

IMPACT OF COVID-19 ON Micro and Informal Businesses SOUTH AFRICA 2021



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA



IMPACT OF COVID-19 ON Micro and Informal Businesses **SOUTH AFRICA** 2021



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PREFACE

How has the Covid-19 pandemic and related lockdown measures affected the most vulnerable players in the South African economy and what assistance will they need to recover? A large proportion of the South African workforce makes a living in the approximately three million micro and informal businesses. When the nationwide lockdown started in March 2020, most people in this sector were left without a source of income or a safety net and, as a result, they were either struggling or unable to cover their basic living expenses.

The United Nations Development Programme (UNDP) in South Africa together with the Department of Small Business Development commissioned this research to conduct an assessment of the impact of the Covid-19 pandemic and related lockdown measures on micro and informal businesses in order to understand what these businesses will require to recover and grow in the long-term. Based on the findings of this research, mechanisms and tools were developed to support the South African government's efforts to assist micro and informal businesses.

This study reflects the difficulties faced by vendors at taxi ranks and train stations in cities that have lost the majority of their customers as fewer people commute to work; hair stylists, who were not allowed to work and had been without income for months, and business owners who can only make a fraction of their pre-Covid-19 pandemic revenues due to a drop in customers, an increase in costs, international travel bans or event cancellations. The research emphasises how many micro and informal entrepreneurs lost their stock or equipment, for example, because their fresh products became rotten when the lockdown was suddenly imposed. The impact of the lockdown on these businesses was direct, they had no capital left to purchase items, failed to pay instalments for their cars or were unable to replace confiscated equipment.

This research also reveals how some entrepreneurs successfully adapted their businesses to the “pandemic economy” by communicating with customers via digital social media such as WhatsApp, delivering products to clients' homes, manufacturing essential items such as masks, assisting learners with home schooling, or illegally selling home brewed beer or cigarettes because they saw no other option to survive. The South African office of the United Nations Development Programme will use the insights gathered and recommendations provided in this report to develop targeted interventions to support micro and informal businesses in collaboration with relevant stakeholders.

Foreword

The inspiration for this study derived from the findings of two reports published by UNDP in partnership with the United Nations System and the Government of South Africa: “Covid-19 in South Africa: Socio-Economic Impact Assessment” and “Covid-19 and Rapid Emergency Needs for The Most Vulnerable Groups”. The findings showed that the pandemic posed serious threats to the livelihoods of informal sector workers and were at a major risk of falling into poverty and deeper exclusion, thus needed assistance to keep their businesses afloat and avoid deep vulnerabilities. Projections indicated that populations living in poverty across upper and lower poverty lines would increase due to COVID-19, particularly for female headed households, rural dwellers, populations with education below the secondary level and unskilled labour. The projections also showed that nearly 54 percent of households would be pushed out of permanent employment into informal sector.

With funding from the Government of Japan, which we are very grateful for, UNDP partnered with the Department of Small Business Development (DSBD) to assess the impact of the COVID-19 pandemic and related lockdown measures on micro and informal businesses in order to understand what these businesses will require to recover and grow in the long-term. Based on the findings of this research, mechanisms and tools were developed to support South African Government’s efforts to assist micro and informal businesses.

The findings of the study reflect the difficulties faced by vendors at taxi ranks and train stations in cities that have lost the majority of their customers as fewer people commute to work; hair stylists who were not allowed to work and had been without income for months; and business owners who can only make a fraction of their pre-COVID-19 pandemic revenues due to a drop in customers, increase in costs, international travel bans or event cancellations. The impact of the lockdown on these businesses was direct - they had no capital left to purchase items, failed to pay instalments for their cars or were unable to replace confiscated equipment.



The study also reveals how some entrepreneurs successfully adapted their businesses to the “pandemic economy” by communicating with customers via digital platforms such as WhatsApp, delivering products to clients’ homes, manufacturing essential items such as face masks, assisting learners with home schooling, or illegally selling home-brewed beer or cigarettes because they saw no other option to survive. UNDP considers digital innovation as the currency of development and a catalyst to enable greater access to opportunities for all, hence we are implementing a Low-Cost Internet Project with the Council for Scientific and Industrial Research to bring digital connectivity to the most vulnerable businesses and communities in rural areas and townships. This initiative stands to benefit the informal sector to expand reach and access digital markets.

The study prescribes short and long-term mechanisms and tools as key recommendations to help advance recovery efforts of the affected businesses.

There is a need for structural support by way of providing and distributing personal protective equipment as a short-term response. In the long-term, policy and regulations would need to be established to provide an enabling business environment facilitated by laws and regulations. Additionally, to strengthen integration into value chains and improve access to markets, the study recommends support towards digital trading platforms and capacity development.

UNDP in South Africa has supported various interventions aimed at uplifting the informal sector, mostly during the pandemic. UNDP has partnered with the South African Local Government Association (SALGA) to support emergency economic relief measures to the sector, across all nine provinces through the project “Support to Informal Traders and SMMEs during Covid-19 Pandemic”. About 2000 informal traders and micro enterprises comprising car washes, hair salons, street hawkers, seamstresses, and several other businesses were supported. Through this project, businesses were able to replenish their stocks, and continue trading, thereby enabling them to sustain their businesses. As the study indicates, however, even with the easing of restrictions, most informal traders and micro businesses have still not fully recovered to pre-COVID-19 levels. This will take sustained support from all partners. UNDP’s engagements with beneficiaries indicate a need for comprehensive capacity development initiatives, linkages to markets, and adequate business infrastructure, among others.

UNDP sees small and medium enterprises (SMEs) as the engine room of inclusive growth, wealth creation, and structural economic transformation. In this regard, UNDP South African will use the insight gathered and recommendations in this report to develop targeted interventions to support micro and informal businesses in collaboration with relevant stakeholders. This is key going forward as with the implementation of Africa Continental Free Trade Area (AfCFTA). The informal sector should not be left behind as the AfCFTA provides an opportunity for informal sector operators to access larger markets, improve productivity and enhance their earning capabilities.

It is through such collaborations that we continue to support the implementation of government’s District Development Model through unearthing knowledge that will inform government efforts to devise concrete solutions towards advancing sustainable development through empowerment of SMEs. Therefore, in ensuring no one is left behind, it is our wish that the outcomes of this study will enable partners in government, civil society, academia, the private sector, and formations with the informal and micro enterprises sector to work collectively to respond to the recommendations.



Dr. Ayodele Odusola

UNDP Resident Representative

The COVID-19 pandemic has resulted in adversity with regards to job losses, declines in business profitability and business closures. Our country like the rest of the world has found itself in an unprecedented situation, the pandemic has changed our way of life and impacted on every facet of society. These adverse ramifications were more pronounced for small enterprises as evidenced by an array of studies conducted by a plethora of institutions spanning the public, private, academia and multilateral organisations contexts.

We as government know how challenging this journey has been for our SMMEs and Co-operatives. To this end, the United Nations Development Programme (UNDP) and the Department of Small Business Development (DSBD) partnered to conduct a study titled “The Impact of COVID-19 on Micro and Informal Businesses in South Africa”. The main reason for undertaking a study on the informal and micro enterprises was informed by the realisation that surveys covering the impact of the COVID-19 pandemic were deficient in terms of informal sector coverage. One of the encouraging findings that emanated from the study is that the COVID-19 pandemic opened opportunities for strengthening informal sector and micro entities in the long term. A crucial opportunity in this regard is the usage of digital channels and technology as business owners saw the biggest potential in the use of the social media to market their businesses.

The study will assist DSBD to achieve its mandate which is to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small businesses, and co-operatives, and ensure an enabling legislative and policy environment to support their growth and sustainability. Furthermore, the study will provide the Small Business Development Portfolio consisting of the Department and its



agencies, the Small Enterprise Development Agency (Seda) and the Small Enterprise Finance Agency (sefa) and the informal sector ecosystem with credible evidence-based support interventions to ameliorate the adverse circumstances the said entities are plagued with.

The Small Bbusiness Development Portfolio and informal sector ecosystem in conjunction with the UNDP and related organisations will partner to take the recommendations flowing from the study forward to substantially enhance the growth and ultimate sustainability of micro and informal sector entities in South Africa.

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Mr Lindokuhle Mkhumane

Director-General

Small Business Development



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This study was driven by an internal UNDP team under the stewardship of the Economist, Ms Fatou Leigh. The internal team consisted of Ms Phumla Hlati, Inclusive Growth Programme Manager, and Ms Nokuthula Nyamweda, Youth Entrepreneurship and SMME Development Officer. The untiring administrative and logistics support of Mr Bobby Shabangu, Knowledge Management; Mr Ntokozo Mahlangu, Communications Analyst and Ms Lerato Maimela and Ms Nozika Moasa Procurement Unit is truly valued. The team also consisted of members from the Department of Small Business Development, led by Mr Mojalefa Mohoto, Ms Khomotso Ramaifo, Mr Shaheen Buckus, Ms Phindile Tseleli and Mr Stephen Umlaw. These two teams worked tirelessly together to get this report to this level. Page82 Ltd copy-edited, designed and printed this study



EXECUTIVE SUMMARY

A sizeable portion of South Africa's workforce earns a living by managing or working in micro and informal businesses. The coronavirus, and responding government measures, have had devastating effects on businesses all over the world, with a disproportional impact on micro and informal businesses.

Considering the structure of the sector, it is not possible to have an exact figure, but it is estimated that the number of the micro and informal businesses is around 3,3 million in South Africa (DSBD, 2020). There has been significant progress in South Africa in terms of Small, Micro and Medium Enterprise (SMME) support, however, some areas for improvement remain, particularly for the smallest actors and informal businesses. In relation to the Covid-19 pandemic regulations, micro and informal businesses were not adequately considered in the lockdown regulations and were only permitted to offer essential products and services after lobbying efforts of representatives of the sector.

In addition, funding and support programmes primarily targeted formal and more established businesses, leaving entrepreneurs in micro and informal businesses largely unaided. These businesses faced difficulties due to inability to make a living during the government security enforced months of the lockdown, sales declined to nonexistence for the duration of nearly a year after initial Covid-19 pandemic lockdown.

During the Covid-19 pandemic, there was a need for targeted study that focused primarily on micro and informal businesses. This study is an assessment of the impact of the Covid-19 pandemic and the associated lockdown, as well as the needs of businesses to recover from this economic shock. It incorporated both primary and secondary research, including literature review, expert interviews, a nationwide survey with 3746 business owners, and focus groups with female and young entrepreneurs in the sector. This with the aim to assist these businesses to recover and position themselves to ensure long-term growth. The findings demonstrate the severe negative impact on the sector across all industries and demographic groups. Based on these insights, the study provides recommendations for the mechanisms and tools that are best suited to support micro and informal businesses in the short and long-term.



Recommended short-term mechanisms and tools

- Structural support: Distribution of personal protective equipment
- Financial support: Funds to cover running expenses, replace assets or purchase stock
- Policies and regulations: Waiver on utilities and fees

Recommended long-term mechanisms and tools

- Policies and regulations: Enabling environment facilitated by laws and regulations
- Marketing and access to markets: E-commerce platforms
- Integration into value chains: Digital platforms to organise supply chains
- Integration into value chains: Capacity building to facilitate access to market
- Integration into value chains: Intermediary to facilitate procurement

Focus and Aim of the Research Project

- Meet the need for a focused study on micro and informal businesses, including an assessment of the impact of the Covid-19 pandemic and the related lockdown, as well as the needs of businesses to recover from this economic shock.
- Create concrete and innovative mechanisms and tools to assist micro or informal businesses in the short-term while also contributing to the long-term growth of the sector.
- Identify obstacles and key risks, as well as recommendations, to ensure that the mechanisms and tools can be implemented effectively.

Objectives of the Survey

- Analyse the impact of the Covid-19 pandemic and the related lockdown measures on micro and informal businesses.
 - o Pay special attention to micro and informal businesses, which are the smallest and most vulnerable players in South Africa's entrepreneurial landscape.
 - o Include the views of entrepreneurs in the informal sector, whose perspectives are not captured in studies with SMMEs that are listed in databases, particularly if business owners are contacted via E-mail, phone or online survey.
 - o Describe the impact on women and youth, as well as the extent to which they were disproportional affected.
- Examine the extent to which existing support programmes have reached micro and informal businesses.
- Determine which types of assistance entrepreneurs believe are necessary to recover from the Covid-19 pandemic, the associated lockdown and to grow their businesses in the long run.
- Identify which assistance is required to ensure that the sector can contribute to the achievement of the United Nations Sustainable Development Goals.





Need for a Study Focusing on Micro and Informal Businesses

Micro and informal businesses are underrepresented in research projects and interventions by relevant stakeholders when compared to other players in the economy and when considering the number of micro and informal businesses. As a result, there is a limited understanding of the internal dynamics of the sectors as well as their role and significance in the overall economy (Burger and Fourie, 2019).

Despite an increase in surveys focusing on SMMEs in South Africa, particularly since the start of the Covid-19 pandemic, these have not focused specifically on micro and informal businesses or have not included an analysis of their unique situation and needs (WIEGO, 2020). This highlights the importance of conducting a focused study on micro and informal businesses and their recovery from the Covid-19 pandemic. This study provides quantitative and qualitative data to shed light on the impact of the Covid-19 pandemic and lockdown on these businesses and understand the experiences of these entrepreneurs. It also provides data on the developments in the sector and first steps towards recovery since most industry restrictions were lifted, as well as insights into what micro and informal businesses require to recover and grow in the long run.

It is critical to examine how the most vulnerable demographic groups were affected and to categorise these findings based on the type of business and industry in which they operate. According to the findings of this study, there is a need for specific recommendations on how to modify existing policies and design appropriate mechanisms and tools in the South African context.

The report concludes with an overview of the key steps that stakeholders can take to select the specific areas and target groups they wish to support, the most appropriate mechanisms and tools, an overview of the implementation plans for each of these, as well as the key risks and their respective mitigating measures.

“This study provides quantitative and qualitative data to shed light”

INTRODUCTION: POINT OF DEPARTURE

The South African economy has been struggling for several years and has suffered a second economic recession since 2018 (*Department of Small Business Development, 2020*) with disastrous effects on the population, especially on people's living conditions. Unemployment, inequality, and poverty are all on the rise; a trend exacerbated by the Covid-19 pandemic and its economic impact (*Seda, Imbadu Newsletter, 2020*). The official unemployment rate increased to 32,5%, an unprecedented level since it has been recorded by the Quarterly Labour Force Survey (*QLFS, StatsSA, Q4 2020*), plus this proportion exceeds similar economies with comparable size and growth figures (*Bhorat et al, 2018*). Many individuals who are struggling to find formal employment try to make a living as micro entrepreneurs or in the informal sector (*DSBD & UCT, 2019*). Individuals who rely on the micro and informal business for their livelihoods have become even more vulnerable by the Covid-19 pandemic and female entrepreneurs are disproportionately affected, as they already had lower annual revenues in the sector (*UNDP, 2020*). A huge proportion of vulnerable population groups finds work in the informal sector;. Based on data from 2013, people under the age of 25 years make up ~1/3 of the sector in Sub-Saharan Africa and women account for more than 50%, significantly higher than in other institutional sectors (*Fourie, 2018*).

The Covid-19 pandemic is considered the biggest crisis since the Second World War and the coronavirus as well as the measures implemented by governments to fight it have particularly devastating effects on businesses all over the world. This is particularly concerning for the most vulnerable sectors in an economy, such as the informal sector or micro businesses. It is estimated that 80% of all businesses in the world are informal and employ more than 2 billion people and roughly 62% of the global workforce work informally (*ILO, 2020*). People running informal and micro businesses largely live a subsistence lifestyle depending on their daily income (*Benhura & Magejo, 2020*) and they are from lower socioeconomic groups thus more likely to be affected by poverty, hunger or illness (*Kiaga & Marcadent, 2020*). In South Africa, it is estimated that ~30% of the population work in the informal sector, half the average rate in Sub-Saharan Africa (*Bhorat et al, 2018*). Micro and informal businesses account for ~45% of employment (*based on estimation of the total number of SMMEs released by Seda and the total labour force at 14,7 million in Q3 in 2020 based on the Quarterly Labour Force Survey by StatsSA; Q3:2020*). The number of smaller, especially early stage businesses, is only one third of comparable economies (*International Finance Corporation, 2020*). The informal sector in South Africa has been more vulnerable to economic shocks or crises in the past as it contracted by 7% during the financial crisis in 2008 compared to 4% of the formal economy (*Francis, Valodia & Ramburuth-Hurt, 2020*).





In relation to the formal sector, data reveals a correlation between levels of unemployment and activity in the informal sector indicating that people are more likely to seek opportunities informally when they struggle to find formal employment (*DSBD & UCT, 2019*). This trend can also be observed during an economic crisis when more people move into the informal sector as they lose jobs in the formal sector, commonly resulting in more informal businesses and competition in general, pressure on margin as well as conflict about premises or specific areas (*DSBD & UCT, 2019*).

“Individuals who rely on the micro and informal business for their livelihoods have become even more vulnerable by the Covid-19...”





Definition Of Micro And Informal Businesses In The South African Context

A small business is officially defined in the National Small Business Act of 2003 and as “a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more”. A micro business is defined by an annual revenue threshold that ranges from R5 million for catering, accommodation and other trade, community, social and personal services, to R20 million for wholesalers (*R7 million for agriculture, R7.5 million for transport, storage, communication, retail, motor trade and repair services, R10 million for manufacturing, electricity, gas and water and construction*). In addition, micro businesses are defined by having less than 10 total employees (*DSBD, 2019*).

Depending on the definitions used, formal businesses are either registered with the CIPC, SARS or pay corporate or income tax. As a result, informal businesses are those that are not registered with any authority (*IFC, 2018*). They can be described as unincorporated, small; or unregistered enterprises (*Skinner & Rogan, 2019*). This includes most survivalist entrepreneurs who make a living in a subsistence manner with individual business activities.




			
	Survivalist enterprise	Informal business	Micro-enterprise
Turnover	Income below the minimum income standard or the poverty line	Turnover varies and can exceed threshold for micro businesses	Turnover threshold ranges from R5M to R20M depending on the sector
Employees	Run by an individual or family/ friend, no other employees	Usually <5 employees	<10* Total full-time equivalent of paid employees
Formalisation	No formal structure, considered pre-entrepreneurial	No registration with CIPC or Sars	Are registered with CIPC or Sars but only have minimal formal structures
Examples	Hawkers, vendors; subsistence farmers	Hawkers, vendors, spaza shops, food stalls, car wash, beauty parlors, hair salons	Formalised spaza shops, minibus taxis, mechanic, manufacturing

Table 1: Definition and characteristics of each type of businesses considered in this research

Informal businesses form a subset of the informal economy: all entrepreneurial activity, employment and production in unincorporated, small or unregistered enterprises is also described as the informal sector by internationally agreed definitions developed by the International Conference of Labour Statisticians (ICLS) that Statistics SA applies. The study will cover the informal sector and include employees in informal and micro businesses, which can fall under the category of informal workers. The study will not consider formal small and medium size businesses that exceed the annual thresholds outlined above.

The study excludes informal employment, which refers to “employment without social protection through work both inside and outside the informal sector” (*Skinner & Rogan, 2019*), also identified as regular and casual workers without an employment contract (*Benhura, & Magejo, 2020*). They commonly work in the formal sector but are still considered informal if they are not registered with any government agency or social security schemes (*C19 People’s Coalition Food Working Group, 2020*). In South Africa, ~20% of all workers fall into this category (*C19 People’s Coalition Food Working Group, 2020*). Consequently, domestic workers are considered informal workers in employment relations and are consequently not included in the focus of this work. Multiple stakeholders, including the International Labour Organisation have encouraged the broadening of the focus on the entire informal economy to highlight poor working conditions and social protection deficits of informal workers, which are overlooked by a sole focus on entrepreneurial activities (*Skinner & Rogan, 2019*). To take this into consideration, future studies can apply a broader focus. We recommend referring to Women in Informal Employment: Globalizing and Organizing (*WIEGO*), a Manchester-based global research - policy network focused on improving conditions for workers in the informal economy, for relevant publications (*WIEGO.org*).



Size Of The Market And Number Of Micro And Informal Businesses

Considering the structure of the South African economy and the sector, it is not possible to have an exact figure, however, multiple surveys allow an approximation of the number of micro and informal businesses in South Africa. Estimations by the DSBD size the number of micro and informal businesses at ~3,3 million in South Africa (*DSBD, 2020*), however, there could be as many as ~4,8 million using a broader definition of survivalist entrepreneurs (*FinMark, 2010*).

This number is based on estimations and ranges from ~1,6 million, based on latest reliable figures in a report by the DSBD and UCT, up to ~3,1 million survivalist entrepreneurs using the broader definition of businesses from the FinMark Trust. Even though this is not the latest data as the FinScope Small Business Survey was conducted in 2010, it is still a relevant figure as it applied and captures the broadest definition of micro and informal businesses, including survivalist entrepreneurs. In addition, there are ~1,7 micro businesses; based on estimations by the DSBD (2020) that ~2/3 of the 2,6 million formal SMMEs in Q1 of 2020 are micro businesses (*DSBD & UCT, 2019*). It is also important to note that there is a high fluctuation in the sector with ~40% of new entrepreneurs closing down their businesses within the first six months of entering the sector (*DSBD & UCT, 2019*).

StatsSa estimates the total labour force at 14,7 million in Q3 in 2020 based on the Quarterly Labour Force Survey (*Q3:2020*). Using the estimation of the total number of SMMEs released by SEDA in 2020, micro and informal businesses account for ~45% of employment; Seda estimates that ~1,7 million people are own account workers in the sector, ~3,9 million people work for micro businesses and 1,1 million in the informal sector. This adds up to a total of ~6,7 million people working in micro and informal businesses (*Seda, 2020*).

This data is based on a framework from the International Finance Corporation, developed by combining data from different sources, namely Seda, the FinScope Small Business Survey in 2010, the Quarterly labour force survey (*QLFS*) as well as the Adult Population Survey. StatsSA conducts the Quarterly labour force survey (*QLFS*) with households in South Africa, which is used by Seda to estimate the number of SMMEs (*IFC, 2018*). The survey methodology asks for primary economic activity and consequently does not account for multiple businesses run by the same entrepreneur and underestimates the number of survivalist entrepreneurs (*IFC, 2018*). The Adult Population Survey (*APS*) is used by the Global Enterprise Monitor but has a small sample size. It also underestimates one-person or survivalist entrepreneurs, however, it includes businesses in their early stages, which are not necessarily operating yet and consequently arrives at slightly higher figures (*IFC, 2018*). FinMark Trust in 2010 conducted the FinScope Small Business Survey and used a broad definition of SMMEs to include all own account and survivalist entrepreneurs and it can be considered to be the upper range of all estimations (*IFC, 2018*).

Existing Gap In Research And Literature

Compared to other parts of the economy, the informal sector has received less attention, which has resulted in a lack of insight and a limited understanding of the internal dynamics as well as its role and importance to the overall economy (Burger & Fourie, 2019). Even though there has been a rise in surveys focusing on SMMEs in South Africa, particularly since the beginning of the Covid-19 pandemic, these have either not focused on micro and informal businesses or did not include an analysis of their specific situation and unique needs.

This highlights the need for a targeted study focusing specifically on micro and informal businesses and their recovery from the Covid-19 pandemic. This study needs to deliver quantitative and qualitative data to assess the impact of the Covid-19 pandemic and lock-down on these businesses and the situation as well as the experience of entrepreneurs.

In addition, it needs to provide data about recent developments and first steps of recovery of the sector since the restrictions were lifted and most industries were able to operate again. It needs to produce insights on what micro and informal businesses need to recover and grow their businesses in the long-term.



It is important to segment these findings based on the type of business and industry they play in as they were impacted differently. Based on these findings, there is a need for specific policy recommendations which can highlight the most suitable mechanisms and tools in the South African context. The annexure includes a table with a matrix on recent studies or publications on the impact of the Covid-19 pandemic on micro and informal businesses in South Africa.

Methology

The study will segment micro and informal businesses based on four considerations relevant to the sector (*UNDP, 2020; IFC, 2018; FinScope, 2010*); namely the type of business, demographics of the owner, the area of operation as well as the size in relation to employees. The definitions of each segment are listed in the table below.







	Industry	Maximum revenue	Examples of businesses
 Trade & accommodation	Trade & accommodation <ul style="list-style-type: none"> • Retail trade • Wholesale trade • Tourism & accommodation • Cooked food & catering • Repairs 	R5-20 Million per annum R7.5 Million per annum R20 Million per annum R5 Million per annum R5 Million per annum R7.5 Million per annum	Retail and wholesale, tourism and accommodation businesses, restaurants, bars and businesses selling cooked food and catering companies as well as repairs <ul style="list-style-type: none"> • Grocery stores, Spaza shops, vendors, selling branded beauty, smaller franchise stores and health products, e.g. weight loss products or homeopathy, liquor stores • Stores selling a variety of items to other businesses or restaurants • Bed & Breakfast, accommodation, tour operators, tour guides, museums or tourist attractions, event services • Entrepreneurs selling vetkoek, restaurants, coffee shops, fast food stores, catering services, event catering, food businesses at schools • Repair of cell phone, TV and electronic devices
 Community & personal services	Community & personal services	R5 Million per annum	<ul style="list-style-type: none"> • Waste collectors, creches and educational services, hair salon, beauty parlour, nail salon, tattoo studio, gym, car wash, internet studies, personal trainers sports associate professionals
 Transport	Transport & communication	R7.5 Million per annum	<ul style="list-style-type: none"> • Taxi drivers, uber drivers, school transportation, logistic services, mechanic
 Agriculture	Agriculture	R7 Million per annum	<ul style="list-style-type: none"> • Agricultural, fishery and related businesses, entrepreneurs growing and selling crops, market gardeners and crop growers
 Manufacturing	Manufacturing	R10 Million per annum	<ul style="list-style-type: none"> • Designers and manufacturer of clothes, dresses, face masks, textile, fur- and leather products, garment, manufacturing of metal, machinery, potters, glass-makers
 Construction, professional and business services, electricity, gas & water	Electricity, gas & water Construction Professional, finance & business services	R10 Million per annum R10 Million per annum R7.5 Million per annum	<ul style="list-style-type: none"> • Businesses providing electricity to the community, e.g. with solar panels, delivery services of water etc., petrol station • Construction businesses for houses, roads, infrastructure • Accounting, auditing and consulting businesses, marketing businesses

Table 2: Definition of the industry segmentation applied in the study

Segmentation In Relation To Characteristics Of Business And Business Owner









Segments		Categoioies	Definition
Ownership		Female Owned	<ul style="list-style-type: none"> • Businesses run by individuals idenntifying as female
		Youth Owned	<ul style="list-style-type: none"> • Businesses run by individuals below 35 years of age
		Owner living with disability	<ul style="list-style-type: none"> • Businesses run by individuals who are living with long-tterm phsycal, mental, inttellectual or sensory impairments
Area		City or Urban area	<ul style="list-style-type: none"> • Businesses in the inner cities or suburban areas in metros; also includes small proportion of businesses in industrial areas
		Township or informal settlement	<ul style="list-style-type: none"> • Businesses in areas classified as townships or informal settlements
		Rural area / Village	<ul style="list-style-type: none"> • Businesses in rural areas or villages outside metropolitan areas
Emplyment creation		Employment creator	<ul style="list-style-type: none"> • Businesses with 3 or more employees, excl owner before lockdown. • Employees include co-owners, full-time or part-time workers irrespective of the level and frequeency of payment
		Survivalist entrepreneurs	<ul style="list-style-type: none"> • Businesses with one person or one person and family members offering retail or basic services. • Any business offering advanced services are not considereed survivalist irrespec-tive of tthe number of employees

Table 3: Definition of categories for segmentation based on demographic of owner, geographic area and level of employment creation.

The segmentation is informed by relevant findings applicable to micro and informal businesses in the literature with a focus on differences in relation to the impact, the Covid-19 pandemic has on businesses. In addition, the segments consider relevant objectives to provide targeted support for specific demographics in line with the goal to drive inclusive growth by the South African government as well as the UN Sustainable Development Goals. The table below summarises the importance of each segment and the categories.








Industry	A good understanding of the different industries and their needs is essential to provide customised support for specific businesses		Trader accommodation	<ul style="list-style-type: none"> Informal traders in the retail make up a huge proportion of the informal economy in SA The industry was affected as regulations banned retailers from working and markets, retail and recreation sites experienced a reduction in mobility between 20 and 50%
			Personal & Community Services	<ul style="list-style-type: none"> The share of service providers in the informal sector has been on the rise since 2001 Service providers were affected by a drop-in economic activity but also at risk of losing or having to sell their equipment or assets to make a living
			Other Services	<ul style="list-style-type: none"> The construction sector is important with a share of 14% of all SMMEs and 15% of informal businesses. 13% of SMMEs and 8% of informal businesses offer finance and business services. A smaller proportion of entrepreneurs work in mining, electricity, gas or water services, also some survivalist businesses, eg. charging cell phones through solar panels
Ownership	The SDGs highlight the importance of women and youth The 2020-2025 strategic plan of the Department of Small Business seeks to increase the participation of women by 40% and youth by 30%		Female owned	<ul style="list-style-type: none"> The Covid-19 pandemic affected women to a larger extent as observed in previous economic crisis with women likely having to stop working for themselves and taking up unpaid work
			Youth owned	<ul style="list-style-type: none"> Young people were disproportionately affected by the Covid-19 pandemic with "17% supine work and frequent salary reduction or loss. Many were unable to enter the job market, including the informal economy, where young people are disproportionately represented"
			Owner living With disability	<ul style="list-style-type: none"> Considering the general obstacles people living with disabilities face in the labour market, they are particularly vulnerable to any economic crisis or shocks and frequently the first having to close their businesses or being retrenched
Area	The trend of globalisation and towards urbanisation resulted in a spatial divide with people living in rural areas experiencing worse outcomes on development indicators		City or urban area	<ul style="list-style-type: none"> Economies in cities were affected as crowds stopped commuting through and travelling to the cities Informal workers in urban areas were more vulnerable when compared to those in rural areas
			Township or informal settlement	<ul style="list-style-type: none"> South African cities are highly unequal and this was aggravated by the Covid-19 pandemic By April 2020 -33% of people in informal settlements and 25% in townships compared to 15% in suburban areas were out of work The Covid-19 pandemic has aggravated existing spatial inequalities between urban and rural areas
			Rural area/ village	<ul style="list-style-type: none"> The economies in cities recovered faster than in rural areas: ~50% the working population was without employment in rural areas compared to 33% in cities in June 2020
Employment Creation	SMMEs account for 70% of employment in SA and up to 75% individuals with survivalist business activities are added (Seda, 2019)		Employment creator	<ul style="list-style-type: none"> The impact on micro and informal businesses was unprecedented. Based on a survey, 95 % of small and informal businesses were unable to pay employees
			Survivalist entrepreneurs	<ul style="list-style-type: none"> Most survivalists have no savings or capital to maintain themselves or recover from the pandemic FAO (2020) estimates that >85% of business owners in the informal sector were no longer able to support themselves as only 7% had another source of income

Table 4: Importance of each segment for economic development and in relation to the Covid-19 pandemic

The segmentation will inform the selection of target areas in the study to ensure a sufficient representation of businesses within each category in the final data.

Research Components, Methodology And Tools Of The Research

To achieve the overarching objectives and gain valuable and diverse insights about micro and informal businesses, this research project combined multiple components and utilised primary as well as secondary research outlined below.

Literature Review

Review of existing literature relevant to the objectives of this research. Firstly, research on the structure, the landscape and history of informal and micro businesses in South Africa. Secondly, studies assessing the impact of the Covid-19 pandemic and related lockdown on micro and informal businesses in South Africa. Thirdly, information about the availability, the relevance as well as the uptake and impact of policies, regulations, mechanisms and tools to support micro and informal businesses in South Africa in general and during the Covid-19 pandemic in particular. Fourthly, insights about the impact of the Covid-19 pandemic on the sector in other countries with a focus on existing interventions and best demonstrated practices to support micro and informal businesses. And lastly, publications about the relationship between the sector and the United Nations Sustainable Development Goals as well as related development indicators in South Africa.

Expert Interviews

Interviews with experts about the sector, which include representatives of industry associations, membership-based organisations working in the sector, researchers focusing on micro and informal businesses as well as start-ups, technology companies or individuals working on programmes to strengthen the sector. We compiled a list of respective organisations and experts and invited them to participate in interviews via message, e-mail or LinkedIn. We conducted 13 interviews with the experts listed below using a qualitative interview guide via phone calls or Zoom meetings. Each interview took between 30 and 90 minutes.

1. Senior researcher and Co-ordinator at WIEGO
2. Professor, research focus on SMMEs and women
3. Representative, SA Self-Employed Women's Association
4. Representative, Durban Fishermen's Forum
5. Representative, South African Informal Traders Alliance
6. Representative and local coordinator, African Reclaimer's Organisations
7. Representative, Johannesburg Well of Development and Training
8. Representative, SA Public Transport Workers Union, SAPTWU
9. Representative, Economic Chambers at local municipality
10. Representative, Vendor Association at a mall in Soweto
11. Founder of Redshift e-commerce platform for Spaza shops
12. Founder of SpoonMoney; micro loan platform





Interviews With Business Owners Of Micro And Informal Businesses

The findings in the literature review and insights gained in the expert interviews informed the development of the questionnaire. We designed two questionnaires, one for businesses that closed down during the lockdown and one for businesses that were still operating at the time of the interview. Questions and answer options were updated based on the feedback from clients as well as the field researchers that piloted the questionnaire with 74 business owners between the 16th of December 2020 and 21st of January 2021. The questionnaires were developed in English and translated into Xhosa, Zulu, Swati, Sotho and Venda. Interviews were conducted from the 1st of February until the 9th of March 2021 by 60 field researchers in 19 municipalities across all 9 provinces. The field researchers uploaded 4450 interviews in the online form, which were downloaded for data cleaning and analysis.

