



**DRAKENSTEIN**

MUNISIPALITEIT • MUNICIPALITY • UMASIPALA

Paarl | Wellington | Gouda | Saron | Simondium

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# **ECONOMIC GROWTH AND TOURISM: BUSINESS SUPPORT GUIDE**

**01 July 2020**

A city of excellence

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## 1. INTRODUCTION

The promotion of entrepreneurship and small business remains an important priority of the government of South Africa. Our commitment is to ensure that small businesses progressively increase their contribution growth and performance of the South African economy in critical areas such as job creation, equity and access to markets.

We know that strong and well-developed small business sector can contribute significantly to economic growth through the creation of a modern entrepreneurial culture, export markets and innovation. As such, Drakenstein Municipality has recognised the importance of local sustainable municipal interventions and support to ensure an enabling environment for small businesses to grow and thrive to contribute towards the inclusive economic growth of the area.

We are, however, mindful that important gaps still remain. As an ongoing challenge that requires us to improve the scope and quality of our offerings to small business. Key among these is the need to rapidly improve the integration of support provided by the various governmental departments and institutions.

Drakenstein Municipality will continue to lead efforts to increase the level of entrepreneurship through supporting small business creation, but we are mindful that this important task cannot be successfully undertaken by one player alone. Partnerships between government and various stakeholders and role players remains a critical success factor. Thus, we have been encouraged by the increasing involvement of the corporate sector, organised business, private financing institutions and non-governmental organisations in fostering entrepreneurship and small business. The municipality appreciates these efforts and calls for even more of these collaborations.

This business support guide aims to provide you with a good overview how you can make use of the various types of support offered by Drakenstein Municipality and other business support organisations. Make use of this guide, and do not hesitate to ask for advice and support from the municipality. It will be worth it, not only for you and your business, but also to the Drakenstein economy as well.



## **2. DRAKENSTEIN ECONOMY OVERVIEW**

Drakenstein Municipality is centrally located within the Cape Winelands District (CWD), along the major transport routes (national road and railway) within the Western Cape Province. The Municipality covers an area of 1 538km<sup>2</sup>, and the main towns are Paarl and Wellington. The other towns include Simondium, Saron, Gouda and Hermon. The Municipality stretches from south of the N1 road, in the south, up to, and including, Saron in the north.

Drakenstein Municipality is the leading contributor to overall Gross Domestic Product (GDP) in the Cape Winelands District (CWD). As of 2017, CWD's economy was valued at R65.3 billion, in current prices, which is a contribution of 11.5 per cent to the GDP of the Western Cape Province. Drakenstein accounted for 32.7 per cent of total CWD GDP in 2017 (MERO, 2019).

The economy of the Drakenstein area was valued at R21.3 billion in 2017 (in current prices) and employed 109 871 people. It is estimated that the economy grew marginally to R22.1 billion in 2018 and absorbed 1 435 more persons. The estimated growth rate of GDP in 2018 was 0.7 per cent, which is slightly below the average growth rate of 0.9 per cent in the CWD (MERO, 2019).

Small businesses are present in all towns of Drakenstein with most operating within Paarl and Wellington. The Integrated Economic Growth Strategy, the Municipality's long term economic growth plan emphasizes the need for the Municipality to have more targeted medium and long term interventions to deal with small business development. Key to this is to create an enabling environment to ensure that SMMEs experience overall growth in the local economy.

## **3. WHY INVEST IN DRAKENSTEIN**

Drakenstein Municipality is the second largest municipality in the Western Cape and is the most populous municipality in the Cape Winelands with Paarl as the economic and administrative hub. It is bustling with economic and business opportunities that has led to the municipality becoming the hub of regional economic development in Cape Winelands.

Wellington and Paarl are identified as "Primary Investment Nodes" in the Cape Winelands. Paarl is well located next to the N1 national road, providing easy access to the lucrative markets of the Cape Metropolitan Area. It is a mere 60km from Cape Town CBD, Cape Town International Airport and Cape Town Harbour.

The climatic and soil conditions provide for excellent opportunities for the cultivation of particularly apricots, peaches, pears, prunes and guavas. Paarl in particular is known as the deciduous capital of South Africa. Within the agricultural sector viticulture is a key sector with 18% of all wine grapes in South Africa found in Paarl. Olives is another key product with 90% of all South Africa's olive crops produced in the Western Cape and a significant number of these in the greater Paarl area.

Paarl has a significant manufacturing and wholesale base with over two thirds of the manufacturing sector linking back to agriculture. Other key manufacturing sub-sectors are furniture/wood related products, textiles, metal related products and publishing.

Being the largest town in the area, Paarl has attracted all the major retail chains, making retailing a further growth sector. Here again, the nearby National road has been a strong draw card for retail expansion. Drakenstein serves as the service centre for the region hence the prevalence of key financial and professional services in the area. The tourism industry is also traditionally well-developed in Paarl and Wellington and forms part of the impressive “Wine Route” experience of the Cape Winelands.

