Infrastructural needs for potential, informal and operational entrepreneurs as articulated in the National Informal Business Upliftment Strategy (NIBUS); Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (ISPESE); Cooperative Development Strategy.
- 1.2 The State of the Nation Address (SONA, June 2019) highlighted economic transformation and job creation as one of the seven priorities of government. It stated a goal that the economy would grow at a much faster rate than the population and that two million more young people would be in employment. For economic growth to be realised, there needs to be far greater focus on revitalising and expanding the productive sectors of the economy. Further, SONA re-iterated that focus must be given to SMMEs in cities townships and rural areas and that there is a need for market places to be created where small business owners are able to trade their products. Infrastructure is a critical area of investment that supports structural transformation, growth and job creation and is essential to economic rejuvenation.
- 1.3 The new approach to infrastructure development is to be based on a stronger partnership between the public and private sectors, and with the local communities. The revision of the SEIF Guidelines is thus informed by the need for greater intergovernmental collaboration and for public-private support for projects that are based locally. There is emphasis from government to avail infrastructure and to grow South African manufacturing in order to stimulate local demand and ensure that the "Buy Local" campaign is everywhere and ever-present
- 1.4 The Presidency Budget Vote Speech (2019) also identified the "pattern of operating in silos" as a challenge which led to "lack of coherence in planning and implementation and has made monitoring and oversight of government's programme difficult". The consequence has been non optimal delivery of services and diminished impact on the triple challenges of poverty, inequality and employment.

- 1.5 The President further called for the rolling out of “a new integrated district based approach to addressing our service delivery challenges [and] localise[d] procurement and job creation, that promotes and supports local businesses, and that involves communities.” The new District Development Model aims to improve the coherence and impact of government service delivery with focus on 44 Districts and 8 Metros around the country as development spaces that can be used as centres of service delivery and economic development, including job creation.
- 1.6 As part of a process of continuing to strengthen economic development through broadening participation in the economy, a new robust programme is thus provided to unlock public and private investment by providing infrastructure that is critical and necessary to crowd-in investment mostly in townships, rural areas and in the inner cities where there is clear business activity taking place.
- 1.7 The Shared Economic Infrastructure Facility (SEIF) is one of the support measures to encourage partnerships between national, provincial and local government to accelerate public and private sector investment through a provision of necessary economic infrastructure for small enterprises to unlock greater economic benefits.
- 1.8 Public and private sector applicants are invited to apply for the Shared Economic Infrastructure Facility (SEIF) on offer in the manner outlined in these guidelines.



MR LINDOKUHLE MKHUMANE
ACTING DIRECTOR GENERAL

DATE: 03/12/2019

2. Preamble

- 2.1 The purpose of this document is to provide guidelines for the Shared Economic Infrastructure Facility (SEIF), a programme aimed at supporting small enterprises by stimulating and encouraging public and private sector investment through efforts of lowering infrastructure costs for the benefit of small enterprises.
- 2.2 The guidelines set out in this document are intended to enable applicants to present their applications to DSBD and to provide DSBD with a framework for evaluating such applications.
- 2.3 The application will be approved only for projects that meet the criteria of SEIF as interpreted by these guidelines. In order to qualify for the incentive, eligible projects have to apply to and receive approval from DSBD and any such decision will be final.
- 2.4 These guidelines may be amended or revised from time to time as deemed necessary by DSBD. They will be published on the DSBD's website and will be of immediate effect upon publication.
- 2.5 Where the guidelines are subject to varying interpretations or does not deal with a specific subject matter, the interpretation of DSBD must be requested and such interpretation will be decisive and final.
- 2.6 Approval of applications will be subject to the availability of funds; compliance with the programme guidelines, the relevant provisions of the Public Finance Management Act, 1999 (Act No.1 of 1999) and any other relevant legislation.

