

**DEPARTMENT OF SMALL BUSINESS
DEVELOPMENT, SEDA AND SEFA**

**PERFORMANCE REPORT TO THE PORTFOLIO
COMMITTEE ON SMALL BUSINESS
DEVELOPMENT**

Q3: 2016/17

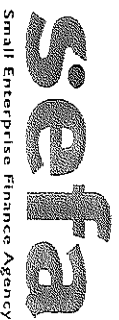
22 MARCH 2017



small business
development
Department
Small Business Development
REPUBLIC OF SOUTH AFRICA



SMALL ENTERPRISE DEVELOPMENT AGENCY
Agency of the State



Small Enterprise Finance Agency

OUTLINE

1. DEPARTMENT OF SMALL BUSINESS DEVELOPMENT
2. THE SMALL ENTERPRISE DEVELOPMENT AGENCY
3. THE SMALL ENTERPRISE FINANCE AGENCY



small business
development
Department
Small Business Development
REPUBLIC OF SOUTH AFRICA



SMALL ENTERPRISE DEVELOPMENT AGENCY
za.seda.gov.za



Small Enterprise Finance Agency

DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

PRESENTATION OUTLINE

1. BACKGROUND AND PURPOSE
2. CORPORATE GOVERNANCE
3. PERFORMANCE REPORT
4. HUMAN RESOURCES REPORT
5. FINANCIAL INFORMATION
6. RECOMMENDATIONS

BACKGROUND & PURPOSE

- The Report represents an overview of the activities of the department in line with the Public Finance Management Act 1 of 1999, Treasury Regulations and the Framework for SP & APP;
- **The Report reflects**
 - progress made on the implementation of performance indicators and targets set in respect of Quarter 3 (Q3) in the 2016/17 Annual Performance Plan (APP);
 - Variances and reasons for variance;
 - Key challenges faced by the department in implementing the mandate;
 - Planned actions to mitigate implementation challenges; and
 - Recommendations

GOVERNANCE & COMPLIANCE



small business
development
Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

Governance & Compliance

COMMITTEE	NO. OF SCHEDULED MEETINGS	ACTUAL NO. OF MEETINGS	DATES
MINEXCO	1	1	13 December 2016
EXECUTIVE COMMITTEE	6	6	3 October 2016 17 October 2016 31 October 2016 14 November 2016 28 November 2016 12 December 2016
RISK COMMITTEE	1	2	1 November 2016 10 November 2016 (Special)
AUDIT COMMITTEE	1	1	01 December 2016
GOVERNANCE FORUM WITH ENTITIES	1	1	25 October 2016

Compliance & Accountability

COMPLIANCE STATEMENT: The Department strived complied with all the relevant provisions of the PFMA, Treasury Regulations, and the Framework for Annual Performance Reporting:

- **31/10/2016** – The Department lodged the 2016/17 Quarter 2 performance report with the Department of Planning, Monitoring and Evaluation (DPME) on 31 October 2016

ACCOUNTABILITY TO THE EXECUTIVE AUTHORITY AND PARLIAMENT:

- **17/10/2016** – Exco deliberated on the 2016/17 Quarter 2 preliminary performance report;
- **30/10/2016** – The Department lodged the 2016/17 Quarter 2 performance report with the Executive Authority;
- **01/12/2016** – Presented the 2016/17 Quarter 2 performance report to the Audit Committee;
- **07/12/2016** – Presented the 2016/17 Quarter 2 performance report to the Portfolio Committee on Small Business Development in Parliament.

PERFORMANCE INFORMATION



small business
development
Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

Mandate, Strategic goals and objectives

The department is mandated to lead an integrated approach to the promotion and development of small businesses and cooperatives through a focus on the economic and legislative drivers that stimulate entrepreneurship to contribute to radical economic transformation.

PROGRAMME	STRATEGIC GOALS	STRATEGIC OBJECTIVES
PROGRAMME 1: ADMINISTRATION	AN EFFECTIVE AND EFFICIENT ADMINISTRATION	<p>1.1: To promote compliance and good governance</p> <p>1.2: To drive sound financial management and controls</p> <p>1.3: to maintain a sound performance planning, reporting and monitoring system</p> <p>1.4: To build human resource capability and promote a culture of high performance</p> <p>1.5: To promote external and internal communication on the work of the department</p>
PROGRAMME 2: POLICY, RESEARCH & M&E	AN ENABLING ENVIRONMENT FOR COMPETITIVE SMALL BUSINESSES AND CO-OPERATIVES	<p>2.1: To create a conducive legislative and policy environment for SMMEs and Co-operatives</p> <p>2.2: To drive integrated planning and monitoring for SMMEs and Co-operatives development in townships and rural areas</p> <p>2.3: To drive a comprehensive research agenda on key areas of support to SMMEs and Co-operatives</p> <p>2.4: to develop and implement a relevant international strategy</p>
PROGRAMME 3: PROGRAMME DESIGN & SUPPORT	SUSTAINABLE SMALL BUSINESSES AND CO-OPERATIVES IN RURAL AND TOWNSHIP AREAS	<p>3.1 To design and implement targeted programmes to support new and existing small and medium enterprises in township and rural areas</p> <p>3.2 To increase participation of SMMEs and Co-operatives in the mainstream economy</p> <p>3.3 To coordinate and maximise support for SMMEs and Co-operatives through public and private partnerships</p>

Q3 PERFORMANCE EXECUTIVE SUMMARY

PERFORMANCE STATEMENT:

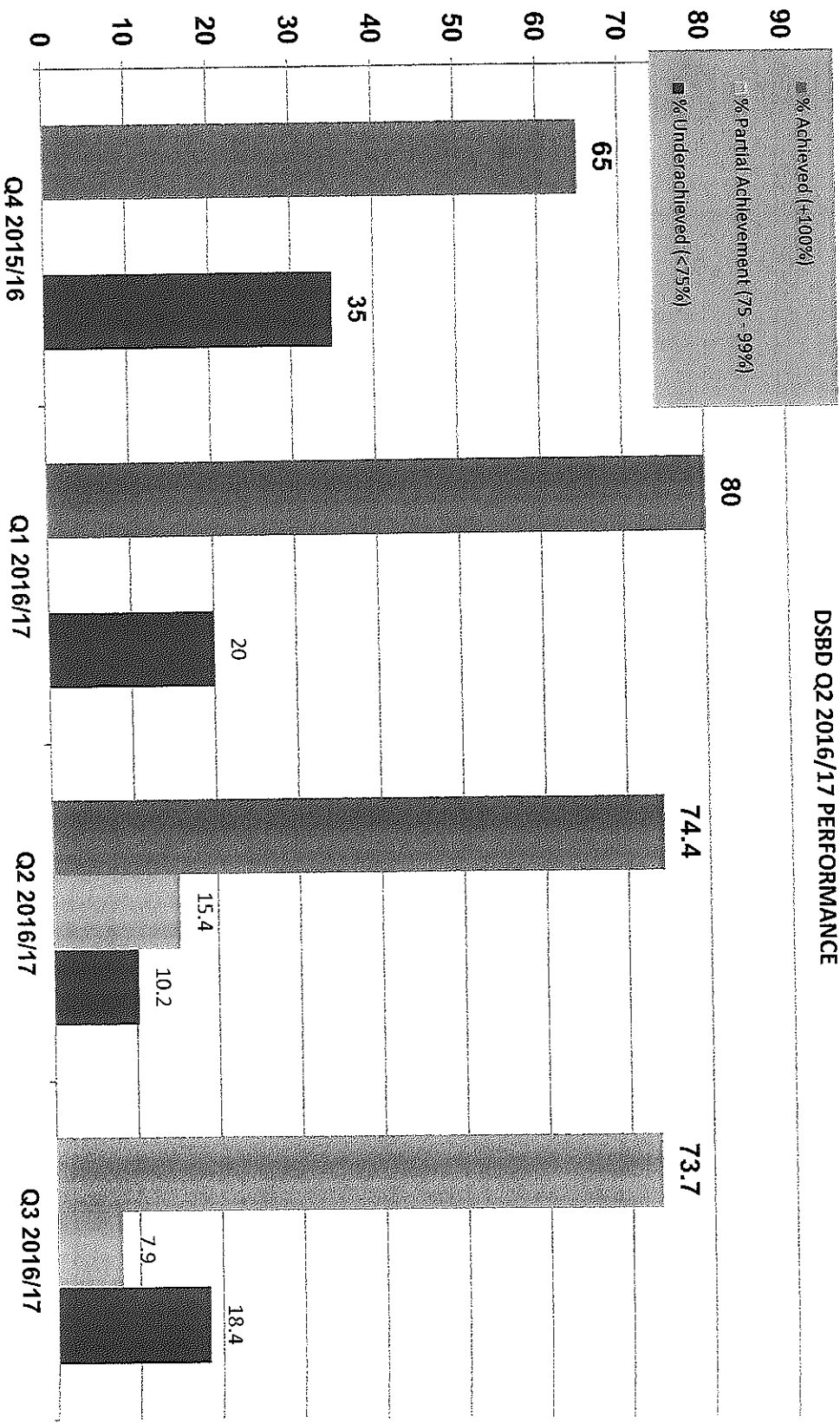
- The department has 38 Performance Indicators and is reporting against 38 Quarterly Milestones

BRANCH	NO. OF PERFORMANCE INDICATORS	Q3 MILESTONES	ACHIEVED	PARTIALLY ACHIEVED	NOT ACHIEVED	BUDGET ('000)	EXPENDITURE TO-DATE ('000)
1. ADMINISTRATION	14	14	11 (78.6%)	2 (14.3%)	1 (7.1%)	113 956	68 221 (59.9%)
2. POLICY AND RESEARCH	10	10	9 (90%)	0	1 (10%)	25 835	9 353 (36.2%)
3. PROGRAMME DESIGN AND SUPPORT	14	14	8 (57.1%)	1 (7.1%)	5 (35.7%)	1 178 648	854 712 (72.5%)
TOTAL	38	38	28 (73.7%)	3 (7.9%)	7 (18.4%)	1 318 439	932 286 (70.7%)

small business development

YEAR-TO-DATE OVERALL PERFORMANCE (%)

DSBD Q2 2016/17 PERFORMANCE



Q3 PERFORMANCE SUMMARY

- 1. Programme 1**, which is comprised mainly of Administration and Executive Support functions, performed **well**, achieving **78.6%** or 11 of its 14 planned quarterly targets; and has spent **59.9%** of its budget by 31 December 2016
- 2. Programme 2** achieved **90%** of its 10 quarterly targets. The Policy and Research Branch is by far the best performing Branch in the Department to-date, and has spent **36.2%** of its R25.6 mil allocated budget to-date.
- 3. Programme 3** performed **dismally** achieving **57.1%** or 7 of its 14 quarterly milestones, and spent **72.5%** of its (R854.7) allocated budget to-date.

PERFORMANCE HIGHLIGHTS

- Vacancy Rate: for the first time since the establishment of the department it recorded a vacancy rate of 9.5%,
 - Corrected and aligned the anomalies between PERSAL and HR systems, by abolishing certain and creating other posts. Once approved, it will immediately reduce the vacancy rate.
 - Confident that the 10% target will be achieved by year-end.
- 53.5% women employed at SMS level.
- 2.5% people with disability
- The stakeholder's consultations on the review of the National Small Business Act have been concluded and a report on proposed recommendations based on the outcomes of the stakeholder consultations.
- Preliminary report on legislative and regulatory protocols impeding SMMEs concluded.
- 2nd Draft 2017/18 draft APP reworked considering feedback from the Department of Planning, Monitoring and Evaluation and National Treasury performance dialogue.
 - Portfolio Strategic Framework developed.

PERFORMANCE HIGHLIGHTS

Programme 3 reported against the mainstreaming targets as follows:

Department performed impressively in terms of achieving its mainstreaming targets

PROGRAMME	Total Number	Women	Youth	Rural (Geographical)	Townships (Geographical)
BBSDP	175	60	58	20	39
CIS	48	24	6	48	6
CSP	678	422	310	197	447
Total	901	506	374	265	492
Total Percentage		56.1%	41.5%	29.4%	54.6%
Target (%)		50	30	30	50

PERFORMANCE UNDER-ACHIEVEMENTS

- **Enterprise Incubation Programme (EIP)** has approved 1 incubator and provisionally approved 1 incubator to date. Many applications did not comply with the criteria (focussed on training only) and required further advice/support/direction. Likely to achieve the target by year-end in terms of number approved but not expenditure.
- **CIS** supported **38 vs 125** cooperatives due challenges with the dti's transfer system. This was resolved in Q4
- **BSSDP** supported **175 vs 200** SMMEs as a result of few cancelled projects due to non-performance.
- **Informal and Micro Enterprise Development Programme (IMEDP)**, trained **1120 vs 2500** informal businesses/beneficiaries.
 - The reasons cited were that the IMEDP team (5) is thinly spread and have to straddle across multiple functions (counting of forms, capturing of data, clustering of related equipment, organizing of workshop sessions and related arrangements, and attendance of workshop sessions).
 - Solutions were implemented and 75% of annual target will be met.

small business
development

PERFORMANCE UNDER-ACHIEVEMENTS (CONT)

- No partnerships were formalised (3 were planned for the quarter)
- The significant **underspending**.

HUMAN RESOURCES REPORT



small business
development

Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

ORGANISATIONAL REPORT

- Interim structure continues, permanent proposed structure on approval phase with the Department of Public Service and Administration (DPSA).
 - As it is, the department has 2 vacant Deputy Director-General positions
 - with two members of senior management acting in the positions.
 - All the Branches have indicated the under-resourced environment in which they function.
 - **Remedial measures:** employing contract workers and interns in order to relieve the under-capacity that currently exists and that could negatively impact on the department's achievement of the set deliverables.
- **Priority:** To finalise the approval of the permanent structure and to prioritise the implementation of the human resources plan.