As part of the data cleaning, the following exclusion criteria were applied to ensure that all businesses met the criteria of the target group and that the data was reliable as well as consistent. Data was excluded if the weekly revenue figure of formal businesses at the time of the interview exceeded the revenue threshold for the respective industry by more than 10% assuming the business works 50 weeks a year to ensure that formal businesses do not exceed the revenue threshold. Interviews were excluded if field researchers raised any concerns about the reliability of the data in the comment section. In addition, inconsistent data was excluded, e.g. businesses that reported they were closed during lockdown level five but reported a positive revenue increase.



The background image is a photograph of a yellow minivan parked on a cobblestone street at night. The scene is dimly lit, with the van's headlights and interior lights providing some illumination. In the top right corner, there is a stylized blue graphic of a virus or microorganism with several protruding spikes. The overall color palette is dominated by the yellow of the van and the blue of the virus graphic.

Focus Groups

In support of the surveys and interviews that were conducted across the country, focus groups were held with micro and informal business owners across South Africa. These focus groups explored the experiences of business owners in an effort to understand what they required for their short-term recovery from the impact of Covid-19 and related lockdowns, as well as their long-term growth. These focus groups allowed for in depth conversations about their perception of the recommended mechanisms and tools. In order to adhere to the Covid-19 rules and regulations as well as to ensure the health and safety of participants, the focus groups were conducted digitally. Over the course of three weeks, small groups of business owners participated in focus group discussions over Zoom calls from various locations across the country.

Identification Of Target Areas And Approach To Sampling Selection Of Municipalities, Districts And Focus Areas

Target municipalities were selected from the list of municipalities and districts that were profiled as part of the District Development Model (DDM). Just as the model tries to ensure complementarity between different areas, the selection of municipalities focused on achieving a balance between urban areas, both cities and townships, as well as rural areas. The objective was to link the data collection as well as the insights to the integrated planning model that forms part of the DDM. The purpose was to ensure that any interventions are firstly informed by previous research and information available for each municipality. Secondly, to align suggested mechanisms and tools to existing interventions. And lastly, to incorporate and utilise the findings from the District Profiles when designing any interventions in a specific area. The table below provides an overview of the municipalities included in the survey with the number and proportion of interviews in each municipality.

Province	Municipalities	Number of interviews	
Gauteng	City of Johannesburg Metropolitan Municipality	787	21%
	City of Tshwane Metropolitan Municipality	287	8%
	Emfuleni Local Municipality	127	3%
KZN	eThekweni Municipality	58	2%
	Newcastle Local Municipality	131	3%
	King Cetshwayo District Municipality	182	5%
Limpopo	Polokwane Municipality	78	2%
	Vhembe District Municipality	578	15%
Western Cape	City of Cape Town Metropolitan Municipality	305	8%
Mpumalanga	Mbombela Local Municipality	569	15%
	Thembisile Hani Local Municipality	66	2%
Eastern Cape	Buffalo City Metropolitan Municipality	144	4%
	OR Tambo District Municipality	72	2%
	Nelson Mandela Bay Municipality	66	2%
North West	Rustenburg Local Municipality	98	3%
	Ramotshere Moiloa Local Municipality	21	1%
Northern Cape	Kimberley Municipality	86	2%
Free State	Mangaung Municipality	38	1%
	Lejweleputswa Municipality	53	1%
Total		3746	

Table 5: Number and proportion of interviews in survey split by province and municipality

Sampling strategy and weights

We combined multiple strategies of sampling to reach a representative sample that is feasible, at the same time considering the nature of the sector. There are multiple characteristics of the informal sector that limited a structured or even randomised sampling strategy. Firstly, the size of the target group which makes it necessary to select and prioritise specific areas for data collection. Secondly, there are no representative, inclusive or comprehensive databases and the documentation of informal businesses is limited to localised initiatives, membership-based organisations or selected stakeholders. Thirdly, it is not possible to reach business owners through online surveys or digital channels considering the lack of resources, technological gadgets and the limited internet access. Lastly, the impact of Covid-19 has forced many businesses to close down, while other entrepreneurs entered the informal sector if they could no longer make a living in the formal sector due to the Covid-19 pandemic and the related lockdown. There is no documentation of informal businesses that operated before the lockdown, especially because business owners have largely received support in their individual capacity. This makes it particularly difficult to identify businesses that are no longer operating and estimate their number.

We designed a sampling strategy considering these challenges and used stratified sampling to include businesses within each of the categories outlined above. As a first step, we selected target municipalities to include businesses operating in rural as well as urban areas in each province guided by a list with suggestions from the DSBD. In a second step, we identified different types of businesses to include multiple industries. We set predefined targets aligned to the characteristics and distribution of micro and informal businesses in relation to these segments as specified in the literature to reach a representative sample. Thirdly, we segmented the businesses based on the demographics of the business owners and set targets to represent the most vulnerable groups in society, namely 50% of women-led businesses, 30% with a business owner below the age of 35 and 5% of businesses with an owner living with a disability.

We used in-person and telephonic interviews to conduct the interviews. We used the stratified sampling to develop a database of businesses in selected municipalities working in specific industries using a google search for the telephone interviews. For the in-person interviews, we applied a convenience sampling using the following approach: within each municipality, we identified business hubs of micro and informal businesses, where we approached business owners, presented the research project and asked whether they would like to participate in an interview. The participation of interviewees in both cases depended on the individuals' availability and willingness to speak to field researchers. It is important to highlight that many business owners raised concerns in relation to the study, the intention and objectives of the research as well as the commitment of relevant stakeholders to the sector. The field researchers were prepared to listen to the concerns and challenges of potential interviewees, explain the objectives and intentions of this research, give them an option to withdraw their information at a later point in time and accept if somebody chose not to participate in the interview.

However, this approach is not suitable to identify and include businesses that closed down since the lockdown started. To find owners of businesses that are permanently closed, field researchers were instructed to ask interviewees or representatives of local industry associations about businesses that operated in the area before the lockdown and how they could connect with them.

Limitations Of This Study

The small number of businesses that were included in the study compared to the millions of entrepreneurs working in micro and informal businesses is one limitation of the study. Consequently, the data only provides a glimpse into the situation of micro and informal businesses.

A key limitation of the study is the identification of businesses; namely the fact that the field researchers approached owners currently engaging in activities as part of their business operations, largely in busy areas, taxi ranks, malls or local economic hubs. This means that businesses that are less visible, have no physical presence or have relocated are underrepresented in the study. This consideration also limits the representativeness of the proportion of businesses that have closed down during the Covid-19 pandemic and related lockdown because businesses that are not operating at the moment are not considered if business owners are approached in their businesses. Even though we tried to mitigate this risk as described in the methodology section above, the data is skewed for businesses that closed down as these were purposefully identified and included.

Another limitation is the business owners' concerns about the study's purpose, objectives and integrity, which may have affected their willingness and honesty when answering questions. Also, the fact that the interviews relied on participants' memories, their ability to recall events and understand their business and financial information, may have compromised the data quality.

Some additional minor limitations are firstly, the adjustments necessary to follow Covid-19 safety precautions; interviews were conducted outside only. Secondly, the time period of the data collection as interviews were conducted in February 2021, which is generally a quiet time for businesses in South Africa. Thirdly, the fact that the interviews relied on the memory of participants, their ability to recall events, understand their business and financial information and to articulate themselves. Lastly, the fact that the questionnaire was translated into multiple languages, which makes it more prone to potential changes in the meaning of specific questions or answer options.

LITERATURE REVIEW: INFORMATION AND MICRO BUSINESSES IN SOUTH AFRICA DURING THE COVID-19 PANDEMIC

Policy Framework And Regulations For The SMME Sector With Focus On Informal And Micro Businesses

Overview Of Legislation And Regulations Of SMMEs With Focus On Informal And Micro Businesses

SMMEs only became a priority for the South African government after 1994. In the early 90s, the South African democratic government started prioritising this sector and as a result, different support mechanisms were implemented to support and develop SMMEs. The 1995 White paper introduced the Integrated Small Business Development Strategy, which increased the financial and non-financial support and aimed at creating a favourable environment that can drive demand for products and services from SMMEs. Also, the National Small Enterprise Act 1996, (No.102 of 1996), serves to support and promote small enterprises to ensure their growth and sustainability. The section 3 (d) of the Industrial Development Corporation Act, No.22 of 1940 makes provision to finance micro and survivalist business and SEFA was established under the act to support the sustainability of SMMEs through the provision of finance.

The 2020-2025 strategic plan of the Department of Small Business Development sets out the following objectives for the small business enterprise:

- To grow the contribution of SMMEs to the GDP from 35% to 50% by 2024. The strategic plans are to upscale support for SMMEs and Cooperatives through the provision of blended finance instruments.
- To facilitate the increase of small businesses in historically concentrated economic sectors (township economies and rural development). This can be achieved through a collaboration among the departments, such as the Department of Trade, Industry and Competition and the Competition Commission to open up entry for SMMEs in historically concentrated economic sectors.
- To prioritise and increase the participation of women to reach a target of 40% and increase the representation of youth to 30%. This will be done by finalising the guidelines for the mainstreaming of young people and women into implementation (DSBD.gov.za, 2020).

A leading initiative in line with these goals is the Township Entrepreneurship Fund that is aimed at addressing key issues surrounding the development of economic and entrepreneurial potential in townships. The initiative has three pillars.


- Firstly, the use of technology to reduce the cash-dependence of the sector.
- Secondly, a digital platform that offers e-learning, e.g. business and project management, big data analysis as well as mentorship.
- Thirdly, district services through mobile units established by Seda in the communities.

Overview Of Legislation And Regulations As A Response To Covid-19

“South Africa reported its first confirmed COVID-19 case on March 5, 2020. The government has declared a national state of disaster and adopted containment measures, including social distancing, travel bans on visitors from high-risk countries and quarantine for nationals returning from those countries, screening at ports of entry, school closures, screening visits to homes, and the introduction of mobile technology to track and trace contacts of those infected and inform individuals if they have been in close proximity to a person diagnosed with Covid-19. A nationwide lockdown was put in place from midnight March 26, with only critical workers and transport services, the banking sector, essential food and medicine production, and retail, operating. On April 27, a delegation of 217 infectious disease experts arrived at the request of the government to support its health response to Covid-19.

On May 1, 2020, a phased lifting of the lockdown began, allowing a few sectors to resume operation and others only partially. On May 13, a further relaxation of the lockdown was announced effective June 1. On May 24, it was specified that the June 1 relaxation would be broader than previously announced. Most economic activities reopened under strict health and social distancing practices except for high risk ones (i.e., restaurants, bars, taverns, accommodation, domestic air travel, conferences, events, entertainment, sporting activities, and personal services). The sale of alcohol was allowed on a restricted basis while the sale of tobacco remained banned. Remote work has always been encouraged where possible. Starting June 8, schools started to reopen and on June 17, restrictions on sit-down restaurants, hotels, conference centres, casinos, non-contact sports, and personal care services were relaxed under strict adherence to health protocols.

On July 12, in response to a growing number of Covid-19 cases, a curfew and an alcohol ban were reintroduced and the wearing of facemasks in public was made mandatory. On July 23, it was announced that, starting on July 27, public schools would be closed for one month with minor exceptions. On August 17, following a drop in the number of daily cases, the sale of alcohol was allowed to resume subject to certain restrictions while restrictions on inter-provincial travel and the operation of accommodation, hospitality venues, beaches, restaurants, bars, and taverns were relaxed subject to strict adherence to health protocols and social distancing. On September 21, following a flattening of the Covid-case curve, an additional relaxation of restrictions was implemented, lifting almost all restrictions including those on international travel to certain countries from October 1. The list of high-risk countries for international travel was revised on October 20 and was reduced from 60 to 22 countries.



On November 3rd, South Africa's participation in the World Health Organization's COVID-19 Global Vaccine Access Facility was announced and the national state of disaster, in force since end-March, was extended until January 15, 2021. In addition, to address an increasing number of cases in the Mandela Bay area, some restrictions were reinstated in that area including an extended curfew, alcohol sale and consumption limitations, and a tightening of large gathering rules in indoor and outdoor events. No other new restrictions were imposed in the rest of the country" (IMF policy tracker, 2020).

The stimulus package by the South African government amounted to \$26 billion which is equal to ~10% of the national GD. It represents the largest package in emerging markets and exceeds the proportional support of several high-income countries, such as Canada of South Korea (Brookings, 2020).



Relevance Of Stakeholders And Legislation In Relation To The Micro And Informal Sector Before Covid-19

There are multiple relevant key stakeholders in South Africa and The Department of Small Business Development (DSBD) was established in 2014 to coordinate the main support programs offered by various governmental institutions for the SMME sector, which includes micro and informal businesses (IFC, 2018).

- **The DSBD coordinates the following institutional bodies:**

- The Small Enterprise Development Agency (Seda), established in 2004, provides non-financial business development and support services to the SMME sector through the design and implementation of a standard and common national delivery network.

- The Small Enterprise Finance Agency (SEFA) provides access to finance and services to qualifying SMMEs and Co-operatives to contribute towards poverty alleviation, job creation and economic growth. SEFA was established to attempt the process of streamlining three previous agencies with a similar mandate in 2011. SEFA works with a range of finance institutions and intermediaries to reach SMMEs (SEFA, 2020).

- As well as the National Small Business Advisory Council (NSBAC) (Ngcobo & Sukdeo, 2015), which was established in 2019 after a delay of four years (Khumalo, 2019). The NSBAC will identify current gaps and shortcomings in the ecosystem restricting SMMEs and will advise the minister on relevant strategies to support the sector. The NSBAC was established as a response to concerns that larger companies, labour unions, and government actors are overrepresented on advisory boards in South Africa on the expense of smaller businesses (Khumalo, 2019).




● **The DBSD is responsible for the following relevant legislation and policy mandates:**

- National Small Enterprise Act of 1996 to develop, support and promote small enterprises to ensure their growth and sustainability.
- Section 3 (d) of the Industrial Development Corporation Act, No. 22 of 1940 (IDC Act) to provide access to finance to SMMEs through its subsidiary SEFA.
- Co-operatives Development Act of 2005 to provide for the formation, registration and functioning of Co-operatives.
- Co-operatives Policy (2004) to create an enabling environment for Co-operative enterprises towards more equality and formalisation in the sector, increase its competitiveness and to contribute to the country's economic growth.
- Co-operatives Amendment Act, No 6 of 2013 to establish a functioning Co-operatives Tribunal and provide for intergovernmental relations within the Co-operatives sector.
- The National Informal Business Upliftment Strategy (NIBUS) to address the development of informal businesses with a focus on women, youth and people living with a disability.
- Local Economic Development (LED) to achieve sustainable economic growth with focus on employment creation on municipality level.
- Integrated Strategy for Promotion of Entrepreneurship and Small Enterprises (ISPESE) and its Improvement Plan to increase the contribution of SMMEs and Co-operatives in Priority Sectors
- The Township and Rural Entrepreneurship Programme (TREP) that was approved by Cabinet in February 2020 to contribute to infrastructure development in areas affected by historic injustices, finance the growth of existing enterprises and channel capital for new projects.

● **In addition, the following acts guide the work of the DSBD but are not administered by the DSBD**

- Public Finance Management Act, 1999
- Preferential Procurement Policy Framework Act, 2000
- Broad-Based Black Economic Empowerment Act, 2003
- Companies Act, 2008
- National Credit Act, 2005
- Consumer Protection Act, 2008
- Financial Advisory and Intermediary Services Act, 2002
- Protection of Personal Information Act, 2013
- The District Development Model, initiated by the president in his budget speech in 2019 and subsequently adopted by cabinet works to improve the coherence of government service delivery with focus on 44 Districts and 8 Metros as development spaces.





Even though the SMME sector is largely informal, these stakeholders and regulations are mainly focused on formal businesses with limited support for micro and informal businesses. And due to the nature of the sector, representative organisations lack resources and capacity, which limits their ability to lobby on behalf of the entrepreneurs. Even though the government acknowledges the importance of the informal sector, there is no consensus, neither on an academic nor a policy level how best to interact with informal players and whether the focus of all interventions should be on the formalisation or a broader enablement of the sector. This has resulted in some misalignment with some stakeholders, e.g. some municipalities or the police tend to reprimand informal traders and entrepreneurs with a focus on law enforcement instead of facilitating economic activity at large.


In addition, there are more general points of improvements in relation to the relevance of the policy framework as well as the preparedness and the support provided by relevant stakeholders. Firstly, the DSBD was established to ensure a more consistent policy landscape and a more coordinated approach of all relevant stakeholders (IFC, 2018). However, there is a consensus that there are still gaps and the DSBD itself has identified a lack of integrated service delivery as a key weakness (DSBD, 2020). The fact that South Africa has multiple government institutions with overlapping responsibilities and mandates is considered more a legacy practice than a purposefully designed structure (DSBD, 2020). Secondly, there is a need for more awareness of the relevant stakeholders and the support they provide among entrepreneurs, especially among younger target groups and outside Gauteng (Global Entrepreneurship Monitor, 2019). Thirdly, SMMEs perceive a lack of support as less than 4% mentioned that the DSBD has helped their business and nearly 90% still report that they are not satisfied with the support received from the government (Xero, 2019). And less than 25% of all entrepreneurs who have worked with Seda ranked them as effective (Global Entrepreneurship Monitor, 2019). Fourthly, the discrepancies between the objectives outlined in the mandates of government institutions as well as the relevant regulations and policies, e.g. the limited success of Co-operatives as well as the Co-operatives Incentive Scheme which are supposed to offer support to more vulnerable rural areas (Aluko & Kibuuka, 2018).

Lockdown Regulations In Relation To Micro And Informal Businesses

Workers in the informal economy were only considered in the government's relief strategy nearly a month into the lockdown. Most informal traders in Gauteng reported that they had not received any indication of relief a month later (Gasa, 2020). The waiting period for most funding and support programmes was too long for businesses in serious distress (FAO, 2020).

The initial lockdown regulations implemented to curb the spread of the coronavirus required proof of business registration to continue operations, thus excluding the majority of micro and all informal businesses even if they offered essential services (C19 People's Coalition Food Working Group, 2020). As a response to lobbying efforts of industry associations, "spaza shops and informal food traders with written permission from a municipal authority," were able to offer essential services after the government revised the Disaster Management Regulations on April, 2, 2020. Traders were required to hold permits issued by their respective local municipalities in line with the provisions of the Business Act, 71 of 1991 (Kunene, 2020).

The Ministry of Cooperative Government and Traditional Affairs ordered that all offices relevant to the issuing of permits had to open after initial resistance to provide permits and within a few days, around 4,000 permits were issued in Johannesburg. The number of requests highlights the size and vulnerability of this sector (WIEGO, 2020). However, there have been reports of entrepreneurs encountering difficulties when applying for permits, such as initial resistance from some municipal offices, bureaucratic hurdles, or high travel expenses (C19 People's Coalition Food Working Group, 2020). On top of that, micro and informal businesses were affected as they had to temporarily close in line with national regulations applicable to their industry like all businesses (IMF Policy Tracker, 2020).

The background of the slide features a dark blue to green gradient with several stylized, glowing blue virus particles scattered across it. These particles are spherical with numerous small, protruding spikes or tentacles. A large, semi-transparent dark blue rectangle is positioned in the center-left, containing two paragraphs of white text.

All types of cooked food vendors (WIEGO, 2020), traders, hardware stores and artisan businesses were only allowed to operate from May, 14, however, these regulations were seen to be more targeted at small not informal businesses (C19 People's Coalition Food Working Group, 2020).

As all businesses, informal and micro businesses had to follow new regulations released to curb the spread of the coronavirus and ensure hygiene standards, e.g. social distancing, the wearing of masks, use of hand sanitisers. They did neither receive any equipment nor support to afford and ensure compliance (C19 People's Coalition Food Working Group, 2020). One intervention that reached micro and informal businesses was the extension of permits for informal traders for the duration they were unable to apply for new ones during lockdown (Moussié, Alfery, & Harvey, 2020).

ANALYSIS: CHARACTERISTICS AND KEY GROWTH DRIVERS FOR MICRO AND INFORMAL BUSINESS

Key Growth Drivers With Focus On Employment And Skills Development

The majority of business owners, around 80%, in the informal sector (which amounts to 2.5 million businesses based on the estimation shared above) and two-thirds of all SMMEs are one-person enterprises, also called own-account workers without other employees (around 0.5 million businesses based on the estimation shared above) (The Centre for Development and Enterprise, 2020). Only one in five informal businesses create employment for up to four individuals (DSBD, 2020/21) and less than 2% of businesses in the informal sector have five or more employees (DSBD & UCT, 2019). Whereas employment grew in the overall SMME sector, by ~30% in the year up to Q1 2019, ~60% of jobs are in the formal sector. Female employees were underrepresented, only taking up 38% of these jobs (DSBD, 2020). However, informal businesses offering employment have been on the rise in the 10 years before the Covid-19 pandemic and 30% of new jobs in the informal sector are due to employment creation in existing companies (DSBD & UCT, 2019). Using data from the FinScope survey in 2010, we can estimate the number of employees of micro and informal businesses included in this survey: 80% are one-person enterprises, 12% have one employee excluding the owner, 5% have 2 employees, 2% have 3 to 4 and 1% have 5 employees or more. Seda estimates that around 1,7 million people are own account workers in the sector, around 3,9 million people work for micro businesses and 1,1 million in the informal sector; a total of around 6,7 million people making a living in micro and informal businesses (Seda, 2020).

One concern in relation to the employment creation in micro and small businesses is that the majority of business owners is driven by a need to sustain their livelihood and business and only around 40% of SMME owners are looking for opportunities to grow their business and employ more people, a number even lower among micro and informal businesses (IFC, 2018).

Consequently, it is important to consider the size of a sector and the number of businesses to understand its potential for employment creation. The sector that are home to most micro and informal businesses can be considered the key drivers for employment creation for the entrepreneurs. These are retail trade, accounting for 28% of SMMEs and the informal sector, community and personal services accounting for 14% of SMMEs and 17% of the informal sector and construction with 14% and 15% respectively (data for SMMEs from Seda, 2020 and data for the informal sector from DSBD & UCT, 2019). Older estimations indicated that ~70% of businesses in the retail space are own account businesses, ~12.5% have one and 7.5% have two employees. Businesses offering services can be considered as key drivers for additional employment creation among micro and informal businesses (Grundling & Kaseke, 2010). ~50% of businesses in the service space are own account businesses, ~17% have one, ~12% have two employees and ~21% have 3 or more.

Employment Creation For Youth And Women

There is no clear data on the amount of female business owners of micro and informal businesses but it can be assumed that women own up to half of these businesses. However, they are more likely to own smaller businesses with lower revenues (IFC, 2018). The larger the size of the small business, the smaller the proportion of female owners.

The service sector is one of the top sectors for women to run micro and informal businesses. Women make up around 40% of entrepreneurs and frequently run cooking or catering businesses, beauty parlours or make crafts. However, still more men run a service business, which can be attributed to the credibility required in this space as women report a challenge of having to prove themselves as business owners. Other top sectors for informal businesses are manufacturing (36%) and trade (17%) compared to formal businesses playing mainly in financial and business services (21%), manufacturing (18%) and community and social services (17%). Female-owned businesses are overrepresented in manufacturing (compared to 20% of men in the informal and 17% in the formal sector in that industry) as well as community and social services. In addition, it is worth noting that women had on average less capital to start their businesses, which highlights that less finances will be required to boost the employment creation of females in the micro and informal sector (IFC, 2018).

Young people are underrepresented among business owners of small businesses with an average age of the entrepreneurs at around 40 years. In addition, the proportion of females and young people in the informal sector has been declining since 2010 (DSBD & UCT, 2019). Young people below the age of 25 years only account for ~9% and below 35 years for only 40% of employment in the informal sector (DSBD & UCT, 2019). The data indicating business ownership is slightly outdated: Only 1 in 14 individuals between the ages of 16 and 24 years report that they are running a businesses compared to 1 in 7 between 25 and 34 and even 1 in 3 between 35 and 44 years. Young people are also more likely to state a business with low entry barriers, e.g. in the retail space or basic services (Grundling & Kaseke, 2010).



The table below provides an overview of the key growth drivers in each pillar:

Suitable policy landscape	Access to customers and markets	Internal capacity & business strategy	Support programmes, including financial support
<ul style="list-style-type: none"> • Collaboration with local authorities to ensure a "Do no harm" approach to ensure owners can conduct their business activities, also in public spaces • Organisation of entrepreneurs in industry association or membership-based organisations to represent the interests of the specific industries • A clear overview and good understanding of regulations, rights and responsibilities applicable to specific businesses • Support to fight crime and protection by police in the areas micro and informal businesses are most represented • Access to basic infrastructure, esp. water and waste management but also electricity and internet access 	<ul style="list-style-type: none"> • Market research to understand market size and key customers in the areas businesses are operating • Collaboration with other businesses to serve customers in bulk as well as creating efficient supply chains to buy stock and acquire all inputs • Strong customer relationships to secure a recurring customer base • Gain access and rights to use a piece of land, premise or stall on street • Digital point of payments to diversify from cash based operations 	<ul style="list-style-type: none"> • A unique value proposition which makes use of new opportunities and digital channels, e.g. deliveries • Differentiation of business offer in a highly competitive environment, esp. difficult for retail businesses re-selling items with limited/no value add • Understanding of basic business management and financial skills, e.g. profitability and margins of each product/service • Documentation of revenues and expenses to identify days or times with highest profit or loss • Development of new products or services which can easily be added to core offering • Knowledge of suppliers and price comparison to purchase at low cost 	<ul style="list-style-type: none"> • Collaboration with partners and suppliers to buy new stock on credit, esp. for recurring purchases • Bank account with affordable bank fees to improve financial stability of the business • Funding from non-profit organisations or microfinance institutions to buy basic equipment (e.g. table, cooking equipment) • Access and rights to use a piece of land, premise or stall on a street



Levers For Robust Growth, Key Barriers And Challenges

The key growth drivers for micro and informal businesses can be categorised in four pillars. Firstly, a suitable policy landscape that recognises micro and informal businesses and creates a suitable environment. Secondly, access to customers and markets. Thirdly, internal capacity as well as a successful business strategy. Lastly, support programmes, including financial support, which starts with an awareness of the available funding or support programmes. Seda has developed an online portal with all relevant information and an overview of support programmes for SMMEs, which was adjusted to the conditions and specific needs in the Covid-19 pandemic (Seda, Imbadu, 2020).

Skills Gap Analysis For Different Types Of Businesses Or Industries

There is a consensus that South Africa is faced with education levels lower than the global average and a skill shortage, particularly in the labour market (Chimucheka, 2013) despite a high educational budget (Bosma et al, 2020). Around half of the working population has no high school certificate (IFC, 2018). This is considered the most significant barriers to entrepreneurial activity (Chimucheka, 2013). Whereas the shortage of skills is a challenge for all businesses in South Africa, it disproportionately affects micro businesses as more established businesses, especially larger corporates have more resources to attract talent (Bhorat et al, 2018). In addition, business owners themselves commonly lack the education and skills they need to successfully grow their business with less than 20% of entrepreneurs in the SMMEs space (IFC, 2018) and only ~8% in the informal sector having completed tertiary education (DSBD & UCT, 2019). More specifically, there is a lack of specific entrepreneurial training at secondary or higher learning institutions, which is supposed to play an important role to prepare and encourage graduates to start their own businesses (Bhorat et al, 2018). The lack of basic skills also makes it more difficult for entrepreneurs to apply their experiences and the insights they gain in their daily operations (Mail & Guardian, 2020).

Consequently, skills development is a critical factor for business growth and success (Bhorat et al, 2018). Research has identified the biggest skills gaps. Firstly, a lack of financial and accounting literacy as a more specific obstacle in South Africa (NPI Governance Consulting, 2018). Secondly, a lack of industry knowledge, market research or generally insights into the market (Galilee International Management Institute, 2020). Generally, previous work experience and training on the job, which are also considered as key predictors for the success of new entrants opening informal businesses (DSBD & UCT, 2019).

The most successful entrepreneurs of small businesses are slightly older, were previously employed in the formal sector and have learned their skills on the job (Grundling & Kaseke, 2010). focus on establishing and growing a small or medium size business focusing on a specific opportunity in the market (IFC, 2018).

ANALYSIS: THE IMPACT OF THE COVID-19 PANDEMIC ON MICRO AND INFORMAL BUSINESSES

Impact Of Covid-19 On The Micro And Informal Businesses Sector

The coronavirus pandemic, related regulations and behavioural changes are having serious economic consequences in several ways (Small Business Research Specialists SBP, 2020). At the beginning of the pandemic, during lockdown level 5 in South Africa, more than three million jobs were lost in April 2020 alone (Reddy, 2020), a decline of 21 percentage points of active employment between February and April 2020 with only half of these workers going back to work by June 2020 (Jain et al, 2020). Women made up two-thirds of all individuals who lost their job in the first two months (Bhorat & Khoeler, 2020). Informal workers and businesses were disproportionately affected with 31% of informal workers out of work compared to 25% in formal employment (Benhura, & Magejo, 2020). In June 2020, overall employment levels were between 8 and 9 percentage points lower than before the lockdown (Ranchhod, & Daniels, 2020) and the loss of jobs was higher among informal workers (36%) compared to formal workers (11%) (Benhura, & Magejo, 2020).

Further, studies have documented a significantly higher decreases in hours worked among men and women in informal work relative to those in formal work. Informal workers in urban areas were more vulnerable when compared to those in rural areas. Earnings were also seriously impacted with average levels ~25% lower on average. Workers in the informal sector who kept their jobs lost around 50% of their income (Benhura, & Magejo, 2020). This drop was around 60% lower for people who are self-employed in the informal sector in April 2020 compared to before the lockdown.

With a focus on micro and informal businesses, the Covid-19 pandemic and the lockdown were unprecedented and described as more challenging than the financial crisis around 10 years ago. Analysts believe that around 60% of businesses in the SMME sector in South Africa will close before the crisis is over (McKinsey, 2020). The lockdown and all changes implemented as a response to the Covid-19 pandemic affected the whole value chain of micro and informal businesses (Small Business Research Specialists SBP, 2020).

Consumer demand was seriously compromised as retail sites and markets closed. People also reduced their spending after many lost part of or their whole income (FAO, 2020), and this impact was even more severe in low-income areas (Torrington et al., 2020). The informal sector is very closely interlinked with the formal economy so any reduced activity and need on the side of formal businesses has a direct effect on informal business activity (Saha, Quak & Carreras, 2020), e.g. the closure institutions and schools and termination of school feeding systems (CDE, 2020).

On the supply side, markets in the cities were closed in the beginning of the lockdown and had still not fully re-opened six months later, which makes it impossible for many micro and informal businesses to continue working (Reddy, 2020). The closure of borders and limited international trade also affected the informal sector, not only because prices for goods were rising but also because many traders travel overseas to purchase stock (Kiaga & Marcadent, 2020). Whereas larger businesses can manage short supply chain disruptions, this can already be a serious threat to micro and informal businesses who largely operate on a day-to-day basis with little or no savings (Saha, Quak & Carreras, 2020). Many informal entrepreneurs who saw an opportunity to provide goods that were suddenly in high demand, such as hand sanitisers or personal protective equipment (PPE) were faced with supply shortages or disruptions as well (Kunene, 2020).

In addition, the protection of informal businesses is essential during and beyond this crisis. Many entrepreneurs fear that they will either lose their rights, resources or space or competitive advantage while they had to close their businesses or if their infrastructure is dismantled (CGAP, 2020).



Extent Of Business Closures Resulting From The Covid-19 Pandemic And The Lockdown

To estimate the impact on business closures, this report will utilise data for the SMMEs sector, considering the fact that this sector remains largely informal with only around 14% of SMMEs registered as formal businesses (IFC, 2020). However, it can be estimated that the impact reported is even more severe on micro and informal businesses due to their additional vulnerability and because they are frequently underrepresented in surveys. The number of SMMEs in South Africa has been stagnant since 2004 and these businesses were already struggling before the Covid-19 pandemic (Planting, 2020). The sector was particularly vulnerable to any shocks to the system (Small Business Research Specialists SBP, 2020).

Only a minority of essential businesses were allowed to operate during lockdown level 5 whereas level 4 allowed ~20% of all SMMEs to open and ~33% were partially open. However, the proportion of informal businesses allowed to operate was half compared to the formal sector with ~10% being open and ~20% partially open (DSBD & World Bank Group, 2020).

In April, ~88% of SMMEs reported a drop in revenue, ~50% had applied for funding and ~30% were approved or received funding based on combined figures from data gathered by StatsSA in a second survey at the end of April, SASFIN and the Heavy Chef Combat Covid survey (Small Business Research Specialists SBP, 2020). In another survey with a local sample in Durban, 90% of informal businesses had no sales at all in April (WIEGO, 2020). In May, ~70% of SMMEs reported a drop in revenue and, ~65% had applied for funding and ~30% were approved or received funding based on combined figures from data gathered in the SASFA, Nedbank and ISI survey (Small Business Research Specialists SBP, 2020). Later, in a survey conducted between June and August 2020, 76% of SMMEs reported a drop in revenue and 4% reported that they closed permanently in a study by Redflank with 1800 businesses (Small Business Research Specialists SBP, 2020).

In July 2020, 96% of SMMEs reported a drop in revenue and only 3% received relief based on a survey by TransUnion with 659 businesses (Small Business Research Specialists SBP, 2020).

Their recovery was slow and in a survey in July, ~60% expected to cut staff salaries, ~45% would not be able to pay rent and ~33% were in the process of downsizing operations (Businesstech, 2020). A study by FinFind tried to assess the impact in November 2020 for the entire SMME sector. From a sample of 1489 businesses, they estimated that ~40% of SMMEs closed down from the beginning of the lockdown.



Impact On Employment Creation In The Micro And Informal Businesses Sector

In April, ~54% of all SMMEs had to lay off staff compared to ~25% in May (Small Business Research Specialists SBP, 2020). The DSBD and the World Bank Group analysed this trend by sector highlighting that ~43% of formal SMMEs had to let go of workers, a trend consistent with surveys between June and August 2020. In July, ~60% expected to cut staff and ~33% were in the process of downsizing operations, resulting in more job losses (Businesstech, 2020).