#### **4. DRAKENSTEIN MUNICIPALITY**

Drakenstein Municipality, through its Economic Growth and Tourism (EGT), division seeks to provide an enabling and conducive economic environment to facilitate sustainable economic empowerment for all communities within Drakenstein through the implementation of economic development projects, programmes and initiatives.

##### **4.1. Economic Growth and Tourism division overview**

The division is responsible for the implementation of the following projects, programmes and Initiatives to ensure economic growth:

- The promotion of the development of priority sectors which include Agriculture; Informal sector, Manufacturing; Technology; Transport and Logistics;
- Facilitate investment promotion in the key sectors to diversify the economy;
- Build skills for the future through responding to investor needs and matching skills with jobs;
- Facilitate meaningful job creation through targeted capacity building programmes in priority sectors ;
- Provide business support for thriving entrepreneurs in both the formal and informal economy; and
- Growing the Tourism sector as a priority sector in Drakenstein.

##### **4.2. Our Focus Areas**

Drakenstein’s economic vision is to achieve a globally competitive and innovative City that provides opportunities for all its residents. To achieve this the Municipality will aim to create an enabling environment and provide client-centred services facilitating investment, small business development, employment, and skills opportunities leading to an equitable and sustainable city.

During the next 12 years the Municipality will embark on a very ambitious growth path called the Journey to Economic Excellence. Part of the growth path includes the development of key strategies and guideline to ensure the necessary support is provided to grow the economy.

In doing so we have decided to start with this comprehensive business support guide to assist aspiring and existing entrepreneurs.

## **5. STARTING A BUSINESS IN DRAKENSTEIN**

Starting a business can be frightening and frustrating at the same time, but it can also result in enormous rewards in the end. In order to become a successful business owner there are a number of processes that you need to go through to start your own business. However, if you do your research and practice due diligence then starting a business is not a difficult process.

### **5.1. Business Plan and Research**

The first thing you should do is to write a comprehensive business plan. A business plan will help map out your business strategy, give you an indication of the profitability of that business and offer you and those who might invest in your business an indication of how successful that business is likely to be.

You should also research your marketplace thoroughly, by looking at your competitors strategies and in turn working out whether you have a chance to gain a competitive advantage over them, because if you cannot then the chance that you will be successful may be less.

### **5.2. Registering your business**

#### **5.2.1. Type of business**

One of the first things you need to do when starting a business is to decide what legal form your business will take. This will affect mainly how you run your finances and your tax, and will affect how your personal assets are put at risk by your business dealings.

Currently you can choose these forms of business:

- Sole Proprietorship
- Partnership
- Company
- Trading Trust
- Co-Operative

The first two forms of business - sole proprietorships and partnerships - don't require you to register with any particular body.

Government recently made changes to the Companies Act; one of the changes was that you are no longer able to register a closed corporation. Most new businesses will therefore be registered as companies.

If you register a private company you will need to pay an annual return to the Companies and Intellectual Property Commission (which used to be called Cipro) to continue making use of your business's registered name. The amounts are not very large. If you fail to renew the return on time, your business name may be struck from the CIPC's database, meaning you will have to go to all the trouble of registering again. Visit the CIPC's website at [www.cipc.co.za](http://www.cipc.co.za) for more information on annual returns.

#### ***5.2.1.1 Sole Proprietorships and Partnerships***

If you trade as a sole proprietorship, you trade in your own name, the South African Revenue Service (Sars) and the courts see your business's assets and your own assets as one and the same. It is easy to set up and trade as a sole proprietorship, as no registration is required; but there are some disadvantages, including these:

- If your business is liquidated, all your personal assets can be liquidated with it.
- You cannot introduce partners or investors from the outside.
- In the event of death or retirement, your business ceases to exist.

A partnership is essentially a sole proprietorship where more than one person is involved. One also does not have to register with the Registrar of Companies. It is simple to set up, but all partners are held jointly and severally liable to any debts incurred by the partners trading under the partnership.

#### ***5.2.1.2 Close Corporations***

The Companies Act of 2008 came into effect on 1 May 2011, and put an end to the registration of Close Corporations (CCs). Those CCs that already exist may go on trading, but no new CCs will be registered.

Most new businesses will therefore now be registered as companies. Go to this page on the CIPC website for more information about CCs: [www.cipc.co.za/index.php/manage-your-business/manage-your-closecorporation/](http://www.cipc.co.za/index.php/manage-your-business/manage-your-closecorporation/)

#### ***5.2.1.3 Private Companies***

A company is a legal entity with the abbreviation (Pty) Ltd - or proprietary limited - after the company name. A company has a legal status which is separate from the individuals who own the business (the shareholders). One of the most important implications of this is that the shareholders

are not personally liable for the company's debts (unless they have been trading recklessly or illegally).

The most important document for the formation of a company is the Memorandum of Association. The document has to be registered with the CIPC which must then issue a Certificate of Incorporation before the company can come into existence. The memorandum is basically a charter which sets out (among others things) the business's name, the nature of the company's business and the amount of the initial registered share capital.

