

## **Terms of Reference for Impact and Recovery of South African Micro and Informal Businesses from Covid-19 Pandemic**

**Location:** South Africa

**Application Deadline:** 30<sup>th</sup> October 2020

**Category:** Company

**Type of Contract:** Institutional service contract

**Languages Required:** English

**Starting Date:** Upon signature of the contract by both parties.

**Expected Duration of Assignment:** 6 weeks

**Title:** Impact and Recovery of South African Micro and Informal Businesses from Covid-19 Pandemic

### **1. Background**

South Africa has the greatest number of Covid-19 confirmed cases on the continent. With the first case reported on March 5, the total accumulative confirmed cases rapidly risen to 196,750 with 3199 deaths in South Africa as of July 5. The Government implemented a full lockdown from March 26 to April 30 to contain the spread of the virus and have kept some of the restrictive measures in place since the lift of full lockdown. Currently the country is at alert level-1 which has allowed the opening of most activities with an emphasis on individual responsibility. The pandemic has devastated human lives, as well as the livelihood and economy of the country, and threatens to deepen inequalities and undo the progress made on welfare and human sustainable development achievement.

The informal sector is an important part of the South African economy. It accounts for 8% of annual GDP and employs 27% of the workforce.<sup>1</sup> A large majority of micro business, especially those in the informal sector, constitute the main source of income for the poor population. In terms of non-agricultural employment, 36.84% of all females are employed in the informal sector<sup>2</sup>. The sector also contributes to the country's equality, poverty reduction and food security. Informal businesses bear the brunt of the pandemic and are less resilient in such a crisis. Such businesses, more often found in townships and rural areas, do not have the capacity to build up reserves, access bank loans, and afford insurance against loss of income.

**In spite of various interventions by Government across the three spheres, more can be done to support this sector.** The South African government has been expedient in rolling out business relief packages for small and registered formal businesses against the economic shutdown. However, these are mostly not reaching the informal sector because of its elusive nature. The Department of Small Business has introduced a funding scheme for Spaza shops and informal

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<sup>1</sup> <https://www.news24.com/fin24/Finweek/Business-and-economy/vital-part-of-sa-economy-still-being-ignored-20170426>

<sup>2</sup> <http://datatopics.worldbank.org/world-development-indicators/>

traders, but with extremely stringent formalisation requirements.<sup>3</sup> Additionally, proposals linked to UIF benefits, to tax relief, to new lines of credit or to enterprise grants all limit the benefits to formal enterprises and formal workers.

## **2. Rationale**

Micro<sup>4</sup> and informal<sup>5</sup> businesses in South Africa were in a disadvantageous position even before the Covid-19 pandemic. The people who rely on the micro and informal business for their livelihoods are made more vulnerable by the pandemic and associated lockdown measures. Women are disproportionately affected, as they already experience lower annual rates of turnover compared to men<sup>6</sup>. Support to those businesses is essential for achieving the Sustainable Development Goals (SDGs), particularly SDG 1 (no poverty), SDG 3 (good health and well-being), SDGs 8 (inclusive growth and employment), SDG 10 (reduced inequalities), SDG 5 (gender equality) and SDG 2 (zero hunger), SDG 9 (industry, innovation and infrastructure), SDGs 11 (sustainable cities and communities), SDG 4 (lifelong education) and SDGs 6 (Water and Sanitation). Committed to the principle of leaving no one behind, UNDP South Africa, in partnership with the Department of Small Business Development, will conduct a rapid assessment of the impacts of Covid-19 on the sector of micro and informal business and design targeted and effective interventions, such as the recent partnership with SALGA to invite SMMEs to apply for funding to manufacture fabric face masks and other PPEs, to turn around the situation of the vulnerable businesses for both the short and long term.

## **3. Scope of Consultancy**

To encourage the priorities of promoting employment, reducing poverty and achieving the SDGs in the country, this assessment is expected to develop immediate response mechanisms and tools to supplement and contribute to government's efforts of supporting informal and micro businesses. The assessment is also intended to provide evidence to guide decision-making of the local government in the identification of post-crisis recovery strategies for the sector.

Therefore, a team of not more than 2 consultants are to be engaged to do the following:

- 3.1 Rapid Assessment of COVID 19 impact on micro enterprises and informal business at municipal level of Eastern Cape, Gauteng, Western Cape and Limpopo (to be confirmed by the Department of Small Businesses). Analysis should consider race, age, geographical location, sex, disabilities and other dimensions as necessary.