Analysing this data based on the level of formality of sectors shows that the proportion of informal businesses letting go of workers was significantly lower, at ~24% in May 2020. This was similar to the proportion granting leave of absence at 31% in the informal and 48% in the formal sector or reducing wages at 53% in the informal compared to 63% in the formal sector whereas ~60% reduced working hours in both sectors. This trend can be explained as informal businesses rely more on casual workers and have less formalised contractual agreements (DSBD & World Bank Group, 2020). The economic downturn resulted in a reduction of ~60% of full-time positions, of which two-thirds were employed by businesses that had to close down and ~75% part-time positions and a decrease of casual work opportunities by ~50% (FinFind, 2020).

The figures by FinFind from November 2020 also show the severe impact on micro and informal businesses. Businesses with two to five employees were worst affected and accounted for ~50% of all closures and businesses with one employee for an additional 20%. This highlights the severe impact on employment creation. Businesses with no employees were most likely to remain open, which is not an indication of better performance but can be attributed to lower running expenses (FinFind, 2020). The conversations with industry representatives also revealed that even the micro and informal businesses that are operating again are far from recovering or reaching the revenue or employment figures they reported before the crisis.

Business Activities That Are Still Functioning Or Have Benefited From The Covid-19 Pandemic

Even though the Covid-19 pandemic has affected all parts of the economy severely, some types of businesses witnessed a sharper decline. Research on the whole SMME sector highlight that businesses in retail or wholesale, information technology or businesses consulting were least affected compared to construction, hospitality and food and beverage being most affected (FinFind, 2020). Smaller businesses in the informal sector showed similar trends for the retail and wholesale sector but were likely to perform slightly better in the food and beverage industry. This can be explained as they have a larger proportion of smaller businesses or vendors offering cooked food in residential areas and consequently, more opportunities to stay in businesses compared to formal restaurants and bars (Fourie, 2018). This report analyses the situation of specific parts of the informal sector and the analytical report provides an overview which industries, geographic areas and demographic groups were most affected.

Opportunities Resulting From The Covid-19 Pandemic For The Sector

The pandemic has highlighted the importance of micro and informal businesses for the economy and resulted in a shared understanding of the need for an inclusive approach to recover from the pandemic and grow the economy in the long-term. Primarily, the lockdown and new ways of working more remotely, opened new opportunities to include micro and informal businesses into value chains, e.g. using informal workers to distribute information materials or essential goods (Moussié, Alfers, & Harvey, 2020). It highlighted the potential of digital channels to facilitate economic activity and there are many examples, especially from the Global South, how micro and informal businesses can be included in these developments. The Covid-19 pandemic has also highlighted the need for stronger healthcare capacities with a focus on local supply chains (Saha, Quak & Carreras, 2020).

The sudden disruption in global supply chains also opened conversations about a return to focusing on local production and the industrialisation of African countries. Currently, there is a potential to build local supplies for essential goods during this pandemic and this can be extended to other sectors in the long-term (Saha, Quak & Carreras, 2020). The South African government has an interest in such strategies such as glocalisation (a term combining globalisation and localisation), defined as doing business in line with both local and global considerations and local content manufacturing and requires a percentage of the manufacturing of goods sold in the country to be produced by or in partnership with South African based businesses (Kunene, 2020). The Department of Small Business Development has developed a localisation policy to implement these objectives in the sectors it is responsible for (DSBD, 2020). The manufacturing sector is one sector with good opportunities for micro and informal businesses as well as their journey to formalisation and the whole SMME sector and such changes can help more businesses to participate in local value chains. The Department of Small Business Development has incorporated this approach into its strategy of the Growth Resilience Fund to support enterprises in developing their businesses to a point they can participate in supply chains of essential goods and Covid-19 related requirements (DSBD Imbadu, 2020).

In addition, the current crisis is also a chance to bring stakeholders together and make progress on existing ideas and strategies for micro and informal businesses.

Firstly, to improve the infrastructure in areas where micro and informal businesses operate and purchase equipment to ensure the health of business owners and workers. The immediate need to ensure the safety and health of all workers in the informal sector opens an opportunity to improve the overall infrastructure. Business owners can be provided with personal protective equipment, sanitisers and other essential equipment to maintain and grow their businesses. Secondly, to continue current efforts to drive the implementation of the national dialogue on the transition from the informal to formal economy in South Africa, e.g. support programmes can be used to register micro and informal businesses and the government has started the process of formalising them as part of paying out relief funding.

Thirdly, to organise micro and informal businesses to facilitate procurement of input goods and reduce costs. Micro and informal businesses will benefit from support business owners to connect with established businesses to purchase their goods at bulk, which will result in lower prices and has the potential to enter contractual agreements or even purchase on credit provided by more established businesses. Such interventions will have a high impact as the ability to buy in bulk and at cheaper prices is a driving success factor of micro and informal businesses.

A man wearing a dark jacket and an orange balaclava is holding a net of oranges. In the background, several other nets of produce, including green fruits and dark avocados, are hanging from a wooden frame. The scene is set outdoors on a dirt ground.

Impact of Covid-19 on different industries and types of micro and informal businesses

A good understanding of the impact on different industries is essential to provide the right support in collaboration with government agencies, either by providing funding or non-monetary support (Mckinsey, 2020). In developing suitable strategies, multiple departments have considered specific needs of businesses in different industries as outlined below, e.g. the targeted support for waste pickers or the initiatives with The Township Entrepreneurship Fund.

Informal Traders, Street Vendors, Spaza Shops And Hawkers

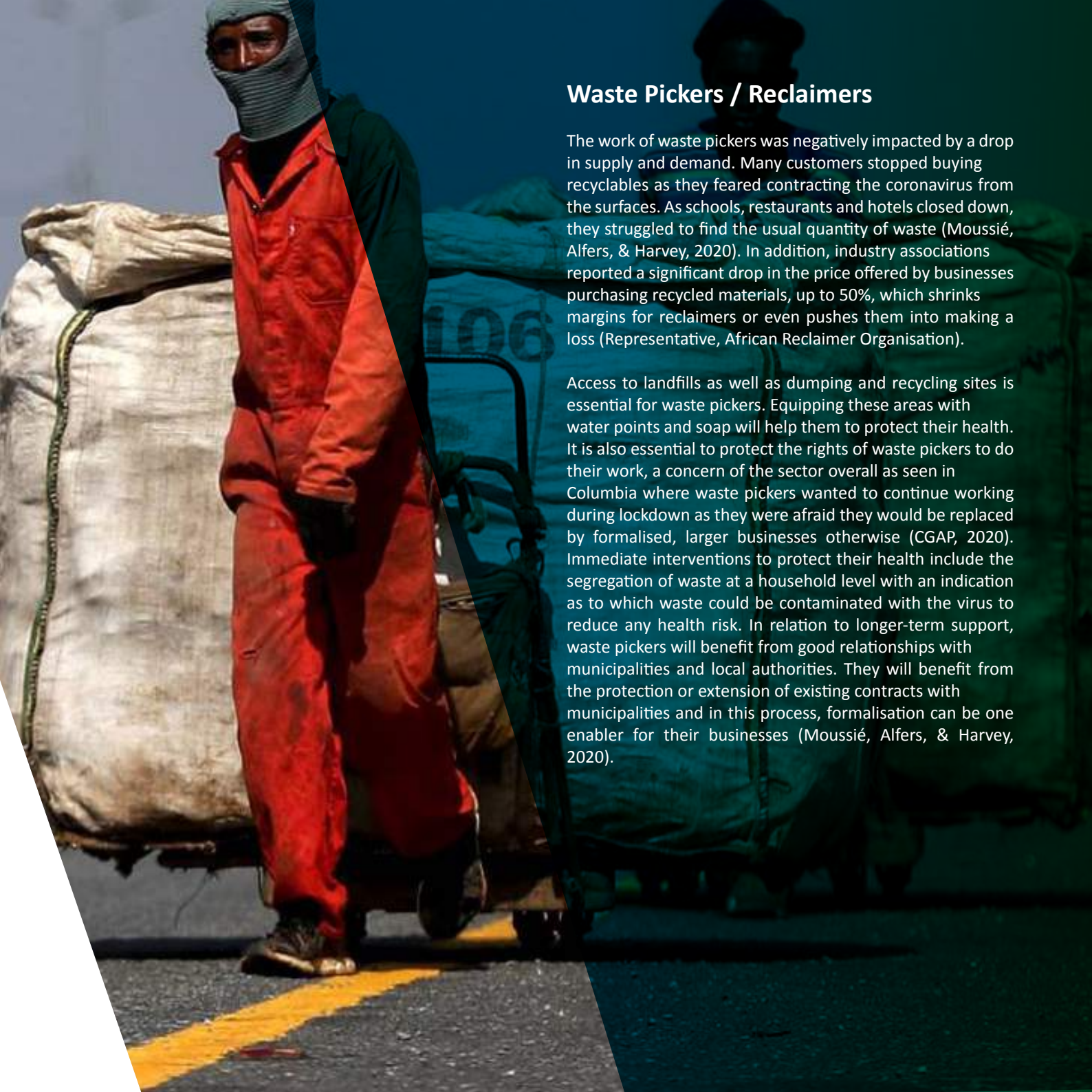
Informal traders in the retail sector account for a huge proportion of the informal economy in South Africa (Schwettmann, 2020) that occurs mostly in and around townships. Whereas essential services could operate throughout lockdown, informal workers were only included in this definition on April, 2, 2020. Other than essential services, especially mechanics, electricians, restaurants or traditional medicines and spiritual consultations, shebeens, food stalls struggled to continue operations (Kunene, 2020). The industry was affected as markets, retail and recreation sites have experienced a reduction in mobility between 20 and 50% across all African countries (Saha, Quak & Carreras, 2020). The majority of informal traders, street vendors and hawkers were only able to take up their work in June as regulations were relaxed.

In addition, the Covid-19 pandemic and related lockdown measures resulted in a widespread price inflation due to the termination of cross-border trade, the stockpiling of the middle class and higher transportation costs. This put pressure on the margins of street vendors and hawkers (Moussié, Alfery, & Harvey, 2020). The rapid decline in sales is particularly devastating for traders with perishable stock as they lost all their capital and will need to take out debt if they can re-enter business at all (Moussié, Alfery, & Harvey, 2020). Informal traders were also negatively impacted by the ban of cigarettes, a product which is usually easy to purchase and sell at a profit by street hawkers, as explained by Rosheda Muller speaking about the impact of the Covid-19 pandemic on informal trading (SABC News, 2020). This shows that the regulations making it illegal to sell cigarettes and alcohol in the first five months of the lockdown changed the landscape of the sector (Kunene, 2020).

One major concern for street vendors and hawkers is their relationship to the local municipality or police. The Johannesburg Informal Traders Platform reports that some informal traders have had their goods confiscated by law enforcement (Power FM, 2020), received fines, were evicted from their stalls or kept away from their collection points by police (WIEGO, 2020) or were even facing physical violence (Moussié, Alfery, & Harvey, 2020). Generally, informal traders experience harassment and class-based discrimination, however, during Covid-19, this has become an even more

serious risk to their business and livelihood (Benhura, & Magejo, 2020). Unfortunately, municipalities, local authorities and the police even use Covid-19 as a reason for stricter controls instead of becoming more collaborative given the challenging economic environment (Benhura, & Magejo, 2020).

Keeping markets and trading areas open is essential for this group of businesses. This will only be possible if safety protocols are followed and if social distance is kept between the traders. This will require the provision of water points, soap and sanitisers and might need an introduction of different time shifts at markets. Informal traders selling food should always be seen as essential workers as a huge proportion of poor people rely on them for their food security. The exemption of payments for licenses, utilities or rent will help them manage their costs and focus on sales (FAO, 2020).



Waste Pickers / Reclaimers

The work of waste pickers was negatively impacted by a drop in supply and demand. Many customers stopped buying recyclables as they feared contracting the coronavirus from the surfaces. As schools, restaurants and hotels closed down, they struggled to find the usual quantity of waste (Moussié, Alfery, & Harvey, 2020). In addition, industry associations reported a significant drop in the price offered by businesses purchasing recycled materials, up to 50%, which shrinks margins for reclaimers or even pushes them into making a loss (Representative, African Reclaimer Organisation).

Access to landfills as well as dumping and recycling sites is essential for waste pickers. Equipping these areas with water points and soap will help them to protect their health. It is also essential to protect the rights of waste pickers to do their work, a concern of the sector overall as seen in Columbia where waste pickers wanted to continue working during lockdown as they were afraid they would be replaced by formalised, larger businesses otherwise (CGAP, 2020). Immediate interventions to protect their health include the segregation of waste at a household level with an indication as to which waste could be contaminated with the virus to reduce any health risk. In relation to longer-term support, waste pickers will benefit from good relationships with municipalities and local authorities. They will benefit from the protection or extension of existing contracts with municipalities and in this process, formalisation can be one enabler for their businesses (Moussié, Alfery, & Harvey, 2020).

Micro And Informal Businesses In Agriculture

Micro and informal businesses in agriculture provide opportunities and employment to many women, many of whom maintain their families with small scale entrepreneurial activities, such as keeping crops or doing basic farming. There are several factors that affect informal businesses in the agricultural sector. Firstly, entrepreneurs have to move to sell their products, which was difficult during lockdown. Secondly, they were not classified as essential workers and could not operate in the beginning. Consequently, their stock was damaged or lost and the resulting loss in capital made it challenging for them to re-open their businesses.

The fact that entrepreneurs and workers in this sector are physically dispersed and commonly work far from the city made it more difficult for them to organise, get help or access funding. However, according to a representative of the South African Self-Employed Women's Association, women working in the agricultural sector received some support in the form of food vouchers or support to buy crops and seedlings to restart their business.



A woman wearing a blue and white patterned dress is pouring water from a large metal pot into a bowl. The background shows a cornfield and green foliage. The image is split vertically, with the left side showing the woman and the right side showing a dark, textured background with the text.

Informal Workers In Tourism And Entertainment

The impact of lockdown and travel restrictions was particularly hard on tourism and other consumer-focused businesses. Most business closures were witnessed in the travel or tourism agencies as well as hospitality and event services at ~50%, performing arts and entertainment at ~35% and hotels, cafes and restaurants at ~30% on a global scale (World Bank Blogs, 2020).

This affected informal workers who frequently provide entertainment, transport and tour services to tourists while selling souvenirs and other retail items, including home based workers in manufacturing or lower skilled services who were faced with a decline in orders as they commonly produced for these industries (Moussié, Alfery, & Harvey, 2020). Many female entrepreneurs sell beadwork and crafts to tourists and lost any income due to the prolonged recession in tourism. The tourism relief fund only reached entrepreneurs and workers in registered businesses as outlined below.

Micro And Informal Businesses In The Transportation Sector

The lockdown regulations outlined clear restrictions in relation to the capacity and time window for operations for public transport businesses. The South African taxi industry was very vocal in outlining their concern that taxi owners were operating at a loss and the South African National Taxi Council launched an own compensation fund (Business Day, 2020). Interest groups were advocating for compensation for the sector, which was granted however, under specific conditions which required full registration of all applicable taxes related to running a business, including operating licenses (IOI, 2020). Consequently, most micro and informal businesses do not benefit from these measures.

In addition, there are countless micro and informal entrepreneurs operating smaller transportation services not represented by the taxi industry, e.g. in the form of school transport for children or for the elderly. According to a representative of the South African Public Transport Workers Union (SAPTWU), these were left without any support while they had to cover ongoing costs, especially instalments on their cars. Many lost their assets as the bank repossessed cars or they had to sell it to cover for their income loss during the lockdown forcing them to shut down their businesses permanently and trying to find work for other owners in the informal transport sector (Representative, SAPTWU).





Fishermen

Commercial fishing and small-scale fishing were declared 'emergency services' during the lockdown enabling fisheries to continue their work. In relation to the work of fishermen, the lockdown regulations followed the definitions of small-scale fishing cooperatives outlined in the Small-scale Fisheries (SSF) Policy. However, this did not include the majority of informal subsistence fishers, who are not recognised as small-scale fishing cooperatives along the West and East Coast. Consequently, they were not allowed to fish, leaving many without an income. Representative organisations, such as the KwaZulu- Natal Subsistence Fisher's Forum (KZNSFF) were able to negotiate exemptions for some areas, e.g.

TRANSNET as port users and specific time frames, e.g. during the tightening of restrictions to level 3 in December 2020, which included the closure of beaches (Sunde & Erwin, 2020). The Indian subsistence fishermen of South Durban and surrounding districts, together with the KZNSFF describes this process as "systematic exclusion", which has taken place before but became very visible due to the Covid-19 related lockdown (Sunde & Erwin, 2020).

Most Affected Micro And Informal Businesses

Micro and informal businesses were all disproportionately affected by lockdown regulations as they were not considered in the policies in the beginning and all had to close down. In addition, they were already vulnerable before the crisis with less savings or assets to fall back on during challenging times.

Survivalist businesses that lost stock or experienced damage to or loss of their equipment are severely affected as they are struggling to re-open their businesses. One example are traders selling fresh stock or food, e.g. fruits, vegetables or take-aways or fishermen who usually have to use and maintain their equipment on a regular basis but had no income to purchase and replace essential parts while they were not allowed to work. These businesses rely on support and capital to merely continue their operations.

Businesses that work in public spaces close to transportation hubs, such as taxi ranks or railway stations, e.g. on property owned by Prasa, who is considered a key silent stakeholder in the informal sector, were particularly affected by the changing mobility patterns. Fewer people commuted to work or travelled in general which negatively affected the number of people using public transport and the stations with a direct impact on their sales. On the contrary, businesses in the townships or rural areas closer to the individual consumers had a spatial advantage, which facilitated their recovery.

Some micro and informal businesses reported that they were able to sustain their business or even grow it during lockdown such as food businesses in townships or rural areas that already had delivery options built into their business model and gained new customers while bigger chains and franchises were unable to operate or businesses.





Micro And Informal Businesses Currently Not Covered By Existing Support Measures

The majority of informal businesses were not covered by any existing support measures as outlined above except for spaza shops which had an opportunity to formalise their businesses to receive support. A particular concern is that business owners and workers who are not South African citizens or residents were excluded from any support available to them. In addition, the analytical report outlines which businesses were most affected and have received the least coverage by existing support measures.

Impact On Sustainable Development Goals (SDGs)

The informal sector plays a key role in achieving the Sustainable Development Goals, with a focus on reducing hunger, poverty, and decent work deficits (ILO, 2020), particularly SDG 1 (no poverty), SDG 2 (zero hunger), SDG 3 (good health and well-being), SDG 4 (lifelong education), SDG 5 (gender equality), SDG 6 (Water and Sanitation), SDG 8 (inclusive growth and employment), SDG 9 (industry, innovation and infrastructure), SDG 10 (reduced inequalities) and SDG 11 (sustainable cities and communities).

The Covid-19 pandemic and consequential lockdowns have resulted in an estimated increase of around 71 million additional people living in extreme poverty and a cumulative loss of income of \$3.5 trillion in the first three quarters of 2020 as estimated by the United Nations (WIEGO, 2020). The pandemic had a particularly devastating impact on the 4 billion people without access to any form of social protection globally, largely working informally and they will have to be the focus of any intervention that is centred around the SDGs (WIEGO, 2020). Whereas most people have some access to social grants or support in South Africa, people working informally have no alternative income sources and losing their jobs results in an increase in relative poverty by more than 21 percentage points (ILO, 2020).



A participatory approach is essential to make a positive contribution to the SDGs. All relevant stakeholders are required to have dialogues with organisations representing the informal sector, such as membership-based organisations, informal economy associations, street vendor associations or waste picker cooperatives (Kiaga & Marcadent, 2020). Social dialogue refers to all “types of negotiation, consultation or information sharing among representatives of government, employers and workers (tri-partite dialogue), or between employers and workers (bipartite dialogue), on issues of common interest” (Kiaga & Marcadent, 2020). Representatives of organised workers in the informal economy should also be invited to formal participatory structures, such as NEDLAC discussions (C19 People’s Coalition Food Working Group, 2020). Research also shows that the impact of all interventions is highest when existing industry associations and groups manage the distribution (WIEGO, 2020).

SDG 1 (No Poverty) And SDG 2 (Zero Hunger)

There is a clear link between the role of micro and informal businesses and poverty or hunger. Firstly, small businesses and traders play an essential role in the food security of many countries, including South Africa (Wegerif, 2020). Secondly, the loss of income of entrepreneurs and workers in the informal sector, who largely still live hand to mouth without any savings (ILO, 2020), leaves them without any means to cover their essential expenses (WIEGO, 2020). Communities that were struggling before the Covid-19 pandemic are now facing high levels of hunger, with ~50% in rural areas as well as cities struggling to buy food in April 2020. There was no real improvement in June 2020, with ~50% of all respondents in informal settlements and 40% in townships and rural areas stating they ran out of money to buy food compared to ~25% of respondents in suburbs (Visagie & Turok, 2020).


1 NO
POVERTY



The direct relief schemes channelling cash to individual workers and households alleviated the impact of the Covid-19 pandemic and lockdown in relation to poverty and hunger. The pandemic has also been putting pressure on food security with challenges within supply chains particularly affecting informal workers (ILO, 2020). Direct cash payments, food parcels or stipends have secured food for more than five million people during the lockdown and it is advisable for the government to extend this support in an effort to reduce the impact of the Covid-19 pandemic and related lockdown measures on poverty and hunger (Visagie & Turok, 2020).

2 ZERO
HUNGER





3 GOOD HEALTH AND WELL-BEING



SDG 3 (Good Health And Well-Being)

Considering the working and living conditions of people in the informal sector, it becomes apparent that they are at a higher risk of contracting the coronavirus compared to the average population. They are more likely to live in busy or overcrowded areas (Saha, Quak & Carreras, 2020), do not have sufficient resources or protective gear (C19 People's Coalition Food Working Group, 2020) and less likely to continue their work from home.

Consequently, they are facing a challenging choice between protecting either their lives or their livelihoods (Saha, Quak & Carreras, 2020). People working in micro and informal businesses also largely lack social security and do not have sufficient financial means to pay for health-related expenses. Estimations show that even before the Covid-19 pandemic, 100 million people fell into poverty on an annual basis if they were unable to cover necessary health expenses (ILO, 2020).

SDG 5 (Gender Equality)

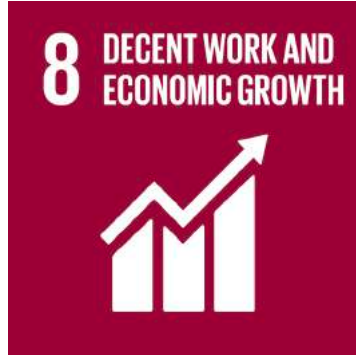
Overall, the Covid-19 pandemic and the lockdown affected women to a larger extent (Reddy, 2020), including their economic and productive lives as suggested by emerging evidence from the United Nations (CGAP, 2020). Firstly, more women than men lost their jobs and women accounted for two million of the three million jobs reported as being lost in April 2020 in South Africa (Reddy, 2020). Women also saw a higher decline in hours worked in the informal economy, namely ~50% in April 2020 compared to 25%, only half of that, for men. Secondly, the gender wage gap increased from 30% to 52% between February and April 2020.

Thirdly, typical earnings for female entrepreneurs in the informal sector decreased by nearly 70% between February and April 2020, a higher decline than for their male counterparts (Rogan & Skinner, 2020). Fourthly, women faced more challenges keeping up their entrepreneurial activities or career.

Globally, female-owned businesses were ~6 percentage points more likely to close their business, especially as they more commonly operate in industries harder hit by the pandemic, e.g. education, tourism or recreation. In South Africa, ~50% of female-owned SMMEs were more likely to be temporarily or permanently closed during lockdown level 4, ~7 percentage points higher than male-owned businesses (DSBD & World Bank Group, 2020). However, a study by FinFind in November 2020 showed that of all SMMEs that closed during the Covid-19 pandemic, ~25% were owned by women, which is lower than the proportional representation of female-owned businesses of ~30% in the study suggesting that their businesses were less affected (FinFind, 2020). However, this might be due to the fact that women run on average smaller businesses with less employees and fixed costs and they consequently don't have to close them as quickly even though they are negatively affected (IFC, 2018).



In addition, women largely took on the additional workload of childcare due to the closure of schools and educational facilities (World Bank Blogs, 2020). Previous research suggested a significant gender effect in relation to the impact of an economic crisis on individuals and businesses with women likely having to stop working for themselves and taking up unpaid work, e.g. the proportion of women running informal businesses decreased during the last financial crisis in South Africa (Rogan & Skinner, 2020). Lastly, in relation to receiving support or relief mechanisms, women benefitted from a smaller increase in the grant amount allocated to them (Reddy, 2020). Only ~30% of recipients of the new Temporary Employee / Employer Relief Scheme grant in South Africa were women as recipients of child support were not eligible. However, considering the additional cash transfers in the form of top-ups to existing grants, women were overall more likely to be reached by the relief scheme (WIEGO, 2020).



SDG 8 (Inclusive Growth And Employment)

The impact on micro and informal businesses was unprecedented during lockdown level 5 as most businesses had to shut down without any option to work from home. Based on a survey, 95% of small and informal businesses were unable to pay employees and 87% of business owners in this sector were no longer able to support themselves as only 7% had another source of income. In addition, relief measures, such as the UIF payments, did not effectively reach the sector as 86% of respondents were unaware of where to go to access emergency funding (FAO, 2020). This had a severe negative effect on employment creation and inclusive growth considering the contribution of the micro and informal sector to employment opportunities outlined above.

Businesses owners have multiple strategic options when responding to the crisis, e.g. adjusting their business model to the new environment by using different, innovative and primarily digital channels, including WhatsApp (Kiaga & Marcadent, 2020) or target new customer groups, who feel the impact of the pandemic less or (Saha & Abebe, 2020) developing new products and services that are now in demand, e.g. masks, hand sanitiser or essential goods in general (ILO, 2020). However, such adjustments usually require savings or capital and respective skills and experience, which owners of micro and informal businesses are less likely to have.



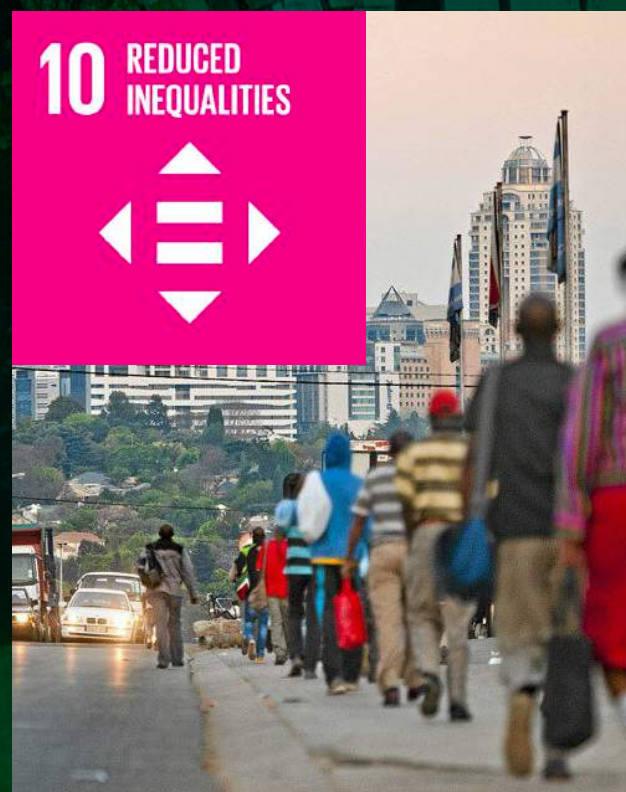
SDG 10 (Reduced Inequalities)

All research findings point into the direction that the Covid-19 pandemic is the opposite of the so-called “great equaliser” as the virus itself and the related lockdown are increasing levels of inequality across the globe (Ranchhod, & Daniels, 2020). The crisis has amplified existing economic divides. Firstly, from an educational perspective as job losses mainly affected workers with lower skills and incomes (Ranchhod, & Daniels, 2020). Secondly, between rural and urban areas; ~50% the working population was without employment in rural areas compared to ~33% in cities in June 2020 and the economies in cities recovered faster than in rural areas (Visagie & Turok, 2020). Thirdly, within cities already shaped by inequality. By April 2020 ~33% of people in informal settlements and ~25% in townships compared to ~15% in suburban areas were out of work (Visagie & Turok, 2020).

Fourthly, the generational gap as young people were disproportionately affected by salary reduction or losses and are frequently unable to enter the job market (Small Business Research Specialists SBP, 2020). As everyone, young people have experienced significant changes in their daily and productive lives, however, it is expected that this will have more severe consequences for young people due to a lack of savings and financial resilience, their need for training and the overall disruptive nature of this crisis. The International Labour Organisation estimates that more than one in six young workers have stopped working since the start of the Covid-19 pandemic (CGAP, 2020). Young people are also more likely to work in the informal economy or with temporary work contracts, which makes them more vulnerable (ILO, 2017).

Fifthly, the situation of migrants and foreign nationals, who were left in a dire position if they lost their income as they were not eligible for any relief scheme such as grants, food parcels or the unemployment insurance in South Africa (FAO, 2020). Lastly, the digital divide as groups with good access to technology and the internet were frequently able to continue their work and education from the comfort of their homes.

These inequalities are likely to persist, especially as precarious workers in the informal economy were forced to resort to coping strategies with serious negative long-term consequences, such as using all savings, as reported by 6%, taking out debt commonly at high interest rates as reported by 30%, or even selling their assets, like 14% of respondents in a survey conducted in Durban (WIEGO, 2020). It is expected that most owners of informal and micro businesses had to use business capital, if available, to cover living expenses as they had no or limited savings, which is likely to result in permanent business closure (ILO, 2020). Child labour is another option, which is less frequent but present in South Africa (FAO, 2020).





REVIEW: RESPONSE MECHANISMS AND TOOLS TO SUPPORT MICRO AND INFORMAL BUSINESSES IN SOUTH AFRICA

The fact that the majority of support programmes, mechanisms and tools focused on formal businesses that are registered and could provide the relevant financial documentation was the main gap in the response to mitigate the impact of the Covid-19 pandemic on micro and informal businesses. This applies to support programmes by the government as well as the private sector, which amounted to more than R6 million (CDE, 2020). Many owners of micro or informal businesses relied on the support provided for individuals or caregivers to cover living expenses during the pandemic. However, there was no targeted support scheme to help micro and informal businesses to cover any losses incurred, pay for additional expenses to get a permit or equipment to follow new health and safety standards or simply continue operations. This is particularly concerning as many entrepreneurs had to use the little savings or capital they had to maintain themselves and their families. In addition, the lack of coordination between all programmes raised concerns that some business who meet requirements might benefit more than once further aggravating existing inequalities (CDE, 2020).



Government Programmes Supporting The SMME Sector

The government launched a range of programmes aiming to support small businesses during the Covid-19 pandemic as listed below. Whereas the following programmes reached multiple industries with a diverse focus of support provided, most excluded informal businesses. If eligible, micro and informal businesses rarely benefited due to requirements in relation to existing documentation and a focus on SMMEs that have employees, are paying tax or are already receiving funding.

- Tax measures; tax subsidy and allowance to delay 20% of employee's tax liabilities for registered and tax compliant businesses.
- Debt Relief Finance Scheme; a soft-loan facility for registered SMMEs for a period of six months from April 2020.
- Restructuring of SEFA-funded loans; payment moratorium for 6 months for registered SMMEs that have already been receiving funding from SEFA. Business Growth/Resilience Facility; funding for registered SMMEs that are locally manufacturing or supplying essential goods, hygiene or medical products and services and items that are in demand to manage the spread of the Covid-19 virus.
- Tourism Relief Fund; once-off capped grant assistance to registered SMMEs in the tourism value chain, e.g. accommodation, hospitality and travel services.
- NYDA Relief Fund to youth-owned enterprises; Once-off fund for a period of three months for registered youth-owned businesses.
- Township and Rural Enterprises Programme (TREP); Support programmes for township and village-based enterprises that were approved by Cabinet in February 2020 and then restructured to offer Covid-19 related relief programmes.
 - Spaza Support Programme; access to basic goods, as well as facilitated bulk buying opportunities for owner managed South African spaza shops. These did not have to be registered before but had to apply for a permit during lockdown to receive funding.
 - Grant for vendors selling fruit and vegetables; partnership between DSBD and Nedbank to pay grants of R1000 each to 40000 informal fruit and vegetable traders so they can buy stock and restart their businesses.
 - Small scale bakeries and confectionaries business Support Scheme; assistance and capital for small scale bakeries and confectioneries operating as micro or informal business.
 - Clothing, textile and leather Support Scheme; assistance to small scale, micro and informal business in the clothing textile industry for the production of personal protective equipment and to improve the quality and competitiveness of small scale clothing and textile enterprises for both domestic supply and export market.
 - Automotive Aftermarkets Support Scheme; support to established small and independent panel beaters, service centres and auto-spares shops, including guidance on how to formalise businesses.
- Covid-19 Agricultural Disaster Support Fund; funding for smallholder and communal farmers with a minimum annual turnover of R20000 in form of a grant. The fund is targeted to smallholder and communal producers with 50% being women and 40% youth and did not mention requirements to be registered as a business.
- Relief for waste pickers: Electronic food vouchers by the Department of Environment, Forestry and Fisheries in collaboration with the packaging industry.



Programmes Supporting The SMME Sector From The Private Sector

- The private sector launched multiple support programmes for SMMEs in South Africa as listed below. However, all of them required businesses to be registered with relevant financial documentation and therefore only some micro businesses were eligible while all informal businesses were excluded.
-
- The South African Future Trust (SAFT) established by the Oppenheimer family; an independent trust providing interest-free loans launched by the South African government and the private sector for registered SMMEs with annual turnover below R25 million.
- Sukuma Relief Programme; disbursement of funds to registered SMMEs, initially R1 billion from the Rupert family in the first week of April which was then increased.
- BackaBusiness crowdfunding initiative by Nedbank and SimplyBiz; innovative form of support to entrepreneurs in the form of vouchers customers can buy and redeem at a later stage.
- The Eat Out Restaurant Relief Fund, in partnership with Community Chest; support to registered restaurants with operating permits to provide meals for people in need or to feeding schemes.
- SMME support platform by the Southern African Venture Capital and Private Equity Association (SAVCA); access to industry professionals for free advice and consulting.
- Santam group; funds for most vulnerable suppliers with less than R10 million annual revenue.
- Old Mutual Insure; interest-free loans to registered SMME and service providers.
- Facebook; a global grant programme that helped 30000 small businesses with R1,7 billion.