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3. Services Delivered by DSBD and Seda

- 3.1 No fees or charges are levied by DSBD and its entities such as Seda for the processing or evaluation of any Shared Economic Infrastructure Facility (SEIF) applications or claims.
- 3.2 Applicants are welcome to contact DSBD or Seda officials directly and these officials will assist them to complete application or claim forms.
- 3.3 DSBD or Seda will not be accountable (financially or otherwise) for any service delivered or failure thereto by any other person or consultant who facilitates the application/claim forms on behalf of the applicant.
- 3.4 The recruitment for application directly from the public will be done through an "open window period" which will be made known on the DSBD website and notice boards.

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4. Programme Description

- 4.1 The objective of the programme is to support small enterprises with an intention to improve access, create local economic benefits and optimise performance of businesses operating in those facilities. This is in line with government's priorities to improve and modernise infrastructure that enables small businesses and co-operatives to grow and become profitable. This will be implemented through encouraging public and private sector partnerships (PPP) for the establishment and/or improvement of the shared-economic (business) infrastructure for use by small enterprises.
- 4.2 The intention of the programme is to leverage public and private sector investment that would provide necessary infrastructure by creating an enabling environment for businesses to operate their businesses mostly in townships, rural areas and in the inner city where there is clear business activity taking place.
- 4.3 Participating Partners will agree on funding modalities based on the scope and extent of the identified projects.
- 4.4 Preference will be given to those projects aligned to the district-based model.
- 4.5 The programme provides support to a maximum grant of R15 million (VAT Inclusive).
- 4.6 The programme will be reviewed every five (5) years

5. Eligible Applicants

- 5.1 The eligible applicant must either be:
- A municipality of the Republic of South Africa
 - A municipal entity as defined in Section 1 of the Local Government Municipal Systems Act, 2000
 - A provincial government entity
 - State-Owned Enterprises (SOEs)
 - Private Sector (A registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); or a Secondary Co-operative registered in terms of the Co-operatives Act, 2005 (as amended).
 - A partnership between corporate/private enterprise and municipality
- 5.2 A National, provincial, local government and agencies municipality, can contribute towards the shared-economic infrastructure project on the condition that they have partnered with the Local Government.
- 5.3 The qualifying applicant can be a private sector participant with clear partnership with a municipality/beneficiaries/property owner.
- 5.4 A single application can have more than one project – an application can have a portfolio of projects and each project under the portfolio will be considered on its own merits.
- 5.5 DSBD reserves the right to initiate infrastructure delivery projects and to fund them through this instrument in line with the conditionality's stipulated in section 6.4.
- 5.6 It should be noted that government employees are prohibited to apply to this programme as beneficiaries, for example, if they are members of a co-operative or private company that applies for support on this programme.

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6. Mandatory Conditions/ Evaluation Criteria

6.1 The applicant should:

- 6.1.1 Receive prior approval from the Executive Authority prior to the submission of the application e.g. council resolutions, authorisation from the Head of the Company/ Chief Financial officer, Board resolution, etc.
- 6.1.2 Demonstrate the need for infrastructure through outcomes of consultations with the intended beneficiaries.
- 6.1.3 Demonstrate an infrastructure maintenance plan post construction or upgrading phase.
- 6.1.4 Present and submit a three-year Business Case/ Plan covering issues such as viability of the infrastructure (self-sustaining facility), number of benefiting small enterprises, etc.
- 6.1.5 Declare any other partners and/or funders for the project and the value of investment thereof.
- 6.1.6 Full-fill the economic benefit requirements articulated in section 7 of these guidelines.

6.2 The envisaged project should:

- 6.2.1 Be for a shared facility infrastructure that pools resources in a single structure and spreads them among independent businesses within the same area/space.
- 6.2.2 Conform to the principle of creating an enabling environment for entrepreneurs to maximize business benefits.

6.3 Where applicable, the applicant must comply with all the following relevant regulations and requirements:

- 6.3.1 environmental permits from the relevant authorities
- 6.3.2 permits or authorisation regarding land use
- 6.3.3 other permit that may be applicable to the specific project
- 6.3.4 municipal approved technical drawings and designs (or at least preliminary designs), including details of capacity and technical specifications of the infrastructure
- 6.3.5 feasibility and viability reports of the proposed project
- 6.3.6 If in the process of acquiring the necessary permits, proof of consideration by relevant authorities must be submitted.

