



**small business
development**

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

PROGRAMME GUIDELINES

Shared Economic Infrastructure Facility (SEIF)

A Sub-Programme of the Black Business Supplier Development Programme (BBSDP)

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Glossary of Terms

AC	Adjudicating Committee
BBSDP	Black Business Supplier Development Programme
IGLU	Incentives, Grants & Loans Unit
IPAP	Industrial Policy Action Plan
NDP	National Development Plan
NIBUS	National Informal Business Upliftment Strategy
NIPF	National Industrial Policy Framework
PFMA	Public Finance Management Act
SARS	South African Revenue Services
SEIF	Shared Economic Infrastructure Facility
SMME	Small, Medium and Micro Enterprises
DSBD	Department of Small Business Development
VAT	Value Added Tax

1. Overview

- 1.1 Department of Small Business Development (DSBD) has initiated the Shared Economic Infrastructure Facility (SEIF), a sub-programme of the Black Business Support Development Programme (BBSDP) aimed at assisting black-owned small enterprises in improving their competitiveness and sustainability, in order to become integrated into the main economy. SEIF is an instrument responding to the National Informal Business Upliftment Strategy (NIBUS) identified interventions.
- 1.2 As part of a process of continuing to strengthen economic development through broadening participation in the economy, a new robust programme is thus provided to unlock public sector investment by providing infrastructure that is critical and necessary to crowd-in investment mostly in townships, rural areas and inner city where there is clear business activity taking place.
- 1.3 The Shared Economic Infrastructure Facility (SEIF) is one of the support measures to encourage partnerships between national, provincial and local government to accelerate public sector investment through a provision of necessary infrastructure for small, medium and micro enterprises to unlock greater economic benefits.
- 1.4 Prospective applicants are invited to apply for the Shared Economic Infrastructure Facility (SEIF) on offer in the manner outlined in these guidelines.

Ms, Lindiwe Zulu, MP

Minister of Small Business Development

Date: / /

2. Preamble

- 2.1 The purpose of this document is to provide guidelines for the Shared Economic Infrastructure Facility (SEIF), a programme aimed at supporting enterprises by stimulating and encouraging public sector investment through efforts of lowering infrastructure costs.
- 2.2 The guidelines set out in this document are intended to enable applicants to present their applications to DSBD and to provide DSBD with a framework for evaluating such applications.
- 2.3 The application will be approved only for projects that meet the criteria of SEIF as interpreted by these guidelines. In order to qualify for the incentive, eligible projects have to apply to and receive approval from DSBD and any such decision will be final.
- 2.4 These guidelines may be amended from time to time as deemed necessary by DSBD. The amendments will be published on DSBD's website and will be of immediate effect upon publication.
- 2.5 Where the guidelines are subject to varying interpretations or does not deal with specific subject matter, the interpretation of DSBD must be requested and such interpretation will be decisive and final.
- 2.6 Approval of applications will be subject to compliance with the programme guidelines, the relevant provisions of the Public Finance Management Act and more specifically the availability of funds.

3. Services Delivered by DSBD

- 3.1 No fees or charges are levied by DSBD for the processing or evaluation of any Shared Economic Infrastructure Facility (SEIF) applications or claims.
- 3.2. Applicants are welcome to contact DSBD directly and DSBD officials will assist them to complete application or claim forms;
- 3.3 DSBD will not be accountable for any service delivered or failure thereto by any other person or consultant who facilitates the application/claim forms on behalf of the applicant.

4. Programme Description

- 4.1 The objective of the programme is to encourage public sector partnership for the establishment and improvement of the shared-economic facility infrastructure to support businesses with an intention to improve access, create local economic benefits and optimize performance of businesses operating in those facilities.
- 4.2 The intention of the programme is to leverage public sector investment that would provide necessary infrastructure by creating an enabling environment for businesses to crowd-in investment mostly in townships, rural areas and inner city where there is clear business activity taking place.
- 4.3 The programme is a 50:50 cost-sharing grant made available on a reimbursable basis where DSBD makes a contribution of 50% towards qualifying infrastructure project upon the completion of agreed project milestones.
- 4.4 The programme is capped at a maximum grant of R5 million (vat Inclusive) per qualifying applicant.