Programmes Supporting The SMME Sector From The Non-Profit Sector

Non-profit organisations already working with small businesses tried to adjust their structures to the new working environment during the pandemic, mainly by helping businesses to access support programmes by providing information and engaging relevant stakeholders (CDE, 2020).

- Ygap; business resiliency toolkit to support owners of small businesses with relevant knowledge.
- Open Road; charitable grants and loan product to organisations responding directly to Covid-19.
- Miller and Bertha Center; webpage with links and resources on business resilience, disaster recovery and funding opportunities for SMMEs.



Financial Assistance For SMMEs And Employees From Banks

As one response mechanism to the Covid-19 pandemic, the government and banks used multiple mechanisms to support credit or loan recipients. Firstly, banks provided emergency loans to SMMEs with flexible repayments, even on existing loans, which were often guaranteed through public funds. However, micro and informal businesses were largely excluded from these support structures or unlikely to meet the requirements (Saha, Quak & Carreras, 2020).

Secondly, moratoriums on debt payments hardly reach businesses relying on microfinance and banks did not always extend these to microfinance institutions, which made it impossible for them to apply the moratorium to micro and informal businesses, excluding the majority of this sector. In addition, interest still accumulated during this period, and micro and informal businesses will face severe challenges to cover higher interest rates and debts in the long-term. Debt waivers are also not helpful for micro and informal when this group is not explicitly targeted within the policies. Many employees received financial support from the Unemployment Insurance Fund, however, these policies excluded a large part of the informal sector (Saha, Quak & Carreras, 2020).

Interventions Supporting Informal And Micro Businesses

Micro and informal businesses benefited from a range of interventions, largely from government institutions. As part of the Department of Small Business Development's Township and Rural Enterprises Programme (TREP), multiple initiatives were specifically designed to support the smallest businesses, e.g. the informal trade fund to empower 40000 informal fruit and vegetable traders to assist in restarting their business or industry specific programmes such as the Spaza Support Scheme, support for bakeries and confectionaries or clothing and textile businesses as outlined above. In addition, specific programmes were adjusted to support micro and informal businesses in the agriculture sector.



Interventions Supporting Individuals In The Informal And Micro Sector

In addition, the South African government acknowledged the impact of the Covid-19 pandemic on the livelihoods of many vulnerable individuals, who make up the majority of workers in informal and micro businesses as well as the informal sector at large. Consequently, the government started interventions to support individuals. They increased the social grant for caregivers by R300 in May 2020 (Saha, Quak & Carreras, 2020) and issued an increase of R250 per month for Old Age, Disability, War Veterans, Foster Care and Care Dependency grants. The top-ups were initially supposed to be paid out until October 2020 even though civil society organisations asked for an extension (GroundUp, 2020). Thirdly, they launched a Covid-19 grant of R350 per month for people not eligible to receive social grants (Reddy, 2020), initially for 6 months, which was then continuously extended until this report was finalised in March 2020 (BusinessDay, 2020).

ANALYSIS: SUPPORT PROGRAMS FOR MICRO AND INFORMAL BUSINESSES

This section will focus on the support programmes for the sector to buffer the impact of the Covid-19 pandemic and the related lockdown or support the recovery of businesses thereof. An overview of the policy landscape, funding environment as well as existing programmes and support structures in relation to the long-term support for the sector are outlined later in the discussion section of this report.

Support Programmes During The Covid-19 Pandemic And Related Lockdown

Whereas lockdown regulations were adjusted in April allowing informal businesses to operate, many traders or business owners reported that they did not have the time and resources to obtain the required licence and registration documents (Small Business Institute, 2020). Some entrepreneurs might also be unwilling to register or formalise their business to avoid having to pay taxes or because they fear a negative impact in the long-term (Schwettmann, 2020).

Although support for the SMMEs sector was central to governments' policy response to the Covid-19 pandemic, it is more challenging to design policies that cater to micro businesses and the informal sector. Multiple surveys showed that the uptake of the government's loan relief support was below the anticipated number as only 10000 small businesses received support by August 2020 amounting to R13 billion, merely 7% of the amount set aside. This can be attributed to the fact that most businesses did not meet or expected they would not meet the criteria set out. Similarly, the majority of rural or small-scale farmers who were not registered did not benefit from the Agricultural Disaster Support (Oberholster, GIBS). The International Labour Organisation has also recommended that the Department of Small Business Development should lower the qualifying criteria to include informal businesses and target the specific support programmes to these types of businesses and their unique needs (ILO, 2020).

The Township and Rural Enterprise Programme is one example of a government intervention specifically designed to reach businesses in the informal sector. After the programme was approved in cabinet in the beginning of 2020, its mandate and focus was changed to provide Covid-19 related relief funds with the same objectives, namely supporting the smallest entrepreneurs in townships and rural areas that are still disproportionately affected by the historic inequalities in South Africa. One example of a programme reaching survivalist entrepreneurs in the informal sector was the partnership between DSBD and Nedbank to pay grants of R1000 each to 40000 informal fruit and vegetable traders so they can buy stock and restart their businesses. This stipend is considered as beneficial for these players by experts, however, given the number of informal businesses in South Africa, it is important to increase the amount dedicated to the informal sector and provide support to more individuals. Expanding this programme beyond fruit and vegetable vendors is another option to support more businesses.

Entrepreneurs in the informal sector reported that they perceived the government to be more focused on gathering data than providing support (Planting, 2020), a perception that has been shared and criticised by some academics (Oberholster, GIBS, 2020). In June, the Minister of Small Business Development reported that they had formalised 2242 spaza shops during the lockdown and were processing applications from another 4406 while giving out loan relief (Planting, 2020).



The uptake of support programmes offered by the private sector was higher, however, the majority only targeted formal businesses. It is particularly challenging to reach micro and informal businesses due to the number of businesses, the fact that many businesses are neither registered nor listed in official databases as well as their limited ability to absorb financial support. However, the response also highlighted a knowledge gap about the informal sector on the side of the government and private sector players (Oberholster, 2020). Researchers have also raised concerns in relation to the perception of the informal sector among decision makers who are criticised for not understanding and acknowledging its value and contribution to the economy (Wegerif, 2020). Therefore, most government and private sector interventions could not offer effective support for those businesses and thereby unintentionally excluding them.

Microfinance groups and non-profit organisations worked more closely with micro and informal businesses and collectively provided around 190000 loans worth R750 million by August 2020. Rural enterprises received more than 95% of this support (Small Business Development, 2020).

Measures that waive existing debts and provide loans mainly reach small and medium formal businesses, however, support to lower operational costs such as in the Spaza Support Scheme has a positive impact also on micro businesses (The Commonwealth.org, 2020). And whereas none of the informal and the majority of the micro businesses were not eligible to apply for loans from banks, the Banking Association of South Africa (BASA) also provided ~R20 billion in financial relief and loan guarantees to individuals, including some micro and informal entrepreneurs by August 2020. The fact that loans made up a huge amount of the support to SMMEs is a concern as it will lead to a significant increase in debts, which will make it more difficult for businesses to recover from the lockdown in the long-term (Small Business Institute, 2020).

Very few programmes used innovative approaches to include micro and informal businesses in their response strategy to the Covid-19 pandemic, e.g. using micro and informal entrepreneurs to distribute essential goods and communication material. Moving forward, interventions that expand business

links are important. This includes the opportunity of big and formal businesses working with small and informal business as their outlets or distributors of essential goods to people's doorsteps, like many leading global FMCG companies already do (Institute for Economic Justice, 2018).

Micro and informal entrepreneurs also reported limited support or resources to ensure their working spaces can meet safety precautions. Health-related interventions should also be designed to ensure that they reach specific areas and forms of infrastructure most relevant to the informal economy. For instance, developing health guidelines and systems and processes for issuing permits for communal markets (The Commonwealth.org, 2020).





Analysis Of The Impact Of The Grant Scheme On Micro And Informal Entrepreneurs

People operating small businesses heavily depend on their daily income for their livelihood and consequently benefited from social grants to the most vulnerable. Such cash transfers are considered as an efficient and effective stabiliser during economic crises as they reach beneficiaries without any delay (Saha, Quak & Carreras, 2020). Overall, the grant system reached a huge number of people in South Africa and did so too during the nation-wide lockdown. Overall, 22 million people, nearly half of the population received a grant with spending expected to reach R48 billion during lockdown according to minister Mboweni (GroundUp, 2020). 12.8 million children and 7.2 million individuals benefited from the increase of the child grant, of which 85% were women (Bhorat & Khoeler, 2020). By October 2020, 6 million individuals received the Covid-19 grant (Brookings, 2020).

Data from Wave 2 of the NIDS-CRAM study showed that the grants have reached the poorest South Africans; the majority of recipients live in low-income households; people in quintile 5 households were four times more likely to receive it compared quintile 1 households and the wealthiest 20% of households were 62% less likely to qualify for the grant. Of all people who lost their jobs, approximately ~33% reported having at least one person in their household receiving a grant and ~17% of adults at the bottom half of the income distribution received a grant in June 2020 (Jain et al, 2020). Based on estimations, these measures helped more than five million people to buy food while they would have fallen below the food poverty line without this support. This support has reached the informal sector as well. In one study ~40% of informal workers in Durban reported that they received cash grants or food relief from the city (WIEGO, 2020).

The grants also reached more marginalised areas, such as rural communities where ~60% of households reported receiving a grant in June 2020 compared to ~50% in cities or towns and ~30% in metros (Visagie & Turok, 2020). The newly established grant has included millions of previously unreached individuals into the social security system, a starting point that can be used to design standard poverty reduction measures for the poorest households beyond the pandemic (Bhorat & Khoeler, 2020).

However, the specific Covid-19 related grant has not necessarily reached the most vulnerable members of the South African society; two-thirds of successful recipients were men as many women are not eligible to apply if they receive the social grant for caregivers. Foreign nationals were initially not eligible to apply and only received support from August after a High Court ruling on the 19th of June 2020 to include special permit holders and asylum seekers in the programme (GroundUp, 2020). However, this number still excluded a huge proportion of foreign nationals without any legal right to work in South Africa, whose primary source of income has always been the informal economy. This was considered a major concern in relation to the support provided to the sector of micro and informal businesses that is home to many entrepreneurs. In addition, the grant has not reached the whole target population and around 6.5 million individuals who are eligible have not received support by June 2020 (Bhorat & Khoeler, 2020).

There are multiple additional support structures that could have had a higher impact in reaching the informal sector, e.g. a living cash grant to all informal entrepreneurs and workers, regardless of their nationality which has a wider reach compared to UIF payments (Statement issued by ten organisations representing informal workers, 2020) or a grant for particularly vulnerable populations, such as waste pickers as seen in Argentina (WIEGO, 2020).

The current grant policy package is estimated to cost R6.8 billion per month but an evaluation based on the NIDS and Cram surveys states that an extension will have the biggest impact on poverty reduction for any given amount spent. A basic income is considered as an alternative option to reduce poverty but is 50% more expensive at R1200 per month (Bhorat & Khoeler, 2020).



Case Studies Of Impactful Programmes And Interventions From Other Countries

Policies and regulations

- One immediate intervention implemented by other countries was the slashing of interest rates on business loans. Commercial banks cut variable and fixed interest rates on business loans to help support businesses and to boost the economy.
- The urgent need to provide immediate relief opened an opportunity to increase the social security net of the most vulnerable groups in society. Some governments used cash pay-outs to encourage informal workers to join a social insurance scheme for independent and informal workers that was already in the planning phase before the Covid-19 pandemic (ILO, 2020).
- Digital channels opened new opportunities to reach individuals and provide support without physical contact. The Zimbabwean government partnered with OneMoney, a mobile money transfer platform by the network operator, NetOne, to disburse allowances (Newsday, 2020).

Financial support / funding

- An income grant for people who lost their jobs during the lockdown is considered as more inclusive for informal businesses compared to the focus on registered employers in formal businesses or grants to all individuals. The government in Namibia launched an Emergency Income Grant for all employees who lost their jobs in the informal or formal sector. However, similarly to social grants in South Africa, this measure did not reach foreign nationals (Ministry of Finance, Government of Namibia, 2020).
- The government in Peru specifically extended support to self-employed informal workers and the Ministry of Labor consulted Membership-Based Organisations how to draft a list of beneficiaries (WIEGO, 2020).
- Multiple countries supported businesses by subsidising or putting a freeze on payments for utilities such as rental costs and other essential fixed costs, e.g. the Government of Burkina Faso suspended fees charged on informal sector operators for rent, security, and parking (ILO, 2020), subsidised electricity, water bills and water points and cancelled any related penalties for poor households and market vendors (Lefaso, 2020).



Procurement / contracting

- Including micro and informal businesses to deliver health-related services and products is one way to compensate for their lost income and support the sector while fighting the coronavirus, e.g. contract businesses to produce or distribute PPE, sanitisers or food parcels. In the United States, street vendors were trained by public health clinics and community organisations to distribute hand sanitiser and provide health information in exchange for a stipend (Washington Post, 2020).

Training and information

- In New Zealand, the government's central resource for Covid-19 business information was established to provide updates about Covid-19 and guidance to help enterprises, including financial support, work visas, leases and tenancies, exports and imports, working from home, etc. The lack of up-to-date information and knowledge about business support and specific interventions for small enterprise businesses is one of the challenges identified by the CDE survey (CDE, 2020).

Health-related support

- In lower and middle-income countries, many people relied on the provision of water and soap to follow health guidelines to fight the spread of the virus. South Africa started the distribution of water tanks to vulnerable communities in the beginning of the lockdown (SA Government, 2020).
- Rwanda installed portable sinks for hand-washing across bus stops, restaurants, banks and shops across the capital to reach specifically the areas where micro and informal businesses operated (DW, 2020).



RESULTS OF THE SURVEY

Demographics of Business Owners




Gender 	Race 	Age 
<ul style="list-style-type: none">Female: 47%Male: 53%	<ul style="list-style-type: none">Black: 90%White: 4%Coloured: 2%Other: 4%	<ul style="list-style-type: none"><25 years: 8%25 – 35 years: 30%35 – 44 years: 34%45 – 54 years: 20%>55 years: 8%

Table 6: Demographics of survey participants

90% of participants identified as black, 4% as white and 2% as coloured. However, white business owners make up 13% of all formal businesses in the survey while the proportion of black business owners in the survey drops to ~80% in the formal compared to 95% in the informal sector. 47% of the businesses were female owned, 38% were youth owned and 5% were owned by people living with disabilities. The total number of businesses that were part of this study was 3746 with an average age of the business just under six years. The mean weekly revenue of all businesses was R3756.



Characteristics of Businesses

The industries that made up these businesses were trade and accommodation, community and personal services, transport, agriculture, manufacturing and construction, professional and business services. The largest number of businesses, 47% in the study, can be categorised as trade and accommodation, 24% work in community and personal services, 5% in transportation and agriculture respectively and 9% in manufacturing with construction, professional and business services accounting for 10% of all businesses.

Businesses in each industry show slightly different characteristics with businesses in construction, professional and business services being most established with an average age of the business at 6,54 years, a weekly revenue of R7615 and 37% of all businesses in that category creating employment for three or more individuals. Businesses working in manufacturing are on average 7,03 years, make R4168 revenue on a weekly basis and 34% have three or more employees. Businesses in transportation are slightly younger and smaller, on average 6,65 years old and making R3785 per week and businesses in trade and accommodation are 5,88 years on average and make R3467. The smallest businesses fall into the categories of community and personal services with R2782 average weekly revenue and agriculture with R2789 weekly revenue.

Table 7: Characteristics of businesses included in the survey split by industry

			Number of businesses	Proportion of all businesses	Average weekly revenue	% of employment creators	Average of. Business (years)
Average: All businesses included in the survey			3746	100	R3756	27%	6,12
Industry		Trade & accommodation	1755	46,8%	R3467	21%	5,88
		Community & Personal services	891	23,8%	R2782	30%	5,91
		Transport	182	4,9%	R3785	15%	6,65
		Agriculture	181	4,8%	R2789	38%	6,31
		Manufacturing	351	9,4%	R4168	34%	7,03
		Construction, Personal & business Services	386	10,3%	R7615	37%	6,54

Revenue is reported as weekly revenue and number of employees based on the range of employees reported by business owners at the time of interview.'

			Number of businesses	Proportion of all businesses	Average weekly revenue	% of employment creators	Average of. Business (years)
Average: All businesses included in the survey			3746	100%	R3756	27%	6,12
INDUSTRY	Female owned	♀	1762	47%	R2902	24%	5,89
	Youth owned	🧑	1440	38%	R2731	25%	4,41
	Owner living With disability	♿	179	5%	R4408	21%	7,31
Ownership	City or urban area	🏙	1423	38%	R4408	38%	6,08
	Township or informal settlement	🏠	1384	37%	R3085	19%	6,43
	Rural area/ village	🏡	939	25%	R2873	20%	5,74
Employment Creation	Employment creator	💻	998	27%	R7216	100%	7,06
	Survivalist entrepreneurs	🧑	1375	38%	R1992	0%	5,57

Table 8: Characteristics of businesses included in the survey split by demographic group, geographic area and level of employment creation

Note: Employment figures for segmentation based on numbers before lockdown. Survivalist entrepreneurs refer to businesses run by one person or one person and family members offering retail or basic services. (1) weekly revenue and avg. employees at the time of interview for all businesses still operating

The size of female and youth-owned businesses was below the average businesses size with R2902 and R2731 weekly revenue respectively. The bulk of these businesses were in the city/ urban area (38%) or in townships/ informal settlements (37%) with the remainder being in rural areas (25%). Businesses operating in cities were larger than average with R4808 average revenue per week compared to R3085 for businesses in townships and R2873 for businesses in rural areas. Formal businesses are over-represented in urban areas with 53% of formal businesses working in cities, 2% in industrial areas, 26% in townships or informal settlements and 19% in rural areas. In comparison to that, informal businesses are most likely to work in townships or informal settlement with 40% of informal businesses operating there compared to 31% in cities, 1% in industrial areas and 28% in rural areas. Most business owners work from home; namely 29% of all businesses, 32% of informal and 22% of formal businesses. This is followed by a shop or indoor premise, where 21% of all, 37% of formal but only 13% of informal businesses work. 16% of all, 21% of informal but only 8% of formal businesses work from a street corner or the side of a street. Very few businesses in the study indicated that they solely operate online.

38% of business owners state that they have no formal education or taught themselves, 24% of business owners learn from family members and 11% from a mentor. 9% state they learned on the job, 2% in learnerships, whereas only 6% went to college and 2% to university and 9% also gained skills in short courses. Young people are more likely to learn how to run a business in formal education. The more employment the business creates, the more likely the owner has a formal education.



Insights in Relation to Employment Creation

Of the 3746 businesses, 38% can be categorised as survivalist activities, 45% of all businesses in the survey create employment for at least one person and 27% were slightly more established with three or more employees; all information is based on numbers before lockdown. Survivalist entrepreneurs refer to businesses run by one person or one person and family members offering retail or basic services. Businesses with three or more employees are most likely in urban areas with 38% of businesses in cities being so-called employment creators compared to 19% in townships or informal settlements and 20% in urban areas. The interviews demonstrate the existing potential for job creation in the sector. One in four of all and around one in two formal businesses in the survey are creating employment for three or more people other than the owner and family members. 16% of all businesses, formal and informal have one to two employees, 20% have three to five employees, up to 36% for formal and down to 14% of informal businesses. 5% have five to ten employees, 12% for formal and only 2% for informal. 2% of all businesses but 4% of formal have more than ten employees. 55% of all business owners work along or with family members only, two in three of all informal businesses and 28% of formal businesses. However, applied to the overall size of the sector, own account businesses still generate millions of jobs in the South African economy.

The biggest employment creation per business is in construction, professional and business services where 39% of business owners work alone or with family members, 19% have one or two employees, 22% have three to five employees, 12% have five to ten and 3% have more than ten employees. In addition, businesses in agriculture and manufacturing create most jobs with 57% of manufacturing and 48% agricultural businesses having one or more employees. The lowest job creation per businesses is in the transportation sector, where 72% of business owners work alone or with family members. Whereas the transportation sector has the lowest levels of female ownership, at 11%, it provides opportunities for young entrepreneurs, at 42%. Women and young business owners are represented across most industries with 54% and 36% of trade and accommodation businesses lead by women and people below 35 years respectively, compared to 51% and 45% of community and personal services, 50% and 40% of manufacturing businesses. Whereas women own 50% of agriculture businesses, young people are underrepresented at 35%. Construction and professional services are the least diverse sectors in relation to female and youth ownership with only 20% of female and 34% young business owners.





Results: Impact of the Covid-19 Pandemic and Related Lockdown Levels on Micro and Informal Businesses

From the study, as of March 2020 only 27% of the micro and informal businesses were operational with 72% being temporarily closed and 1% of these businesses being permanently closed. Only 14% of businesses, mainly offering essential services or operating illegally, remained open throughout the whole lockdown period. 45% of businesses were closed for less than 3 months and 85% of businesses were closed for less than 6 months but only ~10% of businesses closed for 9 months or longer.


By mid-June 2020, when beauty parlours were allowed to open, there was a slight increase with 45% of businesses being operational. Around 20% of businesses only managed to reopen in August 2020 under Level 2 lockdown and in December 2020, 87% of businesses were open. At the time of the interviews in February 2021, 8% had closed permanently.

Although there were various factors having a negative effect on businesses, business owners name lockdown regulations and a decrease in demand as most concerning, mentioned by 42% and 26% respectively. Of those that did not close, they either provided essential services (19%) or operated at the risk of facing punishment from law enforcement (15%) and a small percentage of businesses started their business during the Covid-19 pandemic (2%).

33% of businesses reported an increase in costs, 16% state costs stayed the same and 37% report a decrease in costs with 14% unwilling to answer. The increase in costs was driven by price rises for stock or goods needed to operate the business. This placed pressure on retailers' margins and their ability to replace stock as the prices for new items often exceeded the selling price of products. It is difficult, if not impossible, for business owners, especially in the informal sector, to pass on price increases to customers. As a result, retailers had to limit the amount of stock they could purchase, hold in stock, or accommodate in order to survive.

Scaling back operations or reducing working hours, as well as lowering employee wages and transportation costs, are cost-cutting steps driving the decrease of costs. Some businesses moved to less expensive locations as a result of their inability to pay rent. In certain cases, changing ways of operating resulted in cost reductions, such as working from home and not commuting to work.





Businesses that Closed Down during the Covid-19 Pandemic and Related Lockdown

8% of businesses in the study closed down as a consequence of the Covid-19 pandemic and the related lockdown. Of these, female run businesses were slightly overrepresented with 52% compared to 47% for all businesses. The proportion of businesses that closed down was lowest in urban areas with 25% (compared to 38% of all businesses). ~50% of businesses that closed down were located in townships or informal settlements (compared to 37% of all businesses). Businesses that closed down were more likely to be survivalist businesses with 52% (compared to 38% for all) and less likely to have three or more employees (19% compared to 27% of all businesses) indicating that more established businesses were less likely to close down. The distribution across industries of businesses that closed down was comparable with all businesses with 48% of businesses that closed down in trade & accommodation, 21% in personal or community services and 9% in manufacturing. 15% worked in construction, business and professional services, which was 5 percentage points above the proportion of all businesses

One in every two businesses that had to close due to the Covid-19 related lockdown measures has no plans to reopen. 60% of businesses with no plans to reopen have lost their capital, savings, stock or equipment. 17% of these businesses report a lack of customers, 15% report that other companies, primarily larger ones, are providing the services they used to provide, and 7% are no longer interested in entrepreneurship.

Most business owners tried to change their business model in response to the pandemic, either by offering the same products to new customers (21%), developing new products for new customers (4%), moving location (5%), adjusting channels through which they provided their products to their customers (17%), or offering new products to their existing customers (7%). Offering the same products to the same customer base through new channels was viewed as an expansion of the core business model with potential for growth, whereas developing different products for different customers was viewed as the adjustment with the least chance of success. Overall, about 28% of business owners did not make any adjustments, 14% made alternate adjustments not covered by the research study and 15% refused to offer a response regarding what adjustments they made.

Impact of the Covid-19 Pandemic on Different Types of Businesssp

The table below compares the impact on various industries based on a variety of metrics, including business closure, utilisation during lockdown, revenue change and employee count. Manufacturing, trade and hospitality businesses were disproportionately impacted. Businesses in transportation, agriculture, construction, professional and business services experienced the lowest revenue decline. Businesses included in the survey had to close on average 3,6 months, worked at 24% utilisation compared to full capacity assuming 7 working days in lockdown level 5 to 3 from March to July 2020 and at 42% between August 2020 and January 2021. Businesses experienced an average revenue decline of 76% during lockdown level 5 and 38% at the times of the interviews in February 2021 compared to their revenue before the Covid-19 pandemic. In the same timeframe, the number of businesses offering employment other than to the owner or family members decreased by 6%.

Businesses in trade, lodging, and manufacturing were the most negatively impacted, according to these indicators. Businesses in trade and accommodation saw their sales drop by 81% during lockdown level 5 and 41% during lockdown level 3 in February 2021, while the average period of business closure was 3,7 months and utilisation was 25% until July 2020 and 44% until January 2021, moreover, the decline in job creation was average at 6%.

Manufacturing companies had the lowest utilisation, at just 19% of full capacity between March and July 2020, and 39% between August 2020 and January 2021, with above average sales declines of 80% during lockdown level 5 and 43% in February 2021, and a higher proportion of businesses no longer providing jobs, at 8%.

Transportation businesses were least affected as they only closed 2,5 months on average, with the highest utilisation of 33% between March and July 2020 and 45% between August 2020 and January 2021, and the lowest sales declines of 69% during lockdown stage 5 and 32% in February 2021. The proportion of transportation businesses that no longer provided employment was at 11%, higher than the average of all businesses. However, it is worth noting that right before the lockdown, 72% of transportation companies had no workers, resulting in a limited number of businesses being considered.





		Pause of business activities (months)	Utilisation ¹ (27th of March - July 2020)	Utilisation ¹ (August 2020 - January 2021)	Revenue decline during level 5 (27.03 - 31.04.2020)	Revenue decline in 02.2021	Change in number I of businesses with I employees	Impact on businesses
Businesses included in the survey		3,6	24%	42%	-76%	-38%	-6%	
Industry	Trade & accommodation	3,7	25%	44%	-81%	-41%	-6%	
	Community & personal services	3,8	22%	44%	-75%	-35%	-7%	
	Transport	2,5	33%	45%	-69%	-32%	-11%	
	Agriculture	3,3	22%	31%	-66%	-32%	-2%	
	Manufacturing	3,9	19%	39%	-80%	-43%	-8%	
	Construction, professional and business services	2,9	23%	35%	-67%	-34%	-5%	

Due to low n as most transportation businesses are owners only

Key: Proportion is >10% worse affected than the average of all businesses

Proportion is >10% less affected than the average of all businesses



None Low Medium High Very High

Note: (1) Total days assume businesses operate 7 days, however many work reduced hours due to lockdown.

Table 9: Assessment of the impact of the Covid-19 pandemic on businesses in survey based on key metrics spit by industry

Impact of the Covid-19 Pandemic on Different Types of Business; Identity of Business Activity that Survived or Benefited from the Lockdown

~2,5% of all businesses experienced a revenue increase during lockdown level 5 and ~7,5% had a higher revenue nearly one year after lockdown started. One in three businesses witnessing a revenue increase during or after lockdown works in retail, repairs, or wholesale, 10% in manufacturing, and 8% in community services and personal services made up 17% of businesses that had a higher revenue in February 2021. Agriculture made up 12% with a higher revenue during lockdown level 5.

Some food and agriculture businesses benefited, particularly if they were in a good location and close to people. In addition, the pandemic benefited businesses that manufactured or supplied services or goods that were needed to react to the virus or were in high demand due to evolving behaviours.

Additionally, entrepreneurs with a business model that focused on digital platforms or deliveries saw a positive impact and some companies located in residential areas benefited from decreased mobility, more people working from home or staying close by. Furthermore, some company owners cheated the system by abusing lockout laws to boost profits, primarily by selling home brewed beer or cigarettes during the times when these items were prohibited.

Impact on Most Vulnerable Groups: Focus on Women and Youth








The table below compares the impact on businesses based on the demographics of the business owners as well as the area in which they work, using a variety of metrics such as business closure, utilisation during the lockdown, revenue change, and employee count. The average revenue of female entrepreneurs fell, but businesses run by young people were slightly more affected.

The impact on businesses with female owners was similar to that of all businesses, with an average closure at 3,7 months, a revenue decline of 74% during lockdown level 5 and 37% in February 2021, and a slightly lower proportion of businesses that stopped providing employment at only 5%. However, they had a marginally lower utilisation rate of 22% during the first three months and at 39% between August 2020 and January 2021. A big driver for this impact was the closure of beauty parlours and hair salons until mid of June 2020.

Young entrepreneurs were disproportionately affected with a lower utilisation at 21% in the first three months of lockdown and 38% between August 2020 and January 2021 and higher revenue declines at 78% during lockdown level 5 and 43% in February 2021 and 9% of businesses no longer providing employment.

In relation to the geographic area, businesses in cities were the most affected, with the lowest utilisation rate of 21% during the lockdown until July 2020 and the highest revenue decline of 82% during lockdown level 5. They recovered faster, however, and had the lowest revenue decline of 37% in February 2021; this trend was reversed for businesses in rural areas. The reduction of businesses offering employment was highest in townships and informal settlement at 9% and above average in rural areas or villages at 7%.

		Pause of business activities (months)	Utilisation ¹ (27th of March - July 2020)	Utilisation ¹ (August 2020 - January 2021)	Revenue decline during level 5 (27.03 - 31.04.2020)	Revenue decline in 02.2021	Change in number of businesses with employees	Impact on businesses
Businesses included in the survey		3,6	24%	42%	-76%	-38%	-6%	
Ownership	Female owned	3,7	22%	39%	-74%	-37%	-5%	
	Youth owned	3,5	21%	38%	-78%	-43%	-9%	
	Owner living with disability	2,9	35%	43%	-50%	-23%	0	
Area	City or urban area	4,1	21%	43%	-82%	-37%	-4%	
	Township or Informal settlement	3,4	27%	44%	-72%	-37%	-9%	
	Rural area or village	3,2	26%	38%	-66%	-42%	-7%	

Key: Proportion is >10% worse affected than the average of all businesses  Proportion is >10% less affected than the average of all businesses   None  Low  Medium  High  Very High

Note: (1) Total days assume businesses operate 7 days, however many work reduced hours due to lockdown.

Table 10: Assessment of the impact of the Covid-19 pandemic on businesses in survey based on key metrics spit by demographic group, geographic area and level of employment creation



Support Programmes that Have Reached Micro and Informal Businesses

Around half of all business owners (49%) received some financial assistance, but they primarily obtained funding through their own efforts. Most business owners relied on support or funding in their individual capacity, primarily through family and friends at 35%, which buffered the negative impact on people's livelihoods. 10% of owners received financial support from the government for their business and 28% in their individual capacity, including social grants; 21% received other institutional support for the business while 15% of entrepreneurs received some institutional funding in their individual capacity. Lack of awareness was the main factor why businesses did not receive funding as 22% of business owners state that they lacked information about funding.

Overall, there was a perceived lack of targeted institutional funding and support for businesses. Formal businesses received more support and funding than informal businesses across the board, especially from the government and other institutional sources. Owners and employees of formal companies were more likely to obtain government support, mainly through the UIF. When it came to individual social grants, foreign nationals, who are more likely to be represented in the informal sector, were initially ineligible. Some business owners decided not to take out loans because they feared they would not be able to repay them, however, 16% were able to secure payment freezes, mainly on rent, which were negotiated on an individual basis. Although some business owners secured loans from micro creditors and loan sharks, they obtained funds from friends and family, and community organisations supported the business owners individually by offering food and other resources.

Awareness of Existing Support Programmes

In terms of business owners' awareness of available funding versus the proportion of businesses receiving funding, 58% were aware that government funding was available but only 37% applied for it, and only about 9% were approved; only one out of every four businesses that applied for this type of funding received it. For formal registered businesses, 72% of business owners were aware that funding was available from the government for their business, 46% applied for it, and 51% of those who applied were successful. In comparison, 52% of informal business owners were aware of funding opportunities, 33% applied, but only 3% were successful.

The level of awareness, the proportion of businesses applying as well as the conversion rates were higher for social grants; 76% knew about individual social grants; 61% applied, but only 28% were approved. As a result, during the lockdown, owners of informal sector businesses were forced to rely on social grants or money from friends and family. One out of every four business owners stated that they were unaware of adequate funding opportunities and consequently, a lack of awareness was the main driver why most businesses did not receive funding.

Support for Vulnerable Groups; Focus on Women and Youth

Female and young entrepreneurs' businesses received funding on a par with the average of all businesses. In comparison to 10% of all businesses, 11% of female and 10% youth-run businesses received government funding and 8% of female and youth-run businesses received other forms of assistance. Women were slightly more likely to receive a social grant at 32% compared to 28% of young people, which is in line with all business owners. However, business owners living with a disability were most likely to benefit from a grant at 45%. Women and young people were more likely to receive support from their community and social networks with 16% and 18% respectively receiving support from community organisations compared to 13% of all businesses and 40% of women and young people received money from family and friends, 5 percentage points above the average for all businesses. The number of women and young entrepreneurs who took out loans from the bank was in line with the average for all business loans at 10% and individual loans at 7%. Furthermore, business owners with disabilities were more likely to turn to loan sharks at 25%, compared to 12% of young people and 11% of women and all owners. As a result, higher debt rates will have a negative long-term impact on them.