FINANCIAL PERFORMANCE REPORT



small business
development
Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

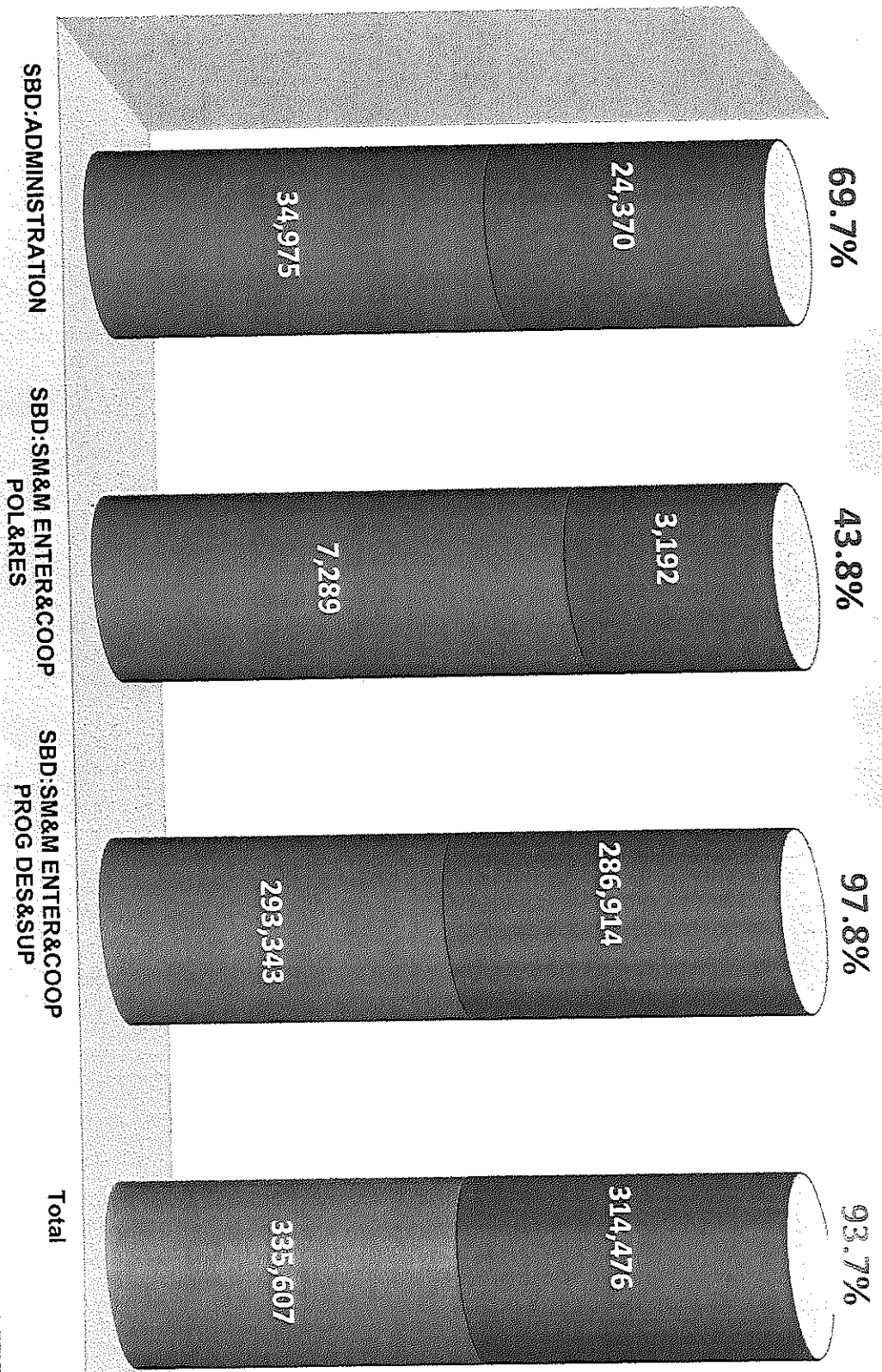
Q3: FINANCIAL PERFORMANCE

- **The Department spent R314.5 million of the estimated R335.6 million which translates into 93.7% planned for Quarter 3.**

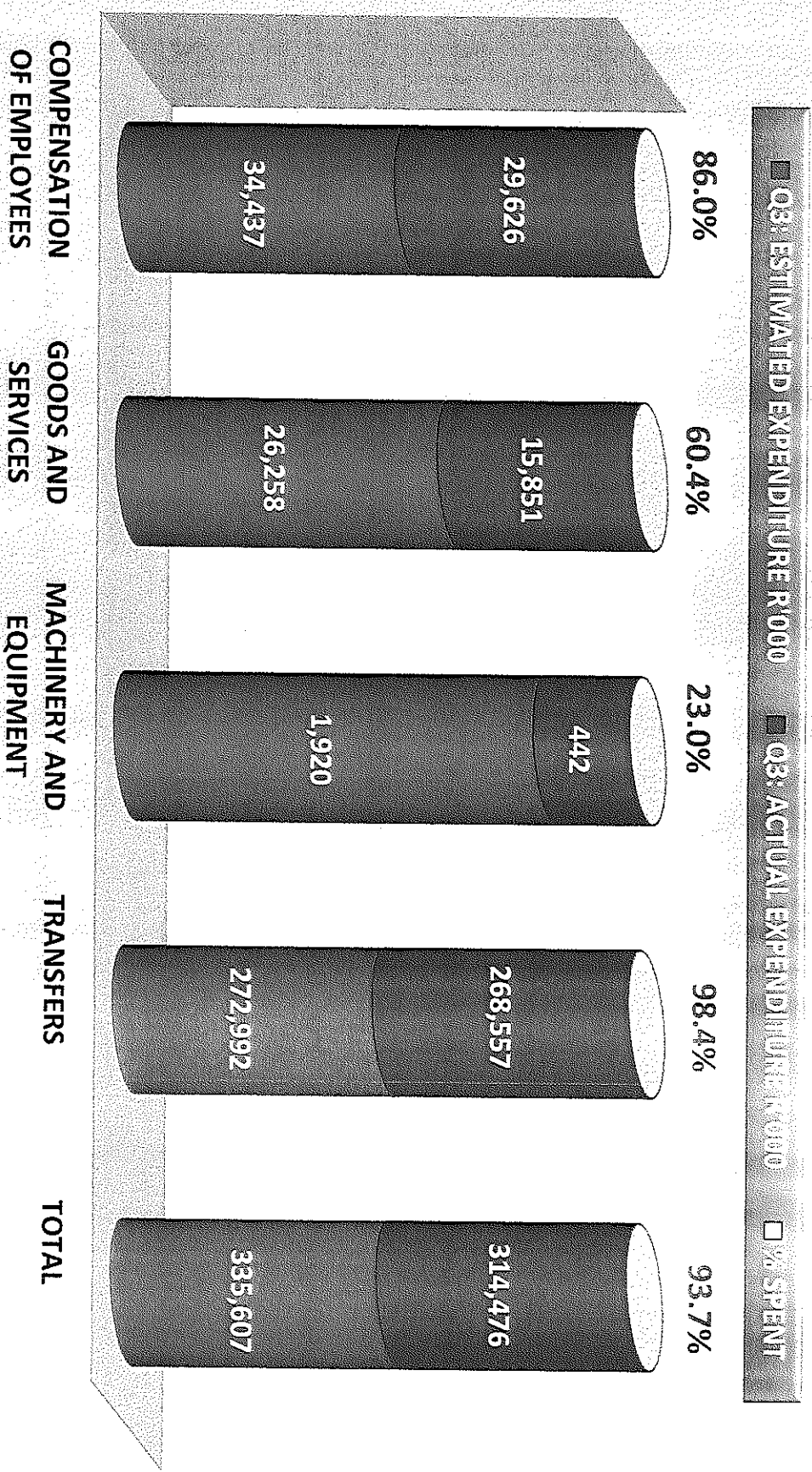
Q3: FINANCIAL PERFORMANCE PER PROGRAMME

Q3: Per Programme

Q3: ESTIMATED CASH FLOW R000
 Q3: EXPENDITURE R000
 % SPENT



Q3: FINANCIAL PERFORMANCE PER ECONOMIC CLASSIFICATION



Q3: Economic Classification

FINANCIAL PERFORMANCE REASONS FOR VARIANCE

- 1. Compensation of employees:** Existing vacancies have contributed to the under spending in salaries of R4.8 million, there are currently 22 posts vacant. Some of the vacancies are in the various stages of being filled whilst others cannot be filled until the structure has been finalised.
- 2. Goods and Services:** The under performed by R10.4 million largely on computer services due to delays finalisation of deliverables between DSBD and SITA (R3.5 million, Consultants (R3.1 million) due to delays on the commencement of research projects, as well as Travel (R1.7 million) due to outstanding invoices
- 3. Transfers:** The under spending of R4,4 million is due non-processing of transfers (R23.9 million for NIBUS, R15 million for Incubation and R3.7 million for CIS and over performance by BBSDP by R38.1 million),
- 4. Capital Expenditure:** The under spending of R1.5 million due to outstanding payment for computers and laptops delivered during November and December

FINANCIAL PERFORMANCE REMEDIES TO UNDERSPENDING

Compensation of employees: Finalise and fill posts once the Ministers have approved the revised structure and related posts.

Goods and Services: Managers were encouraged trigger the projected expenditure in line with their projections and the demand plan. The SLA between DSBD and SITA had been renegotiated

Transfers:

- **NIBUS:** 2 597 informal businesses have been trained but the concern is that zero funds have been disbursed and it is highly unlikely that the money will be spent by end of the financial year.
- **CIS :** Current approvals currently standing at R30 million and the Unit is making follow ups with the successful applicants
- **EIP:** Three adjudication meeting have been held to date resulting in approvals for R23 million. The risk still remains that the programme will not be able to disburse the R46 million allocated by National Treasury by the end of the financial year.

Capital Expenditure: It is anticipated that the outstanding invoices will be submitted and paid by end of February 2017 (R1,5 million)

PERFORMANCE REPORT PROGRAMME ONE



small business
development
Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS // ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
1. CLEAN AUDIT	Unqualified audit outcome for 2015/16 FY	Establish a Committee	3 Audit matrix meetings held	Achieved: Committee appointed and Audit Matrix compiled- Achieved. Matrix on shared folder. First meeting held.	N/A
2. OVER OR UNDER-EXPENDITURE ON ANNUAL BUDGET	Maintain <5% over or under-expenditure on annual budget	Maintain <5% over or under-expenditure on annual budget	<5% Actual Variance: 6.30%	Not Achieved. – R632.2 million vs. R1.1 billion i.e R134.2 million or 12.59%	Vacancies and processing incentives/grants/transfers
3. % OF PAYMENTS TO ELIGIBLE CREDITORS PROCESSED WITHIN 30 DAYS	100% of payments to eligible creditors processed within 30 Days	100% of payments to eligible creditors processed within 30 Days	Partial achievement: 99.9% 1 661 invoices and 745 Incentives; 1 invoice paid over 30 days due to LOGIS error	Not Achieved 4 483 invoices received & =<30 Days and 155 paid after 30 days	Error on the transversal systems. The dti received & submitted travel invoices late, 2 BAS capturers, 1 had no access to BAS,

small business development



Department: Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
4 ANNUAL PERFORMANCE PLANS TABLED	2017/18 APP tabled in Parliament	-	2 nd Strategic Planning session held on 3 – 4 Nov 2016; 2 nd Draft 2017/18 draft APP reworked considering feedback from the Department of Planning, Monitoring and Evaluation and National Treasury performance dialogue; Portfolio strategic planning session held on 14 – 15 Dec 2016; Portfolio Strategic Framework developed together with Seta and Seda.	1 st Strategic Planning Session held, 1 st Draft APP submitted, 2 nd Strategic Planning session, feedback from Department of Planning, Monitoring and Evaluation and the National Treasury to redirect the strategic focus of the department, Portfolio Strategic Framework developed.	N/A

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
5 SERVICE DELIVERY IMPROVEMENT PLAN APPROVED	SDIP produced and approved	-	The department met with DPSSA on the SDIP structure assessment tool on 28 October 2016, and the structure and the assessment tool were shared amongst the service delivery agents.	Although attention to the SDIP is low, meetings with DPSSA were fruitful. DPSSA presented the department on the structure and assessment of an SDIP.	SDIP to be prioritised in Q4 2016/17 in time for approval by EA.
6 QUARTERLY PERFORMANCE REPORTS SUBMITTED TO DPME	4 Quarterly performance reports submitted to DPME after end of each quarter	Q2 2016/17 performance report submitted to DPME	Q2 2016/17 performance report submitted to DPME on 31 October 2016.	Q4 2015/16, Q1 2016/17 and Q2 2016/17 performance reports submitted to DPME	N/A

small business development



Department: Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
7 ANNUAL REPORTS Tabled	DSBD Annual Report 2015/16 approved and tabled	-	N/A	AR 2015/16 tabled in Parliament on 30 Sep 2016.	N/A
8 VACANCY RATE (%)	Maintain a <10% vacancy rate	Maintain a <10% vacancy rate	Exceeded: 9.5% Achieved	Baseline: 14.3% YTD: 9.5%	Establishment changes: Promotions, Terminations and Creation of new posts
9 % OF WOMEN (SMS)	50% women in SMS	50% women in SMS	Exceeded: 53.5% Achieved	Baseline: 50% YTD: 53.5%	Change on headcount

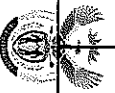
small business
development



Department of Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS //ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
10 % OF PEOPLE WITH DISABILITY	2% people with disability	2% people with disability	Target exceeded 2.5%	2.6%	Establishment changes – more employees
11 PROJECTS PROFILES OF BEST PRACTICES	12 Project Profiles of Best Practices	3 Project Profiles of Best Practices	Target achieved 3 Project Profiles of Best Practices done	9 projects profiled	N/A. Performance is in line with APP
12 STAKEHOLDER ENGAGEMENTS	8 Stakeholder Engagements	2 Stakeholder Engagements	Target exceeded 9 stakeholder engagements	22 stakeholder engagements achieved to-date	The Inter-Ministerial Committee on Communication (Chaired by Minister Jeff Radebe) has directed that at least two opinion pieces be drafted per month and at least ten media engagements be done per month from October 2016 until March 2017



PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
13 NUMBER OF MEDIA ENGAGEMENTS	35 media engagements	10 media engagements	Target exceeded 17 media engagements	43 media engagements	The Inter-Ministerial Committee on Communication (Chaired by Minister Jeff Radebe) has directed that at least 5 stakeholder engagements be held per month from October 2016 until March 2017
14 PROACTIVE AWARENESS CAMPAIGNS	12 Awareness Campaigns	3 Awareness Campaigns	Target exceeded 12 Awareness Campaigns completed	30 awareness campaigns completed	As indicated under, Stakeholder Engagements, the Inter-Ministerial Committee on Communication has directed departments to increase and intensify their stakeholder and community outreach engagements.

