



ACCESSING

BUSINESS FINANCE AT UMSOBOMVU

YOUTH FUND

A GUIDE



*Make it happen!*

## **Background**

The Umsobomvu Youth Fund (UYF) was established in January 2001 by the South African government to facilitate and promote the creation of jobs and skills development and transfer among South Africans between the ages of 18 and 35. UYF fulfils its mandate by making strategic investments that facilitate opportunities for young people to acquire skills, to access job opportunities and/or pursue meaningful self-employment opportunities through various enterprise initiatives. UYF's activities are executed through three areas:

- Contact Information and Counselling (CIC)
- Skills Development and Transfer, and
- The Youth Entrepreneurship Programme

## **The Youth Entrepreneurship Programme**

The Youth Entrepreneurship Programme is a key strategy of the Umsobomvu Youth Fund. The aim of the programme is to enhance the participation of young people in the mainstream of the economy by helping them access sustainable business opportunities through finance and business development services. It achieves this by working in partnership with intermediary organisations that are already active in the Small Micro and Medium Enterprises (SMME) sector.

Our focus will be on two business units within the Youth Entrepreneurship Programme:

- The Business Development Service, and
- Enterprise Finance

## **The Business Development Service (BDS)**

Umsobomvu has pioneered the first Business Development Services Voucher Programme (BDSVP) in South Africa. The BDSVP aims to be the flagship business development support programme aimed at assisting young entrepreneurs to access quality business development services.

The voucher is a document that is given to selected clients and entitles them to buy business support services from UYF- approved Service Providers. The objectives of the voucher programme are to:

- create a conducive environment for youth entrepreneurs to access relevant technical assistance and managerial support for their businesses;
- empower youth entrepreneurs by providing them with the means to purchase the technical assistance and managerial support that they need;
- support the creation of sustainable and competitive youth- owned enterprises that are active in growth- oriented sectors of the South African economy; and
- support Service Providers to continuously develop innovative and demand- driven products through capacity- building.

## ***Business Development Services' Voucher Programme***

The BDS Voucher Programme is a programme through which potential or existing entrepreneurs will receive vouchers from selected allocating agents and use these to pay for BDS services offered by accredited/licensed service providers. Applicants are expected to pay a portion of the voucher cost. The Voucher Programme is designed to assist young entrepreneurs to access the following business development support services:

- Accounting and Bookkeeping Services
- Branding and Design of Business Forms
- Business Plans Development
- Legal Services and Tendering Support
- Business Administration and Financial Administration
- Business Process Re-engineering
- Business feasibility and Due Diligence
- Legal Services and Tendering Support
- Market Planning and Brokerage
- Web Design for Marketing Purposes
- Mentorship and project management support (from January 2005)

### ***Target Sectors***

Preference will be given to clients operating in the following growth orientated sectors:

- Tourism
- Information, Communication and Technology
- Manufacturing
- Construction
- Agro-processing

### ***Implementation of the Voucher Programme***

The voucher programme is implemented through the following key players:

- *An Allocating Agent*

The Allocating Agent (AA) is an organisation appointed by the UYF to facilitate the implementation of the Voucher Programme in the selected locality or province. The role of the AA is to market the BDS Voucher Programme to young people, recruit prospective clients, assess the client's business support needs and monitoring of service provision by the Service Providers.

- *Service Provider*

A Service Provider (SP) is a private/ public sector organisation with specialist business development skills that has been contracted by Umsobomvu to offer approved business development services to clients selected for the BDS Voucher Programme.

### ***Client Process Flow***

- Obtain and complete an application form from the Allocating Agent
- Secure an appointment with the Allocating Agent for application assessment
- Pay a required contribution (10-40% of voucher value) upon approval of application
- Receive voucher from Allocating Agent
- Select preferred Service Provider from the Directory of Services
- Meet with Service Provider at agreed times for the rendering of service.
- Prepare a personal action plan with the assistance of the Service Provider
- Sign the voucher to indicate satisfaction with the service and complete the evaluation form to assess the SP intervention
- Surrender voucher to the Service Provider to enable SP to obtain payment from UYF

- Be available for ongoing support and aftercare by the AA to ensure that action plan is implemented.