However, the location of businesses correlated with the amount of support they received. Businesses in townships and informal settlements had the lowest chance of receiving assistance. Only 3% of township and informal settlement businesses received government funds and 4% received other government assistance, compared to 15% of urban businesses and 10% of rural businesses, respectively. These businesses were also least likely to benefit from community or social networks with only 10% receiving support from community organisations and 29% receiving money from family and friends compared to 16% in urban and 14% in rural areas receiving community support and 38% in urban and 39% in rural areas receiving money from family and friends. Only 5% urban and 4% rural took out a loan from the bank for their business or in their individual capacity. Informal businesses were also less likely to be allowed to pause payments.

However, the proportion of business owners in townships and informal settlements receiving social grants was in line with the national average at 26% and lower for those in urban areas at 21%, while rural entrepreneurs were the most likely to benefit from social grants. The proportion of businesses in rural areas turning to loan sharks was 16%, which results in higher debt rates in the long run. Business owners who are not South African citizens or residents were less likely to receive support and struggled particularly to access institutional funding with ~20% of owners of informal businesses stating this as the main reason they did not receive any support.



Needs and Required Support for Micro and Informal Businesses

The following section outlines the overall needs of businesses to recover from the effects of the Covid-19 pandemic and the related lockdown and also grow in the long run. The survey results were classified into six groups. The recommendations include a comprehensive list of potential mechanisms and tools that can be used to assist the sector in the short and long-term, which are organised into six categories:



Overall Needs of Businesses to Recover from the Impact of the Covid-19 Pandemic and Grow in the Long-term

Financial Support and Funding

More than half of all business owners (53%) said they are currently in need of funding just to keep their operations running. Access to facilities and equipment was also required by 30% businesses, as was assistance in successfully receiving funding by 25% businesses and information on where to apply for funding by 27% businesses. 16% of business owners stated they needed credit or loans from microfinance institutions or banks, with 23% of formal businesses disclosing the value of loans for business operations. Cash grants are needed by 11% of all businesses, according to interviews, but 13% of informal businesses. 12% of all formal businesses, and 49% of informal micro and informal businesses claim to have no running expenses, despite the fact that they have to cover a variety of operating expenses and can benefit from financial assistance in the form of a waiver or subsidies to cover these while experiencing a Covid-19 pandemic influenced decline in revenues.

A stall or premises is paid for by 32% of all businesses and by 53% of formal businesses. 26% of informal and 46% of formal businesses pay for electricity and 18% of informal and 33% of formal businesses pay for water. In the informal and micro business sector, 7% pay for a permit and 6% pay a fee for an association. In terms of long-term financial needs, the survey found that 35% of businesses will benefit from capital for equipment or to produce better products or services because it will allow them to attract customers from more established organisations.

Policies and Regulations

In terms of regulations and policies, a need to reduce administrative requirements was reported by 16% of all, 22% of formal and 13% of informal businesses. In terms of key stakeholder relationships, 15% report a need to receive more protection as well as support from municipalities and the police, up to 23% of all formal businesses. 13% of all businesses but 17% of city or urban area businesses report having challenges with the police, and 19% emphasise the need for government assistance.

Some municipalities are particularly affected, such as Rustenburg, where 32% of businesses report problems with the police, Tshwane with 24%, and Johannesburg, with 22% respectively. Furthermore, increased security is required as 10% of business owners, and 18% of informal businesses said they face challenges because they are vulnerable to crime and cannot protect themselves. 15% of all businesses and 23% of informal businesses report a need for municipal and police protection and assistance.

Structural Support and Infrastructure

40% of business owners stated that they require assistance to keep their businesses sanitary and safe in accordance with the Covid-19 regulations. One of the most pressing needs of micro and informal businesses is adequate business infrastructure and equipment. 8% of enterprises and 10% of all informal businesses or businesses operating in townships and informal settlements report having limited access to basic infrastructure. The Covid-19 pandemic has raised the demands and costs of maintaining a safe and sanitary workplace.

The formalisation of the informal sector and the professionalisation of all SMME structures is a critical driver for strengthening the sector and scaling up businesses. Access to funding and a growing customer base are regarded as the most compelling reasons to formalise a business. 46% of business owners who are currently informal would register if it allowed them to apply for funding and 21% if it helped them grow their customer base.

Access to Markets and Marketing

In terms of other non-financial assistance, 45% of business owners indicated the greatest need for assistance with marketing and customer acquisition for their businesses. This proportion was even higher, at 52% of formal businesses. These findings are in line with the recent decline in customers due to the Covid-19 pandemic. 30% of businesses see cross-border trade as a way to reach more customers and grow their business.

Integration into Value Chains (Capacity Building of the Sector)

Working with more established businesses presents a variety of opportunities for business owners, with 30% wanting to sell products or services to more established businesses and 30% attempting to secure a contract to sell products and services on a more regular basis. Agriculture and manufacturing companies are most likely to see opportunities to collaborate with both larger and smaller companies. Entrepreneurs see opportunities for collaboration with other micro and informal businesses in the same industry.

In terms of potential interventions to facilitate the integration of micro and informal businesses with more established businesses, 40% of businesses believe they will benefit from introductions to more established businesses, 39% value advice on how to work with more established business, and 34% are in need of capital for equipment or to produce better products or services. One in four micro of informal business owners believe the main barrier preventing established businesses from working with them is a lack of financial incentives, one in five believe it is due to their lack of training, and one in ten attribute it to their lack of registration.



Training and Information (Capacity Building of Entrepreneurs)

As a short-term mechanism, 20% of all and 27% of formal businesses, state that mentorship and training programmes will be required. Psychosocial support is viewed as less important in the critical survival times of the Covid-19 pandemic and as such is required by only 4% of all but 8% of formal business owners.

The Covid-19 pandemic has created an opportunity to strengthen the capacity of micro and informal businesses through the use of digital channels and technology. Business owners see the most potential in using social media to market their businesses with 41% naming this as the biggest opportunity. Furthermore, 35% of business owners believe there is potential to receive orders and deliver goods, 24% believe there is potential to sell through mobile apps or the internet with the help of larger businesses, and 24% believe there is potential to use digital pay points. Formal businesses are more likely to see opportunities in the use of technology and digital channels. Manufacturing companies are the most likely to see opportunities in digitalisation or technology. The high cost of data is by far the most significant impediment, with 63% of business owners stating that it prevents them from further exploring digital opportunities.

Training programmes are one way for business owners to improve their skills while they are already engaged in entrepreneurial activities. In terms of different types of training, business owners ranked training to understand customers and channels to reach them as the most important (as stated by 74%), followed by training to understand the market and competitors with 73% and 70% of participants respectively rating them as very or most helpful. Training how to represent the industry is also seen as important with 26% of participants listing it as most important and 42% as very important. Other relevant training content is support with digital capacity (rated as very or most important by 69%), training to be better at strategy and operations (rated as very or most important by 68%), training for the team as well as for the leader (rated as very or most important by 65% and 63% respectively). 64% of business owners consider training in management and financial skills as very or most important, which is described as particularly important content by experts in the field.

Needs of most Vulnerable Groups; Focus on Women and Youth

When compared to the overall results, the survey results are very consistent in terms of the needs of micro and informal businesses for female and young entrepreneurs. When comparing the various geographic areas where businesses operate, the only notable difference is that businesses in urban areas see more opportunities in digitalisation and technology than businesses in rural areas or townships and informal settlements, which are most sceptical. Furthermore, businesses in rural areas face additional challenges when it comes to utilising digitalisation and technology for their operations, most notably high data costs. This implies that the recommended mechanisms and tools are equally applicable to all segments, but entrepreneurs in rural areas will require more resourced and assistance in relation to any digital or technological solutions, such as training.



Results from Focus Group Discussions

All of the focus group participants were black with 70% of them being women. The majority of the participants operated businesses in townships and in urban areas with a host of varied businesses from liquor trading, retail, to tourism businesses and all were sole owners of their businesses.

Genderc	Race	Age	Industry
<ul style="list-style-type: none">Female: 70%Male: 30%	<ul style="list-style-type: none">Black: 100%	<ul style="list-style-type: none">Youth (<35 years): 60%>35 years: 40%	<ul style="list-style-type: none">Trade & accommodation: 70%<ul style="list-style-type: none">Retail: 30%Hospitality: 30%Tourism: 10%Community & personal services: 30%<ul style="list-style-type: none">Community services: 20%Beauty: 10%

Table 11: Demographics and industry representation of focus group participants

Five proposed mechanisms and tools were presented to focus group participants. The first two aim to help them achieve the identified goals of short-term recovery from the impact of Covid-19 and related lockdown and the three suggestions for the integration into the value chains aim at long-term growth.

- Structural support: Distribution of personal protective equipment
- Policies and regulations: Waiver on utilities and fees
- Integration into value chains: Capacity building to work with established businesses
- Integration into value chains: Intermediary to facilitate procurement
- Integration into value chains: Digital platform to organise supply chains

According to the focus group discussions, the tool with the most support was capacity building to facilitate market access. Business owners saw training as a valuable tool for upskilling employees so that they could apply their knowledge in whatever industry they worked in but particularly make them more resilient if anything like the Covid-19 pandemic were to strike again.

Business owners agreed that having a mentor as part of the capacity building program was a good idea. They emphasised the significance of the mentor having a similar background and starting from a similar position so they can understand their difficulties and make appropriate recommendations. Participants favour training to gain skills that can be used in the long run, highlighting the importance of financial management training, some consider this more important than funding.

“Covid-19 was a reality check of what I am missing in my business, what I am doing wrong with my finances and with my business. It was bound to happen. We don’t understand anything about business and we need to be taught.”

Focus group participant, local restaurant business owner.

“Even if I could have money, I’m still going to struggle with the things I’m struggling with now. I need someone I can talk to who can give me good business advice. We do need money, but I think a mentor matters more than money.”

Focus group participant, local restaurant business owner.

Participants emphasised the importance of making the program accessible to all businesses by providing materials that cater to business owners from all industries and with varying levels of education. As a key risk, they identified misleading or misguided organisational intentions with a focus on furthering political agendas.

“It is easy to offer capacity building because it is something that they need and want. The problem is getting them to actually participate. Most are school dropouts and do not have university qualifications so the type of content must be accessible.”

Focus group participant, entrepreneur.

“On a local level in our community, you find that such programmes seemed to be distorted by political interest. You can find a situation whereby young people are not told about programmes because politics then come into play.”

Focus group participant, beauty spa business owner.

Focus group participant, local restaurant business owner.

There was a lot of support for waiving fees for micro and informal businesses because profits had been greatly affected by the lockdown, especially when it came to assistance with rentals because landlords were putting a lot of pressure on tenants to pay rent.

“There is a process in which we need to invite the landlord and the business owner in talks regarding rental waivers. At the moment, landlords don’t understand that we are suffering and we now just look as if we are stingy.” Focus group participant, local restaurant business owner.

“The rent is 35% of my small income and we are losing. At least if we could pay 60% of what we used to pay in rentals us a long way.” Focus group participant, local restaurant owner.

Participants expressed concerns about this research in terms of corruption, pointing out that funding intended for the community was frequently going unaccounted for.

“The only problem we would face is the government; fraud, missing money - our government is not well organised. The money would go missing.” Focus group participant, local restaurant owner.

The mechanism of having an intermediary to facilitate procurement was welcomed by business owners. Participants discussed the difficulties they face when ordering stock because they do not receive significant discounts. Some stating that at the start of their businesses, they frequently lacked the capital to acquire a large amount of stock an increasing challenge in recent times.

“We are suffering individually instead of stocking in bulk. We need someone to unite us [as business owners] so we can have more benefits together.” Focus group participant, local restaurant owner.

“For you to start you need to have capital and on the other hand you also need a supplier. I believe you could get a mediator who’s in the same industry.” Focus group participant, market stall trader.

Finally, although some participants saw promise in digital channels for suppliers, the majority were wary, citing concerns about the costs of using online platforms as well as the quality of stock they would obtain. Finally, although some participants saw promise in digital channels for suppliers, the majority were wary, citing concerns about the costs of using online platforms as well as the quality of stock they would obtain.

“It is not easy ordering stock online without being able to assess it. You can wait 3 weeks only to realise they sent the wrong thing or bad quality.” Focus group participant, retail business owner

“It would save time. In the instance that the entrepreneur is alone, the app or digital platform would be important so they do not have to close down to restock.” Focus group participant, entrepreneur

DISCUSSION: RESPONSE MECHANISMS IN THE CASE OF AN ADDITIONAL LOCKDOWN OR ECONOMIC CHALLENGES

Any support for micro and informal businesses during a pandemic or an economic crisis of comparable severity has to be adjusted to the specific characteristics and needs of the target group. It is important to understand that most business owners in the informal sector engage in survivalist activities to make a living, many with no other means to maintain themselves, e.g. because they don't have qualifications to find a job in the formal sector, have no other access to support or their legal status does not allow or makes it less likely for them to find employment in the country. Even though micro businesses are slightly more formalised, most business owners don't have savings and rely on the business for personal expenses. Consequently, any negative impact on the informal sector and entrepreneurs in this space directly impacts their ability to maintain their living expenses putting pressure on their economic situation on an individual level; if business owners make no money they have to tap into their savings if they have any or sell or use their stock, equipment or capital to maintain themselves, which compromises their ability to continue business operations in the future. And in most cases, a decline or hold on their business activities means that they will struggle or fail to provide for themselves risking that the most vulnerable entrepreneurs in our society are pushed into poverty.

Consequently, any response mechanisms during an additional lockdown or economic challenges have to firstly support business owners on an individual level, e.g. in the form of grants, stipends or a basic income. Secondly, these have to be inclusive and distributed without or with minimal formal requirements on a business or individual level considering the nature of the informal sector as well as the demographics of most entrepreneurs. Thirdly, they have to engage business owners to find ways to minimise the impact on their businesses so they can continue business operations if the economic climate allows it. Support mechanisms for micro businesses need to be based on an understanding of the nature of these businesses and the differences to other, more established SMMEs. Even though micro businesses are registered, they commonly lack the information and documentation frequently required to receive support and funding. It is important to reduce any bureaucratic hurdles to make support accessible for the smallest players in our economy.

DISCUSSION: SHORT-TERM SUPPORT MECHANISMS AND NEEDS

Financial Support And Funding: Awareness Of Funding And Support Programmes

It is important to increase the awareness of the overall support structures available. Many entrepreneurs are not aware of the support mechanisms available to them by government actors, despite a huge effort and targeted communication campaigns (Reyneke et al, 2017). In one survey, ~80% of SMME owners in South Africa reported that they did not participate in any government support programme and the main reason was a lack of awareness of the programme or knowledge whom to contact. The administrative requirements remain an additional obstacle (Bhorat et al, 2018). SMMEs report a general lack of information and advice from government departments (Ngcobo & Sukdeo, 2015).

The lack of awareness of funding programmes at the ground level is a major obstacle to access to finances in addition to the limited availability (Ngcobo & Sukdeo, 2015). Most business owners will turn to banks to get a business loan and are not aware of the alternative sources of funding provided by private and government institutions (IFC, 2020). In addition, many business owners are sceptical as to whether they will receive funding from financial institutions, a perception that is linked to their experience that few have been successful with their previous applications as they do not meet the requirements set by credit providers (IFC, 2020).

Structural Support: Health-Related Infrastructure And Support

In the short-term, entrepreneurs of micro and informal businesses need help to ensure they can follow the Covid-19 related precautionary measures and hygiene protocols to serve customers and protect their health (Saha & Abebe, 2020). Considering most of their businesses are located in public spaces that are characterised by high population density and a lack of infrastructure, they need support with the provision of water, soap and sanitisers. Membership-based organisations have issued multiple recommendations on how to enable micro and informal businesses to operate in public spaces as well as markets during the pandemic, e.g. allocating time slots to specific businesses to reduce the risk of overcrowding. In addition, they will benefit from specific guidelines developed for the requirements of their type of business as the general recommendations are often not suitable or feasible for the informal sector (Statement issued by ten organisations representing informal workers, 2020).

Informal workers, especially in rural areas, commonly lack adequate and accurate information (Moussié, Alfars, & Harvey, 2020) and can easily become targets for disinformation campaigns (ILO, 2020). Reaching informal workers is more challenging as they use different, less prominent communication channels and frequently rely on their networks and other informal workers (Kiaga & Marcadent, 2020). Consequently, targeted awareness campaigns are essential, but they need to use the language and messaging of informal workers and utilise channels they are already familiar with to be effective (Kiaga & Marcadent, 2020).

DISCUSSION: LONG-TERM SUPPORT MECHANISMS AND NEEDS

Policies And Regulations

Historically, the South African government as well as the academic community focused on larger corporates to drive economic growth and employment creation (Cant & Rabie, 2018) and only began to work with SMMEs as an important component in the 1970s and 80s (Bvuma & Marnewick, 2020). However, the townships and many rural areas were only considered after Apartheid ended (University of Stellenbosch, 2015). They began to receive support with the National Empowerment Fund (NEF) in 1998 to provide financial and non-financial support to black empowered businesses (Botha et al, 2020). This focus was strengthened through the recently approved Township and Rural Entrepreneurship Programme (TREP) in 2020 (DSBD, 2020).

Awareness and Strategic Focus on the Sector

There is now a general awareness among policy and decision makers of the importance of informal and micro businesses and the SMME sector at large, which is an important opportunity to strengthen the sector in the long-term. The South African government acknowledges the role of SMMEs to drive employment and economic growth and has set the ambitious target of creating 11 million new jobs, of which 90% have to be created by SMMEs by 2030 in the National Development Plan (NPI Governance Consulting, 2018). The policy framework also recognises informal SMMEs as important players (Committee on Development and Intellectual Property, 2014).

In 2003, the government issued the Integrated Small-Enterprise-Development Strategy to guide all support and business development, with special support for black-owned and managed SMMEs to help reach the full potential of the sector (Botha et al, 2020). However, the majority of SMME owners perceive a lack of support from the government (SME South Africa, 2014) to the extent that government policies and laws are considered as inhibiting their businesses (Ngcobo & Sukdeo, 2015) and favouring larger corporates (IFC, 2018). Some policies are still closely related to regulations implemented during Apartheid (DSBD, 2020). These perceptions are backed by research findings (Reyneke et al, 2017) describing the support for SMMEs as uncoordinated (IFC, 2018).

The pandemic highlighted that decent working conditions for informal economy operators are essential for the society at large. The current focus on informal and micro businesses is an opportunity to strengthen the rights of workers in this sector overall. Policy and decision makers as well as local authorities and municipalities, who have an understanding of the basic rights of informal workers but also for the importance of this sector, play an important role in strengthening the sector overall (Kiaga & Marcadent, 2020). However, the perception of informal businesses as illegal or operating in a grey zone by relevant stakeholders remains a challenge even though the government has acknowledged the importance of this sector to the South African economy.

There has been progress in supporting informal businesses, especially in line with the Local Economic Development approach, however, it is important to ensure full alignment to ensure all municipalities focus on enablement and move away from a focus on enforcing compliance. There are concerns that some municipalities or some stakeholders still invest most time and effort in patrolling or controlling businesses attempting to ensure compliance, commonly in a rather punitive manner (The Centre for Development and Enterprise, 2020). Creating an enabling environment will consequently be the first step to provide any support to the sector.

As part of recovery or economic stimulus packages as a response to the pandemic, governments can prioritise areas where informal and micro businesses operate to ensure these spaces enable social distancing and invest money in basic services, such as waste management, electricity or transport infrastructure. This will decrease operating costs of businesses, which will result in a higher survival and productivity rate (Saha, Quak & Carreras, 2020).



Formalisation and professionalisation of the sector

Policy makers can drive the formalisation of the sector to open new opportunities for growth and support for informal and micro businesses. Formalisation is linked to an increasing effort to support and nurture the growth of small businesses (IFC, 2020) as it has multiple benefits for smaller businesses (Reyneke et al, 2017), such as better access to value chains. But many SMMEs owners are not aware of them. The level of formalisation of SMMEs is closely interlinked with the industry they are playing in, e.g. SMMEs try to save costs in the retail sector while businesses requiring permits or access to premises register to access these (IFC, 2020). The main considerations that will encourage informal businesses to formalise are the hope to reach more customers, an expectation to receive government support, to access markets and work with larger businesses or to borrow money (IIFC, 2020). These benefits need to be communicated to encourage all small businesses to participate in this journey (IFC, 2020).

However, all efforts to formalise the sector must enable micro and informal businesses as formalisation as a pure procedural measure will not improve the overall situation of businesses and individuals (Fourie, 2018). The NIBUS outlines the focus “upliftment, transitioning and graduation” as a broader goal instead of narrowly focusing on formalisation (DSBD & UCT, 2019). The SMMEs sector in South Africa remains to be largely informal with only around 14% of SMMEs registered as formal businesses and most micro businesses playing in the informal sector (IFC, 2020). Formalisation can be considered as one step in the growth journey of SMMEs as businesses start operations informally and then register as their sales, employees or needs for finance grow (IFC, 2020).

Reducing the time and money required to register a businesses is one way to facilitate the focalisation. The costs associated with registering a business is still considered a main reason not to register by around 30% of all business owners in the SMME sector and this mainly applies to survivalist entrepreneurs (The Conversation, 2020). ~65% of SMMEs in townships consider legal requirements to start a business as time consuming and difficult (Seda, 2019).

Many owners of SMMEs chose to remain informal even though they could afford to register their businesses (The Conversation, 2020). They are trying to save money and by-pass regulations to offer products or services at a lower price point. Some businesses, however, just believe it is not worth registering given their smaller size. In international comparison, the process of registering a business is still above average in South Africa, mainly driven by requirements to register employees, and these high opportunity costs discourage informal businesses from registering (IFC, 2018).

Compliance and labour costs

SMMEs list compliance and red tape concerns as one of the main challenges to their businesses (FEM Research). Business owners name compliance costs, both non- and monetary as major concerns keeping them from formalising their businesses. From a monetary perspective, compliance costs can take up to ~5% of revenues and even exceed tax payments for smaller businesses. Whereas the actual compliance costs to the revenue authority are considered manageable (Reyneke et al, 2017) smaller businesses are impacted by administrative costs estimated to be higher than R60000 per annum for smaller businesses (Smulders et al, 2014). These are driven by high time requirements, on average around six weeks of a full time employee (Smulders et al, 2014) and expenses for external service providers, up to 20% of total costs (Reyneke et al, 2017). The payment of taxes can also negatively impact cash flows of smaller businesses as they have to wait long for tax rebate collection (IFC, 2018) and have to pay provisional tax, sometimes before they receive payment (Reyneke et al, 2017). There is an awareness of these concerns by relevant stakeholders, which are trying to improve the situation by exploring options to offer better tax breaks as asked for by SMMEs (Xero, 2019).

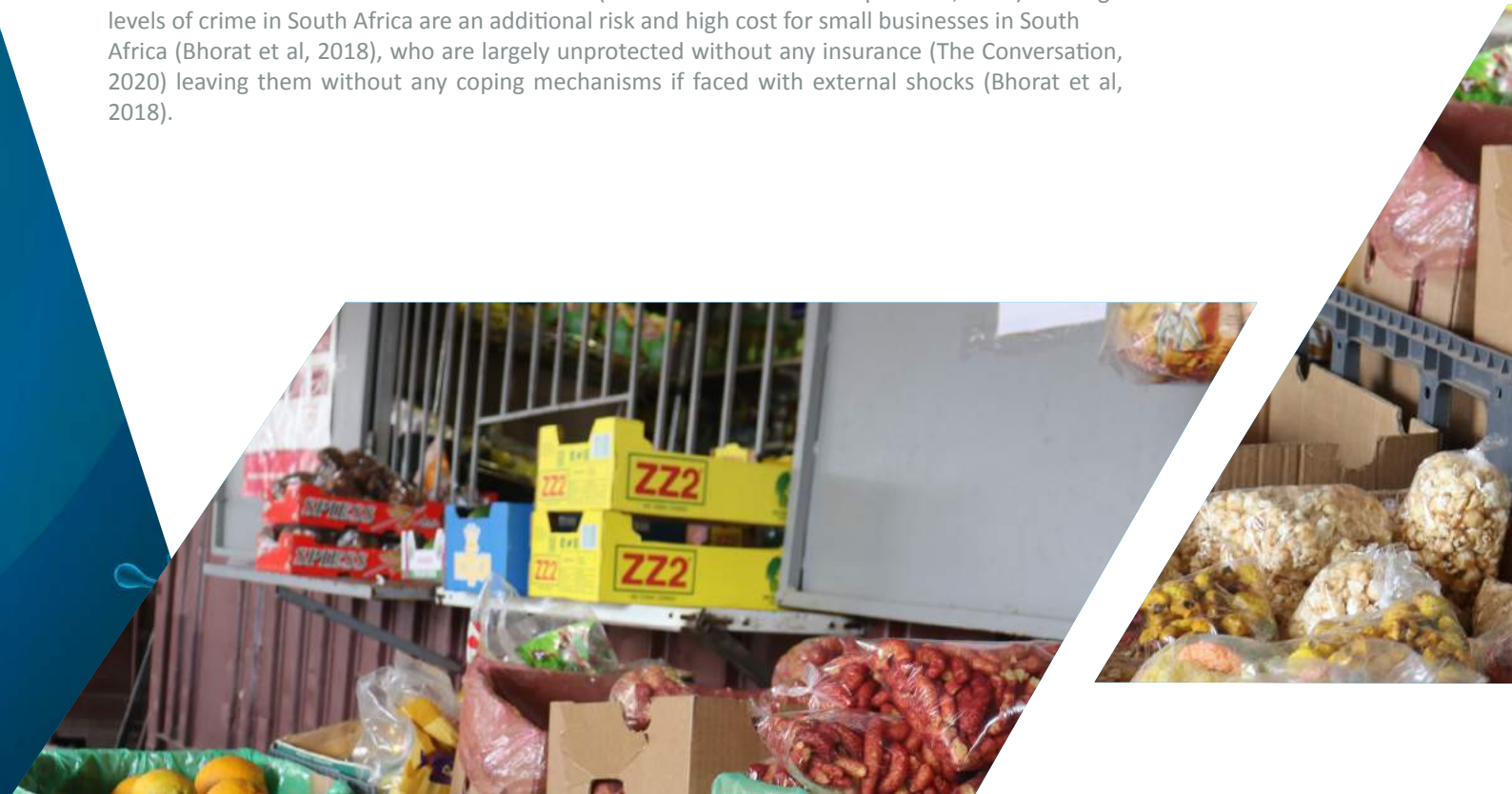
South Africa's labour laws remain one of the biggest concerns named by SMMEs (Global Entrepreneurship Monitor, 2019), especially for medium sized formal businesses (The Mail & Guardian, 2020), which commonly see them as restrictive (SME South Africa, 2014). SMMEs list compliance requirements with regulatory bodies as one of the key drivers for dissatisfaction with regulatory requirements (SME South Africa, 2014). Compared to larger corporates, it is more difficult for SMMEs to cover high employment costs (Ngcobo & Sukdeo, 2015) driven by the minimum wage restrictions and employment benefits (SME South Africa, 2014). In addition, SMMEs share concerns in relation to the role of labour unions and the CCMA, responsible for dismissal procedures (SME South Africa, 2014). Considering the long and demanding processes to terminate employment in South Africa, SMMEs are particularly challenged to adjust their workforce to cyclical demands or respond to poor performance of employees (IFC, 2018).



Infrastructure development

Spatial and geographic planning is another important lever policy makers can use to support the sector, however, this can be challenging as informal businesses are not targeted in specific areas but spread out and frequently operate in public spaces, pavements or next to roads. It is important to find a balance to provide space for enterprises to operate without taking up space used by the public. Restrictive zoning policies can limit micro and informal businesses from operating effectively and specifically designed commercial areas with service provision can facilitate their growth (DSBD & UCT, 2019). Fourie (2018) highlights that businesses with an independent premise have better prospects to grow and create employment.

The government plays an important role in building the capacity of micro and informal businesses and can design policies that build a supportive environment. Specific policies and interventions can help SMMEs to access formal facilities such as land, infrastructure, and basic utilities so they can operate (The Centre for Development and Enterprise, 2020). In the informal sector, only ~25% of businesses have the right to use the premises they are operating from and ~30% work on the street or street corners (International Finance Corporation, 2020). Only 20% of informal businesses own the premises they are operating from (International Finance Corporation, 2020). SMMEs in South Africa have difficulties in securing and keeping equipment, esp. in the informal sector where ~50% of businesses cannot even access basic services (International Finance Corporation, 2020). The high levels of crime in South Africa are an additional risk and high cost for small businesses in South Africa (Bhorat et al, 2018), who are largely unprotected without any insurance (The Conversation, 2020) leaving them without any coping mechanisms if faced with external shocks (Bhorat et al, 2018).



Financial Support And Funding

Smaller and micro businesses with more capital demonstrate higher levels of growth in the long-term as they can use these funds to purchase assets essential to growing their businesses. Lower levels of investments commonly correlate with a decline in business activity (Bhorat et al, 2018). Micro and informal businesses in South Africa need funding to purchase business equipment and grow their businesses (Bhorat et al, 2018).

Given the nature of the sector, the amounts required by SMMEs are rather low starting from R1000 but not more than 50000 for informal businesses (IFC, 2020). 29% of entrepreneurs in South Africa that had to close down their business in 2019 named finances as the main reason in the GEM survey in 2019. “Problems with finance” was the second main reason over the past 10 years and a bigger factor compared to other African countries where only 20% of entrepreneurs reported access to finance as a factor to close down their business (Bowmaker-Falconer & Herrington, 2020). Estimations of the total funding provided to the SMME sector in South Africa range from around R230 billion in 2018 to ~R350 billion as estimated in the FinFind report (Seda, 2019) up to nearly twice this amount at R430 billion in a report by the International Finance Corporation (IFC, 2020).



Lack of Awareness and Lack of Funds for Micro and Informal Businesses

However, funding for micro and informal businesses is challenging and limited in South Africa. Currently, the majority of funding to the SMME sector goes to formal businesses with ~70% being provided by commercial banks, mainly to more established businesses. Informal businesses largely rely on government and microfinance institutions (IFC, 2018 and traditional loans, mostly from microfinance or community-based finance groups (Saha, Quak & Carreras, 2020). However, 80% of informal businesses report that they have never borrowed money and entrepreneurs largely depend on money from friends and family (IFC, 2020). Businesses in townships are particularly affected with 88% of entrepreneurs reporting that it is difficult to secure funding (Seda, 2019).

For funding to be more inclusive and reach informal and micro businesses, all information has to be available in all official languages and be distributed to all areas, even those that are harder to reach, e.g. rural areas. Applications procedures must be as simple and affordable as possible for small businesses with clear communications of the conditions of receiving funding. A centralised platform and communication strategy will help to increase the awareness of programmes (FAO, 2020). Digital technologies can simplify the loan application process, facilitate credit decisions and channel information to micro and informal businesses if designed in an inclusive manner (Saha, Quak & Carreras, 2020).



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Evaluation of Funding Provided by the Government

The government channels funding to the sector in an attempt to generate employment in the sector, an objective aligned to international studies which have demonstrated that funding correlates positively with employment creation as businesses grow (Aluko & Kibuuka, 2018). The DSBD has developed a portfolio of funding opportunities specifically targeted at the needs of micro and informal businesses. Firstly, the Black Business Supplier Development Programme (BBSDP), introduced in 2002, is a cost sharing grant up to R800000 for tools, machinery and equipment and R20000 for business development, management and training. Between 2016 and 2019, the fund has allocated ~R137 million to ~300 enterprises, however, volumes have been declining on average by 18% annually with the proportion of township businesses declining as well from 20.9% in 2016/17 to 14.7% in 2018/19. Secondly, the Shared Economic Infrastructure Facility (SEIF) funds shared infrastructure for businesses that collaborate and utilise investment in the form of a cost sharing grant with a maximum amount of R5 million per project. Since 2017, R55,4 million has been disbursed on 15 shared infrastructure facilities benefitting 454 enterprises and R12,3 million has been allocated for 4 projects that will benefit 425 enterprises. Thirdly, the Informal and Micro Enterprises Development Programme (IMEDP) offers 100% grants to up to R10 000 to support business and capacity development. Since 2018, the grants distributed R25,5 million to around 2000 businesses. The Co-operative Incentive Scheme (CIS), a 100% grant for registered primary co-operatives has benefited more than 150 businesses since inception in 2015, however, the amount being disbursed declined by ~85% per annum between 2015 and 2020 and numbers have been declining with only 1 co-operative receiving ~R5000 in 2019/20 based on the progress report by the Department. Co-operatives in townships were particularly affected by this decline as their share reduced from 15.5% in 2015/16 to 0% in 2019/20.

Evaluating the output and uptake of the programmes indicates a need in the sector; These programmes have benefited a large amount of businesses, however, the decline in utilisation raises concerns in relation to the readiness of micro and informal businesses to receive funding. A gap between funds available to the sector and those that were allocated remains, e.g. the DSBD underspent R46 million on informal business in 2017 (Institute for Economic Justice, 2018). Recovery and relief schemes launched during the pandemic are an opportunity to establish funding channels and structures to support the informal sector (Kiaga & Marcadent, 2020).

It is more difficult to evaluate the impact of these programmes on business growth and employment creation in the sector. Evaluating one of the leading programmes, namely the Co-operative Incentive Scheme, which provides finances to registered co-operatives of SMMEs with focus on black ownership, revealed that it has not had a positive impact on the employment creation of recipient companies between the financial periods of 2011/12 and 2015/16 under study (Aluko & Kibuuka, 2018).