5. Eligible Applicants

- 5.1 The eligible applicant must either be:
- A municipality of the Republic of South Africa
 - A municipal entity as defined in Section 1 of the Local Government Municipal Systems Act, 2000
 - A provincial government entity
 - Private Sector (A registered legal entity in South Africa in terms of the Companies Act, 1973 (as amended) or the Companies Act, 2008 (as amended); or the Co-operatives Act, 2005 (as amended)).
- 5.2 The provincial government can contribute towards the shared-economic infrastructure project but cannot be an applicant under this programme.
- 5.3 The qualifying applicant can be a private sector participant with clear partnership with a municipality.

- 5.3 An applicant can have more than one application.
- 5.4 A single application can have more than one project – an application can have a portfolio of projects and each project under the portfolio will be considered on its own merits.

6. Mandatory Conditions

- 6.1 The applicant should:
- Receive prior approval from the Executive Authority upon the submission of the application e.g. council resolutions, board resolutions, etc.
 - demonstrate the need for infrastructure through outcomes of consultations with the intended beneficiaries
 - demonstrate infrastructure maintenance plan post construction or upgrading phase
 - Declare any other partners and/or funders for the project and the value of investment thereof.
- 6.2 The envisaged project should:
- Be for a shared facility infrastructure that pools resources in a single structure and spreads them among independent businesses within the same area/space.
 - Conform to the principle of creating an enabling environment for entrepreneurs to maximize business benefits.
- 6.3 The applicant where applicable must comply with all the following relevant statutory regulations:
- environmental permits from the relevant authorities
 - permits or authorisation regarding land use
 - other permit that may be applicable to the specific project
 - technical drawings and designs (or at least preliminary designs), including details of capacity and technical specifications of the infrastructure, if required
 - If in the process of acquiring the necessary permits, a proof of consideration by relevant authorities must be submitted.

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

7. Evaluation Criteria

- 7.1 The applicant should receive a written confirmation that the council resolution is in support of the initiative and it must be aligned to the municipal strategic priorities.
- 7.2 The applicant applying for the shared-economic infrastructure facility overtime must demonstrate that the project is financially viable when evaluated against its projections which must be realistic and reasonable.
- 7.3 The applicant should demonstrate the need for infrastructure through outcomes of consultations with the intended beneficiaries.
- 7.4 The applicant should demonstrate infrastructure maintenance plan post construction or upgrading phase

7.5 Applicant's state of financial viability

- 7.5.1 The applicant's resolution should articulate the contribution made by each partner to the project.
- 7.5.2 The applicant must demonstrate commitment to the planned infrastructure project. To this end, DSBD and its consideration of the application will evaluate and verify the following amongst others the:
- Sources and uses of finance
 - Mixture of funding to support the project i.e. contributions can be from any source of finance such as provincial government, private sector or donors
 - Evidence of commitment to fund the project from the financiers that form part of the funding structure of the project.

7.6 Project budget plans

- 7.6.1 The project plan(s) for the infrastructure project and the expected investment should contain the following details:
- The timeframe and infrastructure items associated with each main project activity;

- Description of each of the main project activities and sub-activities associated with the infrastructure project; and
- The financial cost and budget associated with each major project activity.

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

8. The Economic Benefit Requirements

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

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

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

9. Qualifying Infrastructure Costs

9.1 The shared facility infrastructure refers to the structural foundations, upgrading and maintenance of a multi-purpose facility to be shared by a number of enterprises.