### **Programme Rules**

- Applicant should be South African and between the ages of 18 and 35, and a South African Identity Document must be submitted with the application form
- Applicants should reside within the geographical area within which the BDSVP pilot is being implemented
- Applicant should be operating or wishing to operate a business that falls within one or more sectors that have been prioritised for the BDSVP
- Applicants should have a clear and realistic vision about the business they want to embark upon
- Applicants should possess the relevant technical and/or managerial training or experience in the selected area of business
- Applicant should be willing to contribute between 10% and 40% of the voucher value for the required service
- The percentage contribution is not refundable
- Voucher is not transferable
- Voucher has no value outside of the programme and will not be exchanged for cash
- Voucher is valid for three months
- Voucher entitles clients to access services at the prescribed voucher value
- Voucher can only be serviced by approved Service Providers

*The Application Forms for Accessing Business Vouchers for Start-Ups, and for Established Businesses can be found at the end of this guide.*

### **Enterprise Finance (EF)**

UYF provides finance of up to R5 million to assist youth towards becoming involved in business by either:

- Starting their own business;
- Expanding an existing business;
- Buying into a business; or
- Buying out a business.

Applicants for funding should note that there are various funding sources that exist within Enterprise Finance, and are advised to read the following information carefully to determine which source they should be applying to. They are broken down into SME Finance, Micro-Finance and Co-operative Finance.

#### **A. SME Finance**

The SME Finance Programme comprises three funds:

- The Franchise Fund, which is managed by Business Partners, provides finance to start or buy a franchise.
- The Progress Fund, which is managed by First National Bank (FNB), provides finance to black-owned and managed SMEs, except franchises.
- The General Fund, which is managed by UYF, provides financing to black-owned and managed SMEs, except franchises.

***Eligibility Criteria: The Franchise Fund***

- The SME must require finance of R150,000.00 to R3,000,000.00 to purchase a new or existing franchise.
- At least 30% of the shares of the SME must be owned by black South African youth.
- The youth must be operationally involved in the business on a day-to-day basis.
- The franchise must be viable or have strong prospects of profitability.
- The franchise must be located in South Africa.
- The black youth must demonstrate commitment towards the success of the franchise.

***Eligibility Criteria: The Progress Fund***

- The SME must require finance of R100,000.00 to R8,000,000.00 to start, expand, buy into or buy out a business.
- Black youth must derive significant benefit at ownership, management or employment level.
- The youth must be operationally involved in the business on a day-to-day basis.
- The SME must be viable or have strong prospects of profitability.
- The SME must be located in South Africa.
- The black youth must demonstrate commitment towards the success of the business.

***Eligibility Criteria: The General Fund***

- SME must require finance of R50,000.00 to R5,000,000.00 to start, expand, buy into or buy out a business.
- Black youth must own more than 25% of the shares in the SME.
- The youth must be operationally involved in the business on a day-to-day basis.
- The SME must be viable or have strong prospects of profitability.
- The SME must be located in South Africa.
- The black youth must demonstrate commitment towards the success of the business.

***B. Micro Finance***

The Micro-finance Programme, which is managed by The Nations Trust and Nicro Enterprise Finance, provides finance for persons seeking loan finance of up to R50,000.00.

***Eligibility Criteria: Nicro Enterprise Youth Fund***

- The applicant must be a South African black youth (18-35 years old).
- The applicant must require loan finance of not more than R20,000.00.
- The business must operate in the Eastern Cape, Free State, Limpopo or Mpumalanga.
- The applicant must be operationally involved in the business.
- The business must have a fixed place of trading.
- The funds must be used to start a new business or expand an existing one.
- The business must have the ability to generate sufficient cash to service the loan.
- The applicant must demonstrate commitment towards the success of the business.

***Eligibility Criteria: The Nations Trust Youth Enterprise Finance***

- The applicant must be a South African black youth (18-35 years old).
- The applicant must require loan finance of not more than R50,000.00.
- The business must operate in the Western Cape or Gauteng.
- The applicant must be operationally involved in the business.

- The business must have a fixed place of trading.
- The funds must be used to start a new business or expand an existing one.
- The business must have the ability to generate sufficient cash to service the loan.
- The applicant must demonstrate commitment towards the success of the business.

### **C. Co-operative Finance**

The Co-operatives Finance Programme, which is managed by Marang Financial Services, provides finance of up to R500,000.00 per co-operative.