The Articles of Association deal with the management of the company. There are also several other documents one must submit when registering a company. Added to this, the company's registered name must appear on all letterheads and correspondence. It is an offence for the company's name to appear incorrectly.

Further a company must have at least one director. There are certain restrictions on who can be a director, for example an un-rehabilitated insolvent and someone convicted of certain criminal offences, cannot serve as a director. The company must also maintain a register of its directors which contain details of the directors.

A director has certain duties to fulfil, which include acting in good faith towards the company. Directors can be held liable for the debts of the company if they were party to reckless or dishonest trading.

Directors and office-bearers such as the company secretary and manager can be held liable to various acts defined under the Company Act as criminal offences.

The Companies Bill is aimed at overhauling the current Companies Act, 1973. The Bill has various major provisions, including those that govern corporate finance and corporate governance as well as transparency and accountability. It also makes allowance for a business rescue plan to be devised.

Download the new Companies (Amended) Bill: [www.pmg.org.za/files/bills/081118b61d-08.pdf](http://www.pmg.org.za/files/bills/081118b61d-08.pdf)

#### **5.2.1.4 Trusts**

You can also trade under a trust, where the trust holds property managed by the trustees for the benefit of the beneficiaries designated in the deed. Trustees require the authorisation of the Master of the High Court to act as trustees.

All trusts are governed by the Trust Property Control Act. Those trusts where the general public are invited to become income beneficiaries are governed by the Unit Trust Control Act.



### **5.2.1.5 Co-operatives**

Co-operatives are registered under the Co-operatives Act with the Registrar of Co-operatives. They are commonly used in agriculture, but you can run a co-operative in any sector of the economy.

You can also download the Co-operatives Act here: [www.gov.za/sites/www.gov.za/files/](http://www.gov.za/sites/www.gov.za/files/)

### **5.2.1.6 Further information**

The Companies and Intellectual Property Commission registers companies, trusts, patents, designs and trademarks. (The CIPC takes over the role of the Companies and Intellectual Property Registration Office, or Cipro.)

Tel: 086 100 2472

Tel: 086 517 7224

Email: [info@cipc.co.za](mailto:info@cipc.co.za)

Website: [www.cipc.co.za](http://www.cipc.co.za)

## **5.2.2 Register your business with the CIPC**

You can register your company on [www.cipc.co.za](http://www.cipc.co.za)

The legal issues you will have to adhere to will depend on the form of business you opt for. Currently you can choose these forms of business as mentioned in section 5.2.1:

- Sole Proprietorship
- Partnership
- Company
- Trading Trust
- Co-Operative

The first two forms don't require you to register with any particular body. The Companies Act of 2008 came into effect on 1 May 2011, and has ended the registration of Close Corporations. Now, you will simply register a company.

If you register as a private company you will need to pay an annual return to Companies and Intellectual Property Commission (CIPC) to continue making use of your business's registered name. The amounts are not very large. Failing to renew the return on time may see your name being struck from the CIPC's database, meaning you will have to go to all the trouble of registering again. Visit the CIPC's website at [www.cipc.co.za](http://www.cipc.co.za) for more information on annual returns.

### **5.2.3 Registering a Trademark or Patent**

If you have come up with an invention or discovery you can protect it from others stealing it by patenting it with the Patents Office at the CIPC in terms of the SA Patents Act. It is also wise to consult a Patents Attorney who will assist in ensuring the widest possible protection for your idea or invention.

Similarly, you can protect your brand with a trademark. The protection covers the specific shape, wording and logo of your brand. You can also use copyright to protect written or recorded works. Look for these easy-to-read guides on the CIPC website:

- Patents - [www.cipc.co.za/index.php/trade-marks-patents-designs-copyright/patents/](http://www.cipc.co.za/index.php/trade-marks-patents-designs-copyright/patents/)
- Trademarks-[www.cipc.co.za/index.php/trade-marks-patents-designs-copyright/trademarks/](http://www.cipc.co.za/index.php/trade-marks-patents-designs-copyright/trademarks/)
- Copyright-[www.cipc.co.za/index.php/trade-marks-patents-designs-copyright/copyright/](http://www.cipc.co.za/index.php/trade-marks-patents-designs-copyright/copyright/)

### **5.2.4 Registering for Tax**

Once you have gone through the process of setting up your business, you will then need to register for tax. The South African Revenue Service (SARS) works efficiently to collect taxes from businesses and individuals, you can quickly be caught out if you don't stay on top of the necessary paperwork.

### **5.2.5 Registering for Provisional Tax**

If you trade as a sole proprietor or a partnership you must register with SARS as a provisional taxpayer. See the SARS website ([www.sars.gov.za](http://www.sars.gov.za)) for more information - go to the menu item Tax Types, and then click on Provisional Tax.

Companies are automatically registered as taxpayers with SARS when you register with the CIPC. You should receive the necessary forms from the taxman in the post.

### **5.2.6 Pay As You Earn (PAYE) Tax**

If you employ staff you are required to deduct tax from salaries or wages. You must register for Pay As You Earn (PAYE) if you pay wages and salaries to any employees with an annual income that falls above the tax threshold. The necessary form is available from your nearest SARS office or from their website [www.sars.gov.za](http://www.sars.gov.za). Using the same form, you as an employer can also register your employees for the Unemployment Insurance Fund and Skills Development Levy. See the section on Labour regulations for more on these regulations.