9.2 The qualifying shared infrastructure costs refer directly to the design, installation, construction and erection of the infrastructure and include the following:

- Warehouse/storage facilities
- Lighting, water (including irrigation for farming) and ablution (including plumbing works)
- Parking, paving (entry and internal roads) and fencing (including walls)
- Shelter/ stalls for trading area of vendors
- Cold storage for common use
- Common use tools, equipment and machinery
- Administration & information centre
- Exhibition spaces
- Child care facility for traders
- Business infrastructure (e.g. industrial facilities)

9.3 Any costs, which the Adjudication Committee in its sole discretion deems as qualifying.

10. Non Qualifying Costs

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

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

11. Grant Disbursement

- 11.1 The payment of claims to approved projects shall be made based on verifiable infrastructure milestones.
- 11.2 The disbursements will be made as per agreed milestones e.g. if an applicant spends 100% towards achievement of 1st project milestone; DSBD will reimburse 50% of actual spending incurred for 1st milestone. When an applicant spends 100% of the agreed investment towards the achievement of 2nd project milestone, DSBD will reimburse the outstanding approved balance.
- 11.3 For payments to be processed, the client has to submit the following documents to the SEIF Secretariat:
- Claim form;
 - Signed activity progress report verified by an external auditor;
 - Certified copies of invoices;
 - Proof of payment (e.g. Bank Statement)
 - Valid tax clearance certificate; and
 - And other documents as deemed necessary by DSBD.
- 11.4 DSBD may send out competent authorities to verify the existence of the supported infrastructure and its quality.
- 11.5 If a claim is not submitted within six (6) months from completion of the first agreed-upon milestone the contract will be terminated.

12. General Conditions

- 12.1 DSBD must be notified of any material changes related to the investment/infrastructure project.
- 12.2 DSBD may under exceptional market or economic circumstances consider adjusting the requirements and conditions of the scheme or grant approval. Any such adjustments will be at the sole discretion of DSBD. The decision of DSBD will be final.

- 12.3 Should there be material changes to the main business under which the grant was approved, the grant approval will be cancelled and the entity will be expected to reapply to DSBD.
- 12.4 DSBD will conduct quarterly site visits and require clients to complete and submit quarterly progress reports as well as annual reports at the end of each financial year to measure the outputs and outcomes of the project;
- 12.5 DSBD has the right to request any information deemed necessary from the client;
- 12.6 In order to evaluate the impact of the programme, DSBD requires that for a period of two (2) years after completion of the claim period, the client completes the project monitoring report annually. This requirement forms part of the legal agreement between DSBD and the applicant

13. Additional Legal Conditions

- 13.1 The following are *inter alia* considered a circumvention of SEIF Guidelines and will lead to the rejection of an application or claim:
- Changing the business set-up, composition, structure or operations, or sector in order to make the project qualify;
 - Manipulation of inter-company assets, and infrastructure; and
 - Any other action that, in the sole discretion of DSBD, can be regarded as circumvention to allow the entity, which otherwise would not have qualified, to qualify.