#### **Eligibility Criteria: Youth Co-operatives**

- The co-operative must be registered with the Registrar of Co-operatives.
- At least 50% of its membership must comprise black youth.
- The co-operative must have a credible, stable and cohesive management team.
- The co-operative should require loan finance of not more than R500,000.00.
- The business must be conducted in South Africa.
- All members of the co-operative must be operationally involved in the business.
- The funds must be used to start a new business or expand an existing one.
- The co-operative must have the ability to generate sufficient cash to service the loan.
- The applicant must demonstrate commitment towards the success of the business.

#### **Overall Exclusions**

Funding will not be considered for:

- Loans for personal consumption
- Illegal business operations
- Gambling operations
- Refinancing of debt
- Vehicles
- Research and Product Development

#### **Guidelines for Preparing a Business Plan**

Why is it important to have a business plan when you are a young person embarking on their business? The easiest way to explain it is to view a business plan as a road map or blueprint that will help guide you. We also need a business plan to convince potential investors to invest money in our business. It is important that you draw up this plan yourself because the idea or the business belongs to you; no-one else, and drawing it up yourself is proof of this. Within UYF there are also very strict rules that govern the drafting of business plans as proposals for funding. For additional information we advise that you consult the guide on *Writing a Business Plan*. This is part of the Self-Employment Series that can be found on the UYF Internet Portal at [www.youthportal.org.za](http://www.youthportal.org.za). For now we will focus on the criteria or requirements for a business plan as set out by Enterprise Finance:

#### **Cover / Front Page**

Any formal document will have a cover page. Your business plan must have a cover page that includes the following:

- Your Business' Name
- The business logo
- Physical and postal address
- Telephone/cell/fax/e-mail numbers of business and contact person
- Also include the date of compilation

## **Contents page**

On this page you will list the various items or sections you have dealt with, including the page number on which the relevant item can be found. The contents page is useful in terms of listing what can be found in the document, and where. Begin your actual numbering with the introduction.

## **Executive Summary**

This is a brief overview of your Business Plan, short and as interesting as possible and includes your business concept, financial features, financial requirements, current state of your business, when it was formed, principal owners, key personnel and major achievements.

### **1. Introduction**

Your introduction must give the background to the business you wish to start.

### **2. Business Description**

Name of business; when formed; where located; how many people it employs; is it a company, CC, partnership, trust or sole proprietorship; who are the owners; what does it do; to whom does it sell its product or service; in respect of businesses which are being bought, why is the person selling?

### **3. Development Impact**

How many black youth (by this we mean African, Coloured and Indian between 18-35 years old) does the company employ; how many youth are involved in the ownership and management of the company; how many people does the company employ or expect to employ; how many black women are employed; what employment equity plan does the company have and what is the progress in its implementation; what skills development plan does the company have and what is the progress in its implementation; how much foreign exchange earnings will the company generate in a year; what percentage of its goods and services is or will be procured from black-empowered companies.

### **4. Finance Required**

How much finance is required and of what type (grant, loan, guarantee, equity); for how long is the finance required; what security is available to secure the loan; what will the funds be used for (supply quotes in respect of assets to be financed). What is the entrepreneur's contribution in respect of own capital? Who else was approached for funding; what was the outcome? (furnish contact details)

### **5. Past Operating Performance**

Prepare a summary of the past three years operating performance in respect of Sales, Cost of Sales, Gross Margin, Operating Expenses, Earnings before Interest, Tax & Depreciation (EBITD), etc. and a summary of the balance sheet. Include a summary of key ratios (gross margin%, EBITD%, Debtor days, Creditor days, etc). Explain significant variances from year to year. Loss/gain of market share, customer analysis (sales per customer, etc). Record of rescheduling of debt. Were offers of compromise made with creditors? Explain difficulties experienced. How were these overcome? Were there any abnormal or extraordinary events?

### **6. Strengths, Weaknesses, Opportunities and Threats**

What are the key strengths and weaknesses of the business in each critical area of the business (e.g. marketing, finance, production, logistics, administration, human resources, plant and equipment, raw materials and finished goods, products and brands, business management, research and development, etc.)? What plans are in place to eliminate or reduce the business' weaknesses and capitalise on or exploit its strengths?

*Note: being a BEE company is not a strength – it is merely an opportunity – outline what plans are in place to maximise these opportunities.*

What opportunities exist for the business? What is the capability of competitors to exploit these opportunities and are they better placed to exploit these opportunities? What are the impediments to accessing these opportunities?