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6.4 Public and Private Sector Conditionalities

6.4.1 Applications from the Public Sector entities should be accompanied by feasibility studies, Business Case, re-zoning approval, IDP approval, approved Municipal Plans, an agreement with participating small enterprises and Council resolutions. Where applicable partnership agreements must be included.

6.4.2 Applications from the Private Sector entities, over and above complying with section 6.4.1, should also state clearly the ownership structure of the planned property as well as the inclusion of targeted groups in the ownership structure.

6.5 All mandatory requirements must be met before DSBD may consider the application for approval.

6.6 Applicant's state of financial viability

6.6.1 The applicant's resolution should articulate the contribution made by each partner to the project.

6.6.2 The applicant must demonstrate commitment to the planned infrastructure project. To this end, DSBD and its consideration of the application will evaluate and verify the following amongst others:

- The sources and uses of finance
- The mixture of funding to support the project i.e. contributions can be from any source of finance such as provincial government, private sector or donors
- Evidence of commitment to fund the project from the financiers that form part of the funding structure of the project.

6.7 Project budget plans

6.7.1 The project plan(s) for the infrastructure project and the expected investment should contain the following details:

6.7.1.1 The timeframe and infrastructure items associated with each main project activity;

6.7.1.2 Description of each of the main project activities and sub-activities associated with the infrastructure project; and

6.7.1.3 The financial cost and budget associated with each major project activity (milestone).

6.8 DSBD reserves the right to request other documentation that may be relevant in its adjudication of the application.

7. The Economic Benefit Requirements

7.1 In order to qualify and be eligible, the shared-economic infrastructure project must achieve a minimum score of fifty (50) on the following economic benefit requirements. The score relates to the achievement of economic benefit requirements as shown in the table below:

Criterion	Description	Max Points
Economic derivatives	Demonstrate the infrastructure project's contribution to the government's strategic priorities in terms of economic growth, employment creation, enterprise development, township and rural development, poverty alleviation, responsiveness to gender inequalities, youth and people with disabilities.	30
Funding Mix and Management Involvement	<p>Demonstrate the availability of funding and extent of a financial commitment from partners/funders to support the infrastructure project.</p> <p>Demonstrate the level of management involvement and buy in to support the infrastructure project.</p>	30
Strategic Priorities	<p>Demonstrate how the infrastructure responds to the government priority sectors in line with the Industrial Policy Action Plan (IPAP), the National Development Plan, the District Development Model, Integrated Development Plans, Local Economic Development Strategies.</p> <p>Demonstrate how the infrastructure projects will respond to retail, manufacturing, services, agriculture, construction and maintenance as identified as a priority in line with the National Informal Business Upliftment Strategy (NIBUS) as well as other government priority policy imperatives on township and rural economic development and revitalisation.</p>	20
Location	Substantial priority will be provided for infrastructure projects that will be in communities with less economic activities mostly in townships or rural areas or inner city where there is clear informal, micro and small business activity taking place.	20

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- 7.2 The investment can only be for capital projects and not operational costs e.g. rentals, telephone, internet monthly costs, etc.

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8. Qualifying Infrastructure Costs

- 8.1 The shared infrastructure refers to the structural establishment of new and/or upgrading and maintenance of a multi-purpose facility to be shared by a number of small enterprises for bulk buying (excluding imports), production or processing of small enterprise products and for trading purposes (trade or product market).
- 8.2 The qualifying shared infrastructure costs refer directly to the design/re-design or refurbishment of new and existing infrastructure and costs refer to the installation, construction and erection of the infrastructure and include but not limited to the following:
- Packaging/ distribution/ warehousing/ storage facilities
 - Shelter/ trading areas of businesses
 - Cold storage for common use within the trade market
 - Common use tools, equipment and machinery for production purposes
 - Administration & information centre within the production and trading facility
 - Lighting, water (including irrigation for farming) and ablution (including plumbing works) within the facility
 - Parking, paving (entry and internal roads) and fencing (including walls) of the facility (not as standalone)
 - Exhibition spaces within the facility
 - Child care facility for the convenience of registered tenants and occasional users.
 - Business infrastructure (e.g. industrial facilities)
 - ICT Infrastructure for production and for the trade market
 - Virtual/ Online Trading linked to the physical trade market.
- 8.3 Any costs, which the Adjudication Committee in its sole discretion deems as qualifying.