For more see SARS' webpage on PAYE: [www.sars.gov.za/TaxTypes/PAYE/Pages/default.aspx](http://www.sars.gov.za/TaxTypes/PAYE/Pages/default.aspx).

### 5.2.7 Value-Added Tax (VAT) and other Taxes

Businesses must also register for certain other taxes. If your turnover is above R1 million a year you must register as a Value-Added Tax vendor. If your annual turnover is below this threshold, you can still register for VAT (voluntarily). One reason for doing this is that VAT-paying entities are often regarded as more credible than entities that don't pay VAT. Also, if your suppliers charge you VAT, you can then claim back the VAT that you pay them.

The SARS publication Tax Guide for Small Business Owners ([www.sars.gov.za/ClientSegments/](http://www.sars.gov.za/ClientSegments/)

[Businesses/SmallBusinesses/Pages/default.aspx](http://www.sars.gov.za/ClientSegments/Businesses/SmallBusinesses/Pages/default.aspx)) has a good summary of VAT - explaining how to register, how to calculate VAT and the tax periods. SARS also has guides to help you understand the various tax forms:

- Value-added Tax (see [www.sars.gov.za/TaxTypes/VAT/Pages/default.aspx](http://www.sars.gov.za/TaxTypes/VAT/Pages/default.aspx))
- Skills Development Levy ([www.sars.gov.za/TaxTypes/SDL/Pages/default.aspx](http://www.sars.gov.za/TaxTypes/SDL/Pages/default.aspx))
- Unemployment Insurance Fund (<http://www.sars.gov.za/TaxTypes/UIF/Pages/default.aspx>)

### 5.2.8 Labour Regulations

One of the most difficult things any business owner must deal with when running a business, is people, more specifically their own employees. Much has been said about South Africa's labour laws being too strict, but the regulations are in part to redress the country's poor legacy of employee-employer relations.

Employers themselves should best familiarise themselves with the various labour legislation as it will save them the time, hassle and expense of being dragged before the Commission for Conciliation, Mediation and Arbitration (CCMA). The three key pieces of legislation employers should best acquaint themselves with are the:

- Basic Conditions of Employment Act;
- Labour Relations Act; and
- Occupational Health and Safety Act.

### 5.2.9 Bargaining Councils

Your business might fall under an industrial sector covered by a bargaining council; if you do, you are obliged to register your business with the relevant council and pay monthly levies and employee deductions such as holiday pay, sick leave and provident fund contributions. To see if you might be affected by a bargaining council (in your area or in your industry), read more about it in the 'Basic Guide to Bargaining Councils' on the Department of Labour's website.

A bargaining council is made up of equal representation from both the trade unions and employee associations of the respective industry. Bargaining council agreements are negotiated by party members. Once a new agreement is drafted, the Minister of Labour will decide whether or not to extend the agreement to non-party members, based on the council's representation of employees in the industry.

Businesses that don't register or don't abide by the conditions set by their bargaining council risk fines and penalties. The councils can even close down non-compliant businesses. Businesses can apply to be exempt from some of the provisions of a bargaining council's agreement.

A useful source of more information is the Department of Labour's guide to bargaining council's. Also have a look at the department's guide to unfair dismissals and unfair labour practices.

### **5.2.10 Unemployment Insurance**

Anyone who employs a person for a period of longer than 24 hours in a month must register them with the Unemployment Insurance Fund (UIF) at the Department of Labour. The fund pays out to employees who become unemployed as a result of termination of employment or an illness. It amounts to a contribution of 2% of an employee's salary, of which half is contributed by the employee. Deductions are paid over to the South African Revenue Services.

### **5.2.11 Skills Development Levies**

If your business has an annual payroll of over R500 000 you must by law pay 1% of your payroll (1% of the total amount that you pay in salaries and wages) to the South African Revenue Services (SARS) as a skills development levy. This is not a deduction from your employees' salaries, but from the business itself.

You can claim back a certain percentage of your levy if you can prove you carried out training on your employees. For more information on claiming back your levy and training, you should talk to the Sectoral Education Training Authority (SETA) that represents your business sector. For a list of SETAs, look on the internet: [www.labour.gov.za/contacts/SETA/seta-seta-offices](http://www.labour.gov.za/contacts/SETA/seta-seta-offices).

### **5.2.12 Employment Equity**

South Africa has a legacy of discrimination with regards to race, gender and disabilities. The Employment Equity Act aims to correct these wrongs by making employers transform their workplaces through employing people who were previously disadvantaged.

Small businesses with just a few employees are not affected by this Act. It says that businesses with more than 150 employees must submit an employment equity report every year, showing how they are making their workplaces more equitable in terms of race, gender and disability.

Businesses with fewer than 150 employees - as well as some with fewer than 50 employees (those with high turnovers) - must submit an employment equity report every two years.