PERFORMANCE REPORT

PROGRAMME TWO



small business
development
Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
15 CONDUCT CONSULTATION STAKEHOLDER ENGAGEMENTS ON THE AMENDMENT OF THE SMALL BUSINESS ACT OF 1996, AS AMENDED	Targeted stakeholder consultations on the amendment of the National Small Business Act of 1996 as amended	Draft proposed amendments to existing legislation.	Report on draft proposed amendments prepared based on stakeholder consultations prepared. Also in the process of appointing a service provider to do a comparative analysis on legislative interventions for Small Business Development in other countries.	Target met	N/A
16 REVIEWED AND APPROVED INTEGRATED STRATEGY ON THE PROMOTION OF ENTREPRENEURS HIP AND SMALL ENTERPRISES	Reviewed Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises	Consultations with relevant stakeholders.	Consultations with DPME as well as the approval by Cabinet of the inclusion of the 2005 Integrated Strategy as one of the 7 programmes for the 2017/2018 National Evaluation Programme led to the logical decision to replace the review of the strategy with the evaluation of the strategy to allow for an evidence based review of the strategy based on the outcomes and findings of the evaluation.	Target met	The review of the strategy was replaced with the evaluation of the strategy to allow for an evidence based review of the strategy based on the outcomes and findings of the evaluation.

small business development

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
17 RESEARCH REPORT ON LEGISLATIVE AND REGULATORY PROTOCOLS IMPEDING SMMES AND COOPERATIVES CONCLUDED	Research report on legislative and regulatory protocols impeding SMMES concluded	Preliminary report on legislative and regulatory protocols impeding SMMES concluded.	Steering Committee meeting held on 24 November to assess progress report prepared by service provider. Stakeholder consultations conducted with CLPC, City of Johannesburg, SARS, the dti, DSBD, Co-operatives Bank Development Agency and Business Associations. Preliminary report on legislative and regulatory protocols concluded on 15 December 2016.	Target met	N/A
18 A MONITORING FRAMEWORK TO MONITOR SMMES AND COOPERATIVES SUPPORT, IN TERMS OF 30% PUBLIC SECTOR PROCUREMENT PROGRAMME, DEVELOPED	Develop and implement a Monitoring framework to monitor SMMES and Cooperatives support, in terms of 30% public sector procurement programme	Implement the Monitoring Framework to monitor SMMES and Co-operatives support in terms of CIS.	Technical support provided for the implementation of Monitoring Framework in terms of CIS. Data generated has been assessed and report on the implementation of the Monitoring Framework to monitor SME and Co-operatives support in terms of CIS produced.	Target met.	N/A

small business development



Department: Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS /ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
19 RESEARCH REPORTS ON SMMES AND CO-OPERATIVES KEY AREAS OF SUPPORT	2 Research reports on key areas of support to SMMEs and Co-operatives	Develop research reports on: 1. Enterprise Eco System 2. Definitions for SMMEs	Target not achieved Research reports not produced by the end of Q3	Target not met	Delays in the appointment of service provider. Service provider now appointed and target should be met in Q4
20 PROGRAMME EVALUATION REPORTS ON THE PLANNING, DESIGN AND IMPLEMENTATION OF SMMES AND COOPERATIVES PROGRAMMES	1 evaluation report on the planning, design and implementation of SMMEs and Cooperatives programmes	Preliminary evaluation report on programmes, planning, design and implementation	Preliminary report compiled and tabled at branch meeting of 25 October. Preliminary report updated based on inputs received at Branch meeting and presented at EXCO on 12 December 2016. Preliminary report finalised based on inputs received from EXCO.	Target met	N/A

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS /ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
21 APPROVED INTERNATIONAL RELATIONS STRATEGY	Approved international relations strategy	Draft strategy on international relations compiled and further consultations.	Draft strategy on international relations compiled, further stakeholder consultation conducted with the dti (Trade and Investment Development) as well the SA Footwear and Clothing Associations. Draft IRS Strategy refined based on EXCO inputs.	Target met	N/A
22 RESCUE STRATEGY DEVELOPED	Rescue Strategy for small enterprises and co-operatives developed	Framework for Rescue Strategy Developed.	Steering Committee meeting held on 8 December; Draft framework for Rescue Strategy developed and presented at EXCO on 12 December 2016. ToR for the appointment for a service provider developed.	Target met	N/A



PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
23 DEVELOP INTEGRATED PLANNING FRAMEWORK WITH PROVINCIAL DEPARTMENTS QUARTERLY INTER-PROVINCIAL COORDINATION REPORTS PRODUCED	Develop integrated planning framework with provincial governments 4 Quarterly Inter-Provincial Coordination 4 reports produced	Quarterly reports prepared based on the implementation of recommendations	The quarterly meeting took place on 9 December 2016 and a report on the implementations of recommendations compiled.	Target met	N/A

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
24 NATIONAL INTER-DEPARTMENTAL SMIMES AND CO-OPERATIVES DEVELOPMENT COORDINATING COMMITTEE ESTABLISHED, QUARTERLY REPORTS PRODUCED. DEVELOP INTEGRATED PLANNING FRAMEWORK WITH NATIONAL GOVERNMENTS	National Inter-Departmental SMIMES and Co-operatives Development Coordinating Committee established. Develop integrated planning framework with national governments	- Quarterly Inter-Provincial Coordination report produced.	- Quarterly meeting took place on 7 December 2016 and coordination report produced.	- Target met	N/A

small business
development



Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE REPORT

PROGRAMME THREE



small business
development
Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS /ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
<p>25 INFORMAL BUSINESSES SUPPORTED THROUGH THE IMEDP</p>	<p>7000 informal businesses supported through the IMEDP</p>	<p>2500 informal businesses supported through the IMEDP</p>	<p>Target not achieved 1120 trained informal businesses supported through refresher, impact and mentorship workshops through collaborating institutions: (UN Women, Ekurhuleni Metro, SEDA (BESD) and North West Development Corporation</p>	<p>2659 trained informal businesses supported</p>	<p>The (5) IMEDP Team member still have to straddle across the following functions which by implication portrays understaffing;</p>

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS /ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
26 INFORMAL BUSINESS INFRASTRUCTURES THROUGH SELF	6 informal Business Infrastructures through SELF	2 informal Business Infrastructures through Self	Target achieved: Makhado Municipality which was previously approved on 50/50 cost sharing bases has been approved 100% in a round robin due to the municipality no longer having funds. Inguza Hill which was previously conditionally approved is now approved. Matsila Trust was presented but referred back for more information. Greater Taung Municipality was also approved in November.	Four projects have been approved, which are Lady Smith, Inguza Hill, Greater Taung and Makhado.	N/A
27 ESTABLISHED CDA	Established CDA	Alignment process with DSBD business processes	Target achieved: CDA Project Plan and Terms of Reference were developed and approved by DG. First CDA Steering Committee convened in November 2016	Steering committee meeting held. Terms of Reference and project plan finalized.	N/A

small business development



Department: Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
28 CO-OPERATIVES SUPPORTED THROUGH CIS	370 co-operatives supported through CIS	125 co-operatives supported through CIS	Not achieved 48 (38%) cooperatives supported through CIS	To-date 196 cooperatives have been supported through CIS	Target not met due to undue delays with the systems transfer from theedit to DSBD
29 CO-OPERATIVES SUPPORTED THROUGH TRAINING	250 co-operatives supported through training	75 co-operatives supported through training	Target exceeded 90 cooperatives were trained on bookkeeping and product development in Northern Cape, North West and Free State	To-date, a total of 286 cooperatives were trained	The department, through the German Co-Operative Ralfeisen Confederation – DGRV, managed to fulfill the high demand in training by cooperatives.

small business development



Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS /ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
30 SMALL AND MEDIUM ENTERPRISES SUPPORTED THROUGH FINANCIAL AND NON-FINANCIAL SUPPORT	600 small and medium enterprises supported through the BSSDP	200 small and medium enterprises supported through the BSSDP	Target partially achieved 175 (87.5%) SMMEs supported through BSSDP	To-date, 453 SMMEs have been supported through BSSDP	A number of projects cancelled due to non-performance.
31 INCUBATORS SUPPORTED THROUGH THE ENTERPRISE INCUBATION PROGRAMME	7 incubators supported through the Enterprise Incubation Programme	3 incubators supported through the Enterprise Incubation Programme	Target not achieved 3 EIP Adjudication Committee meetings held, 1 incubator approved, 1 provisionally approved	3 EIP Adjudication Committee meetings held, 1 incubator approved, 1 provisionally approved	Delays in appointing a Bid Adjudication Committee & quality of applications.
32 PARTNERSHIP AGREEMENTS ENTERED INTO TO SUPPORT SMMEs AND CO-OPERATIVES	10 partnership agreements entered into to support SMMEs and Co-operatives	3 partnerships formalised	Target achieved Three MoUs were signed: • Summitomo- Dunlop: 15 December 2016 • SAB Miller: 15 December 2016 • UNDP: 26 November 2016	To-date: 6 public sector partnerships formalised (DoD, DRDLR, DoL, DTPS, RTIA, Merseta) 2 private-sector partnerships formalised (Afrigo, PnP)	N/A

small business development



Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS / ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	QUARTERLY TARGETS	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
33 NATIONAL Co-LOCATION PROGRAMME IMPLEMENTED	National Co-location Programme concept document and implementation plan approved. 10 National co-location points established	3 National Co-location points established	Target achieved 3 co-location points established during the quarter: One in Northern Cape and two in the Eastern Cape	7 co-location points established through partnerships between Tansnet, Sefa and Seda: Western Cape, Limpopo, Northern Cape, North West, Eastern Cape and Mpumalanga.	Lack of funding for co-location remains a major challenge in implementing the Programme.
34 INTEGRATED PLANNING ENGAGEMENTS WITH LOCAL GOVERNMENT DEPARTMENTS THROUGH LED FORUMS AND REPORTS PRODUCED	15 Integrated planning engagements with Local government departments through LED forums and reports produced	5 Integrated planning engagements with local government departments through LED forums and reports produced	Target exceeded 10 integrated planning engagements held as follows: District Municipalities – Francis Baard, Waterberg, Sekhukhune, Alfred Nzo, Sol Plaatje, John Taolo and Local Municipalities – Endumeni, Makhado, Saldanah Bay. Attended a session led by COGTA with various Municipalities to present the opportunities offered by the DSBD.	20 integrated planning engagements held country-wide	The target has been exceeded due to the need for continuous engagements with District and Local municipalities in respect of LED and SMME Development
small business development					



PERFORMANCE AGAINST APP 2016/17

PERFORMANCE INDICATORS /ACTIVITY	ANNUAL TARGETS	QUARTERLY MILESTONES	ACTUAL QUARTERLY ACHIEVEMENT	YEAR-TO-DATE ACHIEVEMENT	REASONS FOR VARIANCE
35 % OF TOTAL ENTERPRISES SUPPORTED ARE WOMEN-OWNED ENTERPRISES	50% of total enterprises supported are women-owned enterprises	(50% of total enterprises supported) women-owned enterprises	56.1% of total enterprises supported were women-owned enterprises	348 women-owned enterprises supported	N/A
36 % OF TOTAL ENTERPRISES SUPPORTED ARE YOUTH-OWNED ENTERPRISES	30% of total enterprises supported are youth-owned enterprises	(30% of total enterprises supported) youth-owned enterprises	41.5% of total enterprises supported were youth-owned enterprises	202 youth-owned enterprises supported	N/A
37 % OF TOTAL ENTERPRISES SUPPORTED ARE FROM TOWNSHIPS	50% of total enterprises supported are from townships	(50% of total enterprises supported) from townships	54.6% of total enterprises supported were from townships	181 enterprises supported from townships	N/A
38 % TOTAL ENTERPRISES SUPPORTED ARE FROM RURAL AREAS	30% total enterprises supported are from rural areas	30% of total enterprises supported) from rural areas	29.4% of total enterprises supported were from rural areas	280 enterprises supported from rural areas	N/A

small business development

Q3 PERFORMANCE REPORTS OF ENTITIES

1. SEDA

2. SEFA



**small business
development**
Department
Small Business Development
REPUBLIC OF SOUTH AFRICA

**THE SMALL ENTERPRISE
DEVELOPMENT AGENCY (SEDA)**

**PERFORMANCE REPORT TO THE
PORTFOLIO COMMITTEE
Q3 2016/17**

23 MARCH 2017

PRESENTATION OUTLINE

1. GOVERNANCE & COMPLIANCE
2. PERFORMANCE REPORT
3. HUMAN RESOURCES REPORT
4. FINANCIAL INFORMATION
5. AUDIT REPORT & ACTION PLAN
6. RECOMMENDATIONS

GOVERNANCE & COMPLIANCE

GOVERNANCE & COMPLIANCE

COMMITTEE (EXAMPLE)	NO OF SCHEDULED MEETINGS	ACTUAL NO OF MEETINGS	DATES
BOARD MEETINGS	2	2	27 OCTOBER 29 NOVEMBER
STRATEGY AND ORGANISATIONAL PERFORMANCE COMMITTEE (SOPC) (INCORPORATING FINANCE)	2	2	26 OCTOBER 15 NOVEMBER
AUDIT AND RISK COMMITTEE (ARC)	1	1	21 OCTOBER
HR & REMUNERATION COMMITTEE	2	2	11 OCTOBER 15 NOVEMBER

COMPLIANCE & ACCOUNTABILITY

COMPLIANCE STATEMENT:

- Submitted the Seda July to September 2016 Report to the Department of Small Business Development by end October 2016.
- Submitted the 2nd Draft Annual Performance Plan 2017/18 – 2019/20 to the Department of Small Business Development by end November 2016.
- Held Annual Stakeholder Forum in October 2017
- **ACCOUNTABILITY TO THE EXECUTIVE AUTHORITY AND PARLIAMENT:**
 - Attended Briefing Session to the Portfolio Committee for Small Business Development on the Programme Review on 23rd November 2016.
 - Seda July to September 2016 Report presented to the Portfolio Committee for Small Business Development on 7th December 2016.

PERFORMANCE INFORMATION

2016/17 MANDATE, STRATEGIC GOALS AND OBJECTIVES

The entity is mandated to develop, support and promote small enterprises to ensure their growth and sustainability in coordination and partnership with other role players....