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9. Non Qualifying Costs

Indirect costs such as cost elements that the applicant would have in any case incurred will not qualify for the grant. These include, but are not limited to the following:

- 9.1 Work scoping, studies, plans and such cost elements (operational costs) that the applicant would have in any case incurred by way of payment of salaries or remuneration of permanently retained professional staff, including management, rentals, telephone, internet monthly costs, etc.
- 9.2 Maintenance and repair costs or any other costs incurred after the completion of the construction of the infrastructure and commissioning thereof;
- 9.3 Costs associated with tendering documentation and the tendering process; and
- 9.4 Any other cost(s) that the Adjudication Committee, in its sole discretion, deems as non-qualifying.

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10. Disbursement of the incentive

10.1 Method of Disbursement:

10.1.1 The Service Level Agreement (SLA) to be entered into with the Implementing Agent will outline the method of disbursing funds in terms of milestones and targets achieved.

10.2 Management of the Incentive:

10.2.1 DSBD's mandate is not infrastructure delivery, nor does the Department have the engineering capabilities to oversee infrastructure projects.

a.) The Department hereby reserves the right to appoint an implementing agent to execute infrastructure delivery.

b.) The implementing agent will possess the following skill and expertise to execute infrastructure deliver: (i) Engineering expertise (ii) Contracting and (ii) Construction Management.

10.2.2 DSBD shall appoint an implementing agent (professional management fee shall not exceed 9% of the required funding) to manage the infrastructure delivery from procurement stage of contractors, disbursement of the incentive, monitoring the delivery of infrastructure and its quality until the handover of the facility as well as the certification of occupation.

10.2.3 The Adjudication Committee will assess and approve the applications as per the criteria set out in the Guidelines. The payment of claims to approved projects shall be made based on verifiable infrastructure milestones and it shall be processed by the implementing agency.

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11. General Conditions

- 11.1 DSBD must be notified of any material changes related to the investment/infrastructure project.
- 11.2 DSBD may under exceptional market or economic circumstances consider adjusting the requirements and conditions of the scheme or grant approval. Any such adjustments will be at the sole discretion of DSBD. The decision of DSBD will be final.
- 11.3 Should there be material changes to the main business under which the grant was approved, the grant approval process will be reviewed and the entity will be notified of any position that DSBD would have considered and decided upon.
- 11.4 DSBD will conduct periodic site visits and require clients to complete and submit progress reports as agreed upon on the project plan as well as annual reports at the end of each financial year for 2 years to measure the outputs and outcomes of the project.
- 11.5 DSBD has the right to request any information deemed necessary from the client.
- 11.6 In order to evaluate the impact of the programme, DSBD requires that for a period of two (2) years after completion of the claim period, the client completes the project monitoring report annually. This requirement forms part of the legal agreement between DSBD and the applicant.

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12. Additional Legal Conditions

12.1 The following are *inter alia* considered a circumvention of SEIF Guidelines and will lead to a review and re-consideration of an application or claim:

- Changing the business set-up, composition, structure or operations, or sector in order to make the project qualify;
- Manipulation of inter-company assets, and infrastructure; and
- Any other action that, in the sole discretion of DSBD, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify.

13. Appeal Process

Any dispute relating to a decision (including the rejection of an application) taken by DSBD is limited to one internal appeal per application lodged.