### **5.2.13 Industry Regulations**

Every industry sector has its own regulations in addition to the general regulations listed above. Talk to the relevant industry association or employers' association about what these regulations are. If you provide finance or micro-loans, for instance, you will have to register as a credit provider under the National Credit Act. If you plan to sell alcohol, you will need to apply for a liquor license. Some sectors and professions abide by a code of ethics or best practices, which are also useful to ensure that your business is seen as a credible and trustworthy organisation.

### **5.2.14 Municipal Regulations**

When starting a new business, talk to your municipality to see if there are any regulations you need to know about. If you plan on setting up a new building for your business premises, for example, you may need to be approved for zoning and inspected by health and fire officials from the municipality. You may also require a business license to operate certain type of businesses. This includes businesses that make or sell food which go off, health or entertainment activities including businesses offering saunas, massages, snooker, billiards, slot machines, night clubs and cinemas.

### **5.2.15 Consumer Rights**

Businesses now have to pay more attention to the rights of the consumer, as the Consumer Protection Act came into force in 2009. The law prohibits certain marketing practices and has rules on a business's relationship with its customers. It will mainly affect retailers, businesses in the services sector, distributors and manufacturers.

The Act has set up a National Consumer Commission, which investigates complaints brought by consumers. The commission can then take up a case on the consumer's behalf and penalise businesses for acting unfairly. If a business doesn't comply with a compliance notice issued by the commission, the commission can then apply to the National Consumer Tribunal to fine the business.

Some of the key implications for businesses are:

- The introduction of strict liability, where the supplier of the goods or services - by the manufacturer, retailer, distributor or importer - is now expected to prove that the goods or services they supply customers were in good order. Before this law, the onus has been on the consumer to prove any wrongdoing;
- Manufacturers now have to ensure their goods contain warning labels and that if a product contains genetically-modified ingredients, that these are listed;

- Businesses such as plumbers or handymen who repair, supply or replace parts must now give customers a quote in writing (or in another recorded manner) before proceeding with any work;
- Allowance for an opt-out clause on fixed-term agreements as well as mandatory refunds on undesirable goods returned to the seller by the buyer within 10 business days after delivery;
- The Act lays down certain rules in the relationship between franchisors and franchisees, including a 10-day 'cooling off' period after signing a franchise agreement during which a franchisee is able to rescind the agreement; and
- The Act also outlaws certain marketing practices such as referral marketing, where one person supplies consumer goods or services in return for receiving a rebate.

Other marketing practices the Act outlaws are:

- Pyramid schemes;
- Negative option advertising (where a consumer is made to pay for goods, such as a book posted to them, unless they specifically declined the request);
- Bait marketing (where a business owner promises a certain number of items are for sale at a certain price, but when the customer enters the store they find these items to now all be "sold" or the price no longer to be marked down); and
- Fake competitions (a business owner can't market a product by saying a customer has won a competition when in fact no competition has been conducted or the prize of the competition is related to a previously undisclosed condition).

### **5.3 Register a NPO or PBO**

Setting up a non-profit organisation (NPO) or public benefit organisation requires the same process as setting up a commercial company. The Western Cape Government's Department of Social Development (DSD) provides institutional support for NPOs, runs workshops on registration and achieving compliance, fundraising, and capacity building etc.

### **5.4 Red Tape Reduction**

The Department of Economic Development and Tourism (DEDAT), through its Integrated Economic Development Services (IEDS) team works to promote and support an enabling business environment for the creation of opportunities for growth and jobs. The unit further aims to increase economic growth through the stimulation and development of entrepreneurship and entrepreneurial activity, improve business confidence and the region's competitiveness, and reducing unnecessary burdensome bureaucratic processes (red tape) so that it is cheaper, faster and easier to do business in the Western Cape. To find out more on Red Tape Reduction visit <https://www.westerncape.gov.za/red-tape-reduction/>

## 6. WRITING A BUSINESS PLAN

A good business plan guides you on how to manage your business. You will use your business plan as a roadmap to structure, run, and grow your new business. Business plans can help you get funding or bring on new business partners or investors.

### 6.1. Traditional business plan

When you write your business plan, you do not have to use the exact business plan template. Instead, use the sections that make the most sense for your business and your needs. Please see below.

- **Executive Summary**

Briefly summarize your company and why it will be successful. Include your mission statement, your product or service, and basic information about your company's leadership team, employees, and location.

- **Company Description**

Go into detail about the problems your business solves. Be specific as to audience and location. List out the consumers, organizations, or businesses your company plans to serve. Explain the competitive advantages you have that will make your business successful.

- **Market Analysis**

Demonstrate a solid understanding of your industry outlook and target market. Competitive research will show what other businesses are doing and their strengths.

- **Organization and Management**

Identify your team members and explain why they can either turn your business idea into a reality or continue to grow it.

- **Marketing and sales**

There is no single way to approach a marketing strategy. Your strategy should evolve and change to fit your unique needs. Your goal in this section is to describe how you will attract and retain customers. In this section you will also describe how a sale will actually happen.