PROGRAMME	STRATEGIC GOALS/OUTCOMES	STRATEGIC OBJECTIVES
PROGRAMME 1: ENTERPRISE DEVELOPMENT	Sustainable, competitive and growing small enterprises and cooperatives.	<ul style="list-style-type: none"> • Increase number of diagnostic assessment conducted on small enterprises • Increase number of clients participating in the Supplier Development Programme • Increase number of clients supported through trade facilitation • Increase number of clients supported through mentorship and coaching • Increase number of clients trained on national and international standards • Increase number of Cooperatives supported • Increase number of clients participating in the BESD Programme • Increase number of clients participating in the National Gazelles Programme
	Increase Seda delivery network to reach underserviced areas	<ul style="list-style-type: none"> • Establish new incubators in prioritised provinces (including virtual incubators) • Increase collocation points with identified partners • Develop a framework for Seda branch location and resourcing

2016/17 MANDATE, STRATEGIC GOALS AND

OBJECTIVES

The entity is mandated to develop, support and promote small enterprises to ensure their growth and sustainability in coordination and partnership with other role players....

PROGRAMME	STRATEGIC GOALS/OUTCOMES	STRATEGIC OBJECTIVES
PROGRAMME 2: SEDA TECHNOLOGY PROGRAMME	Sustainable, competitive and growing small enterprises and cooperatives Increase Seda delivery network to reach underserviced areas	<ul style="list-style-type: none"> • Increase number of clients participating in the Incubation Support Programme • Increase number conformity assessment and product testing support • Increase the number of clients supported with systems implementation • Increase number of clients accessing Technology Transfer support • Establish new incubators in prioritised provinces
PROGRAMME 3: ADMINISTRATION	Sustainable, competitive and growing small enterprises and cooperatives	<ul style="list-style-type: none"> • Effective and efficient budget management • Effective and efficient human resource management
	Maximise support offered to Seda clients through stakeholder contribution	<ul style="list-style-type: none"> • Increase number of partnerships for small business development and support • Increase financial support sourced from partners

PERFORMANCE STATEMENT

Seda's performance information is structured in line with Seda's approved Annual Performance Plan 2016/17 – 2018/19. It gives information on performance against targeted indicators, both on outcome and output levels. Out of a total of 20 strategic indicators 14 quarterly targets were achieved, which is 70% achievement. Year to date target achieved on 16 of the targets, which is 80% achievement. The performance against set strategic indicators and targets is tabulated in the following slides.

PERFORMANCE STATEMENT

PROGRAMME	STRATEGIC GOALS / OUTCOMES	NO. OF PERFORMANCE INDICATORS	ACHIEVED (VALUE & %)		NOT ACHIEVED (VALUE & %)		BUDGET (YTD) (R,000)	ACTUAL EXPENDITURE (YTD) (R,000)
			Value	%	Value	%		
PROGRAMME 1: ENTERPRISE DEVELOPMENT	Sustainable, competitive and growing small enterprises and cooperatives	9	8	(89%)	1	(11%)	298,45	305,28 (+2.29%)
			1	(50%)	1	(50%)		
	Increase Seda delivery network to reach underserved areas	2	1	(50%)	1	(50%)		
PROGRAMME 2: SEDA TECHNOLOGY PROGRAMME	Sustainable, competitive and growing small enterprises and cooperatives	4	3	(75%)	1	(25%)	135,51	128,25 (-5.36%)
			1	(100%)				
	Increase Seda delivery network to reach underserved areas	1	1	(100%)				
PROGRAMME 3: ADMINISTRATION (Support services & Partnerships)	Sustainable, competitive and growing small enterprises and cooperatives	2	2	(100%)			118,29	116,62 (-1.41%)
			1	(50%)	1	(50%)		
TOTAL		20	16	(80%)	4	(20%)	552,25	550,15 (-0.38%)

PERFORMANCE: HIGHLIGHTS

The organisation performed exceptionally well on the following indicators:

Enterprise Development (year to date)

- 118 clients supported through the supplier development programme,
- 279 clients supported through the trade facilitation,
- 111 primary cooperatives established,
- 1,819 clients supported through Basic Entrepreneurial Skills Development (BESD) programme,
- 60 partnerships sourced for small business development
- 41 clients supported with systems implementation,
- 98% indicated that they are satisfied with the quality of Seda services,
- 78% of surveyed clients showed an increase in their turnover,
- 55% of those surveyed reflected an increase in the number of people employed,

Seda Technology Programme

- Through the Seda Technology programme 1,794 jobs were created to date

[Seda Performance Table Q3.docx](#)

PERFORMANCE: UNDER ACHIEVEMENTS

The organisation performed below expectations on the following indicators:

Enterprise Development

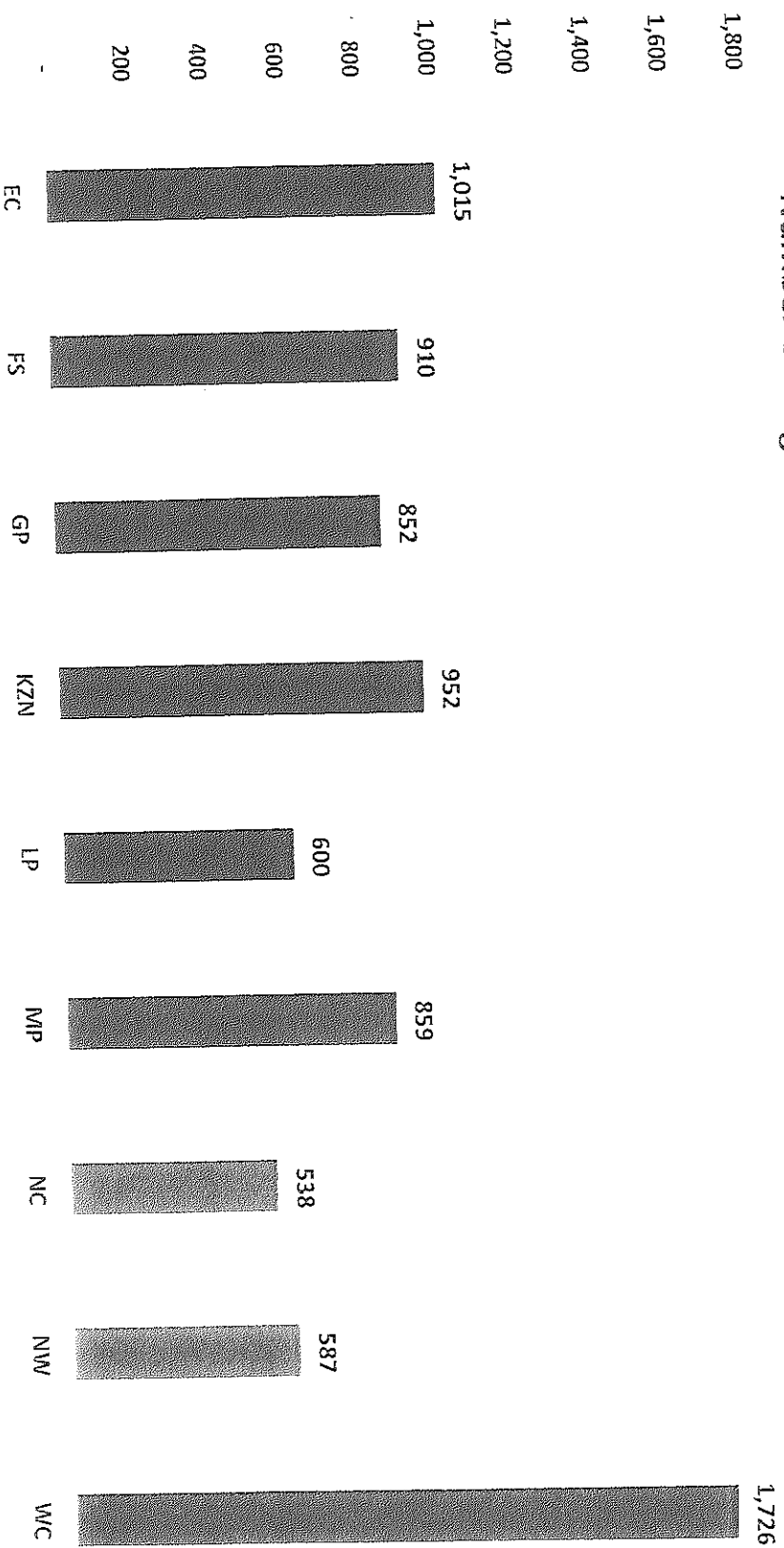
- Number of diagnostic assessments conducted on client businesses
- Number of clients supported through the National Gazelles programme
- Development of branch resourcing framework
- Value of service delivery costs covered by partners.

Seda Technology Programme

- Number of clients supported through technology transfer.

PERFORMANCE: KEY CLIENT DEMOGRAPHICS

Number of diagnostic assessments conducted on clients businesses - YTD

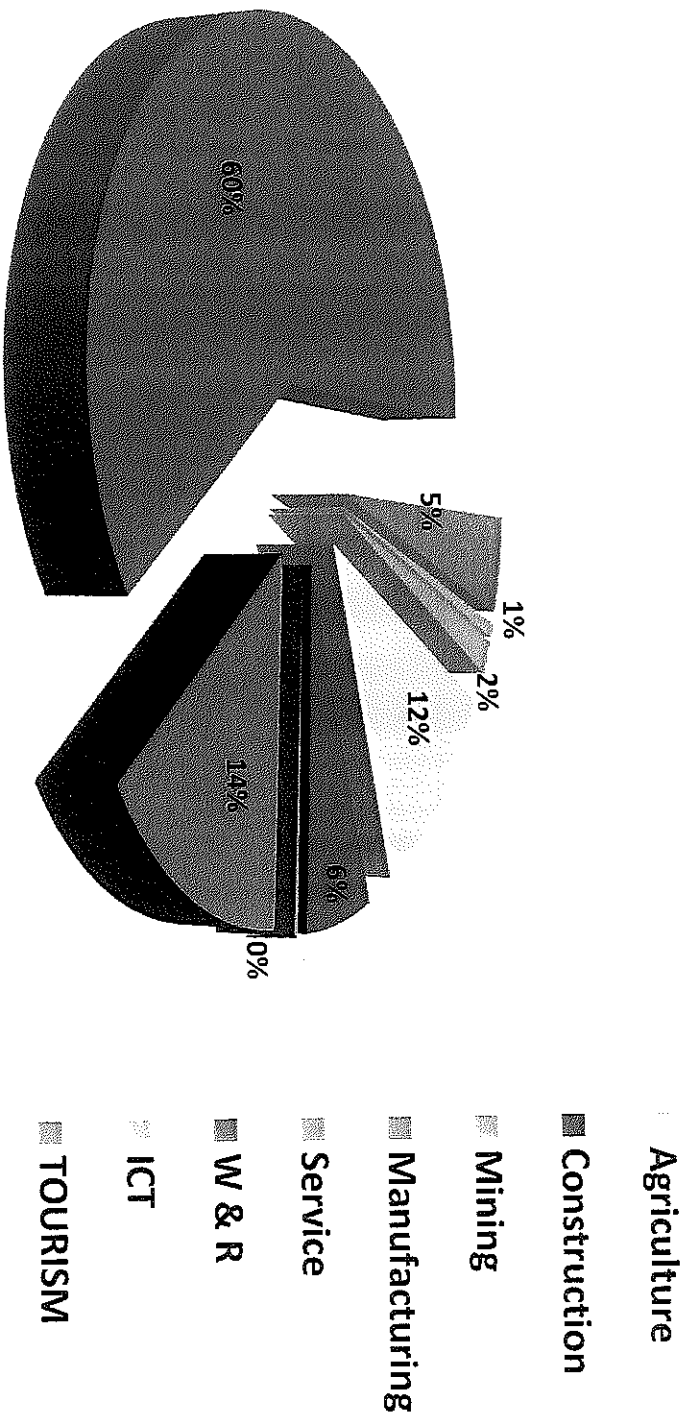


PERFORMANCE: KEY CLIENT DEMOGRAPHICS

	EC	FS	GP	KZN	LP	MIP	NC	NW	WC	TOTAL
% of clients which are black owned business	95%	97%	94%	98%	99%	98%	97%	97%	84%	94%
% of clients which are women owned business	42%	48%	47%	47%	47%	44%	53%	41%	46%	46%
% of clients which are youth owned business	39%	50%	51%	48%	57%	53%	37%	52%	35%	45%
% of clients which are owned by people with disabilities	2%	3%	6%	1%	1%	2%	3%	1%	3%	3%