What threats does the organisation face in each of the critical areas mentioned above? How does the company manage these threats?

### 7. Critical Success Factors

What are the critical success factors applicable to the key areas of the business? An example is as follows:

Key Area of Business	Critical Factors
Marketing	Sales volume Market share Gross margins
Production	Capacity utilisation Quality standards Wastage factor
Logistics	Capacity utilisation Level of service Delivery times
Finance	Debt service coverage Cash conversion cycle Debtors' collection period

What is the likely effect if all or some of these areas of the business are not well managed? Conduct a sensitivity analysis and show its effects on key ratios such as return on investment, liquidity and solvency (e.g. debt service coverage).

### 8. Owners, Management and Technical Assistance

**8.1 Owners:** Who owns the business and how is the shareholding distributed amongst the owners; which shareholder is in control of the business; how long have the shareholders known each other; what is their background (experience, knowledge, previous or other business interests, track record in managing businesses, age, sex, race, marital status, schooling and educational qualifications, social activities and hobbies, spouse's occupation and level of interest/support for the business, etc.). Provide a list of their assets and liabilities; personal monthly cash flow statement; references from their bankers and business associates; surety-ship / guarantee issued in favour of third parties; details of previous sequestrations, liquidations, compromise with creditors, judicial management; ITC or credit bureau judgements and reasons therefore; details of life assurance policies in existence; credit history with third parties (such as Edgars, mortgage bond, hire purchase, student loans, etc.). What will the roles and responsibilities of shareholders in the business be? How do the shareholders resolve conflict? What will the owners' financial commitment to the business be?

**8.2 Management:** Similar information is required for management. In addition, how is management incentivised (encouraged) to remain in the business? Provide organogram and job descriptions of the key management staff.

**8.3 Technical Assistance:** Who is the technical partner; how strong is the relationship, what is the duration of this agreement; what is the cost; what are the deliverables; what is the arrangement, i.e. intellectual property rights, past experience with technical assistance partner.

### 9. Market Overview and Analysis

**9.1 Overview and Segmentation:** Describe the overall market broadly; what are the different segments; why are they different; give brief characteristics of the different segments; what are the

advantages and disadvantages of each segment; why has the business selected a particular segment; what are the barriers to entry?

9.2 Product: What product or service does the business offer; what are its features; what products compete with the business' products; to what extent is the product prone to being at risk because of changes in technology, consumer tastes and behaviour, substitute products; what is the quality of the packaging; is it environmentally friendly; is it SABS approved; is it protected by patents, copyrights, etc; does the business have loss leader products?

9.3 Price: How is the price of the product determined; how often is it increased; how price-sensitive are customers to the product; what is the price of competing products; justify why the business' price may be different to that of competitors; is there a multiple-pricing strategy and if so why; describe the price elasticity of demand (how responsive is demand to changes in price); to what extent is price a reflection of quality (perceived); is price regulated or fixed in terms of a contract; how does the business respond to changes in its competitor's prices; to what extent is the price affected by changes in exchange rates and interest rates; are prices for certain goods part of a loss leader strategy; how would the business respond to predator pricing (where a competitor sets a low selling price to damage competitors); to what extent may the business adopt a penetration pricing policy (setting low prices to attract customers).

9.4 Promotion: describe the business' promotion strategy; justify the need for the strategy; what resources does the business require to execute the strategy; how does the business know if the strategy is effective; how many customers were obtained using the different promotion strategies; quantify the relationship between promotion costs and turnover; what is the selling point / value proposition; briefly describe the test marketing performed and the results thereof.

9.5 Distribution: How are products distributed (distribution channels); how accessible are they to the customer.

9.6 Customer Analysis: Who are your customers; what proportion of total sales does each one comprise; who are your "A" list customers; what preferential treatment do they enjoy; what customer retention strategy does the business have; describe the customer relationship management process; how many customers make up at least 75% of total revenue; how long have you had each customer; how did you secure each customer; what are the credit terms offered per customer; which customers are the most profitable customers; how do you know whether a customer or an order is profitable; which customers and what value has the business lost over the last two years; which customers have you won over and for what value over the last two years; what is the business' relationship with the buying department of its customers; how long have the customers been in business; who has the relationship with the customer (the business or an agent); how many customers has the business secured per sales person; why would this sales person not take the customers with him if he leaves the business (what has been the previous experience); what does the customer know about the business' competitors and their products; does the customer buy competitors' products; what is the bargaining power of the customer; how frequently does each customer order and what is the average value of an order; how critical is the product to the customers' business; what is the importance of quality to the customer; how much of the sales is cash and credit; what % of business is derived from government/public sector; what are the payment terms; what % of revenues arise from tenders (when were these awarded and for what period are they valid.)