- **Funding request**

If you are asking for funding, this is where you will outline your funding requirements. Your goal is to clearly explain how much funding you will need over the next five years and what you will use it for.

For help with the detail of the business plan, such as financial statements and your marketing plan, visit the SME Toolkit South Africa on <http://smetoolkit.businesspartners.co.za/>

## **7. FUNDING YOUR BUSINESS**

Funding your business is one of the first — and most important — financial choices most business owners make. How you choose to fund your business could affect how you structure and run your business. Below are a few guidelines on how to fund your business.

### **7.1 Determine how much funding you will require**

Every business has different needs, and no financial solution is one size fits all. Your personal financial situation and vision for your business will shape the financial future of your business. Once you know how much startup funding you will need, it is time to figure out how you will get it.

### **7.2 Fund your business yourself**

Otherwise known as bootstrapping, self-funding allows you use your own financial resources, such as money from a savings account or careful use of personal credit cards.

With self-funding, you retain complete control over the business but you also take on all the risk yourself. Be careful not to spend more than you can afford, and be especially careful if you choose to use tap into retirement accounts early.

### **7.3 Get venture capital from investors**

Investors can give you funding to start your business in the form of venture capital investments. Venture capital is normally offered in exchange for an ownership share and active role in the company. It differs from traditional financing in a number of important ways. Venture capital typically:

- Focuses on high-growth companies;
- Invests capital in return for equity, rather than debt (it is not a loan)
- Takes higher risks in exchange for potential higher returns; and
- Has a longer investment horizon than traditional financing.

Almost all venture capitalists will, at a minimum, want a seat on the board of directors. So be prepared to give up some portion of both control and ownership of your company in exchange for funding.

### **7.4 Use crowdfunding to fund your business**

Crowdfunding is a means of raising funds for a business from a large number of people, called crowd funders. There are four types of crowdfunding; donation crowdfunding; reward crowdfunding; equity crowdfunding, and debt crowdfunding.



Crowd funders are not technically investors, because they do not receive a share of ownership in the business and do not expect a financial return on their money. Instead, crowd funders expect to get a reward from your company as thanks for their contribution. This reward can range from receiving the product you plan to sell or other special perks, like meeting the business owner or getting their name in the credits.

Crowdfunding is also popular because it is very low risk for business owners. Not only do you get to retain full control of your company, but if your plan fails, you're typically under no obligation to repay your crowd funders. Every crowdfunding platform is different, so make sure to read the fine print and understand your full financial and legal obligations.

### **7.5 Get a small business loan**

If you want to retain complete control of your business, but do not have enough funds to start, consider a small business loan.

To increase your chances of securing a loan, you should have a business plan, expense sheet, and financial projections (cash flow statement) for the next five years. These tools will give you an idea of how much you will need to ask for, and will help the bank know that they are making a smart choice by giving you a loan.

Once you have all your paperwork ready, contact banks and credit unions to request a loan. You will want to compare offers to get the best possible terms for your loan.

### **7.6 Other sources of funding**

Other sources of finance are government agencies such as the Small Enterprise Finance Agency ([www.sefa.org.za](http://www.sefa.org.za)), a merger of Khula Enterprise Finance and the South African Micro-finance Apex Fund.

Also contact agencies such as:

- National Youth Development Agency;
- Small Enterprise Development Agency - although it usually does not offer any funding itself, it can refer entrepreneurs to other sources;
- Industrial Development Corporation - which lends to large projects; and
- Enterprise support agencies in the Western Cape.

## 8 RESOURCE DIRECTORY

### 8.1 Development Agencies

- ***Small Enterprise Development Agency (Seda)***

Seda is an agency of the Department of Small Business Development. Seda's mission is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in co-ordination and partnership with various role players, including global partners, who make international best practices available to local entrepreneurs.

Tel: 021 861 4800

E-mail: [info@seda.org.za](mailto:info@seda.org.za)

Website: <http://www.seda.org.za/>

- ***Wesgro***

Wesgro is the official tourism, trade and investment promotion agency for Cape Town and the Western Cape. Wesgro helps uncover investment opportunities by assisting investors and businesses looking to branch out into the province. In terms of accessing markets, the Wesgro Trade Unit constantly looks for ways to develop trade and export capacity in Cape Town and the Western Cape through practical training and relationship building.

Tel: 021 487 8600

E-mail: [info@wesgro.co.za](mailto:info@wesgro.co.za)

Website: <https://www.wesgro.co.za/corporate/home>

- ***Small Enterprise Finance Agency (sefa)***

Sefa provides financial products and services to qualifying SMMEs and Co-operatives, as defined in the National Small Business Act of 1996 and amended in 2004. Sefa's core function is to foster the establishment, development and growth of SMMEs and Co-operatives, and to contribute towards poverty alleviation, job creation and economic growth.

Tel: 021 418 0126

E-mail: [sefawc@sefa.org.za](mailto:sefawc@sefa.org.za)

Website: <https://www.sefa.org.za/>

- ***National Youth Development Agency (NYDA)***

NYDA was established in 2009, following a merger between the Umsobomvu Youth Fund (UYF) and the National Youth Commission (NYC). NYDA aims towards assisting mainly young

entrepreneurs with an opportunity to access financial and non-financial business development support in order to enable them to establish or grow their businesses.