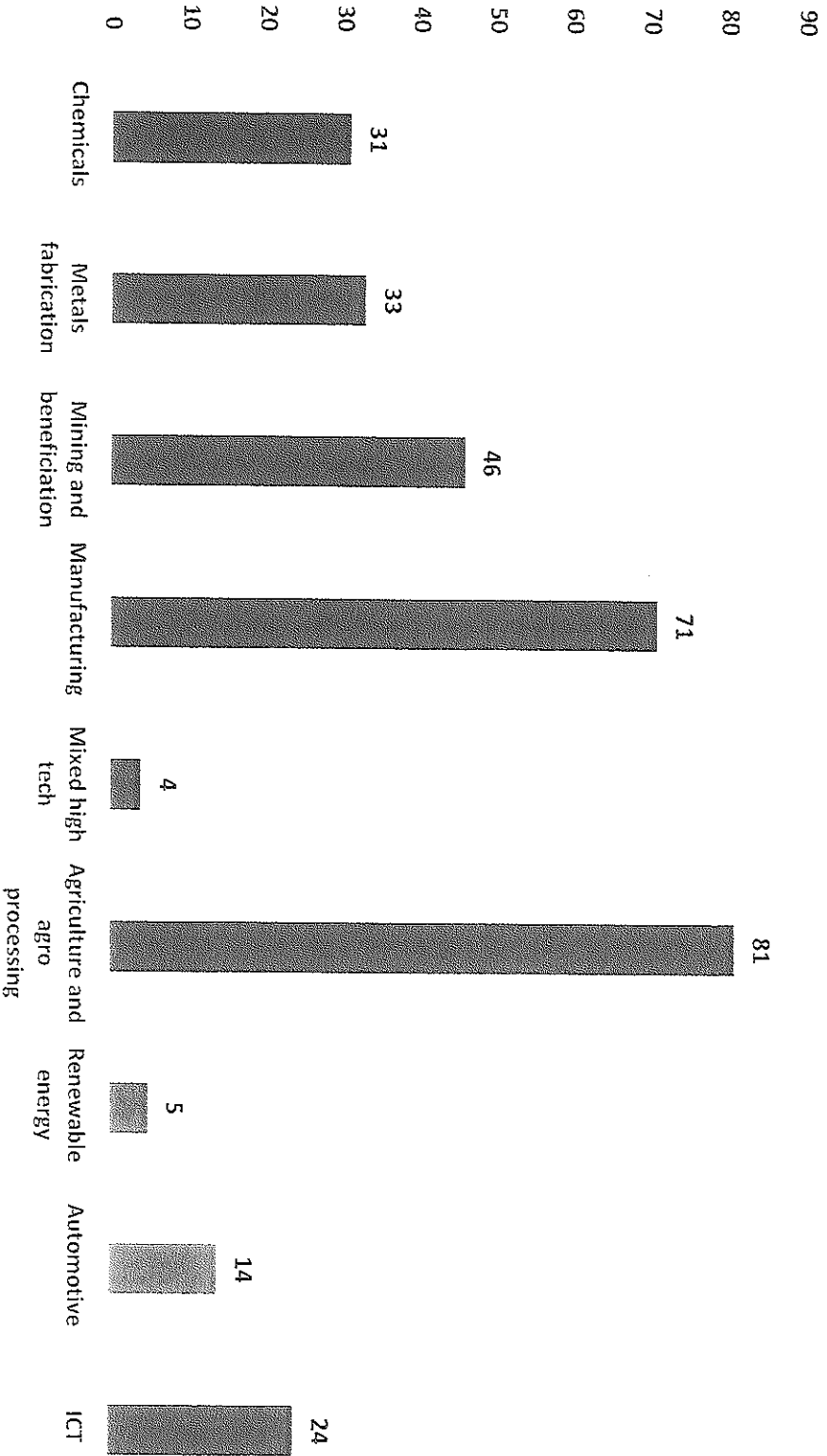
PERFORMANCE: KEY CLIENT DEMOGRAPHICS

CLIENTS WORKING WITH PER SECTOR - YTD



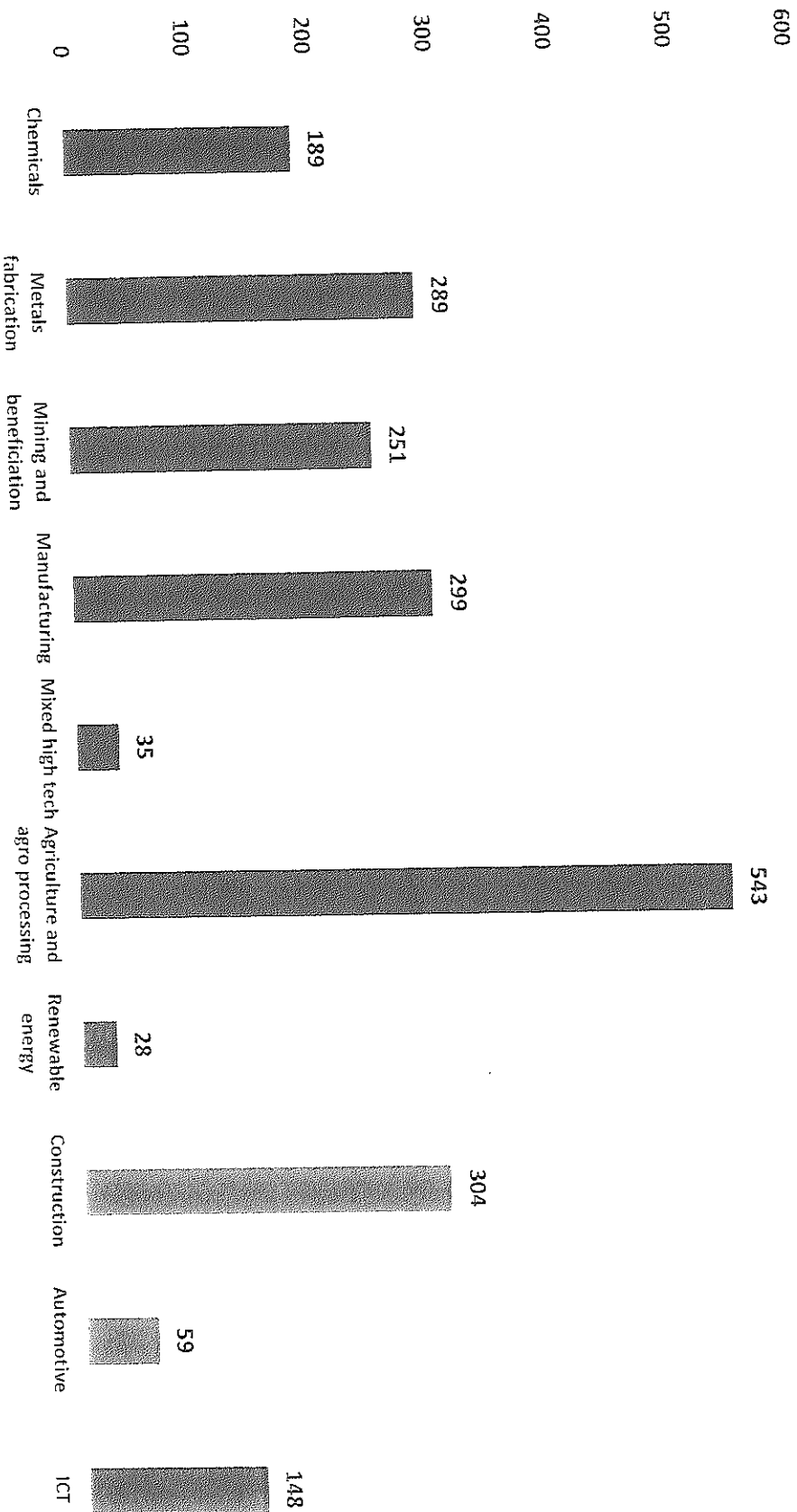
NEW SMIMES CREATED PER SECTOR-INCUBATION

New SMIMES established (YTD)



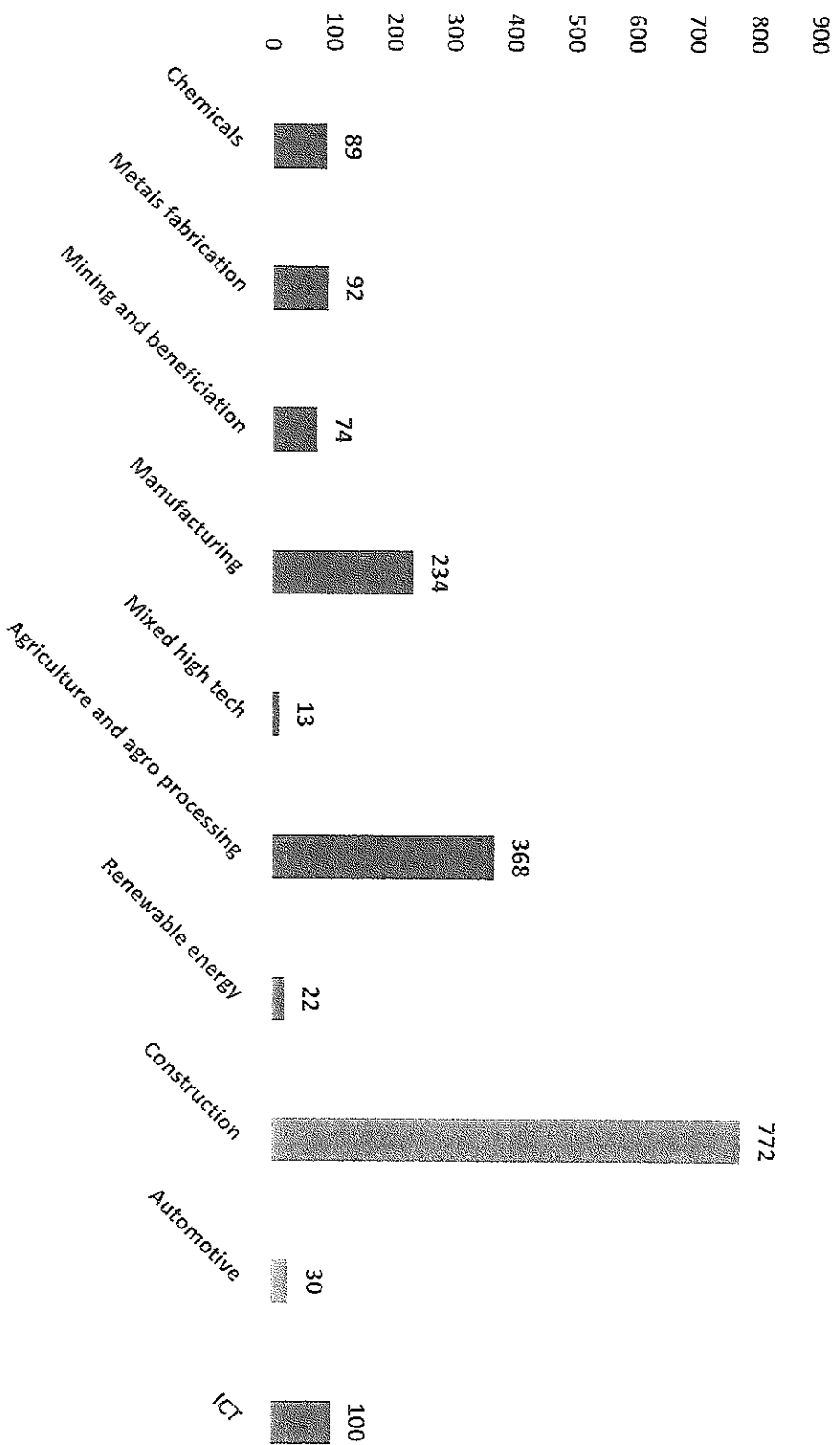
CLIENTS SUPPORTED PER SECTOR-INCUBATION

Number of clients supported (YTD)



JOBS CREATED PER SECTOR-INCUBATION

Number of jobs created (YTD)



SMALL ENTERPRISE DEVELOPMENT AGENCY
AN AGENCY OF DHS (1987)

AREAS OF CONCERN & CORRECTIVE ACTION

- **Number of clients supported through the National Gazelles programme**
 - Workshops for the remaining 160 National Gazelles programme clients to agree on activities to prepare them for their participation in the programme in near future, going forward programme will focus only on the top 40. Workshops on lessons learnt and programme improvement currently underway.
- **Framework on branch location and staffing developed**
 - Framework currently being developed, Productivity SA to assist with a bigger project to include improving efficiency at branches.
- **Value of service delivery costs covered by partners**
 - Amount of funds raised is within annual target, funds only realised once utilised. Going forward the indicator will be expanded to include the financial value of other contributions, e.g. co-location.
- **Number of clients assisted through technology transfer**
 - Insufficient funds for programme, budget constraints for current year also had impact on funds allocated to the programme.
- **Reporting Data**
 - Improve data management based on client tracking and correlation of multi-year reports for longitudinal studies- needs for integrated information management capabilities across Seda network.

KEY RISKS AND QUARTER 3 MITIGATION ACTION

Risk name	Q2 Progress
<p>Failure to service the upper end of the SME market.</p>	<ul style="list-style-type: none"> • Mineral beneficiation innovation forum held in the North West province on 16 November 2016 • Three high tech incubators in process of implementation. • Gap Analysis study on the state, needs, opportunities and challenges of upper end market done. • Branch staffing & efficiency focusing on analysis of branch staffing issues, business processes and productivity is underway • Training calendar in use and incorporated into Learner Management System. • Research & Other partnerships to enhance programme development and implementation sourced.
<p>Failure to attract and retain critical skills.</p>	<ul style="list-style-type: none"> • A Retention Survey conducted. • Succession Plan development underway. • Performance Management and Development policy review underway. • Job profiling review project finalised. • Values revisited during strategic planning.

KEY RISKS AND QUARTER 3 MITIGATION ACTION

Risk name	Q2 Progress
<p>Inadequate ICT resources and strategy.</p>	<ul style="list-style-type: none"> • Seda ICT Governance Framework approved. • ICT DRP and ICT BCP Services tender issued to the replace expiring contract. • Seda ICT Strategy tabled at EXCO for SOCP and Board approval.
<p>Lack of agility to respond to client needs.</p>	<ul style="list-style-type: none"> • Website and internet designs functional specification has been developed. • The e-services portal development is in progress.

KEY RISKS AND QUARTER 3 MITIGATION ACTION

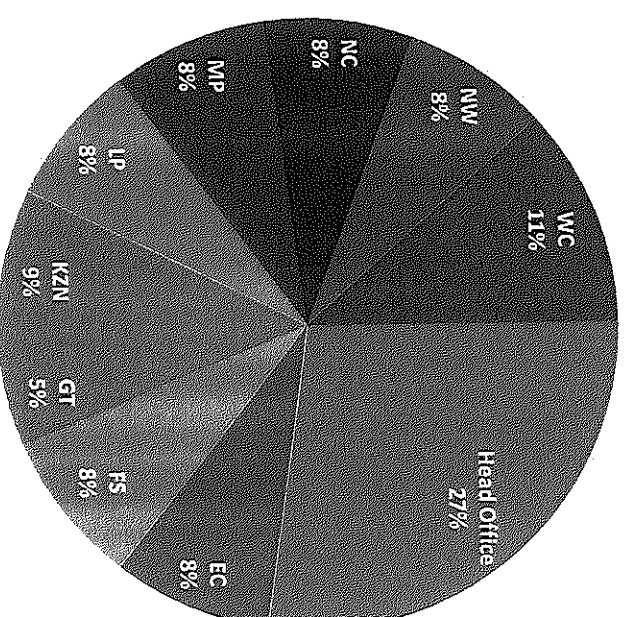
Risk name	Q2 Progress
Inadequate stakeholder engagement.	<ul style="list-style-type: none"> • My Go campaign was conducted in Q3 • Social Media plan approved. • The external Newsletter, Imbadu issued. • Sector focused event plans developed and implemented in various provinces. • National events and sponsorships plan implemented.
Inadequate funding.	<ul style="list-style-type: none"> • Discussion ongoing on Seda participation in the EU SMME Support Programme.