Difficulties and Limitations in relation to support and funding from financial institutions

Financial institutions experience multiple challenges in relation to supporting micro and informal businesses. Loans to SMMEs only make up ~10% of all loans in November 2017 and remained flat for 10 years before that (Seda, 2019). The amount of business owners who successfully qualified to work with banks is particularly low, estimated at 3% in the FinScope Small Business survey in 2010. Micro and informal businesses are considered a particularly high investment risk with higher default rates due to lower revenues and profits (IFC, 2020) and most SMMEs cannot offer securities (SME South Africa, 2014) as their business is in the early stages and usually the only income of the owners (Bhorat et al, 2018). Most are not eligible for funding (FAO, 2020) and face more difficulties meeting the administrative requirements of many funding opportunities due to an insufficient operating history or inadequate financial reporting (Bhorat et al, 2018). In addition, a bad credit score of business owners also limits many micro and informal businesses from accessing funding (SME South Africa, 2014). A major concern in South Africa is that foreign nationals owning businesses are excluded from most funding programmes (FAO, 2020).

The traditional approach to customer acquisition of banks is not suitable to onboard micro businesses at low cost (Nomanini, 2020) but established banks have launched new products to reach the informal sector, especially in response to new players in the market (702, 2020) and this opens room for further collaborations with financial institution to increase the banked proportion among entrepreneurs (Institute for Economic Justice, 2018).

Financial institutions have developed innovative solutions to support and channel finances to these businesses, e.g. the use of partnerships or collaboratives as collateral to help them access credit and loans (Galilee International Management Institute, 2020). The government can back up private financial institutions by providing guarantees, effective credits or even financial assistance for loans and credits to SMMEs (IFC, 2018), as in the example of the Covid-19 relief benefits or act as an intermediary to help micro and informal businesses access funding (Kumah & Omilola, 2014). One example is the partnership between Standard Bank and Nomanini in 2019 to provide business banking services to informal retailers in Ghana in 2017. This pilot has highlighted the positive impact of credit and sufficient working capital, e.g. the study demonstrated a ~30% higher activity rate for retailers that accesses working capital credit. The provision of credit in the form of stock mitigates the credit risks on financial institutions (Nomanini, 2020). The DBSD also partnered with multiple banks in South Africa, e.g. Nedbank supported the Spaza and General Dealer Support Programme, which was also essential to keep businesses alive during the lockdown in 2020 (DBSD Imbadu, 2020).

Many informal and micro businesses use personal finances or guarantees to fund their businesses meaning they have no personal protection if the business is going through a difficult time (Saha, Quak & Carreras, 2020). Financial transactions also enable micro and informal businesses to establish networks and structures, which can be used to support the sector beyond these payments (Kia-ga & Marcadent, 2020). Microfinance and -credit institutions utilise this option as outlined below.



Savings and Cash Flow Solutions

In addition to the access to funding, saving is essential to micro and informal businesses. A current gap is the low proportion of micro and informal businesses that have bank accounts as banks hardly reach this sector (Institute for Economic Justice, 2018). Compared to larger businesses, micro and informal businesses and up to 95% of informal business owners describe their businesses as cash based (IFC, 2020). ~80% of informal businesses have to pay suppliers in cash on delivery and ~75% respectively pay their employees in cash. In addition, many entrepreneurs consider cash as a preferred mode of transaction (IFC, 2020) and also rely on the cash they receive from operations to cover their personal living expenses (Grundling & Kaseke, 2010) as stated by ~50% of informal businesses. Whereas only a small proportion of SMME owners are unbanked, around two-thirds in the informal sector use their personal accounts (IFC, 2020) or operate entirely in cash, especially in the informal sector (IFC, 2018).



Access To Markets And Marketing

Access to market is a key driver for the success of micro and informal businesses across all types, which is evident in the close correlation between the number and the diversity of established businesses (Toerien, 2017) as well as the number of informal and micro businesses in towns across South Africa (Enterprise Observatory of South Africa, 2020). Limited access to markets is a concern for many SMMEs in South Africa with up to 85% stating a need to support in this space (SME South Africa, 2014). This particularly applies to townships and marginalised areas where ~70% of businesses highlight it as a challenge due to a limited client base and lack of willingness of some established businesses to work with them (Seda, 2019).

Overall, the informal sector and most informal businesses including a huge proportion of survivalist activities are closely interlinked with more established businesses in South Africa (Hadebe, 2008). Micro and informal businesses have strong backward linkages as most of them source materials or products from established businesses (Hadebe, 2008). This includes multinational companies that heavily rely on informal retailers to distribute their products, especially in townships, informal settlements or cities, e.g. South African Breweries sell ~80% of their final products through the informal sector, Unilever supplies between 145000 to 175000 informal retailers in South Africa (Institute for Economic Justice, 2018) and Massmart sells half of its products through spaza shops (DSBD & UCT, 2019). But even though informal traders are mainly the final distribution link to low-income consumers (DSBD & UCT, 2019), micro and informal businesses might be perceived as competition as large corporations are expanding into areas where they used to have a higher market share, especially townships and informal settlements (Fourie, 2018).

Forward linkage is less established as most micro and informal businesses sell to individual consumers (Valodia, 2007) but still exist either directly or through existing networks or sub-contracts (Hadebe, 2008). In addition, outsourcing work to informal operations has also become a strategy of established businesses around the world to respond to increase cost pressures (Goldman & Creation, 2003). These links span across many industries: One example are reclaimers or waste collectors that deliver supply to large formal recycling companies, estimated at 16 - 24 tons per annum by a total of 60000 informal entrepreneurs (Institute for Economic Justice, 2018). A study on informal clothing manufacturing in Durban revealed that they buy and sell in formal retail stores (Hadebe, 2008). However, these close links also make it difficult for micro and informal businesses to offer products and services similar to the ones they distribute from established businesses (Seda, 2019). Overall, informal and micro businesses shape the markets, especially in townships, that contribute to the wider economy (Seda, 2019).

Existing Gaps In Relation To Access To Markets For Micro And Informal Businesses

Micro and informal businesses have some competitive advantage that established businesses can benefit from, e.g. they have good networks and have built trust within the community (Hadebe, 2008) and they are commonly situated closer to the end consumers, which became a huge advantage during the Covid-19 pandemic, when people remained in proximity to their residential places (Fourie, 2018). However, they face multiple obstacles and challenges keeping them from working with more established businesses and fully integrating into existing value chains.

On a macro-economic level, the fact that the South African economy is characterised by a high penetration of large businesses remains a challenge for smaller businesses. They have a significant influence on value chains and pricing and prioritise their own sales over enterprise development of smaller companies; one example is the furniture industry which is more open to smaller businesses in other countries. Researchers reported how price fixing has pushed out smaller companies, e.g. in the case of bread or dairy (Fourie, 2018). Consequently, working with established businesses can result in challenging power dynamics for smaller businesses that are mostly not registered or recognised, less resourced and commonly less experienced businesses. Establishing such relationships comes with the risk that larger businesses will try to acquire or eliminate their smaller counterparts once they see an opportunity (Hadebe, 2008).

Another factor keeping more established businesses from working with micro and informal businesses is a lack of awareness about the nature of the sector or an overall disadvantageous and commonly prejudiced perception by the business community as well as among public organisations or municipalities, e.g. businesses that have their premises in public places, at street corners or on pavements are commonly considered as disturbance preventing a clean and modern image of the city and consequently as undesirable. This could be addressed by city planners and relevant stakeholders who can find ways to integrate the reality of this business activity in their town planning processes.

On a business level, micro and informal businesses struggle because they firstly do not produce at scale and struggle to ramp up production, which makes it difficult for them to sell to other businesses but also limits them from reaching more individual consumers. On the one hand, their product and services tend to be more expensive and South African consumers are highly price sensitive, evident as up to 30% of the total volume of FMCG products was sold on promotions or discounts in 2018 (Nielsen, 2019). On the other hand, they don't have well known or trusted names while consumers in South Africa are very brand loyal and frequent users of loyalty schemes driving them to established brands and retailers (Cromhout & Netto, 2019), especially consumers with limited purchasing power refrain from investing in new products (Fourie, 2018). Secondly, micro and informal businesses frequently struggle to meet demanding quality standards comprising a combination of public and private food and safety standard as well as compliance certificates, which are necessary to sell to established businesses in the formal sector (Fourie, 2018). Thirdly, a huge proportion of individual consumers buys household items on credit and micro and informal businesses do not have the financial muscle to offer such payment solution (Fourie, 2018).

An additional concern is the delayed and non-payment by more established businesses as well as government institutions. Research has revealed that this is a serious problem with more than 50% of SMMEs across all sectors being negatively affected by delayed payments when working with government. This impacts their average turnover and poses a risk to employment levels and business continuation in the sector. Delays in payment were witnesses on provincial to a larger extent but also on national level (DPME, 2020). A 30 day payment rule as agreed by more than 50 large corporate in South Africa in November 2020 is one way to overcome this challenge (Moneyweb, 2020).

Micro and informal businesses need support to be integrated into established value chains: Generally, long-term contractual agreements with more established businesses or governmental organisations can help smaller entrepreneurs to grow their businesses. However, there is a perception that they are excluded from such opportunities, e.g. ~82% of entrepreneurs in townships believe that their businesses have no access to government tenders (Seda, 2019). Businesses who buy from established shops, especially on a regular basis will benefit from contractual agreements and the support by bigger businesses carrying their credit risks as well as logistical support that reduces their costs to acquire stock or products. One example is the Johannesburg Fresh Produce Market that delivers fresh fruit and vegetables to business owners (Hadebe, 2008). Some industries and sectors, especially those that are already integrated with established businesses, will benefit from the recognition and formalisation of their businesses and services, which opens the opportunity to receive payment, e.g. for reclaimers for their public services as demonstrated by other countries that were able to increase their recycling rates with such measures, e.g. Egypt, Argentina, Brazil, Colombia and India (Institute for Economic Justice, 2018). Replicating the franchise model for micro businesses can also reduce entry barriers for entrepreneurs in communities (Fourie, 2018).



Capacity Building And Business Strategy

Micro and informal businesses can benefit from consulting or advisory support to develop their business strategy, especially as a majority lack the relevant education and experience. Many stakeholders supporting such businesses have identified a need for better entrepreneurial and business management skills of business owners, especially in the informal sector or in townships, where only ~36% report that they received formal business training (Seda, 2019). There is a gap in relation to the evaluation of the outcomes of business training and training providers need to be rigorous in evaluating the effectiveness and impact of their interventions (Mensmann, 2017). Seda has established a library with entrepreneurial training courses focusing on the most important skills to grow micro and small business, e.g. marketing, building a reputable business profile, mastering financial management and developing business plan business. Some trainings speak specifically to the skills entrepreneurs need to work with more established businesses, such as customer care or food handling hygiene (Seda, Imbandu, Q1 2020).

Such training offerings can be integrated into the services provided as part of the Enterprise and Supplier Development Schemes largely offered by the private sector. In line with the BBBEE regulations, companies are incentivised to support small, black-owned businesses and spend 2% of their net profit after tax on Supplier Development and 1% on Enterprise Development (NPI Governance Consulting, 2018). The broad focus of the Enterprise and Supplier Development programme has opened new opportunities for SMMEs across multiple sectors in South Africa (Development Bank of Southern Africa, 2011). But this also comes with new challenges, e.g. many corporates focus mainly on compliance instead of supporting SMMEs holistically, which limits the impact on employment creation (Ryan, 2012). The successful integration of SMMEs into private value chains relies on larger companies making favourable procurement decisions, which cannot be achieved with specific regulations alone (Development Bank of Southern Africa, 2011). Many researchers have developed recommendations on how to improve Enterprise and Supplier Development programmes in line with its objectives (News24, 2020).





Supporting innovation, research and development, especially for medium size and growing businesses that have the potential to export to international markets is another way to grow the sector (Galilee International Management Institute, 2020). Stakeholders can also fund research or work with industry associations to help entrepreneurs develop a good understanding of their industry and supply chains, which remains a gap for many SMMEs (Galilee International Management Institute, 2020). This can help smaller and micro build market intelligence and consequently become more competitive with larger corporates (Chimucheka, 2013).

The current changes in working and living conditions also facilitates the move towards digital channels and deliveries. It is important to offer support to micro and informal businesses to include them in these developments as they face more difficulties to make use of these opportunities considering their lack of resources, the lack of infrastructure in the spaces they work in, especially businesses operating in rural or township areas with limited purchasing power (Cant & Rabie, 2018) and the characteristics of the customers as they mainly serve individual consumers (Bhorat et al, 2018) and win up to 90% of customers as walk-ins (IFC, 2020). These businesses can benefit from specific strategic support to utilise basic digital channels and marketing tools to build a regular customer basis (Bhorat et al, 2018).

The Role Of Technology And Digitalisation In Driving Or Spurring Businesses

Digital channels, especially the use of mobile phones, are particularly helpful in a crisis that required a rapid response while avoiding any physical contact, such as the Covid-19 pandemic (WIEGO, 2020). They can also be used to identify and support those individuals and businesses most in need, e.g. the government in Bangladesh identified workers for grants by using QR code (mobile app), national ID, and lists from union (WIEGO, 2020). The South African government also used communication via mobile phones, including a WhatsApp line, to raise awareness about the virus and important safety precautions and to send food e-vouchers for stores via messages to beneficiaries (WIEGO, 2020).

The communication also posed challenges though as applicants received standardised messages if they were not eligible for the Covid-19 relief grant without any explanation or ability to ask questions (WIEGO, 2020). This shows that the use of digital channels is also a risk as it can easily exclude people with limited access and intensify existing inequalities. Consequently, it is important to design and roll out any technology with a focus on the most vulnerable in society and include grassroot organisations to achieve this (WIEGO, 2020).

Opportunities Resulting From Technology, Digitalisation Or E-Commerce

Technology and digitalisation opens up new ways to achieve financial inclusion, operational efficiency and business growth in the micro and informal sector. Examples of innovation in the informal sector around the globe show how micro and informal businesses can be reached through new channels using digital tools. The following technological and digital solutions speaking to different needs and challenges of micro and informal businesses are considered particularly relevant in the African market.

Customer relationships and channels

Status Quo and current challenges: E-commerce has been on the rise, especially driven by the Covid-19 pandemic and the lockdown. It is still in its infancy in South Africa making up ~2% of all retail transactions, compared to 16% globally but has increased by 30% in the first half of 2020 (Business Insider, 2020). However, it is difficult for micro and informal businesses to make use of this opportunity due to limited experience, resources and a lack of connectivity infrastructure in the areas they operate in. Micro and informal businesses that can offer high-quality services and products but can't compete with more established companies on price rely on customers with more resources who are keen to pay a price premium for niche product (Fourie, 2018). One opportunity is to link them through e-commerce and digital apps, which are preferred channels by higher income customers.

Solutions and opportunities:

- Aggregator platforms facilitating e-commerce specifically designed for micro and informal retailers utilising the right partnerships and support systems. Examples are Sokowatch providing stock for informal traders in four East African markets (African Business, 2020) or MaxAb working as an online intermediary between rural food growers and grocery stores in Egypt (ecomConnect, 2020) or South African examples listed in the appendix.
- Digital platforms and apps have successfully restructured the transportation sector with platforms like Uber or Taxify and their model can be expanded to other industries. One app connecting blue-collar workers such as plumbers, electricians and carpenters is Biscate in Mozambique (foresightfordevelopment) and doit4u in South Africa as well as the attempt to launch Bountly for all types of services, which is no longer online.

Financial inclusion / Business finances

Status Quo and current challenges: Mobile technology opens opportunities for the formal banking sector to reach micro and informal businesses (WIEGO, 2020). There has been a widespread adoption of mobile money services in several African markets, including South Africa (Nomanini, 2020) as most people have access to a phone as well as digital information services (Saha, Quak & Carreras, 2020). These channels help small businesses to open bank accounts, start saving, become integrated into the formal economy and reduce their reliance on cash and consequently their vulnerability to theft (Saha, Quak & Carreras, 2020). Micro and informal businesses can currently access a wide range of digital and technological solutions in South Africa to receive financial services (IFC, 2020).

Solutions and opportunities:

- Digital points of sale have become more affordable using the latest technology and innovative distribution systems allowing businesses to accept cash.
- Digital and electronic solutions for banks to on-board micro and informal entrepreneurs, e.g. the fully-electronic cloud based solutions, e.g. “know-your-customer modules”, suitable for micro and informal businesses, help banks to on-board customers electronically; data from entrepreneurs in the form of photos of required documents and geo-tagged images of the their premises are integrated to the back-end systems of the bank to ensure regulatory compliance (Nomanini, 2020).
- Credit scores for retailers utilising digital data and innovative solutions, e.g. provided by Nomanini in partnership with Standard Bank. They highlighted the creditworthiness of micro and informal retailers in a study; >70% of onboarded retailers were eligible for credit after a month and of those, >80% continued borrowing with <1% of loans considered as non-performing loans after 6 months as demonstrated in (Nomanini, 2020).
- Digital platforms facilitating saving solutions, such as stokvels.

Value proportion; digital and logistics as key product or service

Status Quo and current challenges: Micro and informal retailers have incorporated digital products in their business models and over-the-counter electronic payment transactions such as prepaid mobile airtime and mobile money deposits and withdrawals already account for 10 – 15% of their revenue (Nomanini, 2020). In addition, the Covid-19 pandemic and resulting lockdown triggered a need for delivery services. Even though it is more difficult for micro and informal businesses to deliver considering their limited equipment and resources, they can make use of this opportunity by collaborating with transportation services, esp. in the informal sector.

Solutions and opportunities:

- B2C delivery to end customers such as a bakery in White City, Soweto, that contracted delivery staff with metal pushcarts selling door to door and doubled its output or a convenience company by a young entrepreneur who started delivering oil a month before the lockdown started and then expanded to chicken, charcoal and fast-food boxes (IOL, 2020).

Suppliers / Cost structure

Status Quo and current challenges: A general need to consolidate suppliers and bring down costs for micro and informal businesses is well documented in the literature (Fourie, 2018) and digitalisation opens new opportunities to facilitate this.

Solutions and opportunities:

- Logistical solutions and stock purchases help micro and informal entrepreneurs to purchase stock through a platform linked to a bigger retailer network to benefit from bulk discount and also credit lines from more established wholesalers and distribution companies. Technology or more established companies can provide or facilitate logistical services. A leading company focused on agriculture is Twiga in Kenya, active since 2014, which has established an organised platform sourcing food from >4 000 farmer and suppliers and delivering to >35000 vendors at fair prices through efficient, fair, transparent and formal marketplace. The table in the annexure includes additional examples from South Africa.
- Digital tools or support to build networks or collaborations of similar businesses in the same area to improve their overall success, such as the examples listed in the annexure. The DSBD is currently supporting this trend in South Africa.

Market and business intelligence

Status Quo and current challenges: Micro and informal entrepreneurs rely on information and training to improve their entrepreneurial skills and overall understanding of the business. However, as they commonly don't have good connectivity infrastructure, they were unable to access these during the Covid-19 pandemic.

Solutions and opportunities:

- Information via digital and mobile channels is one way to reach micro and informal businesses and support them to develop market and business intelligence to sustain and grow their businesses or respond to external shocks, such as the Covid-19 pandemic. An example for such a solution is wefarm which is connecting farmers to share solutions for common problems and spread innovation. The service utilises machine learning technology and relies on bespoke, crowdsourced information submitted through the network. It is for free via messaging services to reach even entrepreneurs without internet connection in Kenya, Tanzania and Uganda.
- Training via digital and mobile channels can help micro and informal entrepreneurs develop essential business knowledge and skills. One example in South Africa is an initiative by Mastercard Centre for Inclusive Growth in partnership with Juntos Global and Nedbank sending training modules via messages on mobile phones and using an automated conversational platform to ~9000 micro businesses.

Key stakeholders

Currently, regulations prevent fintech or financial innovations from playing a significant role in the South African market. Relevant regulatory reforms with lower FICA/KYC requirements will allow financial intuitions to serve the SMME sector, including informal businesses at a lower cost (IFC, 2018). Current regulations for microfinance institutions have high requirements and adjusting these will increase finances channelled to the sector.

Other key stakeholders include banks, telecommunication as well as technology companies, which are commonly supported by community-based organisations or use grassroots or religious groups as distribution networks.

- New consumer digital banks have launched in South Africa in the past two years, such as Discovery Bank, TymeBank or Bank Zero with an increasing focus on providing innovative solutions for SMMEs (Businesstech, 2020). TymeBank is developing accessible and affordable solutions for businesses that will help them to accept digital and card payments (IT Web, 2020).

- In addition, telecommunications companies are increasingly moving into the financial sector offering innovative products and payment solutions, primarily mobile payments but also other hard- and software.

- Technology companies and start-ups have developed specific solutions to support the sector.

The annexure includes a table with an overview of start-up or technology companies that can be considered when establishing network and partnerships.

KEY LESSONS LEARNT

There are multiple key lessons that were learnt throughout the initial stages of the Covid-19 pandemic and the support provided to micro and informal businesses.

The first key lesson is the value micro and informal businesses can add to the economy and the society, which is often unseen and not fully utilised. Firstly, they are a key player ensuring food security as many of the most vulnerable families in South Africa rely on the informal sector to buy food in their vicinity at affordable rates. Consequently, these businesses can be included in efforts to restructure and decentralise supply chains to reach more people, especially during a pandemic. Secondly, micro, and small businesses can support all logistical efforts to distribute information or essential goods and personal protective equipment as they are in closer proximity to the majority of the population and have strong links in the community. Thirdly, micro and informal businesses can manufacture and produce new basic products and goods that are high in demand, such as masks as they are more agile due to their size and can adjust quickly to changes in the external environment. Given the right support, they can scale up production and become important suppliers to municipalities and more established businesses.

The second key lesson is the need for a better overall understanding of the sector, with an acceptance of the reality of micro and informal businesses, and efforts to capture businesses in databases. One of the biggest concerns in relation to the support offered to the sector was that many business owners or micro and informal businesses are neither South African citizens nor permanent residents and consequently did not qualify for most support systems established. This left a huge proportion of the most vulnerable groups in society without an income and without any support for months. A database with members of the informal sector or more inclusive support structures and criteria to qualify for grants are essential to reach all micro and informal businesses.

The third key lesson is that the need to formalise and support the informal sector was never more apparent. Many challenges preventing key stakeholders from providing adequate support to micro and informal businesses resulted from the lack of formalisation, e.g. only employees who were registered qualified for UIF and banks only extended moratoriums on loans to formal businesses. This highlights the need to continue efforts to drive the transition from the informal to the formal economy, which are already underway in South Africa.



The fourth key lesson lies in the entrepreneurial abilities of micro and informal businesses. Most business owners made attempts to develop new business ideas, reach new customer groups, use deliveries, or launch new products and services to continue their business operations. And despite their severe lack of resources and adequate infrastructure many succeeded. This highlights their internal capacity to grow businesses that can be utilised when developing and implementing future support structures.

The final key lesson is the need for a change in our overall perception of the informal sector as an important contributor to employment, economic growth and particularly food security. Many informal businesses provide essential products or community services. However, they were only able to apply for permits to supply basic services after representative organisations approached the government. Concentrated efforts to ensure a change in the perception with a focus of the strength of particularly informal businesses will facilitate all efforts towards the inclusion of these most vulnerable groups in all economic activity.



IMPORTANT STAKEHOLDERS RELEVANT TO THE DEVELOPMENT OF MICRO AND INFORMAL BUSINESSES

The annexure includes a table with all important stakeholders relevant to the development of micro and informal businesses categorised by different types of stakeholder.

Existing Funding And Partnerships For The Sector

The main government options for funding and support structures for micro businesses and the informal sector are housed under the Department of Small Business Development (DSBD). The DSBD has an integrated approach to the promotion and development of sustainable and competitive entrepreneurs, small businesses and Co-operatives that contribute to job creation and economic growth. The body ensures an enabling legislative and policy environment to support growth and sustainability. In addition to the financial support by the DSBD and other government institutions listed above, there are other existing funds. Firstly, the Isivande Women's Fund (IWF), which specialises in start-up funding, business expansion, rehabilitation as well as financing. It was originally targeted at women but then opened its doors for all black entrepreneurs in South Africa to stimulate black economic empowerment. Secondly, the National Empowerment Fund (NEF) provides large sums of financing, between R250000 and R75 million, and also offers assistance for rural and community development, franchise finance and new industry development. Finally, the National Youth Development Agency (NYDA) awards individual grants to formal and informal businesses that are in the start-up or development phase.



Existing Funding Offered By Banks Or The Corporate Sector

Banks and financial institutions support formal SMMEs, but don't have processes to channel money to micro and informal businesses that lack required documentation or are considered high risk. The Covid-19 pandemic exemplified the reach of financial institutions in the micro and informal sector. However, they also contribute to the growth of the sector with specific investments, e.g. Standard Bank invested \$4 million into Nomanini, a fintech firm that connects banks and distributors to informal merchants. By tapping into Nomanini's data and client lists, Standard Bank hopes to offer loans to first time users, expand its customer base, and boost its branchless banking services (Quartz, 2020) . Another example is Finbond Group Limited - a leading North-American and South African Financial Services institution that specializes in the design and delivery of unique value and solution based savings, credit and insurance solutions tailored around depositor and borrower requirements rather than institutionalized policies and practices (Finbond, 2020). Finbond South African is a mutual and savings bank, owned by its depositors - investors get higher returns for which borrowers indirectly pay. The company offers short term micro-loans from R500 to R20000, with a requirement of ID book, address and last pay check.

Community saving schemes, called stokvels also play an important role to facilitate a saving culture in South Africa. These networks pose an ideal opportunity to establish efficient procurement chains and relevant discounts. South African banks have formalised traditional group savings stokvels into a product. The National Stokvel Association of South Africa (NSASA) is working on improved financial solutions for their base, also in collaboration with established and large insurance companies (Businesstech, 2020). In addition, non-profit or membership-based organisations, like stokvels, have become an intermediary for micro and informal businesses to access formal funding; SpoonMoney is one such membership organisation. The group savings allows informal participants to build a track record in a formal banking environment, giving them access to debt products. Other membership-based organisations, Women in Informal Employment Globalising and Organising (WIEGO) and Streetnet, exist to improve the status of the working poor in the informal economy, both at an international and local level.

Existing Funding Offered By Bi- Or Multilateral Organisations

Bilateral and multilateral organisations rarely reach informal and micro businesses. They tend to influence policy and fund larger projects of values around R750000 - R1,5 million (\$50,000 - \$100,000). The role of these organisations is to promote social and economic development by providing loans, guarantees, grants, equity investments or technical assistance to promote investment in the region. Small Grant Programmes do exist, but these are targeted sector funding, not general to specifically support informal businesses.



Funding By Development Agencies And International And Local Non-Profit Organisations

Development agencies, including foundations or embassies, and non-profit organisations focusing on micro and informal businesses are important stakeholders providing funding to the sector, e.g. by funding monetary and non-monetary forms of funding that are offered to micro and informal businesses. Collaborations with current funders of membership-based or non-profit organisations representing the sector are one option to finance activities for micro and informal businesses. During the Covid-19 pandemic, some of these organisations have launched crowdfunding campaigns to appeal to individual donors and a renewed awareness of the importance as well as the hardship in the sector to support businesses, e.g. WIEGO.



Existing Funding Through Microloans Or -Credits

Given their size, micro and informal businesses continue to rely on microfinance or -credit organisations, which do not only offer loans but also support saving, money transfer and insurances. These organisations started in the 1980s in South Africa driven by a need for such funding as well as the interest of government actors and the National Credit Regulator to provide inclusive forms of financing to previously disadvantaged groups, e.g. by removing the ceiling on loan sizes. There are multiple players offering this support in South Africa with currently more than 1100 microfinance credit providers registered with the National Credit Regulator and represented by the MicroFinance South Africa (MFSa) organisation.



Leading organisations focusing on inclusive growth through micro and informal businesses are the Small Enterprise Foundations working in rural villages in Limpopo and Mpumalanga, Marang Financial services, the Women's Development Businesses Group or the Development Microfinance Association or Paradigm Shift. The Small Enterprise Foundation uses a modified version of the tried-and-true group-lending methodology developed by Grameen Bank. No collateral is collected from clients, 99% of which are women, supporting their success in reaching and ensuring positive impact on the very poor. In 2003, SEF received the Pioneer Award from the Grameen Foundation, in recognition of their ground-breaking work in South Africa. In October 2020, it had a portfolio of ~218000 clients with average loan size of ~R4650 and a total of R11,35 billion disbursed in loans since inception. However, their statistics show an unprecedented impact of the Covid-19 pandemic on the funding model with a bad debt rate of nearly 8% in October 2020 compared to consistently less than 1% in the years before that (sef.co.za, 2020).



New Funding Opportunities And Partnerships For The Sector:



There are new approaches to funding, other than traditional grants or loans from governments or financial institutions. These new funding opportunities support the process of formalising informal businesses. These generally focus on technology, incubators and equity funding, and are typically targeted at entrepreneurs who have clear opportunities and a vision to grow and scale. The demographic who start these small businesses, in the context of this report, have had experience working in the informal sector. They are used to operating in ways that are not necessary to convention. An entrepreneur looking to start a business at a higher LSM generally has an idea of some opportunities, schemes or funding that are applicable to them. In the informal sector, this is not always the case. When Merchant Capital, a start-up providing funding for small businesses, began to include these businesses, the response from the market was initially slow as there was a huge education process required. The vast majority of South African SMMEs have not heard about this type of alternative funding.

New Opportunities By The Government And Municipalities



Increasingly, governments are looking for ways to implement financial inclusion policies, mainly to bring more people into the formal banking sector. Microfinance, and new funding and partnerships play an especially useful role in catering to previously unbanked communities like women and younger people from low-income regions. As with the examples highlighted, it is necessary to promote these forms of funding through awareness campaigns in order to build context and trust for alternative, non-governmental financing. Unless this is done, countries with large informal sectors, like South Africa, will have a long way to go until it is considered a mainstream lending product for SMMEs looking to grow their business.

In addition, municipalities can play an important role to strengthen the sector financially, especially as many micro and informal businesses provide essential services to communities, such as reclaimers or social services. Formalising businesses, structuring their services and offering payment can be one new way to fund the sector, similar to opportunities to contract micro businesses to deliver essential goods, such as masks.



Incubators Focusing On Micro And Informal Businesses

Incubator funding enables entrepreneurs to find the necessary support and resources to build and maintain a successful start-up and this is becoming more common in developing countries. In South Africa, the Awethu Project was started in 2009 with the belief that there is exceptional, but under-developed entrepreneurial potential in emerging economies, and that with the right support and investment this talent can create profound commercial and social value. The Awethu Project connects impact investors to informal social entrepreneurs and provides business mentorship and coaching, along with funding, for a percentage of equity to ensure returns to investors. Most incubators help businesses in growth phases or with intentions to scale, but some have adjusted their mission to help the smaller and more informal start-ups and Awethu is exemplary of this. This model delivers a solution to unemployment and the informal sector whilst providing commercial returns to institutional investors.

Opportunities To Grow Microfinance In South Africa

Whereas there are multiple organisations offering microfinance or lending in South Africa, this form of financing is less developed than in other countries in the Global South for multiple reasons; mainly comparatively high costs of regulation and banking fees, the need for higher loan sizes due to higher operating costs as well as the competition or informal lenders with unfavourable conditions but superior marketing in communities. Globally, the Grameen Bank is the hallmark microfinance organisation and community development bank which was founded in Bangladesh. It makes small loans to the impoverished without requiring collateral. Grameen created a banking system based on mutual trust, accountability, participation and creativity.

There is a potential to support similar institutions to grow in South Africa as they did in other economies. Kiva is an international non-profit microfinance Institution, founded in 2005 in San Francisco, operating in ~80 countries. Kiva provides microfinance lending through establishing a crowdfunding, or peer-to-peer lending, platform that allows individuals to lend directly to borrowers, across borders, who lack access to traditional financing sources. As of 2020, Kiva has extended more than R21 billion (\$1.4 billion) in microloans to 3,5 million borrowers, and has a network of approximately 1,8 million lenders and approximately two million borrowers (Kiva website, retrieved 01.02.2020). Another example is Bank Raykat Indonesia (BRI), the world's biggest microlender and Indonesia's most profitable bank. BRI has been leading the way to attract rural customers in Indonesia through banks on wheels. They use satellite connected mobile banking vans which transport a loan officer, a bank teller and a security guard to remote areas. In 2019, the bank disbursed a total of R93 billion (Rp87.9 trillion) of micro loans to over 4 million borrowers (BRI annual report, 2019).



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Digital And Tech Start-Ups Supporting The Sector

In addition, some technology start-ups are using digital channels to support the sector outlined in the respective section in this report include a financing component to informal and micro businesses, e.g. in the form of saving and credit like Spoonmoney or as an intermediary helping businesses to access bank loans like Ukheshe.



RECOMMENDATIONS

Concrete and Innovative Mechanisms and Tools for Supporting Micro or Informal Businesses

The following section of the report provides an overview of response mechanisms and tools designed to support micro or informal businesses in the short term while also contributing to the sector's long-term growth. These mechanisms and tools are intended to supplement and contribute to the government's collaborative efforts to support informal and micro businesses in order to maximise the reach and impact of all support mechanisms.

Guiding Principles On How To Approach The Implementation Of Support Mechanisms And Tools For Informal And Micro Businesses

The six principles outlined below provide direction on how to approach the implementation of any support mechanism and tool designed for informal and micro businesses. It is recommended that stakeholders become acquainted with these principles and carefully consider each of them when designing and implementing interventions for micro and informal businesses.

Develop a Better Understanding and Create a Database of Micro and Informal Businesses

To provide any type of assistance, a thorough understanding of the sector and data on micro and informal businesses is required. This is particularly difficult for the informal sector, but overall, data collection is improving in South Africa, also thanks to the effort of global organisations, such as the International Labour Organisation, (WIEGO, 2020). The Covid-19 pandemic, on the other hand, has highlighted the need for a database to reach individual micro and informal entrepreneurs, and WIEGO has published recommendations on how to best create a database (WIEGO, 2020)

Engage All Stakeholders Relevant to the Sector to Avoid a Narrow or Biased Approach

Utilise a participatory approach to identify all relevant actors at the municipal and district levels, and ensure the engagement of local actors, ward councillors, law enforcement actors, industry associations, membership-based organisations, economic chambers, and other stakeholders, such as non-profit organisations focusing on the sector and individual business owners of micro and informal businesses.