Tel: 087 158 7701

E-mail: [info@nyda.gov.za](mailto:info@nyda.gov.za)

Website: <http://www.nyda.gov.za/>

- ***Industrial Development Corporation (IDC)***

The IDC's role is to enhance the industrial capability of South Africa, and the rest of the continent, thereby boosting economic growth and industrial development. This is done by funding entrepreneurs starting new enterprises or supporting companies that want to extend existing operations.

Tel: 021 421 4794

E-mail: [service@idc.co.za](mailto:service@idc.co.za)

Website: <https://www.idc.co.za/>

- ***National Empowerment Fund (NEF)***

NEF provides funds to black entrepreneurs and groups with the aim of facilitating access to finance in support of Broad-Based BEE in terms of government legislation. The investment activities of the NEF are guided by an investment policy that seeks to ensure that investments create real economic empowerment for black people without deviating from sound economic principles.

Tel: 021 431 4760

E-mail: [westerncape@nefcorp.co.za](mailto:westerncape@nefcorp.co.za)

Website: <https://www.nefcorp.co.za/>

- ***Productivity SA***

Productivity SA is established in terms of section 31 (1) of the Employment services Act, No. 4 of 2014 as a juristic person with a mandate to promote employment growth and productivity thereby contributing to South Africa's socio economic development and competitiveness. Productivity SA is managed in accordance with the Public Finance Management Act (PFMA).

Tel: 021 910 1591

E-mail: [info@productivitysa.co.za](mailto:info@productivitysa.co.za)

Website: <https://productivitysa.co.za/>

- ***Department of Economic Development and Tourism (DEDAT)***

DEDAT, through its Integrated Economic Development Services Directorate (IEDS) works to promote and support an enabling business environment for the creation of growth and employment opportunities. They aim to increase economic growth through stimulation and development of entrepreneurial activities, improving business confidence and competitiveness, and reducing red tape.

Tel: 021 483 9421

E-mail: [ecohead@westerncape.gov.za](mailto:ecohead@westerncape.gov.za)

Website: <https://www.westerncape.gov.za/dept/edat>

- ***Cape Agency for Sustainable Integrated Development in Rural Areas (Casidra)***

Casidra renders project management services to deliver on its strategic goals, working closely with other role players to address specific needs of rural communities in the Western Cape.

Casidra offers Local Economic and Business Development Programmes to enhance business growth and the creation of employment in rural areas through the leveraging and encouraging of investment from the private sector and support for local economic development in general.

The programmes consists of the following sub-programmes, namely:

- Business Development and Growth: To create opportunities for growth and development for SMMEs and Land Reform projects
- Job Creation Initiatives: To access, facilitate and support job creation initiatives through partnering and implementing programmes.

Tel: 021 863 5000

Email: [info@casidra.co.za](mailto:info@casidra.co.za)

Website: [www.casidra.co.za](http://www.casidra.co.za)

- ***Department of Small Business Development (DSBD)***

The Ministry of Small Business Development was established in 2014. The mandate of SDBD 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.

Tel: 0861 843 384

Email: [sbinfo@dsbd.gov.za](mailto:sbinfo@dsbd.gov.za)

Website: <http://www.dsbd.gov.za/>

## 8.2 Training and Development Resources

- **SEDA Enterprise Development**

Website: <http://www.seda.co.za/Programmes/Pages/EnterpriseDevelopment.aspx>

- **Shanduka Black Umbrellas**

Website: [www.blackumbrellas.org](http://www.blackumbrellas.org)

## 8.3 The Banks

- **Absa Enterprise Development**

Website: <https://www.absa.co.za/business/>

- **African Bank**

Website: [www.africanbank.co.za](http://www.africanbank.co.za)

- **Discovery Bank**

Website: [www.discovery.co.za](http://www.discovery.co.za)

- **First National Bank**

Website: [www.fnb.co.za](http://www.fnb.co.za)

- **Nedbank Small Business Services**

Website: [www.simplybiz.co.za](http://www.simplybiz.co.za)

- **Investec**

Website: [www.investec.co.za](http://www.investec.co.za)

- **Standard Bank**

Website: [www.standardbank.co.za](http://www.standardbank.co.za)

- **Capitec Bank**

Website: [www.capitec.co.za](http://www.capitec.co.za)

## 8.4 Private Funding

- **Old Mutual Fund**

Website: [www.oldmutual.co.za](http://www.oldmutual.co.za)

- **Business Partners Limited**

Website: [www.businesspartners.co.za](http://www.businesspartners.co.za)

- **WDB Investment Holdings**  
Website: [www.wdbinvestments.co.za](http://www.wdbinvestments.co.za)