OTHER MAJOR INITIATIVES

- Global Entrepreneurship Week successfully held in November 2016, focus now on the Global Entrepreneurship Congress in March 2017.
- BESD programme handover from GIZ to Seda done in December 2016.
- Two Rapid Incubators (Western Cape, Northern Cape) launched in November 2016.
- University of Pretoria appointed to run the National Incubation Governance Development Programme.
- Seda received the Auditor-General clean audit award in November 2016.
- Implementation of DSB D programme review recommendations underway.
- Establishment of the Cooperatives Development Agency in progress, a task team with TORs has been established.
- Pastel Evolution roll out underway to consolidate financial systems.
- Balanced scorecard framework has been adopted as Seda planning and performance management tool, Tier 1 scorecard developed.

HUMAN RESOURCES REPORT

KEY HUMAN RESOURCES FIGURES



- Total number of staff as at end December was 639
- Of this number, 182 are Business Advisors
- Staff vacancy rate currently at 3%, for Business Advisors slightly higher at 6.7%
- Significant part of National Office are in the Enterprise Development Division and Seda Technology programme, which are part of the core services.

FINANCIAL PERFORMANCE INFORMATION

FINANCIAL REPORT

➤ The total revised revenue budget for Seda for the 2016/17 financial year amounts to R768,14 million and the total revised expenditure budget amounts to R768,14 million.

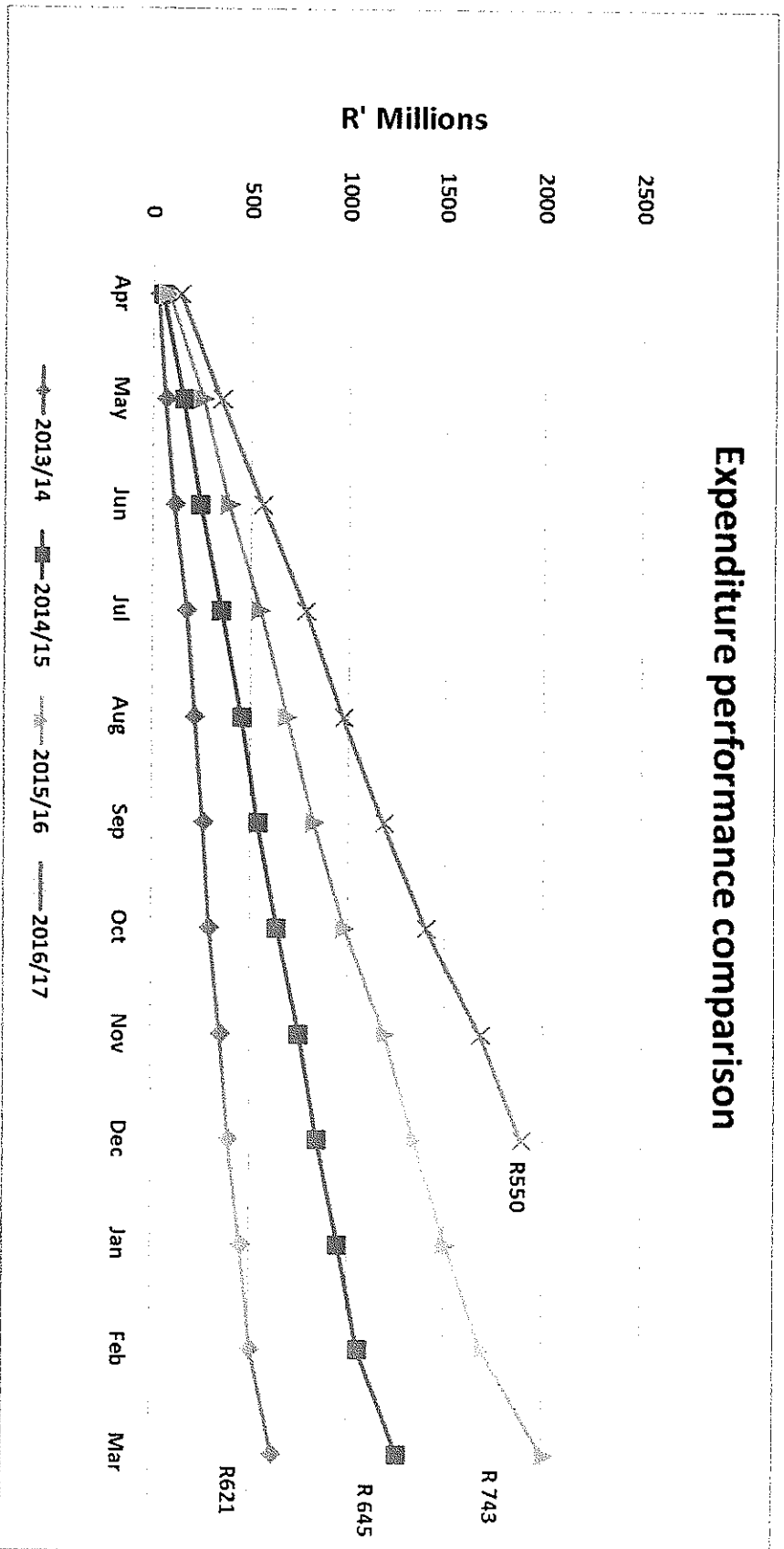
➤ The budget split per expenditure category is as follows:

Category of expenditure	R' million	% of budget
Compensation of employees	R 292,55	38.09%
Operating costs (excluding employees compensation)	R 130,40	16.97%
Programmes and projects	R 330,61	43.04%
Capital	R 14,58	1.90%

➤ The actual expenditure for the period 1 April to 31 December 2016 amounted to R 550,16 million resulting in a pro rata under spending of R 2,09 million (0.38%), against the pro-rata budget of R 552,25 million.

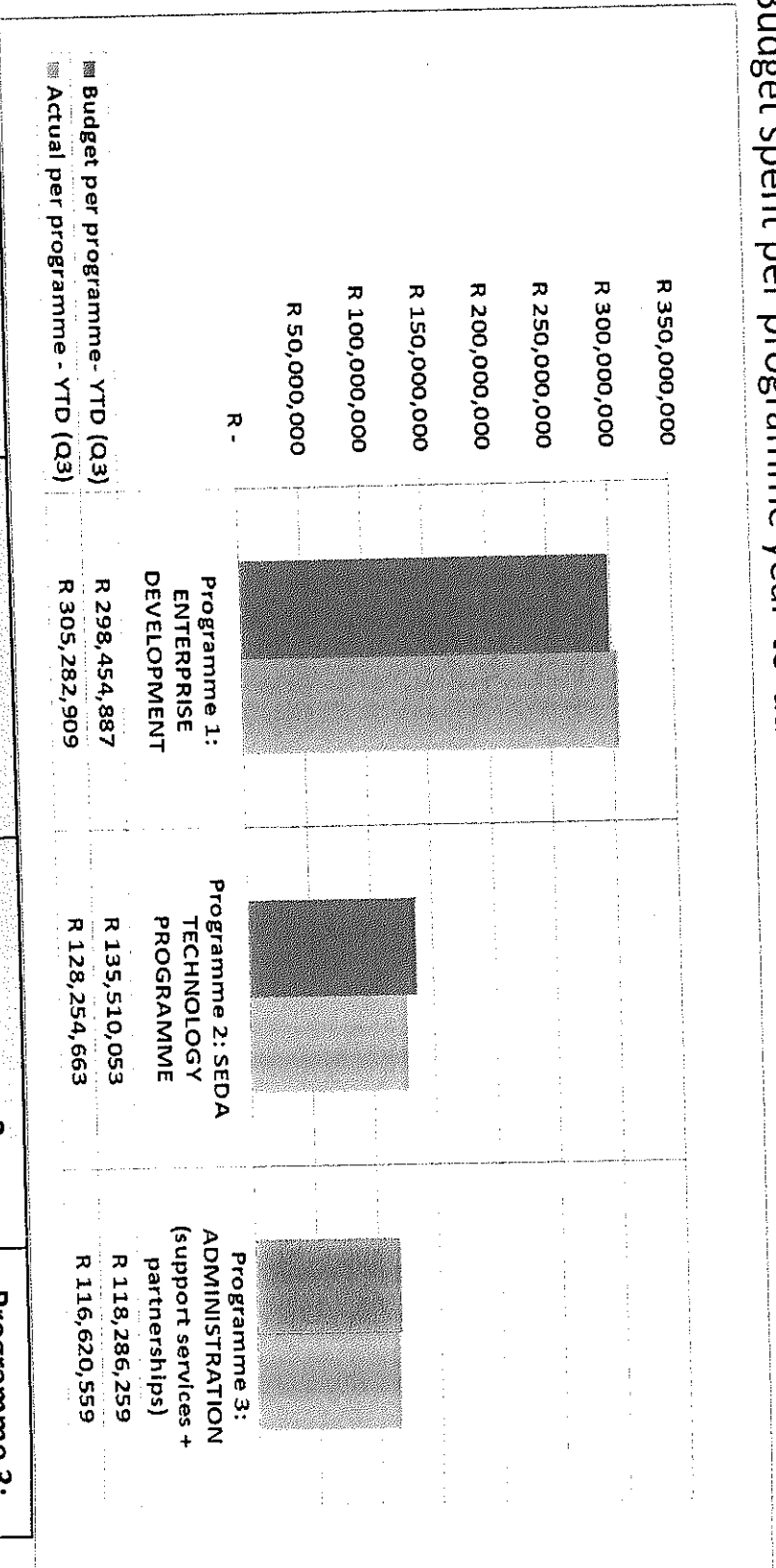
EXPENDITURE PERFORMANCE

Expenditure comparison previous periods to the period under review



PORTFOLIO SPEND PER PROGRAMME

Budget spent per programme year-to-date for the end of 3rd Quarter (Oct - Dec 2016)



	Programme 1: Enterprise Dev	Programme 2: Seda Tech Prog	Programme 3: Admin
% of Budget	54.04%	24.54%	21.42%
% of Actual	55.49%	23.31%	21.20%

AUDIT REPORT AND ACTION PLAN

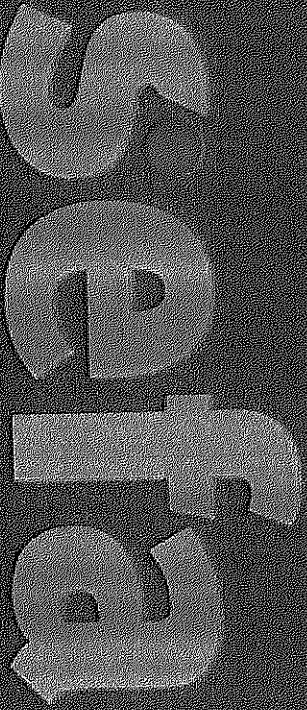
STATUS OF AUDIT REPORTS/ACTION PLANS

STATUS OF AUDIT REPORTS.docx

**THE SMALL ENTERPRISE FINANCE
AGENCY (SEFA)**

**PERFORMANCE REPORT TO THE
PORTFOLIO COMMITTEE
Q3 2016/17**

23 MARCH 2017



Small Enterprise Finance Agency

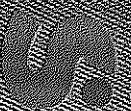
Small Enterprise Finance Agency
3rd Quarter Performance Report

Accessible Development Finance





PRESENTATION OUTLINE

- Introduction
- Loan book approvals
- Loan book disbursements
- Development impact
- Post Investment Workout and Restructuring
- Human Capital Management
- Enterprise Risk Management & Compliance
- Information Technology
- Marketing & Communications, Internal Audit, Legal
- Strategy and Reporting
- Financial Performance and Statement
- Balanced Scorecard
- Ministerial Support and Intervention

Introduction

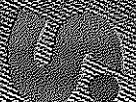


- Total loan book approvals and disbursement for the financial year, represents 52% and 101% of the respective annual targets.
- The overall macro-economic environment is negatively impacting on the business performance of the SMME and Co-operative enterprise sector:
 - Business performance is negatively impact on sefa's collection and loan impairments
- The sefa internal control environment remains stable
- A new Board of Director has been appointed as at the end of November 2016.
- **sefa** received an award for the company with the best developmental impact by Association of Black Securities Investment Professionals (ABSIP)
- The third quarter organisational performance against pre-determine targets are as follows:

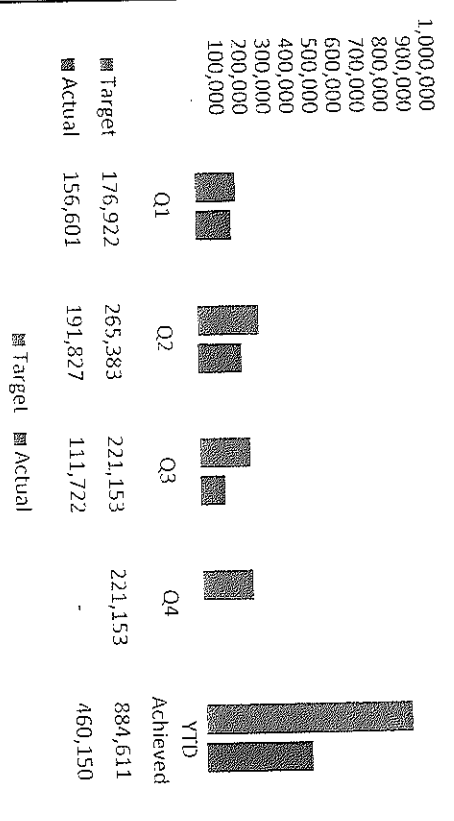
RAG Indicator	Description	% performance
	100% and above	39%
	Between 75% and 99%	9%
	Below 75%	39 %
	Not measurement	13%

- New Board of Directors (BOD) was appointed in November 2016
- Induction workshops were conducted for sefa Board on 21 November and KCG Board 24 January.
- Board committee nominations were concluded during the induction.
- The following BOD sub-committees were merged
 - Enterprise Risk Committee and Audit Committee
 - Wholesale Investment Committee and Direct Lending
- The revised charters drafted and will be submitted February for BOD approval.
- sefa governance structures are working well
- **Shareholder Compact** - Approval by sefa Board has been completed. The SC has not yet been signed due certain information required by DSBD from IDC.
- Changing of directors of subsidiary companies at CIPC is still a challenge
 - submitted an affidavit to CIPC requesting removal of old directors starting from Khula Institutional Support Service (KISS