This will include:

- Develop questionnaire (s) to enable gathering data via surveys, remote interviews, etc. and prepare an analytical report based on the survey (s). A survey company may be recruited to collect the data.

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<sup>3</sup> <https://www.fin24.com/Opinion/eddie-rakabe-informal-business-relief-isnt-hitting-the-mark-20200416-2>

<sup>4</sup> As per the National Small Business Act of 1996, a micro-business is defined as any business in most any sector with less than 5 total employees, a total annual turnover of less than R150,000, and a total gross asset value of R100,000.

<sup>5</sup> The Survey of Employers and the Self-employed (SESE) classifies informal businesses as those who are not registered for VAT or income tax and employ less than 5 people, all from whom income tax is not deducted.

<sup>6</sup> Survey of Employers and the Self-employed (SESE) 2017, STATS SA

- An account of the level to which Covid-19 has led to the closure of informal businesses and what livelihood activities might still be active/functioning
- Identifying the needs of such businesses to inform responses, possibly including a review of infrastructure and health facilities e.g. water and sanitation requirements for informal sector stalls
- For each municipality, determine the businesses that have the biggest impact in contribution to employment creation for youth and women and the key barriers as well as identifying levers for robust growth. Conduct a skills gap analysis for the different sectors.
- Identify businesses and partners for supply chain development in the targeted municipality and in neighbouring municipalities as well as the national level.
- Explore the importance of technology and digitisation in driving or spurring businesses and identify capacity building and other gaps.

3.2 Mapping of the most affected micro and informal businesses, especially those that are currently not covered by existing support measures, in terms of industries, geographical locations (e.g. rural or urban), race, gender, age etc.

- There should be adequate attention on how micro and informal businesses owned by disadvantaged groups such as women, youth and disabled people have been impacted.
- Special importance should be attached to those businesses that have biggest contribution to employment creation.

3.3 Design of concrete and innovative mechanisms and tools for supporting micro or informal businesses based on 3.1 and 3.2.

- The mechanisms and tools consider addressing both short-term and long-term development of the businesses. The mechanisms and tools may include something that can be quickly put into practice in a period of 12 months as well as longer term measures.
- Identify businesses and partners for supply chain development in the municipality and national level.
- It is expected to explore digitalization/e-commerce as one potential solutions for the businesses.
- Identify existing funding and partnerships for Small businesses in the country and in the region, both at the level of Government, private sector and bilateral and multilateral institutions.

## 4. Key Deliverables

- 4.1 An inception report to include desktop analysis of existing research in this area, identify gaps and present how and when this assignment will be completed
  - 4.2 Drafting of questionnaires to be administered to communities and an analytical report of the survey
  - 4.3 An acceptable comprehensive report including all tasks in the ToR
  - 4.4 A summarised version of the report of not more than 30 pages
  - 4.5 A PPT on the key findings of the report and recommended response mechanisms
  - 4.6 Two - three pages Infographics of the report
- Participation and presentation of findings in the stakeholders' briefings and validation workshop

## **5. Timeline**

6.1 Inception report is to be finished within 5 days after signing the contract.

6.2 First draft report is to be finished within 3 weeks after signing the contract

6.3 Final report, together with a policy brief and PPT, is to be finished within 6 weeks after signing the contract.

## **6. Reporting Arrangement**

The consultant will report to a UNDP technical team led by the Senior Economist of UNDP South Africa. The UNDP technical team will provide technical support to the consultant.

## **7. Qualification and Competencies**

The consultants are required to have a Master's degree in Developmental Economic, Rural Development, Entrepreneurship Development or Social Sciences. Experience in data management and policy analysis and formulation will be an added advantage.

The consultants are expected to have the following qualities or competencies: commitment to UN's mission, vision and value, excellent writing and analytical skills with strong development policy experience, capacity to interact with government, donors, civil society organisations, micro and small businesses, and great team spirit.

Candidates for the consultancy will be evaluated based on the criteria below:

7.1. Knowledge of South African context. (15%)

7.2 Evidence of similar works done in the past on issues of micro and informal businesses (25%)

7.3 Experience in designing questionnaires and conducting research through field surveys and data analysis (20 %)

7.4. Experience with infographic (20%)

7.5. Evidence of critical analysis and developing innovative approaches (20%)