## 8.5 Chambers of Commerce

- **South African Chamber of Commerce and Industry (SACCI)**  
Website: [www.sacci.org.za](http://www.sacci.org.za)
- **National Small Business Chamber (NSBC)**  
Email: [info@nsbc.org.za](mailto:info@nsbc.org.za)  
Website: [www.nsb.org.za](http://www.nsb.org.za)
- **Cape Chamber of Commerce & Industry**  
Website: [www.capechamber.co.za](http://www.capechamber.co.za)
- **Drakenstein Chamber of Commerce / Drakenstein Sakekamer**  
Website: <http://drakensteinsakekamer.co.za/af/>

## 8.6 Sector Support Agencies

- **Construction Industry Development (CIDB)**

The Construction Industry Development Board (cidb) - a Schedule 3A public entity - was established by Act of Parliament (Act 38 of 2000) to promote a regulatory and developmental framework that builds:

- Construction industry delivery capability for South Africa's social and economic growth.
- A proudly South African construction industry that delivers to globally competitive standards.

The cidb's focus is on:

- Sustainable growth, capacity development and empowerment;
- Improved industry performance and best practice;
- Enhanced value to clients and society; and
- A transformed industry, underpinned by consistent and ethical procurement practices.

Tel: 0861 927 222

Email: [cidbwc@cidb.org.za](mailto:cidbwc@cidb.org.za)

Website: <http://www.cidb.org.za/>

- ***Business Process Enabling South Africa (BPESA)***

BPESA Western Cape was established in 2002 (originally CallingTheCape) to promote the Western Cape as the destination for both domestic and international investment in business process outsourcing and call centres. It offers its members networking, empowerment and learning opportunities towards a goal of sustainable growth within the business process outsourcing and offshoring (BPO&O) industry. BPESA promotes domestic and foreign investment into the Global Business Services Sector in South Africa and works with its partners to stimulate economic growth, new job creation and skills development.

Tel: 076 913 4836

Email: [info@bpesa.org.za](mailto:info@bpesa.org.za)

Website: <https://www.bpesa.org.za/>

- ***GreenCape***

GreenCape supports businesses and investors in the green economy to remove barriers to establishment and growth. They also support local, provincial and national government to build a resilient green economy. They do this through sharing market intelligence, Policy & regulatory advocacy and support, facilitating market access and Skills development.

Tel: 021 811 0250

Website: <https://www.green-cape.co.za/>

- ***Cape Clothing and Textile Cluster (CCTC)***

The CCTC is a not-for-profit initiative jointly established by government and industry in 2005 to boost the competitiveness of the clothing, textile, footwear and leather (CTFL) manufacturing industry in the Western Cape. The Cluster comprises over 40 leading firms, primarily manufacturers but also major retailers that are committed to supporting the development of the local manufacturing industry.

Tel: 021 552 0240

Website: <https://capeclothingcluster.org.za/>

- ***South African Gas and Oil Alliance (SAOGA)***

The South African Oil & Gas Alliance (SAOGA) is dedicated to promoting the upstream and midstream sectors of the oil and gas value chain, primarily in South Africa and regionally in Southern Africa. The organisation operates as a partnership between the public and private sectors, receiving public funding to carry out a range of industry development activities and working to promote the interests of members.

SAOGA's activities focus around 4 areas:

- Marketing & Business Development;
- Creating an Attractive Business Environment;
- Industry Capability Development; and
- Investment Promotion.

Tel: 021 425 8840

Website: <https://www.saoga.org.za/web/>

- ***Craft and Design Institute (CDI)***

The CDI is a craft and design sector development agency with a mission to develop capable people and build responsible creative enterprises trading within local and international markets.

Over the years they have developed a range of activities to help improve creative businesses. Their three core programmes are:

- *Product Support*  
Provides an environment in which designers and craft producers can further develop their existing products or prototype new products.
- *Business Support*  
Helps craft producers and designers to develop skills in creativity, business and production management, and marketing.
- *Market Support*  
Assists designers and craft producers to define and reach their targeted markets.

For more on Business Support visit: [https://www.thecdi.org.za/page/business\\_support](https://www.thecdi.org.za/page/business_support)

Tel: 083 255 5109

Email: [rosemary.cooke@thecdi.org.za](mailto:rosemary.cooke@thecdi.org.za)

Website: <https://www.thecdi.org.za/>

- ***Technology Innovation Agency (TIA)***

TIA is a national public entity that serves as the key institutional intervention to bridge the innovation chasm between research and development from higher education institutions, science councils, public entities, and private sector, and commercialisation. TIA's focus is on technology development; from proof of concept to pre-commercialisation.

Tel: 021 442 3780

E-mail: [customerservice@tia.org.za](mailto:customerservice@tia.org.za)

Website: <https://www.tia.org.za/>



- **Tourism Business Council of South Africa (TBCSA)**

The Tourism Business Council of South Africa (TBCSA) is the umbrella organisation representing the unified voice of business in the travel and tourism sector. It is a not-for profit, member centric organisation that facilitates industry specific programmes aimed at developing the industry.

Tel: 012 664 0120

E-mail: [tourism@tbcsa.travel](mailto:tourism@tbcsa.travel)

Website: <https://tbcsa.travel/>

## 11. CONTACT US

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