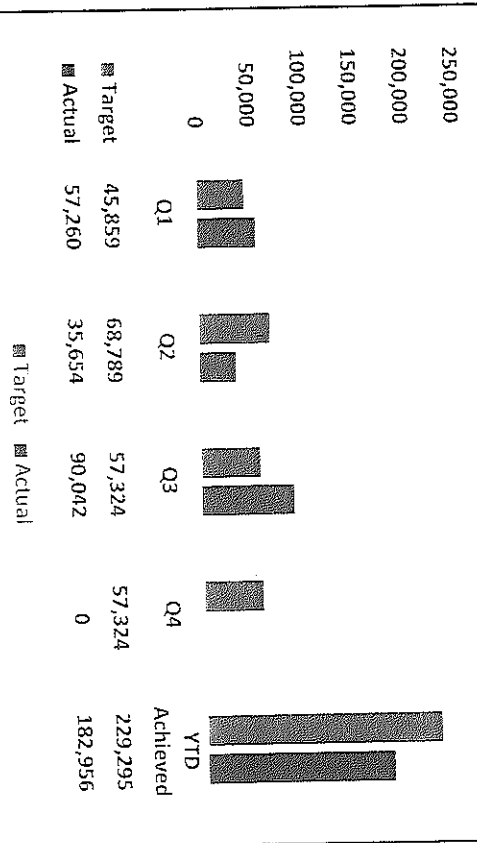
sefa loan book approvals



Loan Book Approval - R'm



Direct Lending Loan Book Approvals - R'm



Wholesale Loan Book Approvals - R'm



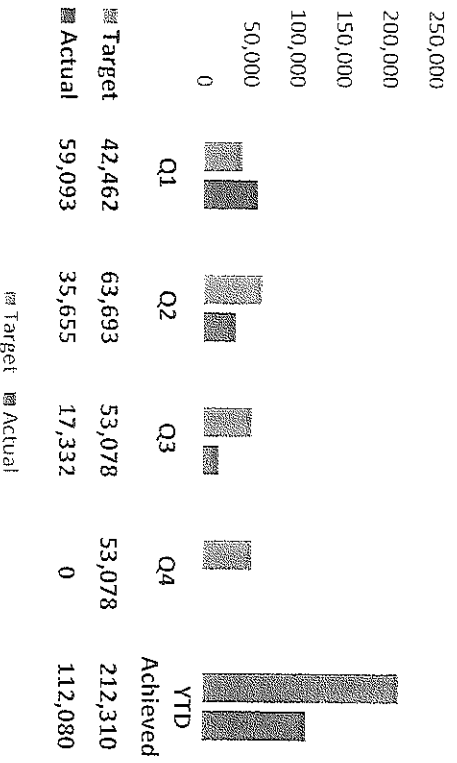
- Loan Approvals as at the end of the 3rd quarter was R460 million. This represent 52% of the annual target.
- Total 3rd quarter loan approvals was 51% of the quarterly target.
- Year to date performance against target in terms of the different loan book approvals is follows:
 - Direct Lending – 80%
 - Wholesale Lending – 42%
- Macroeconomic factors (i.e. lower GDP, unemployment, etc.) which influence the investment activities and decisions of business.

Loan book disbursements

Loan Programme Disbursements – R'm



Direct Lending Programme Disbursements – R'm



Wholesale Loan Programme Disbursements – R'm

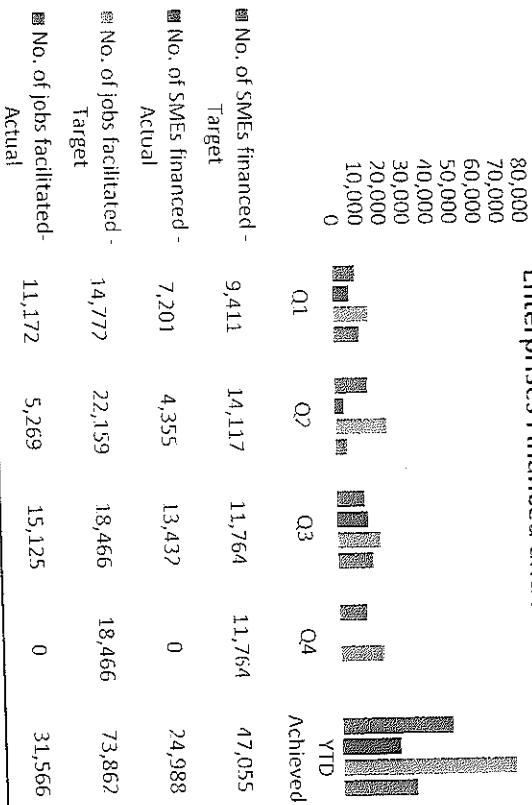


- Year to date loan programme disbursements represents 124% of the annual target.
- 3rd Quarter disbursements represent 147% of the of the quarterly target.
- The overachievement in the disbursements is derived through the wholesale product channel (revolving loan facilities that is extended to intermediary institutions).
- Direct lending under-achievement on disbursements is mainly due to the tightening of credit (tighter loan covenants to manage loan impairments)

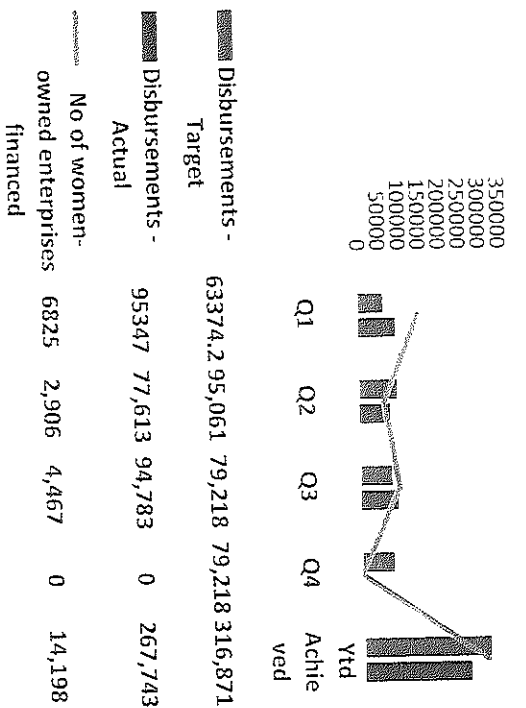
Development impact



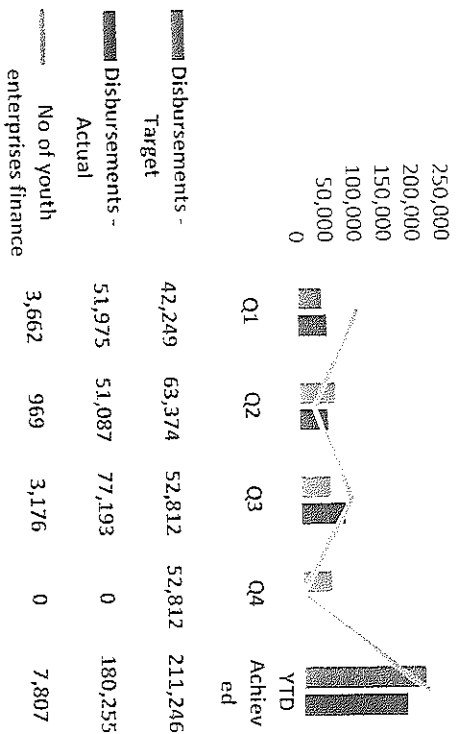
Enterprises Financed and Jobs Facilitated



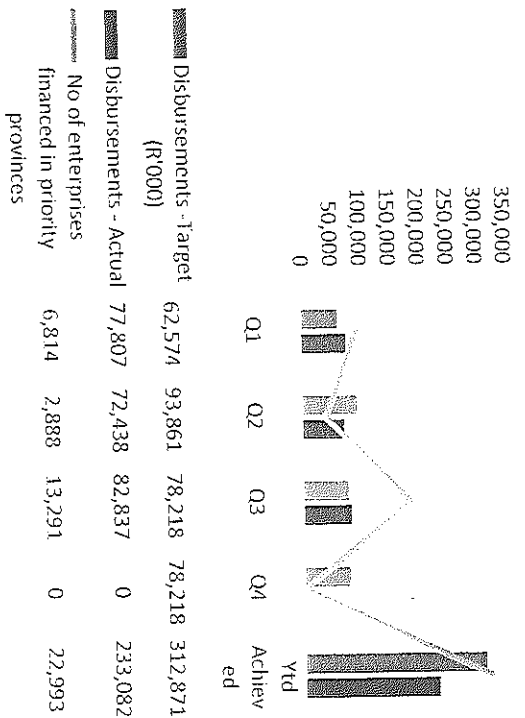
Women Owned Enterprises Finance



Youth-Owned Enterprises Financed

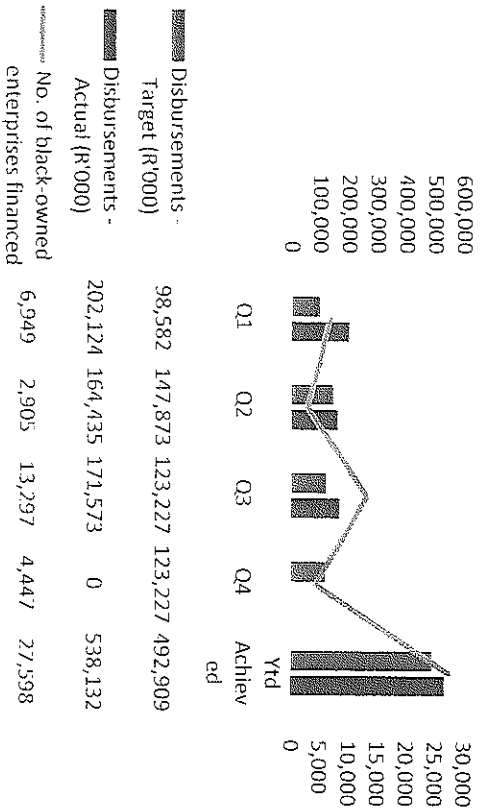


Enterprises Financed in Priority Provinces

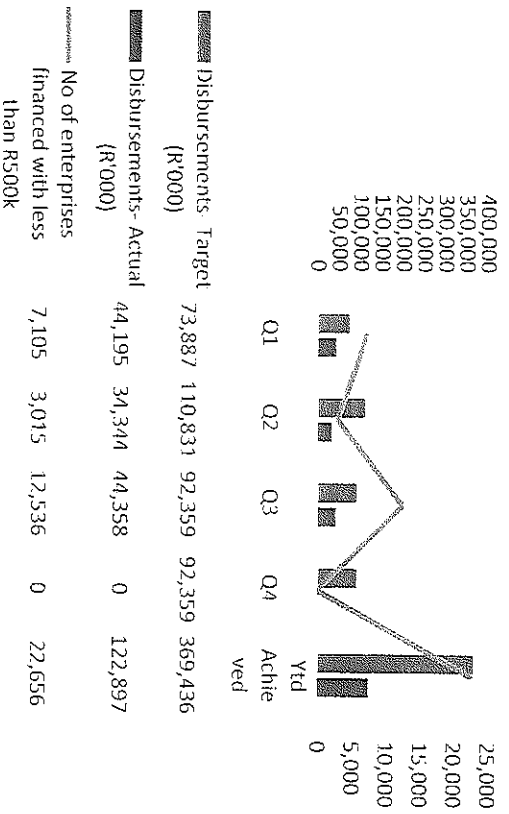




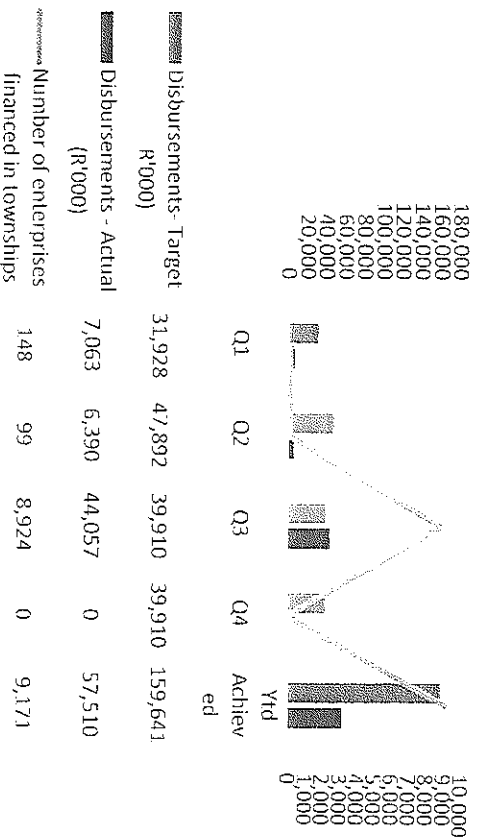
Black-owned Enterprises Financed



Disbursements < R500k



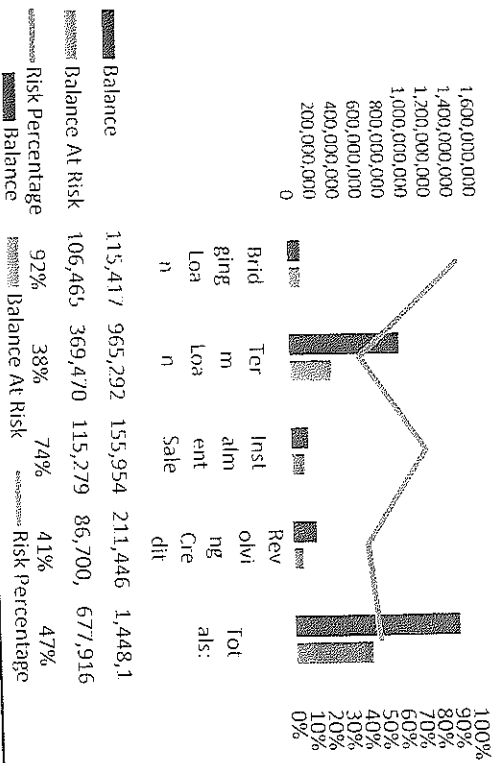
Enterprises Financed in Townships



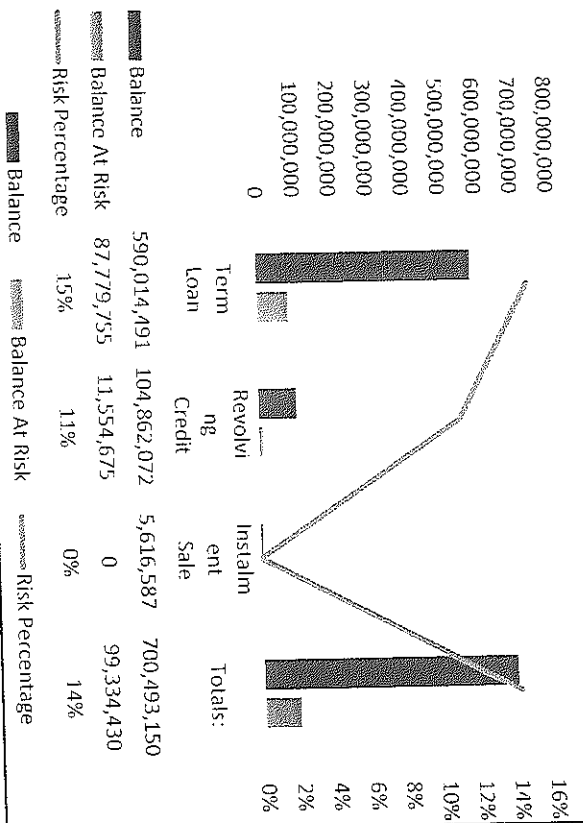
Indicator	Q1	Q2	Q3	Ytd Achieved
No. of SMEs financed	7 201	4 355	13 432	24 988
No. of jobs facilitated	11 172	5 269	15 125	31 566
Disbursements Youth-owned Enterprises (R'000)	51 975	51 087	77 193	180 255
No of youth enterprises finance	3 662	969	3 176	7 807
Disbursements to Women-owned (R'000)	95347	77 613	94 783	267 743
No of women-owned enterprises financed	6825	2 906	4 467	14 198
Disbursements to Enterprises in Priority Prov (R'000)	77 807	72 438	82 837	233 082
No of enterprises financed in Priority Prov	6 814	2 888	13 291	22 993
Disbursements to Black-owned enterprises (R'000)	202 124	164 435	171 573	538 132
No. of black-owned enterprises financed	6 949	2 905	13 297	27 598
Disbursements to Township Enterprises - (R'000)	7 063	6 390	44 057	57 510
Number of enterprises financed in townships	148	99	8 924	9 171
Disbursements to Enterprises < R500k(R'000)	44 195	34 344	44 358	122 897
No of enterprises financed < R500k	7 105	3 015	12 536	22 656