Ensure Full Transparency and Integrity to Build and Maintain Trust in All Mechanisms and Tools

Publish all relevant information about the design, development, implementation, and funding of all mechanisms and tools so that members of the public are well informed and can inquire about, investigate, and follow up on misconduct.



Provide Resources to Ensure Members of the Sector Can Represent Informal and Micro Businesses

Allocate funding to industry and membership-based organisations to represent the sector, increase financial commitments to informal and micro businesses to reflect the sector's size in relation to the overall economy, compensate members for all expenses incurred to participate in an engagement process (especially data to be able to use the internet or transportation), and provide stakeholders with relevant training and capacity building.



Be Mindful of Biased Decision Making or the Misuse of Power at All Levels

Consider and reflect on the interests and incentives of all members involved in the implementation of any mechanisms and tools and include rigorous monitoring and evaluation tools to ensure that any assistance reaches business owners.



Seek and Establish Partnerships and Incorporate Existing Solutions that Have Been Piloted in the Sector

Conduct background research to determine which programmes, interventions, digital or technological solutions have been developed and piloted in the sector in order to learn from existing knowledge, experience, and insight and to focus on scaling rather than re-inventing best demonstrated practices.






Short-Term Measures Facilitating Survival and Recovery

In response to the Covid-19 pandemic, the short-term measures are intended to provide relief and immediate assistance. These, however, can also be applied during other pandemics, health-related economic shocks, or any economic crisis affecting businesses in the same way. These specific mechanisms and tools must be implemented as soon as possible so that beneficiaries can receive the necessary relief during the periods when lockdown regulations have the most severe impact on businesses. Given the importance of the interventions, short-term relief must include emergency liquidity and is best distributed through existing channels that entrepreneurs are aware of and trust, e.g. community-based financial and microfinance institutions (The Commonwealth, 2020).

Short-term Measures: Financial Support and Funding

Given the sector's survivalist nature, the revenue decline reported in the survey has a direct impact on business owners' ability to cover their living expenses. As a result, individual financial assistance is one option for providing assistance to micro and informal entrepreneurs. It is critical to distribute any funds in an inclusive manner, including entrepreneurs who are not South African citizens or residents, as they are overrepresented in the informal sector compared to the formal sector.

The survey found that micro and informal businesses were struggling to cover their operating costs, particularly rent, and needed financial assistance to replace lost assets, purchase stock, or simply continue operations, even during level 1 of the national lockdown regulations.

Mechanism or tools	Description
Basic income grant 	<ul style="list-style-type: none">• Basic income grant for micro and informal business owners or informal workers (irrespective of their nationality).• This mechanism is similar to the social grants that were distributed by the South African government for specific target groups, e.g. families, guardians, elders or vulnerable groups during the Covid-19 pandemic.
Food vouchers 	<ul style="list-style-type: none">• Vouchers for micro and informal businesses or informal workers paid out through mobile money that can only be used for food or essential items to limit physical contact and infection risks (food parcels are not recommended due to the challenges in relation to the distribution).
Funds to cover running expenses, replace assets or purchase stock 	<ul style="list-style-type: none">• Financial support so entrepreneurs can cover running expenses while they still experience a decline in revenues due to the Covid-19 pandemic or restart their business activities by replacing stock that was lost or assets that were sold or damaged due to the Covid-19 pandemic and the lockdown.• Funding is preferably provided in the form of a grant but can be paid as a loan and can be paid out in the form of vouchers that can only be used to pay utilities, rent or buy specific stock or equipment.

Short-Term Measures: Policies and regulations

Some financial needs of micro and informal businesses can also be met by modifying policies and regulations to grant specific rights to micro and informal businesses or exempt them from having to pay business expenses for a set period of time. Targeted policies, regulations, or interventions by the competition commission to control market prices are one option for addressing the price increases experienced by businesses and assisting them in managing their input costs.


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Mechanism or tools	Description
<div>Waiver on utilities</div> <div></div>	<ul style="list-style-type: none">• Freeze on payments for utility bills, including water and electricity; removal of penalties on utility bills.
<div>Waiver on fees applicable to micro and informal businesses</div> <div></div>	<ul style="list-style-type: none">• Freeze on payments for fees for markets, stalls, contribution to associations or usage of premise.• Removal of penalties if businesses fail to cover these expenses.• Alternatively, subsidies can be provided to micro and informal businesses to cover these expenses.
<div>Price control</div> <div></div>	<ul style="list-style-type: none">• Price control for main inputs and products used by informal and micro businesses, particularly staple food; increase inspections and investigations to prevent price inflation.


Short-Term Measures: Structural support and infrastructure

The survey results revealed that micro and informal businesses require assistance to keep their operations safe and sanitary, as it is more difficult for them to cover these costs when compared to more established businesses.

Mechanism or tools	Description
<p>Distribution of personal protective equipment</p> 	<ul style="list-style-type: none">• Provision of personal protective and other relevant equipment, e.g. masks, sanitisers and gloves to business owners of micro and informal businesses to re-open and continue business operations during the Covid-19 pandemic.• Communication campaigns on how to use the equipment and how entrepreneurs in different industries can continue business operations as safe as possible.


Short-term Measures: Integration into value chains (capacity building of the sector)

In general, established public or private sector organisations can strengthen smaller businesses by incorporating them into their distribution networks. The lockdown and shifting mobility patterns have highlighted the advantages that micro and informal businesses have in reaching consumers and coordinating logistics in underserved residential areas.

Mechanism or tools	Description
<p>Distribution through micro and informal businesses</p> 	<ul style="list-style-type: none">• Utilisation of the networks of micro and informal businesses, esp. in marginalised communities.• Contracts with businesses to distribute essential products and services and spread information in relation to the pandemic.• (This can be used for products and services required during the pandemic or in general.)

Short-term Measures: Training and information (capacity building of entrepreneurs)

According to the survey results, a better understanding of all available funding and support structures, including the application process, can help to reach more businesses. Some experts also expressed concerns about the lack of clarity and understanding of specific lockdown regulations, as well as the need to provide relevant information.




Mechanism or tools	Description
<p>Training; awareness campaign about support and funding landscape</p> 	<ul style="list-style-type: none">• Awareness campaigns to share information about adequate available funding and support programmes.• Provision of required information to support businesses to successfully apply for funding and support programmes.



Long-Term Measures Enabling Sustainable Growth


The long-term measures outlined below are intended to strengthen micro and informal businesses over the course of more than a year. While these mechanisms and tools are unlikely to provide immediate relief or rapid changes, they have the potential to improve the situation and contribute to the long-term growth of micro and informal businesses.

Long-term Measures: Policies and regulations

Mechanism or tools	Description
<p>"Do No Harm" approach / enabling environment facilitated by all stakeholders</p> 	<ul style="list-style-type: none"> • "Do no harm" approach to ensure that policies and regulations create an enabled environment. • Engage municipalities, police and all stakeholders, provide them with information how to interact with micro and informal businesses and investigate and prevent any harmful behaviour or harassment. • Awareness campaigns to align all stakeholders to see micro and informal businesses as an essential part of the economy that deserve recognition, respect and support. • Communication campaigns to inform entrepreneurs about their rights and how to report any behaviour or restrictions that are not in line with legislation as well as any harassment.
<p>Enabling environment facilitated by laws and regulations</p> 	<ul style="list-style-type: none"> • Amendments to regulations to create a legislative environment that will ensure rights of informal entrepreneurs to continue their business activities, e.g. community-based rights to fishermen currently not captured in the sector policy • Amendments to lockdown regulations to include all informal businesses and ensure they can qualify as providing essential services and apply for support, e.g. protection of waste pickers and payment of incentives for their service.
<p>Lower red tape / Reduction of administrative requirements</p> 	<ul style="list-style-type: none"> • Reduction of administrative and bureaucratic process and requirements, e.g. reduction of required documentation to apply for permits and licenses, simplification of documentation and reporting of business activities below a specific threshold.

Long-term Measures: Financial support and funding

While the study highlighted the urgent need for funding for micro and informal businesses to continue operations, investments play an important role in long-term sector strengthening.

Mechanism or tools	Description
Capital for equipment 	<ul style="list-style-type: none"> Capital for equipment or to produce better products or services so that they can grow their businesses and also work with more established organisations.



Long-term Measures: Structural support and infrastructure

The survey results confirmed the need for a general improvement in the infrastructure and equipment available to micro and informal businesses, particularly those operating in underserved areas. There is an ongoing need for assistance in the transition from the informal to the formal economy. Existing industry associations and membership-based organisations play a critical role in formalising and professionalising the sector, and they must be supported and included in decision-making processes.

Mechanism or tools	Description
General infrastructure 	<ul style="list-style-type: none"> Improvement of infrastructure in areas and premises used by micro and informal businesses, e.g. provision of water, sanitation, waste management.
Structural support for industry associations 	<ul style="list-style-type: none"> Financial and instrumental support for industry associations to represent business owners of micro and informal businesses and lobby on their behalf.
Support to formalise businesses 	<ul style="list-style-type: none"> Support for owners of informal businesses to register business with CIPC and SARS. Reduction of costs to register businesses for smallest businesses. Support for micro businesses to comply with regulations. This also requires the communication of the benefits the formalisation will have to increase their willingness to register their businesses. (Impact highly dependent on industry and type of business, e.g. very relevant to pay waste pickers.)

Long-term Measures: Access to markets and marketing





Assistance with marketing and customer acquisition is one of the most pressing needs of micro and informal businesses in order to address the drop in customers they have experienced. Given the limitations and changing consumer behaviour caused by the Covid-19 pandemic, digital channels are best suited to provide this assistance. Despite the fact that they address an immediate need, these are long-term mechanisms and tools because their implementation will take more than three months and will impact businesses’ growth in the long run.

Mechanism or tools	Description
<div>Online and social media marketing</div> <div></div>	<ul style="list-style-type: none">Website and apps to market products and services in the form of aggregators or platforms to reduce costs for individual businesses.Solutions have to be designed in a manner that allows entrepreneurs to use them through WhatsApp or mobile messages to reduce expenses for data.
<div>E-commerce platforms</div> <div></div>	<ul style="list-style-type: none">Digital platforms for businesses to market and sell their products and services to customers and receive payments.Consolidated marketing campaigns for platforms to reach higher income customers and reduce costs on individual businesses.



Long-term Measures: Integration into value chains (capacity building of the sector)

Offering products or services to more established businesses is one of the most promising ways to strengthen micro and informal businesses, and they will benefit from networking and capacity building to do so. According to the survey, business owners are aware of the opportunity to collaborate with their peers as well as larger corporations to improve the efficiency of their supply chains and procurement, which has been thoroughly documented in the literature. Digital platforms open up new avenues for making these solutions more accessible.

Mechanism or tools	Description
Networking with established organisations 	<ul style="list-style-type: none">• Networking platforms and events to connect business owners of micro and informal businesses with more established organisations in the private and public sector to identify ways to support and grow smaller businesses.• Support for business owners to connect with established businesses to sell their products and offer their services to or through established businesses.
Capacity building to work with more established businesses 	<ul style="list-style-type: none">• Capacity building to meet quality standards, comply with regulations and manage operations at larger scale to be able to work with more established organisations.
Intermediary to facilitate procurement 	<ul style="list-style-type: none">• Support for business owners to connect with established businesses to purchase their goods / inputs at bulk / at lower price / with reliable contracts or even on credit provided by wholesalers / more established businesses.
Digital platforms to organise supply chains 	<ul style="list-style-type: none">• Digital platforms for suppliers to facilitate contractual and regular buying / bulk buying / buying on credit with suppliers being credit holders for micro and informal businesses

Long-term Measures: Training and information (capacity building of entrepreneurs)

The survey results revealed a high level of interest in training. The most important training topic is to understand the overall environment, which is required to develop a business strategy. Furthermore, business owners regard training to represent the industry as one of the most important. Experts emphasised the need for training in management and financial skills, which is consistent with one of the most significant barriers to accessing support for micro and informal businesses, namely a lack of required documentation.

Mechanism or tools	Description
Training; business environment and strategy	<ul style="list-style-type: none">• Training to understand the business environment with focus on the market, competitor landscape, customer channels and trends in the market.• Support to develop a business strategy based on this awareness (including considerations of opportunities created by digitalisation and technology for micro and informal businesses).
Training; representation of industry and information for industry association	<ul style="list-style-type: none">• Training how to represent and protect all members active in micro businesses but especially in the informal sector and lobby for interest of the industry.• Training how to strengthen industry associations and membership-based organisations.
Training; management and financial skills	<ul style="list-style-type: none">• Training in management and financial reporting.• Support to develop and maintain documentation required to apply for funding or support programmes, work with more established organisations and grow the business.

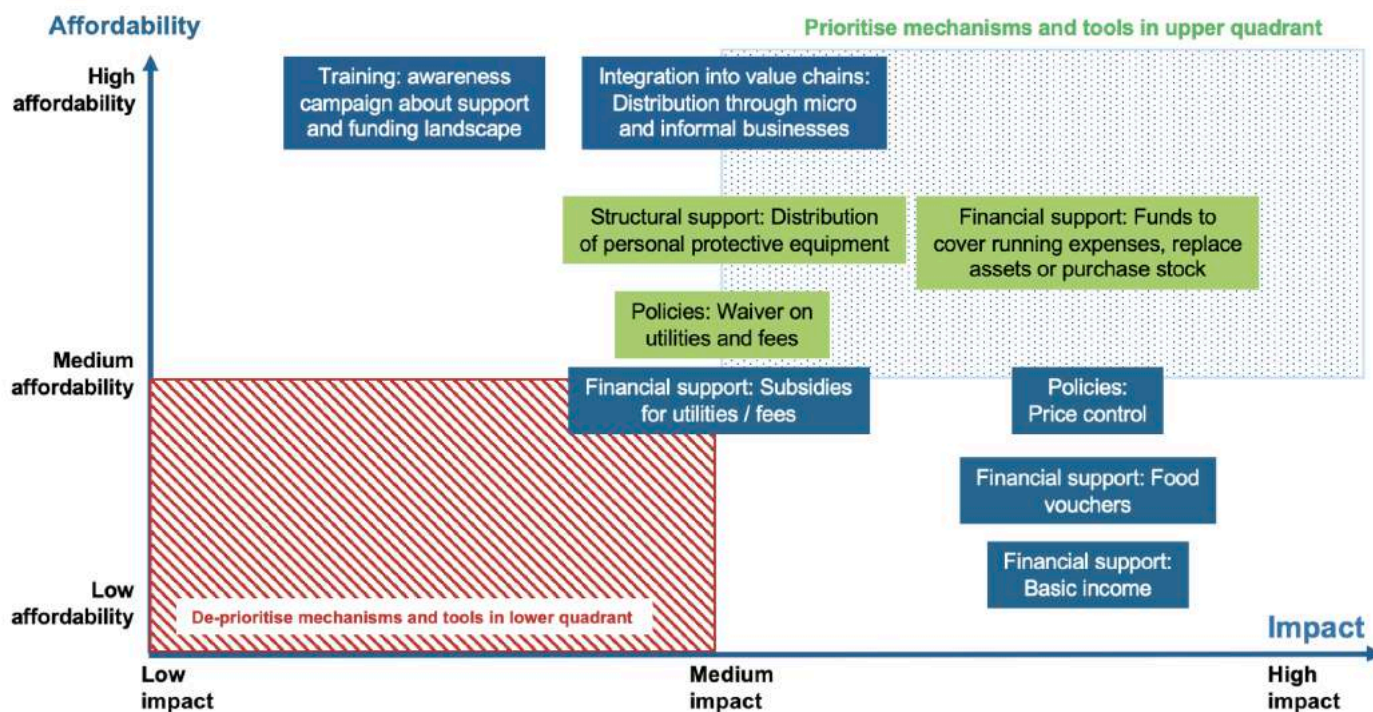
Evaluation of Most Affordable Mechanisms and Tools with Highest Impact

We have mapped all suggested short- and long-term support measures based on their affordability, overall costs for the mechanisms and tools if rolled out across the sector, as well as their impact, which is a combination of the reach and the positive impact these mechanisms can have on individual businesses (visualised in two graphs below). The ranking and evaluation of each mechanism and tool according to the three criteria outlined below informed the recommendations.

1. Medium to high impact at manageable costs.
2. Ability to pilot and rollout mechanisms in specific areas with selected stakeholders (and not requiring a national strategy or alignment from multiple departments like the basic income).
3. Focus on innovative solutions that address the changing economic environment during the pandemic, e.g. utilising digital tools and integrating businesses into existing value chains.

We recommend the following short-term mechanisms and tools highlighted in green in the graph:

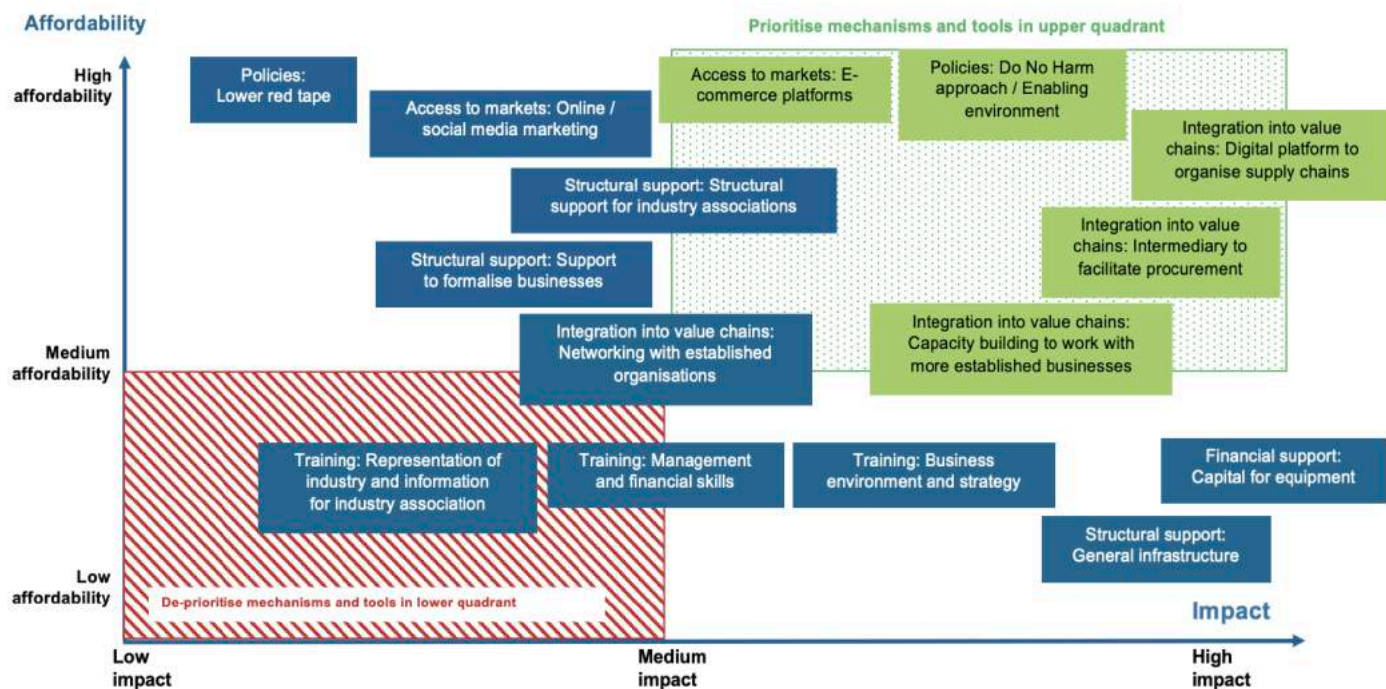
- Structural support: Distribution of personal protective equipment
- Financial support: Funds to cover running expenses, replace assets or purchase stock
- Policies and regulations: Waiver on utilities and fees



Graph 1: Ranking of short-term mechanisms and tools based on affordability and impact

We recommend the following long-term mechanisms and tools highlighted in green in the graph:

- Policies and regulations: “Do No Harm” approach / Enabling environment
- Marketing and access to markets: E-commerce platforms
- Integration into value chains: Digital platforms to organise supply chains
- Integration into value chains: Capacity building to facilitate access to market
- Integration into value chains: Intermediary to facilitate procurement



Graph 2: Ranking of long-term mechanisms and tools based on affordability and impact

NEXT STEPS

The steps outlined below will assist stakeholders who want to support micro and informal businesses in determining the specific areas and target groups to support, as well as the most appropriate mechanisms and tools. It also provides the necessary guidance on how to design programmes, plan for their implementation, and carry them out.

1 Identify specific municipalities or districts for interventions (keep in mind that businesses in more marginalised areas, esp. rural areas, require more support to benefit from digital solutions).

2 Understand the biggest needs of micro and informal businesses in the specific municipality and district based on segmented survey results and align it to the recommendations outlined in the reports produced for the District Development Models.

3 Select specific target groups and industries as a focus for interventions;

a. Based on their overall employment creation as well as the representation of female and young entrepreneurs: esp. trade and accommodation, community & social services, manufacturing.

b. With a focus on specific target groups, e.g. women, youth or rural businesses considering that the value of the mechanisms and tools outlined above is equally important for businesses across different segments.

4 Assess the resources you have to support the sector (finances, ability to inform or change policies and regulations).

5 Evaluate your capacity and expertise to support the sector (consider existing networks or new collaborations you can form).

6 Choose a mechanism and tool from the list above that is most aligned to the resources and capacities you and your partners can offer.

a. Financial support and funding require sufficient financial means and commonly the support of funding agencies or donors.

b. Policies and regulations require the lead by or an engagement of government agencies that are responsible for the respective policies and regulations.

c. Structural support and infrastructure require sufficient financial means and commonly the support of funding agencies or donors as well as the support of decision makers on a national or municipal level.

d. Access to markets and marketing - the focus on digital channels requires a partnership/ collaboration with a company that can develop or provide digital solutions.

e. Integration into value chains (capacity building of the sector) requires a collaboration with a range of businesses, including more established businesses in a specific municipality.

f. Training and information (capacity building of the entrepreneur) usually have lower entry barriers but might require a collaboration with stakeholders that have sufficient knowledge and experience.

7 Set objectives in relation to the reach of the specific mechanism and tool.

8 Develop an implementation plan, including a timeframe for the implementation of the specific mechanisms and tools and identify key risks and brainstorm mitigation measures in relation to the implementation (utilise guidelines outlined in annexure as a starting point).

9 Pilot the mechanism and tool with a subset of the target group within a time frame of four to eight weeks.

10 Evaluate the success of the pilot programme and incorporate required changes and make improvements into the implementation plan.

11 Rollout the mechanism and tool at a larger scale. At all times, we recommend to follow the guiding principles outlined in this report.



IMPLEMENTATION PLANS FOR MECHANISMS

The tables below outline key considerations for the implementation of each recommended mechanism and tool, including an estimation of the timeframe, resources required and a list of obstacles and key risks with potential mitigating measures.

Structural Support: Distribution Of Personal Protective Equipment

Key stakeholders	<ul style="list-style-type: none"> Business owners of micro and informal businesses to sign up for the programme; to indicate their need for specific PPE or additional equipment; to provide feedback how equipment was used Municipalities to co-ordinate the intervention, to fund or raise funds for PPE; to identify and contract companies responsible for supply and distribution; to provide storage for PPE Membership-based organizations, industry representatives to identify which PPE is required by which type of businesses; to provide register of businesses in specific area; to communicate how to use PPE and engage business owners to support the rollout of this intervention Police and law enforcement to support the rollout; to ensure PPE is not confiscate equipment from informal businesses Suppliers of PPE and sanitisers to produce or source equipment; to provide a plan how to ensure the sustainable supply of equipment (possibility to contract local SMMEs) Logistic companies to support the distribution, esp. across multiple municipalities on a regional or provincial level
Resources required	<ul style="list-style-type: none"> Funding (exact costs depend on needs of specific type of business and environment) PPE and sanitisers (efficient supply chain and affordable rates) Improvement of infrastructure to ensure healthy environment, e.g. ventilation in halls Distribution network Storage for business owners to reuse PPE and sanitizers
Process to implement	<ol style="list-style-type: none"> Collaborate with municipalities, industry associations and membership-based organisations to cluster businesses and identify the specific PPE needs they have Develop RFP, identify and contract companies for supply and distribution Engage business owners to understand their specific needs and follow a participatory approach Develop local databases of all micro and informal businesses that were active pre-Covid-19 and qualify for this support and discuss these with all stakeholders outlined above Open application for business owners to request and qualify for this support Engage industry organizations to distribute PPE to learn from their expertise and get their support Develop sector specific guidelines in multiple languages with relevant examples how to use PPE
Mitigating measures for key risk	<ul style="list-style-type: none"> Develop sector specific guidelines in multiple languages with relevant examples how to use PPE and sanitisers to prevent incorrect usage of PPE, esp. masks Engage membership-based organisations to learn from their expertise and get their support Focus delivery during peaks in specific areas and hot spots and provide specific and selected equipment to reduce costs Distribute through membership-based organisations and prioritise communication who qualifies for equipment and how it will be delivered to reduce risk of misuse of funds, e.g. delivery personnel will sell equipment to make money or vendors will sell instead of use it Inform business owners about their rights and strengthen relationships and collaboration between the sector and police so they can ask for help when customers refuse to use sanitisers, esp. when purchasing from outside stalls

Financial Support: Funds To Cover Running Expenses, Replace Assets Or Purchase Stock

Key stakeholders	<ul style="list-style-type: none"> - Business owners of micro and informal businesses to sign up for the programme; to document the scale or their loss of assets or stock as well as their difficulties to cover running expenses; to provide feedback how funding was used - Municipalities to co-ordinate the intervention, to fund or raise funds to provide support; to identify specific stores or wholesales in the case of vouchers - Membership-based organizations, industry representatives to identify which type and amount of funding is required by which type of businesses; to provide register of businesses in specific area (preferably with phone numbers to facilitate payment through mobile money); to support communication and awareness campaign encouraging business owners to apply - Police and law enforcement to support the rollout; to ensure no equipment or stock is being not confiscate from informal businesses
Resources required	<ul style="list-style-type: none"> - Funding (exact costs depend on needs of specific type of business and environment) - Distribution network
Process to implement	<ol style="list-style-type: none"> 1. Collaborate with municipalities, industry associations and membership- based organisations to cluster businesses and identify to which extent they have lost and need to replace stock 2. Engage business owners to verify information and follow a participatory approach 3. Develop local databases of all micro & informal businesses that were active pre-Covid-19 and qualify for this support and discuss these with all stakeholders outlined above 4. Open application for business owners to request and qualify for this support 5. Identify to which extent the funds can be paid out using mobile money or in the form of vouchers for specific stores 6. Distribute funds / vouchers 7. Monitor and evaluate to which extent business owners have used the funds to replace stock and how this has helped their business operations
Mitigating measures for key risk	<ul style="list-style-type: none"> - Focus on documentation and monitoring and reporting mechanisms to avoid misuse of funds by stakeholders involved in the distribution or businesses - Link distribution of funds to other support programmes that help businesses to continue operations until the economic conditions improve to avoid a later closure of businesses due to the Covid-19 pandemic - Combine efforts with programmes that help informal businesses increase their customer base to address increased competition in informal sector - Work with a wide range of suppliers and agree on reasonable price increases upfront to avoid dominance or monopoly of participating wholesalers, which can result in price control

Policies And Regulations: Waiver On Utilities And Fees

Key stakeholders	<ul style="list-style-type: none"> – Municipalities to provide legal environment and encourage landlords to reduce rental rates – Building owners (property owners, landlords) and organisations or associations managing premises frequently used by micro and informal businesses, e.g. Prasa to offer reduction of rental rates for a specific duration; to participate in negotiations to reduce rental rates in the long-term – Representatives of membership-based or industry associations as well as active community and ward councilors to support the negotiations between business owners and landlords
Resources required	<ul style="list-style-type: none"> – Reduction in rental payments while businesses are still negatively affected by the Covid-19 pandemic and related lockdown to accommodate low profit margins (suggestion at ~40%) – Option for waivers on some running costs other than rent, esp. for informal businesses (e.g. electricity and water bills, data costs, rent for equipment and machinery for businesses) – Stakeholder engagements with landlords to demonstrate how they will benefit if businesses survive in the long-term. This can be done by industry associations and municipalities – Long-term support for business owners to negotiate rental agreements and rates to ensure fair conditions, avoid unreasonable rent inflation and work towards a balance of power in the sector (particularly important in municipalities with rental rates significantly above national average)
Process to implement	<ol style="list-style-type: none"> 1. Business owners in communities sign a petition for rental reduction to submit and create awareness with industry associations and municipalities 2. Ward councilors engage industry associations, business owners and landlords to acknowledge the legitimacy/ existence of businesses (preferably for a minimum time frame, e.g. more than a year) 3. Ward councilors and representatives of industry associations engage landlords to discuss potential scenarios and how they will affect them, e.g. closure of businesses, loss of income due to changing tenants or proportional reduction of rent to ensure buy-in 4. Stakeholders are encouraged to sign agreements to formalise temporary agreements 5. The same process can be followed to negotiate long-term conditions
Mitigating measures for key risk	<ul style="list-style-type: none"> – Business owners receiving help from municipalities to drive the importance of landlord participation if landlords insist on business owners paying full rental fees – Engage banks to provide moratoriums to landlords in line with provisions made during the Covid-19 pandemic to avoid shifting the impact solely on landlords – Establish collaborations and support businesses to apply for support programmes if they feel discouraged and lack information how to access support – Investigations into businesses benefitting from interventions to address potential of corruption as fake businesses spring up in an effort to gain funding intended for business owner

Marketing And Access To Markets: E-Commerce Platforms

Key stakeholders cc	<ul style="list-style-type: none"> – DBSD or UNDP to plan, co-ordinate and implement the intervention; to identify or develop suitable e-commerce platform; to run a communication campaign to encourage micro and informal business owners to sign up; to run a marketing campaign to motivate customers to use the platform; to engage stakeholders on the ground to ensure their support – Technology start-up or companies that have developed and piloted e-commerce platforms to provide the solution; to adjust the solution to specific needs in the sector – Non-profit organizations to support the rollout; to highlight the benefits of the platform to business owners – Logistics and transportation companies to support platforms for smaller players and potentially accept lower payments or profitability to distribute products – Customers across multiple LSM groups to make use of online platforms for micro and informal businesses
Resources required	<ul style="list-style-type: none"> – E-commerce platform suitable to the needs and structures of informal & micro businesses – Awareness of marketing campaigns to reach more customers
Process to implement	<ol style="list-style-type: none"> 1. Identify and set up a digital platform / solution (preferable an existing digital solution provided by a technology start-up or company that is interested to collaborate) 2. Compile database of interested local businesses and onboard them and segment business owners according to industry, area and products or services offered 3. Engage existing, larger e-commerce platforms to identify to which extent they are interested to support such a platform or link it to their platform 4. Develop and invest in a marketing and communication campaign to reach more customers, esp. higher end LSM (potentially collaborate with larger corporates and businesses) 5. Develop logistic solution that speak to the structure of informal and micro businesses 6. Help business owners with the required documentation or registration required to join an e-commerce platform 7. Support businesses owners to set up their online platform, upload images and information about their products and services and list all information required
Mitigating measures for key risk	<ul style="list-style-type: none"> - Connect the digital solutions to mobile messages as a back end for business owners or employ ambassadors to assist with navigation of digital platforms as many business owners will not be able to navigate digital platforms - Allow for physical payment options and secure platforms to address mistrust of exchanging money on a digital platform - Set up WIFI hotspots in respective areas and intensify efforts of competition commission to ensure fair and transparent pricing to address high cost of data - Consider developing non-profit or CSI solutions that are tied to established platforms without being exposed to the same commission required from businesses to avoid platforms being monetised, which will push smallest and most vulnerable players out of the market – Connect or integrate solution with more established platforms and invest in marketing to reach customers who will use e-commerce platforms

Policies And Regulations: Do No Harm Approach / Enabling Environment

Key stakeholders	<ul style="list-style-type: none"> - Government departments (COGTA & DSBD) to engage responsible stakeholders across all levels - Municipalities and local authorities to develop a strategy in line with the national approach to micro and informal businesses; to engage law enforcement authorities and the police in this approach and intervention - Law enforcement and police to participate in events and engagement sessions with a focus on micro and informal businesses; to support the overall strategy to create an enabling environment for all businesses; to follow official rules and respect the rights of business owners; to monitor, investigate and penalise any wrong-doing; to ensure fines are reasonable for business owners - Industry associations and membership-based organisations to document any harassment or misconduct by law enforcement agencies and police; to engage media houses to raise awareness when rights of business owners are being compromised - Business owners to follow rules and regulations in specific municipalities and areas; to apply for required permits and documentation; to participate in engagement sessions - Researchers and academic institutions to conduct research on the sector; to document any harassment or misconduct by law enforcement agencies and police; to analyse when constitutional rights of business owners are not respected - Organizations or associations managing premises frequently used by micro and informal businesses to create an enabling environment; to ensure everyone's rights are respected
Resources required	<ul style="list-style-type: none"> - Official policies and regulations - Implementation plan how to ensure consistent rollout including the monitoring and evaluation of nation-wide policies and regulations - Content, resources and awareness material outlining the official position of the government, the role of the police and law enforcement as well as rights and responsibilities of informal business owners - Legal support to enable business owners to investigate and open cases if they encounter mistreatment or harassment
Process to implement	<ol style="list-style-type: none"> 1. Clarify the focus on enablement of the government, COGTA and DSBD by highlighting the relevance of the informal sector to employment creation and the local economy 2. Outline and emphasize the constructional rights of business owners in the informal sector 3. Engage local municipalities and members of law enforcement in the form of awareness campaigns, trainings, networking sessions etc. 4. Share information with business owners and representatives of the sector to create an awareness of their rights 5. Engage local stakeholders to reduce the fees payable to reclaim stock or equipment in case of confiscation (currently exceeding average weekly income of informal traders) 6. Allocate funds to build support structures (e.g. in the form of non-profit organizations) to protect business owners and support them when they face mistreatment
Timeframe	<ul style="list-style-type: none"> - Incorporate dialogue forum and engagement sessions with all relevant stakeholders to address lack of buy-in and support for these measures from stakeholders - Collaborate closely with local authorities to ensure all representatives understand official policies, regulations as well as their responsibilities. - Follow up and ensure disciplinary measures are put in place in individual cases of misuse of power. - Communicate and engage business owners to what extent they experienced confiscation of their stock or equipment and whether they were able to find and reclaim it to support them in preventing misuse of power - Share information with business owners and representatives of the sector to create an awareness of their rights - Conduct representative surveys and research projects to highlight the importance of informal businesses and all people working in the informal sector to the economy, employment creation and economic development on a municipality level