9.7 Competitive Advantages: what competitive advantages does the firm enjoy over its competitors; how has this influenced growth in sales or in attracting new customers (give specific examples). Which firms or similar business/es closed down and what were the reasons for closure?

9.8 Comparative Advantages: what factor specific to the market or industry makes it more likely for the business to gain market share (e.g. high import tariffs restrict competition from overseas

suppliers). What is likely to happen to the business if these structural peculiarities no longer exist? Who owns the intellectual property rights (patents, copyright, etc)?

## **10. Technical Review**

10.1 Production Process: describe the production process; provide a diagrammatic exposition; what are the critical points in the production process; how many staff and what type of staff are required in the production process; indicate how long it takes at each point in the production process for the product to pass through; What is the normal capacity of the plant; shift patterns, working days, etc.

10.2 Location and Premises: where is the business located; why is it located in this place; how long has the business been located here; how accessible is it for customers; suppliers and employees; are the premises owned or leased; what was the purchase price or lease terms; why did you buy the building instead of lease it; what is the cost of maintaining the premises; how secure is it from vandalism and sabotage; what is the market value of the business; how suitable are the premises for the business' current and medium term needs; can it cope with anticipated increase in demand; provide factory layout; explain how loss through theft is handled within the context of the entry and exit points of the business.

10.3 Machinery: what machinery is necessary for the proper functioning of the business; what does it cost; from where is it purchased; how available are spares and technical maintenance support; what is the productive capacity of the machine/s; how does this reconcile to expected demand; how old is the machinery and describe its condition; what is its expected useful life; what is its current replacement cost; what machines are used by competitors and how is it different to the machine used by the business; to what extent is the machine affected by technological changes; what is the machine down-time and how does this compare to prior years and competitors?

10.4 Insurance: Identify the specific insurable risks which the business faces; what is the insured sum and premiums; does the business have insurance for business interruption (loss of profits), theft, fidelity, all risks, public liability, damage, fire, etc.); has the business suffered any uninsured losses over the past 3 years; what insurance claims have been submitted over the past 3 years; provide details of the business' insurance broker.

10.5 Legal and Regulatory: Past and pending litigation, laws and regulations peculiar/specific to the business, results of VAT/income tax audits.

10.6 Management Information Systems (MIS): Briefly describe the MIS system used by the company. Does it meet the needs of the business? How are the internal controls and procedures addressed in the company?

### 10.7 Environmental and Occupational Safety Issues:

Does the company have an environmental, health and safety policy? Briefly discuss how these issues are managed within the organisation. Are there any hazards with regard to material handling, storage, and transport? What measures are in place to ensure the safety of the workers? Has the company made progress towards or achieved certification in this regard. (e.g. ISO14000 (International Standards Organisation for Environmental Management) and/ or NOSA (Occupational Safety, Health and Environmental Risk Assessment) rated.

10.8 Raw Materials: Discuss the source and availability of raw materials. Is it available locally or does it have to be imported. Are there any restrictions in sourcing the raw materials cheaper? Does the company buy directly from the supplier or is there a third party (middleman) involved. What payment terms have been negotiated with the supplier?

10.9 Labour: Briefly discuss the key requirements in terms of the labour force. What skills are required and how are the employees sourced? What is the staff turnover in the company? Is

there a Union/Bargaining council representing the employees? Does the company meet the requirements of the Basic Conditions of Employment Act? Provide details of past strikes, HIV/Aids measures and ratio of permanent to casual staff.

## **11. Financial Review**

11.1 Source of Funds: What funding is required; from whom will the funding be obtained; in what form will the funding be provided; what are the terms of the funding (period, interest rate, security, installment, grace periods, special terms, etc.); indicate the draw-down schedule.