14. Criminal, Misleading, Dishonest and Irregular Activities

14.1 DSBD may, upon alleged offence or suspicion of contravention of any act or pending litigation of any such activities, suspend payments that may be due or may become due to the applicant. DSBD shall not be liable for any damages or interest, pending the finalisation of any investigation and any criminal proceedings brought as a result of the investigation;

14.2 Findings of a forensic investigation indicating such activities will be sufficient to enable DSBD to cease all payments and reclaim any payments already made, with *mora* interest;

14.3 DSBD subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA). Applicants or any other persons are advised to contact DSBD fraud hotline on 0800 701 701 should they wish to report any suspicious behaviour;

14.4 A duty rests on the applicant and/any other person that may benefit from the scheme to disclose everything that may have an influence on the adjudication of the application and/or claim. Failure thereof will lead to termination/cancellation/suspension of the application/claim and criminal prosecution and any other civil claim.

15. Application Procedure

15.1 The following information is required during the application phase, where applicable:

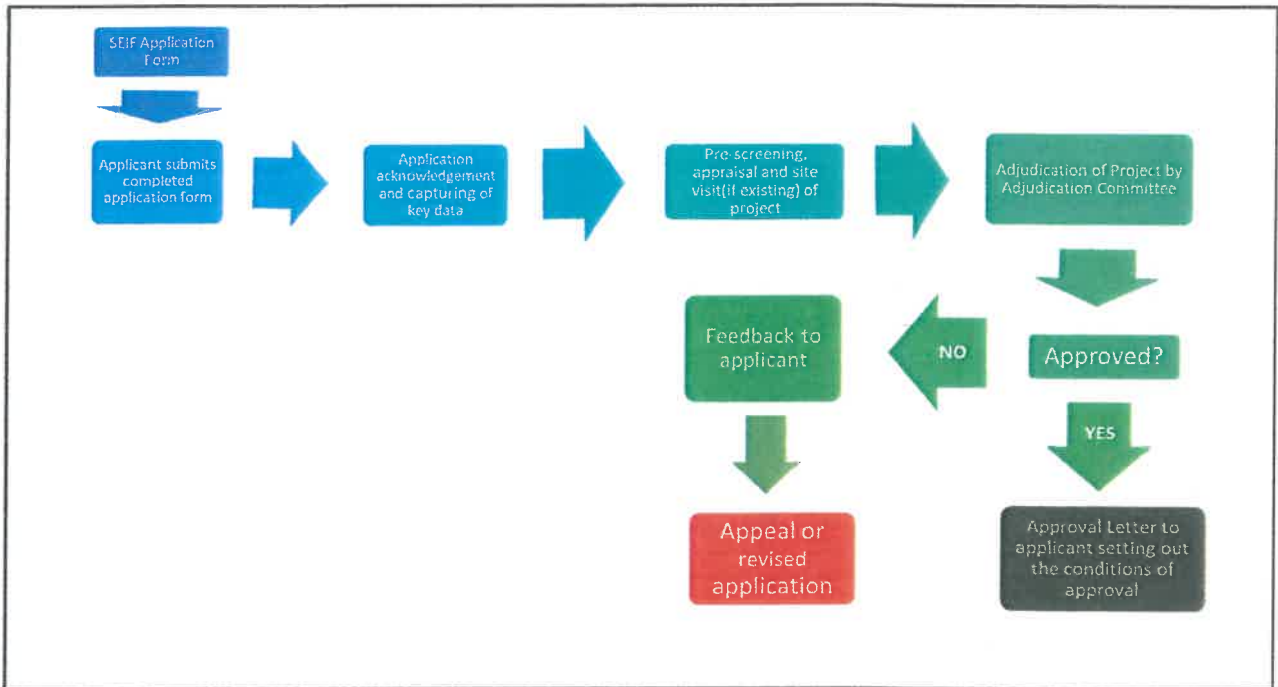
- A completed application form
- Latest audited financial statements and management accounts
- Permits from relevant authorities where applicable e.g. land use, environmental permits, etc.
- Technical drawings and designs (or at least preliminary designs) including details of capacity and technical specifications of the infrastructure, if required
- Accounting Authority support/approval, e.g. Council/Board Resolution in support of the initiative
- Project Plan(s) for the infrastructure project
- Timeframes and infrastructure items associated with each main project activity
- Project management team and description of each main project activity and sub-activity associated with infrastructure project
- Financial cost and budget associated with each project activity