Integration Into Value Chains: Capacity Building To Work With More Established Businesses

Key stakeholders	<ul style="list-style-type: none"> - Governmental departments e.g. DSB and NYDA as well as municipalities and ward councillors to identify and formalise opportunities for collaborations, i.e. develop specific projects and RFPs, to integrate businesses into public sector value chain - Economic chambers to identify and onboard more established businesses that are interested to work with micro and informal businesses; to manage communication and collaboration with more established businesses - Industry associations and membership-based organisations to identify and onboard micro and informal businesses; to represent smaller and more vulnerable actors; develop training content in relation to the integration into value chains and adjust it to the needs of specific industries, areas or demographic groups of entrepreneurs; to evaluate and update training content; to identify and onboard experienced entrepreneurs or mentors to facilitate trainings - Business owners to develop an understanding of their gaps and needs to become integrated into value chains; to participate in programmes and utilise resources to capacitate their businesses - Mentors (experienced business owners) to coach smaller entrepreneurs how to work with more established businesses
Resources required	<ul style="list-style-type: none"> - Networking to connect business owners and share insights, advice and experience - Training and workshops to share skills and knowledge (Fundraising and lobbying skills, money management and investment, rights and obligations (e.g. land rights) - Resources and information accessible to businesses, e.g. on online portals, in the form of pamphlets or through local libraries
Process to implement	<ol style="list-style-type: none"> 1. Compile a database of interested local business owners who can be linked with experienced business owners as mentors 2. Set up networking events via online platforms such as Zoom, WhatsApp or Facebook with local business owners where resources and information material are shared 3. Consult local business owners of established and sustainable businesses to share essential information and encouragement with new business owners 4. Offer short educational programmes via online platforms provided by relevant government departments to educate business owners on their legal obligations and rights
Mitigating measures for key risk	<ul style="list-style-type: none"> - Consult local businesses to develop a list of content for resources and training programmes and incentivise participation by providing information about business opportunities - Effort should be made to engage community members and be transparent, especially with the youth to avoid potential of programmes being taken over to further political agendas within local government - Engage established business owners in content development and facilitate conversations with entrepreneurs who have practical experience in a similar environment to ensure content is useful and practical - Link programmes and trainings to existing opportunities, contracts, funding opportunities or other structural support for businesses to increase the likelihood that training and support efforts will result in opportunities - Provide data for participants, educate individuals how to conduct virtual meetings (preferably from government department providing training)

Integration Into Value Chains: Intermediary To Facilitate Procurement

Key stakeholders	<ul style="list-style-type: none"> - DBSD or UNDP to plan and implement the programme; to manage relationships between businesses; to onboard digital solutions and financial institutions - Wholesalers and suppliers to participate in the programme by offering micro and informal businesses to buy in bulk, on discount, credit and offer delivery or distribution where possible - Representatives of industry associations, membership-based organisations or community leaders to identify local businesses that are interested and onboard them; to run the communication campaign to highlight the advantages of the solution and encourage business owners to join; to co-ordinate logistics and transportation - Potentially: Technology or digital start ups / companies that are focusing on providing these solutions to include a digital tool when offering the solution - Potentially: financial institutions (banks or microlenders) to provide credit; to build up credit score for micro and informal businesses through the purchases; to facilitate purchases
Resources required	<ul style="list-style-type: none"> - Multipliers / agents that engage business owners to inform them about the value of this programme, how to participate and gather required information - Strong relationships and collaboration with wholesale stores (establish some initial partnerships to launch pilot programmes) - Communication campaign (advertising in taxi ranks with the use of banners and leaflets to disseminate information, esp. in rural areas; social media; WhatsApp groups) - Monitoring and management of relationships by government representatives
Process to implement	<ol style="list-style-type: none"> 1. Compile database of interested local businesses and onboard them 2. Identify interested wholesalers and suppliers and establish relationships 3. Segment business owners according to industry, area, type & quantity of stock required 4. Engage all stakeholders and support business owners to negotiate agreements for bulk buying, discounts and provision of credit 5. Provide template contracts that stakeholders can use to formalise agreements 6. Co-ordinate involvement of financial institutions to offer credit to business owners 7. Potentially: include digital tools to communicate with business owners and manage their orders
Mitigating measures for key risk	<ul style="list-style-type: none"> - Highlight the potential for suppliers to increase their sales if they agree to specific conditions of bulk buying and engage a range of businesses to build partnerships which can be used to showcase the benefit for suppliers to overcome potential lack of interest on the side of the wholesalers - Work with a wide range of suppliers and agree on reasonable price increases upfront to prevent dominance or monopoly of participating wholesalers, which can result in price control - Engage business owners and address their concerns in a transparent and empathetic manner, highlight the benefits of formalisation to the owners and educate business owners about tax breaks to address misperceptions in relation to formal requirements

Integration Into Value Chains: Digital Platforms For Suppliers

Key stakeholders	<ul style="list-style-type: none"> - DBSD or UNDP to plan, co-ordinate and implement the intervention; to identify or develop suitable digital platform; to identify suitable companies to facilitate logistics and supply chains; to run a communication campaign to encourage micro and informal business as well as suppliers to sign up - Technology start-up or companies that have developed and piloted digital platforms for suppliers to provide the solution; to adjust the solution to specific needs in the sector; manage the solution and support micro and informal businesses to use it - Representatives of industry associations, membership-based organizations or community leaders to identify local micro and informal businesses that are interested to participate in the programme; to encourage business owners to sign up and formalise their businesses in the process; to onboard and co-ordinate multipliers / agents / ambassadors as physical contact to help-business owners to use the solutions - Wholesalers and suppliers to participate in the programme by offering micro and informal businesses to buy in bulk, on discount, credit and offer delivery or distribution where possible - Non-profit organisations to support the rollout; to highlight the benefits of the platform to business owners - Logistics and transportation companies to co-ordinate and manage the distribution
Resources required	<ul style="list-style-type: none"> - Mobile data to interact with suppliers via digital channels (preferably more affordable platforms such as WhatsApp or Facebook) - Training - if needed - on how to use digital platforms for stock purchases - Agents of multipliers that approach business owners and support them in the usage of digital platforms, especially for demographic groups and remote areas where business owners lack data, skills or don't have suitable phones to use a digital platform - IT/ technology companies to set up and manage digital platforms and interactions with suppliers (platform needs to be as simply as possible and connect WhatsApp, Facebook or even messages as back end for the business owners)
Process to implement	<ol style="list-style-type: none"> 1. Identify and set up a digital platform / solution (preferable an existing digital solution provided by a technology start-up or company that is interested to collaborate) 2. Compile database of interested local businesses and onboard them and segment business owners according to industry, area and type and quantity of stock required 3. Identify interested wholesalers and suppliers 4. Negotiate agreements for bulk buying, discounts and provision of credit 5. Arrange transport and delivery of stock 6. Launch digital platforms for suppliers and begin a gradual shift of communication between suppliers and business owners within the digital space 7. Provide training how to use the digital platforms 8. Recruit, onboard and co-ordinate agents or multipliers to approach businesses owners in specific areas
Timeframe	<ul style="list-style-type: none"> - Respected members of community to reassure business owners of the long-term benefits involved via communication campaigns and outreach programmes to address reluctance of business owners to use digital processes - Stakeholders to host engagements with local business owners and highlight the benefits of working together along with the projected improved profit margins.



THE NEED OF A STUDY FOCUS ON MICRO AND INFORMAL BUSINESSES

Matrix On Recent Studies Or Publications On The Impact Of The Covid-19 Pandemic On Micro And Informal Businesses In South Africa

Organisation	Research / study / publication	Methodology	Insights provided	Open questions for this research
Nationally representative survey providing insights on the informal sector				
Allan Gray Orbis Foundation [funding agency]. Southern Africa Labour and Development Research Unit [implementer]. Data First [distributor]	South African National Income Dynamics Study Coronavirus Rapid Mobile Survey; nationally representative survey (NIDS-CRAM survey)	1.	Wave 1: 7000 telephone interviews between May and June 2020	<ul style="list-style-type: none">• More detailed insights generated from longer interviews• Focus on the recovery of businesses from the Covid-19 pandemic• Detailed understanding of support required by entrepreneurs
		2.	Wave 2: 5600 telephone interviews between July and August 2020	
Michael Rogan, and Caroline Skinner	The COVID-19 crisis and the South African informal economy: 'Locked out' of livelihoods and employment (15.7.2020)	NIDS-CRAM survey Wave 1	<ul style="list-style-type: none">• A review of evidence of the impact of previous economic crises on informal employment• Quantitative insights about the impact of Covid-19 analysed by gender• Analysis of individuals "locked out" of the economy• Policy recommendations, incl. specific mechanisms	<ul style="list-style-type: none">• Progress and recovery of individuals since June 2020
Miracle Benhura and Prudence Magejo	Differences between formal and informal workers' outcomes during the COVID-19 crisis lockdown in South Africa	NIDS-CRAM survey Wave 2	<ul style="list-style-type: none">• Analysis of labour market outcomes split by demographic groups	<ul style="list-style-type: none">• Focus on micro and informal businesses
Ronak Jain, Ihsaan Bassier, Amherst, Joshua Budlender, Amherst, Rocco Zizzamia	The labour market and poverty impacts of COVID-19 in South Africa: An update with NIDS-CRAM Wave 2	NIDS-CRAM survey Wave 2	<ul style="list-style-type: none">• Impact of Covid-19 on poverty and employment• Impact on labour market split by formal and informal sector	<ul style="list-style-type: none">• Focus on micro and informal businesses (not sector overall)
Surveys and analysis of informal businesses / workers on an international scale				
WIEGO and partner organizations representing informal workers in 12 cities, incl. Durban	COVID-19 Crisis and the Informal Economy: Informal Workers and the Social Protection Response to COVID-19: Who got relief? How? And did it make a difference?	Telephonic interviews in 12 cities	<ul style="list-style-type: none">• Quantitative insights about the impact of Covid-19• Quantitative evaluation of the reach of relief schemes• High level policy recommendations• International comparison	<ul style="list-style-type: none">• More detailed insights generated from longer interviews• Detailed understanding of support required by entrepreneurs
WIEGO	Responses to the coronavirus pandemic to protect informal workers (2020)	Database with lists of mechanisms and tools implemented by state and workers' organisations to support informal workers	<ul style="list-style-type: none">• Comprehensive overview of mechanisms and tools utilised to support informal workers across the globe• Categorisation of the type of programme and anticipated impact	<ul style="list-style-type: none">• Analysis of most suitable mechanisms and tools in the South African context
Case studies and expert insights				
The Centre for Development and Enterprise	South Africa's informal sector in the time of Covid-19 (August 2020)	Expert input and review of previous research about the informal sector during economic crisis	<ul style="list-style-type: none">• Overview of the structure of the sector in South Africa• Qualitative evaluation of the impact of Covid-19 on different types of businesses• Comparison with the financial crisis• High level policy recommendations	<ul style="list-style-type: none">• Quantitative assessment or analysis of the impact and experience of entrepreneurs
Schwettmann	COVID-19 AND THE INFORMAL ECONOMY Impact and Response Strategies in Sub-Saharan Africa (August 2020)	Country case studies in Sub-Saharan Africa	<ul style="list-style-type: none">• Comparison of South Africa's response in relation to other Sub Sahara African countries• High level policy recommendations	<ul style="list-style-type: none">• Primary research• Specific recommendations
Marc C. A. Wegerif	"Informal" food traders and food security: experiences from the Covid-19 response in South Africa (2020)	Ongoing research: telephonic discussions and online communications with key informants and existing research participants.	<ul style="list-style-type: none">• Qualitative insights into the experience of informal traders• Overview of the role and importance of informal traders to food security	<ul style="list-style-type: none">• Broader focus on multiple themes affecting the informal sector in longer interviews
Surveys and studies of the SMME sector in South Africa				
StatSA (April 2020)	Data collection: Selection of the largest surveys on SMMEs during the pandemic	Two surveys in April (beginning of April with 707 and end of April with 2182 business)	<ul style="list-style-type: none">• Analysis of drop in revenue and staff layoffs	<ul style="list-style-type: none">• Focus on micro and informal businesses, which were deprioritised in the surveys with SMMEs• Quantitative insights on an aggregative level
SASFI (April 2020)		Survey with 1000 SMMEs	<ul style="list-style-type: none">• Analysis of impact and update and reach of relief fund	
Heavy Chef Combat Covid (April 2020)		Survey with 2280 SMMEs	<ul style="list-style-type: none">• Analysis of impact and update and reach of relief fund	
SASFA (May 2020)		Survey with 2300 SMMEs	<ul style="list-style-type: none">• Analysis of drop in revenue, staff layoffs, reach of relief fund and digital uptake	
SASFA (May 2020)		Survey with 1000 SMMEs	<ul style="list-style-type: none">• Analysis of impact and update, reach of relief fund and digital uptake	
NEDBANK (May 2020)		Survey with 1000 SMMEs	<ul style="list-style-type: none">• Analysis of impact and update and digital uptake	
ISI (May 2020)		Survey with 1800 SMMEs	<ul style="list-style-type: none">• Analysis of drop in revenue and staff layoffs	
Redflank (June - August 2020)		Survey with 659 SMMEs		
TransUnion (July 2020)	Covid-19: the impact on small businesses and gaps in current solutions	Survey with 233 entrepreneurs from 6 provinces and 17 industries	<ul style="list-style-type: none">• Overview of availability, awareness of and uptake of support programmes• Analysis of gaps in support programmes• High level policy recommendations	<ul style="list-style-type: none">• Understanding of specific support mechanisms and tools required
www.fundingthelockdown.live				
www.phaphamasedi.co.za				

In addition, multiple newspapers, magazines, or research companies have conducted sporadic surveys on a smaller scale as part of publications about micro and informal businesses, e.g. the Mail & Guardian chronicles, Maverick Citizen Op-Ed.

OPPORTUNITIES IN TECHNOLOGY AND DIGITALISATION

Technology companies / start-ups that have developed specific solutions to support the sector

Customer relationships and channels
Aggregator platforms facilitating e-commerce



- Developed a platform, called the local store connector, to support small and micro business to take online orders and tell customers that they are open for business during lockdown
- Adjusted platform to needs of micro and informal retailers, who can easily register online
- Customers shop on the platform and order via E-Mail or WhatsApp message to collect or receive a delivery currently from > 1000 retail stores, mainly offering food
- Enables informal traders to register their stores and apply for trading license to support government's efforts to formalise the sector



- Launched an online platform to connect homeowners and business owners with freelance taskers to provide services
- Freelancers are added to the platform after their online application form has been approved successfully



- Develop a digital marketplace for small businesses to advertise their offers
- Offers consulting and advisory service on documentation and how to navigate international trade
- Traded in Ghana, Nigeria, Tanzania, South Africa, and Kenya.
- Note; This app is focused on SMMEs and provides an opportunity for larger informal businesses that want to formalise or fast growing micro businesses.



- Offers point of sales as stand-alone hardware or connected to mobile phones
- Also helps businesses to accept card payments on their websites and send payment links to customers
- Covers over 70 000 small businesses in South Africa
- Uses network to collect data and provide insights into the SMME sector



- Offers card machines and software as point of sales for small entrepreneurs
- Machines allow retailers to sell prepaid products
- Supports businesses to access cash and loans to grow their businesses
- >20 000 monthly app users



- Provides point-of-sale terminals to sell digital products such as electricity and airtime to >3 000 entrepreneurs
- Supports entrepreneurs to log transactions and improve stock management and business intelligence
- Offers loans of up to R50,000 to purchase technology and invest in business
- Enables business owners to establish Wi-Fi hotspots at their stores



- Developed a digital platform to enable stores as well as street traders to securely sell everyday groceries and virtual products like airtime and data
- Offering branded point of sale tablets and user interface as core product as well as vehicles and uniforms, to broadsheets, a website, marketing collateral and training material
- Incorporating a rewards ecosystem on the principles of sharing and connecting



- Produces hardware and applications for affordable and safe payment system for informal traders utilising multiple technology platforms and channels
- Leverages formal retail partner networks to market and distribute its products utilising its membership in the Pepkor Holdings



- Developed a trading platform that supports stock management and cash management facilitating easier calculations and reporting
- Allows retailers to sell digital products such as airtime, electricity, utility bills, bus tickets and Lotto tickets
- Aims to professionalise informal traders and establish credit profiles to support formal trading

Add-on: Credit scores



- Offers retail point-of-sale solution connected to an interoperable merchant wallet to facilitate payments on mobile devices
- Connects merchants and distributors and global service providers to provide digital banking, mobile, utility and entertainment services
- Launched an embedded supply chain financing solution for stock for general trade and supports members to get working capital loans
- Incorporates data analytics to provide customer insights for retailers and support the deployment of business banking products and alternative banking channels
- Works with financial service providers to onboard low cost business customers
- Was founded in 2010 and has received ~R60 M investment from Standard Bank for an undisclosed stake (Ventureburn, 2019)

Digital platforms facilitating saving



- Developed a technology platform to help banks & telecommunication companies to offer affordable digital banking and payment solutions to small businesses
- Lowered the costs for client acquisition, onboarding and distribution to open banks to the informal sector
- Launched a micro-transaction platform generating a QR code for street vendors or car guards to accept payment through Zapper or SnapScan



- Online stokvel management system providing a group-based micro-working capital finance platform for female informal traders
- Enables members to access credit to support their businesses and buy stock, create more predictable income, achieve returns from investments



- Provides innovative solutions to spaza shops
- Enables access to stock, mainly in the form of credit lines by large FMCG manufacturers
- Provides cash and credit service offerings using an innovative approach for the owner to build a credit score trading in cash
- Achieves lower prices and bulk discounts with suppliers through a micro distribution model
- Developed logistical solutions and delivers directly to the shops having onboarded vehicle owners for last-mile distribution (owners can order stock through drivers as well)



- Developed a mobile app for small retailers to order stock at affordable prices and get goods delivered to store
- Helps owners to compare prices, manage their inventory as well as their business management



- Developed a sales app to connect spaza shops or micro-retailers with established brands and distributors
- Supports spaza shops to research products, compare prices and purchase products at affordable rates





- Developed a platform enables spaza shops to order stock and benefit from bulk savings
- Links virtual wallet payment system and supports business owners to build credit profiles
- Integrated an interface for consumers to buy cashless and redeem discount coupons
- Delivers stock through centralised warehouse and micro distribution centres in communities
- Also provides basic business training to Informal business owners to help them to make a profit and to become sustainable
- Works with manufacturers to test new products in informal and micro retail stores and provide insights about their performance



IMPORTANT STAKEHOLDERS RELEVANT TO THE DEVELOPMENT OF MICRO AND INFORMAL BUSINESSES

Businesses And Organisations In The Private Sector

Focus (Geographically)	Focus (Industry)	Organisation	Description
South Africa	Across sectors	Black Business Council (BBC)	The Black Business Council (BBC) is an independent membership based organisation representing professional, business associations and chambers. Their purpose is to advocate for transformation of the South African economy, through aggregation and amplification of member opinion, thought leadership and policy change, in order to achieve meaningful and inclusive economic growth. (http://blackbusinesscouncil.africa/)
South Africa	Across sectors	Business Leadership South Africa (BLSA)	Business Leadership South Africa (BLSA) is an independent association whose members include the leaders of some of South Africa's biggest and most well-known businesses. Through this forum, South Africa's business leaders engage key players in South African society, including government, civil society and labour, to exchange ideas in the national interest and to create effective dialogue. The purpose is to build an environment in which globally competitive and national responsible companies can prosper. (https://www.blsa.org.za/)
South Africa	Across sectors	Business Unity South Africa (BUSA)	First representative and unified organisation for business in South Africa. Today, through its extensive membership base, BUSA represents the private sector being the largest federation of business organisations in terms of GDP and employment contribution. (http://busa.org.za/)
South Africa	Across sectors	Industrial Development Corporation (IDC)	The Industrial Development Corporation is a national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa, and to the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens. The IDC achieves this by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles. (https://www.idc.co.za/)
South Africa	Across sectors	Labour and Employment Relations Association of South Africa (LERASA)	The association facilitates an ongoing forum for constructive relationship building to deal with themes of relevance to the South African Employment Relations community and to enhance the understanding, knowledge and practices of Employment Relations at National, Regional and branch levels in South Africa. (https://www.lerasa.org.za/)
South Africa	Across sectors	National Business Initiative (NBI)	The National Business Initiative (NBI) is a voluntary coalition of South African and multinational companies, working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business action. Since its inception in 1995, the NBI has made a distinct impact in, amongst others, the spheres of housing delivery, crime prevention, local economic development, public sector capacity building, further education and training, schooling, public private partnerships, energy efficiency and climate change. The NBI's strategy is addressing issues of Economic Transition and Social Transformation through Thought Leadership, Capacity Building and Collective Action programmes and projects. (https://www.nbi.org.za/)
South Africa	Across sectors	National Empowerment Fund (NEF)	The National Empowerment Fund (the NEF) is a driver and thought leader in promoting and facilitating black economic participation by providing financial and non-financial support to black-owned and managed businesses, and by promoting a culture of savings and investment among black people. (https://www.nefcorp.co.za/)
South Africa	Across sectors	South African Chamber of Commerce and Industry (SACCI)	SACCI's vision is to be the voice and preeminent business chamber organisation, by offering superior value to its stakeholders, lobbies for and represents the collective interests, domestic and foreign, of South African businesses. Their mission is to effectively protect and promote the interests of business, including micro and informal businesses on municipality level. (https://sacci.org.za/)
South Africa	Across sectors	The Partnering Initiative (TPI)	The 'Partnering with Governments' (PwG) programme was developed to explore how to build the capacity of business and government in Sub-Saharan Africa to collaborate more effectively in addressing sustainable development challenges. (https://thepartneringinitiative.org)

Focus (Geographically)	Focus (Industry)	Organisation	Description
South Africa	Agriculture	Food and Allied Workers Union (FAWU)	The Food and Allied Workers Union (FAWU) is a trade union in South Africa. It was formed through the amalgamation of the Food and Canning Workers' Union, the Sweet, Food and Allied Workers' Union and the Retail and Allied Workers' Union and currently has >22,000 members. http://www.fawu.org.za/sa/)
		KZN Subsistence Fishermen's Forum (KZNSFF)	The KwaZulu Natal Subsistence Fishermen Forum has 12,000 members and is a registered non-profit organisation representing the subsistence fisherfolk of KwaZulu-Natal. Its mission is to strengthen livelihoods and enhance food security by improving fisheries to benefit the poorest of the poor, men, women and children. https://risingsunchatsworth.co.za/162562/join-the-kzn-subsistence-fisher-forum/)
South Africa, Western Cape		Sikhula Sonke Trade Union	Sikhula Sonke, meaning we grow together (isiXhosa) works with farm dwellers, mainly in the Western Cape Province. Sikhula Sonke is a women-led trade union, established in 2004. Sikhula Sonke is a member's driven organisation with the overall mission to empower and to serve farm women. The establishment of Sikhula Sonke represents an organic development flowing from the mobilisation work by the women on Farms Project (WFPP). https://projects.ituc-csi.org/sikhula-sonke)
South Africa		South Durban Community Environmental Alliance (SDCEA)	South Durban Community Environmental Alliance (SDCEA) is an environmental justice organisation based in South Durban, South Africa. It is made up of 19 affiliate organisations and has been active since its formation in 1995. It is a non-government organisation existing solely on finances sourced from funders and sponsors in order to remain totally independent. It makes no profit and exists solely for the benefit of the people it represents. https://sdcea.co.za/about/)
	Community care workers	National Education, Health and Allied Workers' Union (NEHAWU)	NEHAWU was founded in 1987 by workers from the Education, Health, Government and Social Welfare sectors. NEHAWU struggles for union recognition, a living wage and a free and democratic South Africa. With a membership of 235000 it is the largest public sector union in the country. https://www.nehawu.org.za/)
	Home-based work (mostly)	South African Self Employed Women' Association (SASEWA)	SASEWA was founded in 2009 in KwaZulu Natal when there was a need for informal workers, such as street vendors and home-based workers to have their rights represented. SASEWA provide access for women to other organisations which offer facilities such as skills training, credit and loan facilities, legal assistance, health advice and assistance, relief counselling for survivors of violent attacks, incl. rape. https://streetnet.org.za/2012/07/23/sasewa-empowering-women-informal-workers/)
		Self-Employed Women's Union (SEWU)	SWEU is an independent trade union established in 1993 to and represents the interests of self-employed and survivalist women engaged in the informal sector of the South African economy. SEWU's main goal is the empowerment of self-employed women to organize themselves to demand recognition and support for the work they do. Members work in multiple sectors, in both rural and urban areas. https://wri-irg.org/en/nonviolence/nvse18-en.html#:~:text=Introduction,of%20the%20South%20African%20economy)
	Migrant workers	Migrant Workers Association South Africa (MWA-SA)	Non-profit association that aims to mobilise, organise and advocate for migrants workers' rights in Southern Africa. http://www.migrantworkersassociation.org)
		The Migrant Workers Union of South Africa (MIWUSA)	Non-profit advocacy group to help migrants in South Africa enjoy decent working conditions. https://www.facebook.com/MigrantWorkersUnion/)
	Retail and textile workers	South African Commercial, Catering and Allied Workers Union (SACCAWU)	SACCAWU organises members to regulate relations with Employers, and to protect workers' interests. Further, the aim is to improve wages and working conditions and to resist retrenchments and fight for full employment and job security. https://www.saccawu.org/)
		Southern African Clothing and Textile Workers' Union (SACTWU)	The Southern African Clothing and Textile Workers' Union is the biggest union in the South African clothing, textile, footwear and leather industry, with more than 100,000 members. Key services include collective bargaining, job security and member benefits. https://www.devex.com/organizations/the-southern-african-clothing-and-textile-workers-union-sactwu-53285)
	Street Vendor & informal traders	Johannesburg Informal Traders Platform (JIITP)	The JIITP is an organisation with >1,800 members, which was formed by the leaders of seven organisations within the Johannesburg Metro areas.
		South African Informal Traders' Alliance (SAITA)	The South African Informal Traders Alliance (SAITA) is a non-governmental organisation for all informal traders, micro-businesses and traders' organisations in South Africa. They aim to be the definitive voice for informal trade in the country and unify all stakeholders in the sector. They believe that informal traders should have a say in the creation of policies that will affect and benefit them. The organisation brings together informal traders from across the country to create a national network of traders and trader's organisations who will speak as one among key industry role players and government. https://www.facebook.com/SAinformalTraders/)
	Transportation (incl. taxi drivers, conductors and washers)	Motor Transport Workers' Union (MTWU)	MTWU protects their members against exploitation and job losses and aims to secure decent work and fair treatment of its members. http://www.mtwu.co.za/)
		South African Transport and Allied Workers' Union (SATAWU)	SATAWU organises workers in the transport sector as well as security and cleaning companies. The sectors include railways, harbours, parastatals, aviation, passenger transport (buses and taxis) freight (trucking), contract, cleaning and security. It was founded in May 2000 and has a membership of 200,000. https://www.satawu.org.za/)
	Waste pickers	African Reclaimers Organisation (ARO)	African Reclaimers Organisation (ARO) is a Johannesburg based organisation of informal reclaimers who collect recyclables from Johannesburg's streets and landfills representing an estimated 6,000 reclaimers in the city with plans to expand into other regions. African Reclaimers Organisation is a Not for Profit, member-directed organisation, representing informal recyclers. https://www.facebook.com/africanreclaimers/
		South African Waste Pickers' Association (SAWPA)	SAWPA promotes, defends and protects the interests and rights of people working on waste dumps and in the streets collecting and selling waste. SAWPA is an organisation of more than 1,100 registered waste pickers in all 9 provinces in South Africa. SAWPA is based on waste dump sites and on streets in cities across the country, with all members involved in collecting and selling waste as a livelihood strategy. They divert and recycle materials such as organics, plastic, cardboard, paper, metals away from waste dumps, where good material becomes waste and result in increased greenhouse gas emissions and worsening impacts of climate change. https://infrastructurenews.co.za/2019/08/29/waste-pickers-a-decade-of-successful-struggle/#:~:text=SAWPA%20is%20an%20organisation%20of,through%20the%20informal%20waste%20sector)

GLOSSARY

EXECUTIVE SUMMARY

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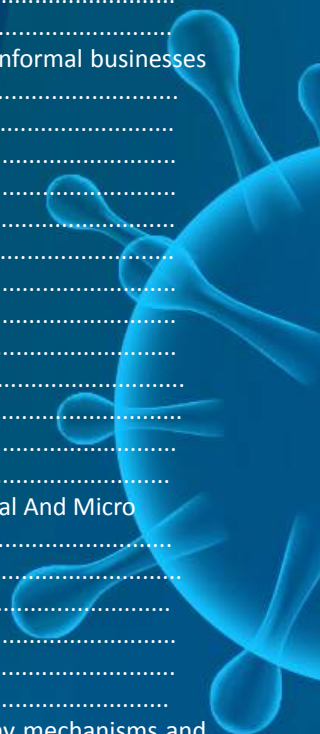
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In relation to the geographic area, businesses in cities were the most affected, with the lowest utilisation rate of 21% during the lockdown until July 2020 and the highest revenue decline of 82% during lockdown level 5. They recovered faster, however, and had the lowest revenue decline of 37% in February 2021; this trend was reversed for businesses in rural areas. The reduction of businesses offering employment was highest in townships and informal settlement at 9% and above average in rural areas or villages at 7%.....	
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Existing Funding Offered By Banks Or The Corporate Sector	
Existing Funding Offered By Bi- Or Multilateral Organisations	
Funding By Development Agencies And International And Local Non-Profit Organisations	
Existing Funding Through Microloans Or -Credits	
New Funding Opportunities And Partnerships For The Sector:	
New Opportunities By The Government And Municipalities	
Incubators Focusing On Micro And Informal Businesses.....	
Opportunities To Grow Microfinance In South Africa.....	
Digital And Tech Start-Ups Supporting The Sector.....	
RECOMMENDATIONS.....	
Concrete and Innovative Mechanisms and Tools for Supporting Micro or Informal Businesses.....	
Guiding Principles On How To Approach The Implementation Of Support Mechanisms And Tools For Informal And Micro Businesses.....	
Develop a Better Understanding and Create a Database of Micro and Informal Businesses.....	
Engage All Stakeholders Relevant to the Sector to Avoid a Narrow or Biased Approach.....	
Ensure Full Transparency and Integrity to Build and Maintain Trust in All Mechanisms and Tools.....	
Provide Resources to Ensure Members of the Sector Can Represent Informal and Micro Businesses.....	
Be Mindful of Biased Decision Making or the Misuse of Power at All Levels.....	
Consider and reflect on the interests and incentives of all members involved in the implementation of any mechanisms and tools and include rigorous monitoring and evaluation tools to ensure that any assistance reaches business owners.	




Seek and Establish Partnerships and Incorporate Existing Solutions that Have Been Piloted in the Sector.....	
Conduct background research to determine which programmes, interventions, digital or technological solutions have been developed and piloted in the sector in order to learn from existing knowledge, experience, and insight and to focus on scaling rather than re-inventing best demonstrated practices.....	
Short-Term Measures Facilitating Survival and Recovery.....	
Short-term Measures: Financial Support and Funding.....	
Short-Term Measures: Policies and regulations.....	
Short-Term Measures: Structural support and infrastructure.....	
Short-term Measures: Integration into value chains (capacity building of the sector).....	
Short-term Measures: Training and information (capacity building of entrepreneurs).....	
Long-Term Measures Enabling Sustainable Growth.....	
The long-term measures outlined below are intended to strengthen micro and informal businesses over the course of more than a year. While these mechanisms and tools are unlikely to provide immediate relief or rapid changes, they have the potential to improve the situation and contribute to the long-term growth of micro and informal businesses.....	
Long-term Measures: Policies and regulations.....	
Long-term Measures: Financial support and funding	
Long-term Measures: Structural support and infrastructure	
Long-term Measures: Access to markets and marketing.....	
Long-term Measures: Integration into value chains (capacity building of the sector).....	
Long-term Measures: Training and information (capacity building of entrepreneurs).....	
Evaluation of Most Affordable Mechanisms and Tools with Highest Impact.....	
Structural Support: Distribution Of Personal Protective Equipment.....	
Financial Support: Funds To Cover Running Expenses, Replace Assets Or Purchase Stock.....	
Policies And Regulations: Waiver On Utilities And Fees.....	
Marketing And Access To Markets: E-Commerce Platforms.....	
Policies And Regulations: Do No Harm Approach / Enabling Environment.....	
Integration Into Value Chains: Capacity Building To Work With More Established Businesses.....	
Integration Into Value Chains: Intermediary To Facilitate Procurement.....	
Integration Into Value Chains: Digital Platforms For Suppliers.....	
THE NEED OF A STUDY FOCUS ON MICRO AND INFORMAL BUSINESSES	
Matrix On Recent Studies Or Publications On The Impact Of The Covid-19 Pandemic On Micro And Informal Businesses In South Africa.....	
IMPORTANT STAKEHOLDERS RELEVANT TO THE DEVELOPMENT OF MICRO AND INFORMAL BUSINESSES.....	
Businesses And Organisations In The Private Sector	
Important Stakeholders Representing Or Focusing On Micro And Informal Businesses.....	
Membership-Based Organisation	
Networks (Networks Of Different Types Of Organisations).....	
Governmental Organisations / Entities (National Governmental Level).....	
Governmental Organisations And Municipalities (Local Governmental Level).....	
Intergovernmental Organisations.....	
Non-Profit Organisations Focusing On The Sector.....	
Other.....	

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