11.2 Application of Funds: How will the funds be used (itemise); support with quotations; show how the working capital figure has been arrived at; relate the amounts to the rest of the business plan (e.g. if under the technical review section it was mentioned that 2 machines were required, ensure that it agrees with what is stated under application of funds); justify why new or used machines will be needed;

11.3 Financial Projections: provide financial projections (including the assumptions related thereto) for balance sheet, income statement, cashflow statement); include past 3 years historical performance; for the first 2 years provide projections on a monthly basis, for next 3 years annually; justify each significant figure in these statements; relate the returns, margins, stock turnover rate, growth rates, etc to that of the industry and explain deviations; ensure that the financial projections tie in with what has been stated in the rest of the document; explain material deviations to historical financial statements; the financial projections must reflect the most likely scenario (and not the best and worst case scenarios – these can be incorporated in the sensitivity analysis); pay particular attention to supporting the following items: sales, cost of sales, inventories, salaries, wages, rent and all balance sheet items. Provide commentary on and analysis of the figures.

11.4 Purchase of Business: In respect of businesses which are being bought, provide detailed valuation of shares or business; who conducted the valuation and their contact details; details of profit warranties; results of due diligence undertaken; proposed payment terms; potential deal-breakers.

11.5 Break-even Analysis: provide a break-even analysis taking into account all fixed obligations (including debt service costs); how long will it take to break-even and relate this to that experienced by similar businesses; by what level may sales drop before it reaches break-even point (margin of safety); what is the payback period for the investment.

11.6 Sensitivity Analysis: show what would happen to the key aspects (debt service ability, current ratio, operating margin, return on investment) of the business if sales volume or sales price decreased by (say) 10%; 15%; 20%). How would the business' ability to service debt be affected by an increase in interest rates of (say) 5% (500 basis points).

## **12. Risks and Issues**

What specific risks (e.g. risk of break-up of shareholders, key-man risk, succession planning, customer loss, fast growth risk, internal control risk, technological risk, legal risk, tax risk, liquidity risk, currency risk) does the business face; how is it likely to affect the business; what strategies are in place to mitigate the risk.

## **13. Supporting Documentation**

13.1 In respect of owners and managers:

- Owners and managers curriculum vitae (CV);
- Certified copy of identity document;
- Bankers' references;
- Credit references;
- Personal references;
- List of assets and liabilities of owners;

- Personal monthly cashflow statement of owners;
- Personal bank statements of owners going back at least two months;
- Copy of last 12 months of bond statements from bank;
- Confirmation from landlord that rent has been paid on time;
- Proof of existence of owners' equity contribution;
- Proof of other sources of income outside the company;
- Copy of owner's personal income tax return and tax assessment for the last 2 years.
- Financial statements of other business interests of the owners.

### 13.2 In respect of business:

- Memorandum and articles of association, founding statement, association agreement, shareholders' agreement, partnership agreement or joint venture agreement;
- Banker's references;
- Credit references;
- Past 3 years historical financial statements and latest management accounts;
- Projected financial statements (income statement, balance sheet, cashflow statement for 3-5 years, with the 1<sup>st</sup> two years prepared monthly (include assumptions to the financial statements));
- Record of unrecorded income and/or personal or non-business expenses passed through the historical financial statements;
- Management letter from the company's auditors for past 2 years;
- Income tax returns and tax assessment of company for last 2 years;
- Tax clearance certificate;
- VAT returns for last 12 months and VAT receipt;
- Bank statement for last month of the financial year;
- Debtors' aged analysis at end of financial year;
- Valid quotations of capital expenditure;
- Certified copies of operating licenses and permits;
- Organogram of the company;
- Letters of intent
- Contracts for purchase of goods or services;
- Media cuttings.

### **What if your Application does not fit the Criteria Set?**

#### ***For BDS:***

Clients who get turned down on the voucher programme are as a result of the following:

- They do not meet the set criteria;
- Their business proposition is not viable – in relation to market prospects;
- They do not have the required skill, experience or plan to acquire the right capacity;
- They do not have the required percentage contribution;
- Business not 25% youth owned.

### **Responses to FAQs**

#### ***For BDS:***

#### ***Why do applicants have to contribute 10/20/30/40%?***

Umsobomvu is subsidising a service which would otherwise be expensive and difficult to access. Experience has shown that with free programmes, clients do not commit to service delivery as they tend to associate free programmes with substandard service.