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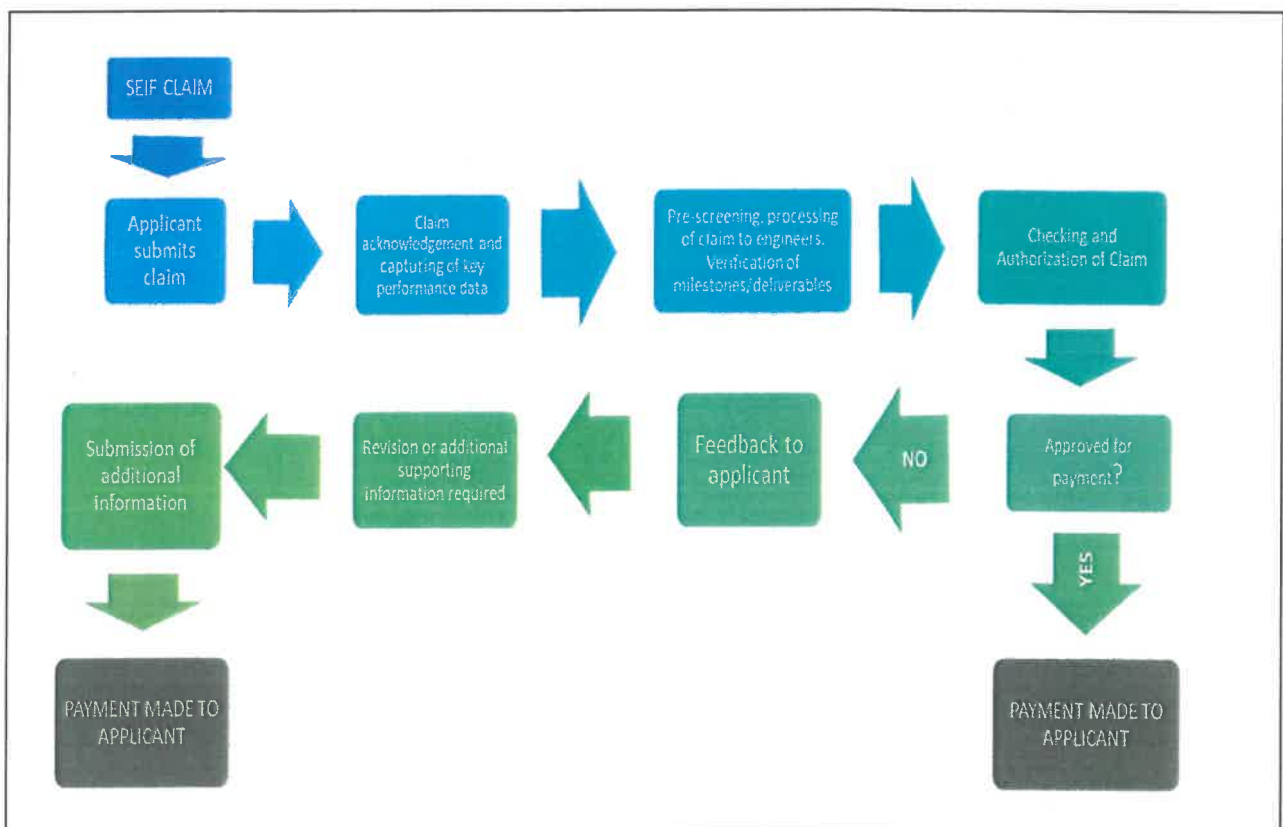
16. Application and Claim Procedure

The following diagram presents the application and claim process:

16.1 Application Procedure:



16.2 Claim Procedure:



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17. Conclusion

These guidelines have been designed to provide interested parties with the information they will need in order to make an informed decision as to whether they should apply for funding and on how to proceed with such application.

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