14. Appeal Process

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

15. Criminal, Misleading, Dishonest and Irregular Activities

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

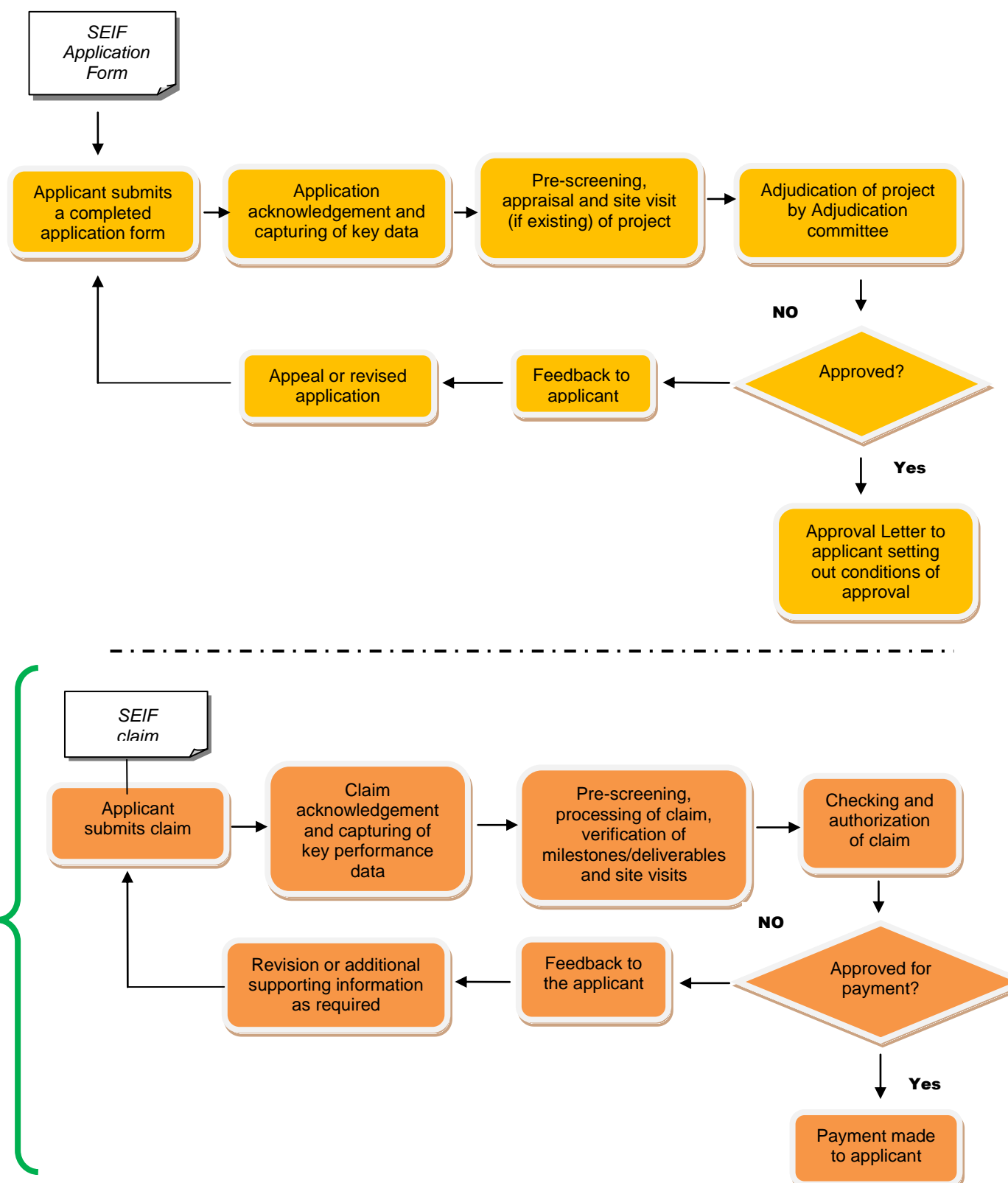
- 15.2 Findings of a forensic investigation indicating such activities will be sufficient to enable DSBD to cease all payments and reclaim any payments already made, with *mora* interest;
- 15.3 DSBD subscribes to the principles set out in the Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA). Applicants or any other persons are advised to contact DSBD fraud hotline on 0800 701 701 should they wish to report any suspicious behaviour;
- 15.4 A duty rests on the applicant and/any other person that may benefit from the scheme to disclose everything that may have an influence on the adjudication of the application and/or claim. Failure thereof will lead to termination/cancellation/suspension of the application/claim and criminal prosecution and any other civil claim.

16. Application Procedure

- 16.1 The following information is required during the application phase:
- A completed application form
 - Latest audited financial statements and management accounts
 - A valid Tax Clearance Certificate
 - Permits from relevant authorities where applicable e.g. land use, environmental permits, etc.
 - Technical drawings and designs (or at least preliminary designs) including details of capacity and technical specifications of the infrastructure, if required
 - Council Resolution in support of the initiative
 - Project Plan(s) for the infrastructure project
 - Timeframes and infrastructure items associated with each main project activity
 - Description of each main project activity and sub-activity associated with infrastructure project
 - Financial cost and budget associated with each project activity

17. Application and Claim Procedure

The following diagram presents the application and claim process:



18. Conclusion

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

ANNEXURE A:

Definitions

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