#### ***Will applicants automatically qualify for finance after receiving assistance from the voucher programme?***

It is not automatic that voucher clients will receive finance from the UYF. Funds are limited and therefore will not meet the financing needs of all voucher recipients. Their finance needs are averaged at R1million. The voucher programme uses experienced Service Providers who have to unlock funding from other financing institutions.

***Can a client access a voucher from one province and have it serviced in another province?***

The voucher has to be accessed where the business is located and can only be serviced in that province. Where the exact provincial location has not been established, clients can receive a voucher in either of the two or three provinces, but can only be serviced in the province where it has been issued.

***Where can we access the voucher programme?***

It is accessible in all nine provinces and is facilitated by an Allocating Agent. Refer to the Allocating Agent Database which can be accessed via [www.youthportal.org.za](http://www.youthportal.org.za). Go to 'About Umsobomvu' and click on Contact Details.

***What services can we access from the voucher programme?***

Business feasibility and due diligence  
Business plan development  
Business branding and design of business forms  
Accounting and bookkeeping  
Contract development and tendering support  
Marketing plans, brokerage and web design  
Business Process re-engineering  
Mentorship and Project Management

***How many vouchers can a client access?***

A client can access up to four vouchers and cannot access more than one voucher for the same service.

***For Enterprise Finance:***

***How much interest do you charge?***

The interest rate will vary from project to project depending on the risk inherent in the project. However, it will be linked to the prime rate.

***What security is needed?***

Funding is provided primarily on the basis of the cashflows of the business. Where security or collateral is available, it will be taken. However, no project will be turned down solely because there is a lack of collateral or security.

***How much of the owners' contribution is needed?***

The General Fund does not stipulate any minimum amount. The important point is for the applicant to demonstrate that the contribution he or she makes is sufficient to demonstrate commitment to the project. In addition, the amount that is contributed will have an impact on the ability of the business to repay its debt.

***How long does it take to get a loan?***

This depends on the quality and sufficiency of information provided by the applicant for financing. On average it takes about 8-12 weeks for disbursement of funding to take place.

***How can I track the status of my proposal?***

You may call UYF's Call Centre, youthconnect on 08600 YOUTH (96884).

***If modification is required to a business plan submitted, what is the process to be followed?***

UYF will provide you with a guideline on how to develop a business plan. Should you feel that you are not qualified to complete a business plan in accordance with the guideline, you may contact the Allocating Agent in your province.

***Why do we reject business plans prepared by service providers?***

A business plan must be owned by the applicant and the contents therein must be that of the applicant. The service provider is merely there to provide guidance to the entrepreneur on the type, quality and quantity of information that should be incorporated in the business plan in order to meet the requirements of the financier and to provide a “roadmap” for the more efficient running of the business. The service provider acts as a “sounding board” to the applicant. Ultimately, the applicant has to convince the financier as to the viability of the business.

***If you complete a business plan in accordance with the General Fund’s business plan guideline, does it mean that your business plan will be funded?***

No. The purpose of the business plan guideline is to assist the applicant on the type, nature and extent of information to be included therein. Once it has been completed, the business plan will be assessed for its viability and a decision will then be made.

***What type of business do we fund?***

The General Fund provides funding to SMMEs which require funding ranging from R50,000.00 to R5,000,000.00 in order to start, expand, buy into and buy a business. It does not provide funding to NGOs, non-profit making organisations, enterprises engaged in the property business and franchises. If a person requires funding for franchises or property it may approach the Franchise Fund and Progress Fund respectively.

***How much funding do we provide?***

The General Fund provides finance ranging from R50,000.00 to R5,000,000.00.

***How do I go about applying for funding?***

If you have a business plan, you may e-mail, fax, hand deliver or post the application. It should be marked for the “Enterprise Finance Business Unit”.

If you need assistance in compiling a business plan you should approach the Allocating Agent in your area.

Should you be in doubt as to how to apply for funding you may visit our website [www.youthportal.org.za](http://www.youthportal.org.za) and refer to the section on Starting Your Own Business, or call our Call Centre on 08600 YOUTH (96884).



Black Participation: Shareholding % \_\_\_\_\_ Management % \_\_\_\_\_ Employees % \_\_\_\_\_

Specific Sector: Agro-processing  Construction  Tourism

Information Communication & Technology  Manufacturing  Other

Description of a Business Idea/Envisaged Business

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Highest Formal Education/ Training Courses Attended/ Formal Qualifications/Technical Orientation

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Work/Employment History and Experience

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Identified Premises for Business Operations

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Potential Customers/Identified Market (Individuals, Shops/Retailers, Wholesalers, Exporters)

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Competition (Who are your Competitors) and Envisaged Marketing Activities

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Number of Jobs to be Created and Responsibilities: Management\_\_ Technical\_\_ Labourers\_\_

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Personal Investment in Business (Time, Money, Equipment, office space, etc.)

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Future Business

Goals: \_\_\_\_\_

Required Service: \_\_\_\_\_

How will the service assist you to start your  
business \_\_\_\_\_

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REQUIRED DOCUMENTATION/INFORMATION

*Identity Number, Proof of Qualifications, Research Documents and References*

## Declaration

1. I hereby declare that the information provided in this application is, to the best of my knowledge, true and accurate;
2. I understand that the Allocating Agent reserves the right in its absolute discretion to refuse to accept this application and to require any client to cease to be part of this programme for any reason whatsoever;
3. I hereby declare that I understand the Business Development Services Voucher Programme terms and conditions and undertake to abide by such terms and conditions;
4. I hereby indemnify Umsobomvu Youth Fund, the Allocating Agent and its Service Providers for any loss or damages whatsoever incurred as a result of an intervention rendered by the Service Provider in good faith.

Client's Signature \_\_\_\_\_ Date 

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Please return your completed application form to the nearest Allocating Agent for processing:

**Eastern Cape** - Community Self Employment Centre -- (041) 487 3996

**Free State** - Maximiz Pty Ltd - (051) 448 1500

**Gauteng**

Open for Business Johannesburg

(011) 836 9000

Centre for Business Information and Services

(012) 664 7275

**KwaZulu-Natal:** Thekwini Business Development Centre (TBDC) (031) 309 5432/7908

**Limpopo:** Junior Achievement Southern Africa (JASA) - (015) 295 8155

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**Mpumalanga**

Pel Africa (013) 755 2067

Mpumalanga Economic Empowerment Corporation (MEEC) (013) 933 3421

**Northern Cape:** Kimberley Business Service Centre (KBSC) (053) 831 6696

**North West:** North West Manufacturing Advice Centre (West Mac) - (018) 381 3914/5/6

**Western Cape:** Open for Business Cape Town (OFBCT) - (021) 422 2794



Number of Employees: Total\_\_ Male:\_\_ Female:\_\_ Black\_\_ White:\_\_ Indian\_\_ Coloured\_\_ Disabled\_\_

Annual Turnover:\_\_\_\_\_

Black Participation: Shareholding % \_\_\_\_\_ Management % \_\_\_\_\_ Employees % \_\_\_\_\_

Business Size: Small:\_\_\_ Medium: \_\_\_ Micro:\_\_\_

Specific Sector: Agro-processing  Construction  Tourism

Information Communication & Technology  Manufacturing  Other

Brief Description of Business

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Highest Education Level/ Training Courses Attended/ Formal Qualifications/Technical Training/Orientation

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Previous Work Experience/ Employment History

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Business Premises/Offices

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Customers/Market (Individuals, Shops/Retailers, Wholesalers, Exporters, other)

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Competition and Current Marketing Activities

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Number of Jobs to be Created and Responsibilities: Management\_\_ Technical\_\_ Labourers\_\_

Personal Investment in Business (Time, Money, Equipment, Office space, etc)

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List of Assets

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Future Business Goals (Next 2-3 years):

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Required Service:\_\_\_\_\_

How will the service assist you to improve your business\_\_\_\_\_

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REQUIRED DOCUMENTATION/INFORMATION

***Identity Document, Proof of Qualifications, Proof of Registration, Business documentation, Financial Records, References (previous employers/customers), Samples of products/work***

## Declaration

5. I hereby declare that the information provided in this application is, to the best of my knowledge, true and accurate;
6. I understand that the Allocating Agent reserves the right in its absolute discretion to refuse to accept this application and to require any client to cease to be part of this programme for any reason whatsoever;
7. I hereby declare that I understand the Business Development Services Voucher Programme terms and conditions and undertake to abide by such terms and conditions;
8. I hereby indemnify Umsobomvu Youth Fund, the Allocating Agent and its Service Providers for any loss or damages whatsoever incurred as a result of an intervention rendered by the Service Provider in good faith.

Client's Signature \_\_\_\_\_ Date 

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