Post Investment and Restructuring

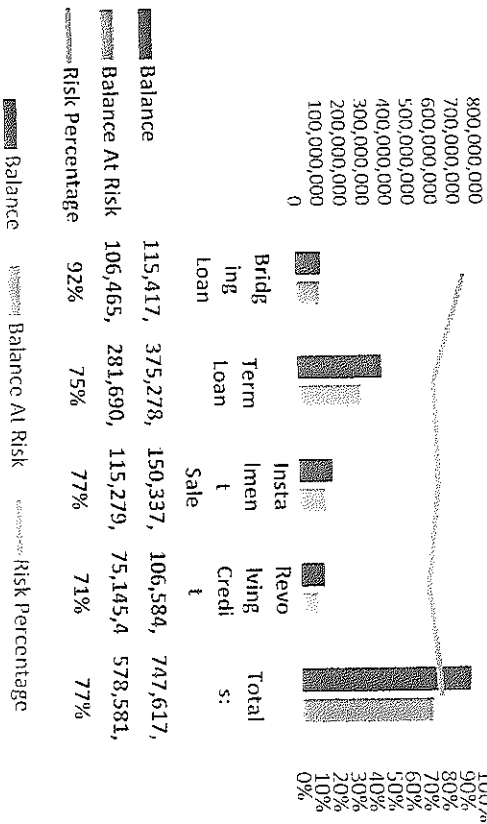
Total Loan Portfolio – 31 Dec 2016



Wholesale Loan Portfolio - 31 Dec 2016



Direct Lending Loan Portfolio - 31 Dec 2016



- The total loan portfolio at the end of the December 2016 was R1,4 billion comprising of:
 - R747 million direct lending loans and
 - R700 million wholesale loan facilities to financial intermediaries.
- The total loan portfolio at risk is 48% (R678 million)
 - 77% - direct lending and
 - 14% wholesale lending)
- Portfolio at Risk is influenced by the performance of Direct Lending Book.
 - The book is influenced by low levels collection which can partly be attributed to:
 - the type of client which sefa fund (majority of the direct lending clients is in the start-up phase of the and the overall tough SME economic operating conditions.
 - Management is implementing an aggressive turnaround strategy to turnaround the high-level of direct lending impairments. These include:
 - Monthly investment monitoring committee where each investment is reported and discussed
 - Aggressive collections programme –
 - soft collections (monthly statements, SMS notification on payments due, follow calls on defaulting clients)
 - Hard collections – legal collections via and outsourced panel of attorneys, legal judgements

Human Capital Management (HCM)

Enhancement of sefa employee skills base

- Continuous strengthening of Leadership and Management coaching.
- Corporate governance workshops for some Executives and Managers (King IV).
- Financial modelling.
- Credit management.
- Project management.
- Insurance claims.

In-house workshops offered

- Enterprise Risk management.
- Employee Relations for Managers.
- Compliance training for - Financial Intelligence Centre Act (FICA) and National Credit Act (NCA).
- Emotional Intelligence.

Culture and value-based system

- The Culture and Values Workshops implementation started on the 16th of November 2016 and 11% of employees attended the sessions.

Change Management Programs

- Change management plan was approved for the Customer Relationship Management Project

Employee wellbeing, and harmonised working environment

The atmosphere between the employees and sefa management is at its best and is continuously improving.

ASPECT	QUARTER 3, FY 2016/17
Grievances	0
Disciplinary Hearings	2
CCMA Cases	2
TOTAL	4

Enterprise Risk Management & Compliance



Enterprise Risk Management

- A review of the ERM framework took place. According to the risk management function, there was no need to make changes to the framework
- A qualitative risk appetite statement is being developed.

Credit Risks

- Framework for the loan pricing methodology has been approved
- The credit rating models has been reviewed to established it reliability and predictive power
- All the loan portfolio reports has been automated on sefa's loan management system (sefALAS)

Compliance

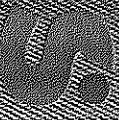
- Political Exposed Person (PEP) procedure drafted to align with the FICA Amendment Bill
- Monitoring completed on all sefa properties for OHASA and NEMA compliance
- Quarterly reports submitted to Financial Service Board (FSB) and National Credit Regulator



1. Enhancement to the loan management system and key organisational business process automated :

- a) Implement the ACCPAC workflow
 - b) Automation of Mancom Decision record 80% completed,
 - c) Portfolio Indemnity project tested,
 - d) Enhancement to sefa intermediary reporting portal (SIC Codes and Township)
- 2. Critical systems uptime – 99.9%.**
- 3. IT security breaches –** There has been no security breach identified
- 4. Back-end infrastructure Management –** Implemented Internet Solutions backup replacement.
- 5. Application development -** DRM tool for staff (PMO testing), Meeting agenda system, SMS/email client notification (90%) implemented

Marketing & Communications - Internal Audit - Legal



Marketing & Communications

- Appointed service provider for sefa customer satisfaction
- **Roadshows and outreach events:**
 - 4 sefa Breakfast sessions
- **Print an electronic media communications**
 - 5 Radio interviews in community radio stations
 - 2 print coverage in local media focusing on the sefa events
 - 13 Adverts (7 community radio stations, 4 community print, 1 national print)
- **Marketing & Branding**
 - Branding - sefa Block F and Riverside regional office
 - 20 Stand-alone sefa drop boxes for satellite offices were produced

Internal Audit

- Fifteen Audits were completed (8 planned and 7 Ad-hoc assignments)
- The audit of PIM Direct Lending has been completed, issues raised are still in the process of being resolved.
- Audit for PIM Wholesale Lending has been completed.
- Audit Review of Collections and Wholesale Lending is in progress.

Legal Department

- The legal department continue the sefa business with legal collections, contract drafting, labour relations advice and litigation matters.
- Complaints by clients to the Public Protector
 - Four complaints were lodged by clients and dismissed by the Public Protector

Strategy and Reporting

Corporate Planning and Reporting

- Submission of quarterly to reports to **sefa's** reporting stakeholders
 - Quarter 2 business review
 - Reports submitted to Department of Small Business Development, Industrial Development Corporation and Portfolio Committee on Small Business Development
- Facilitation of the Exco Strategic Planning Session (Development of the 2017/18 Annual Plan).

Research and Management

- Appointed service provider to conduct the review study on SMMEs and Co-operatives in South Africa (DSBD study facilitated by **sefa**)
 - 2 Research brief notes
 - Township economy
 - The impact of change interest rate on micro finance (NCR)
 - Presented a paper on the Supplier Credit Programme at the annual Development Finance Conference
 - Ongoing updates of the **sefa** knowledge bank (Industry analysis to support investment officers with deal due-diligence).
- ## New Product Development
- Tshwane Fresh Produce Market is now in the implementation phase and the expected loan operation will commence end February 2017

Project Management Office

Project 1: Enterprise Content Management (Multi-year)

- Documented & mapped Project Management, Project Administration, DRM, PAIA, Strategy Business Planning & Reporting & New Product Development Processes
- Developed Records Management Site on SharePoint replacing the old In-Magic Records Management System. Developed and implemented a SharePoint Records upload tool

Project 2: Documents & Records Management (DRM)

Project (Multi-year)

- File Plan Changes approved by National Archives and Records Service of South Africa (NARS)
- Developed a general disposal authority for SCM suppliers registered on the Supplier Database before 2016
- Training of KZN and CT Regional Offices on file plan implementation

Project 3: sefa B-BBEE Project (Multi-year)

- Information gathering phase completed
- 3 rounds of verification & feedback workshop with Nexia SAB&T completed
- Nexia SAB&T: Limited Assurance Report and **sefa** B-BBEE certificate issued
- Enterprise Development Facilitator Status: Strategy submitted to the dti for review and approval

Financial Performance

Financial Performance - Summary report

Revenue

The main contributor for movement in Revenue comes from interest from bank and cash.

Interest revenue from loans and advance of R87m (excl. fees) was at par with budget with a marginal variance of R295 000.

Interest from cash of R24.3m was R9.5m above budget of R14.8m due to actual interest rate obtained being greater than budgeted, in addition the bank balance during the period remained higher than budgeted due to lower disbursements.

Fee income for the period of R4.1m was R5.5m below budget and R8.4m lower than prior year same period. The lower fees for the quarter were mainly due to lower direct lending approvals during the year and also lower than the same period in the previous year.

Operating expenses

Personnel expenses were R21.9m (15%) below budget of R145.2m mainly due to an average salary increase being lower than budgeted. Also contributing to the lower personnel expenses were budgeted vacant posts not filled in time.

Other operating expenses

The cost savings incurred on Other Operating expenses against budget of R57.9m were mainly driven by:

- Savings on Capacity building costs (R18.6m)
- Movement in provisions on KCG movement (R8.2m)
- Delayed property repairs and maintenance.

Impairment

Accumulated impairment as a percentage of total loan book at cost sits at 55%.

Financial Performance

seta Group (seta/KCG/KIS/NBF)
 Consolidated Statement of Comprehensive Income
 For the period ended 31 December 2016

	2017	2017	2017	2017	2016	2016
	YTD Actual R'000	YTD Budget R'000	YTD Variance %	YE Performance Actual R'000	YTD Actual R'000	Year End Actual R'000
REVENUE	170,869	165,999	3%	220,948	139,606	220,909
Movement on impairments & Bad debt Written-off	(115,766)	(77,529)	-49%	(117,140)	(199,367)	(342,029)
Net revenue after impairments	55,103	88,470		103,808	(59,761)	(121,120)
TOTAL EXPENSES	236,191	-284,320	17%	-323,495	-176,924	-285,783
Operating Income/(loss)	(181,088)	(195,849)		(219,687)	(236,685)	(406,903)
Adjustment of Day 1 gain of Fair Value of Shareholders Loan (Interest on Loan)	(23,750)	(23,750)	0%	(31,956)	(22,114)	(29,751)
Profit from equity accounted investments, net of tax	-	-		35,000	-	37,137
Operating Income/(loss)	(204,839)	(219,600)	7%	(216,643)	(258,799)	(399,517)
MTEF Grants received	159,843	159,843	0%	319,686	151,798	202,397
ECSP Grants received	-	-	0%	-	153,000	204,000
	(44,996)	(59,757)		103,043	45,998	6,880
Cost to income (excluding impairments and including EDD grant)	79%	95%		66%	45%	47%
Cost to income (all inclusive)	114%	118%		87%	90%	112%

Approved On Behalf of the Board

Balanced Scorecard

Measure	Annual Target	Q3 Target	Q3 Actual Achievement	YTD Achieved	Ytd Achievements Against Target	Reg Indicator
Total Approvals through Wholesale and Direct Lending portfolios (R'000)	885 000	221 153	111 722	460 150	69.3%	
Total Disbursements to SMMEs via all loan product channels	704 000	176 039	265 623	743 233	140.7%	
Approvals in terms of productive to industrial sectors identified in IPAP and NCP (40% of the loan book of approvals). (R'000)	354 000	88 500	40 595	195 858	73.8%	
Number of SMMEs financed	47 055	11 764	13 432	24 988	70.8%	
Number of jobs facilitated (created and maintain)	73 862	18 466	15 125	31 566	57.0%	
Facilities disbursed must be youth-owned - 18-35 years old (R'000)	211 000	52 750	77 193	180 255	113.9%	
Facilities disbursed to enterprises in priority rural provinces (R'000)	313 000	78 250	82 837	233 082	99.3%	
Facilities disbursed must be women-owned businesses (R'000)	313 000	110 004	124 783	297 743	111.7%	
Facilities disbursed must be black-owned businesses (R'000)	493 000	123 250	171 573	538 132	145.5%	
* Disbursements to Township-owned Businesses (R'000)	159 000	40 000	44 057	57 510	48.0%	
Facilities less than R500K disbursed to end-users (R'000)	369 000	92 250	44 358	122 897	44.4%	
** Facilities to People Living with Disabilities (R'000)	14 000	3 500	280	280	2.7%	
Level of Customer Satisfaction	70% Annual Target					

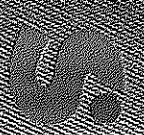
* Direct Lending is updating the sefa loan management to account for disbursement to township enterprises.

** A R30 million disability scheme has been approved and R4.2 million individual applications has been approved and not taken up.

Balanced Scorecard (cont.)

Measure	Annual Target	Q1 Target	Q2 Target	Q3 Target	Q1 Actual	Q2 Actual	Q3 Actual	YTD Achieved	% of Q2 Target Achieved	Flag Indicator	
Cost to income ratio (excluding Impairments, finance charges and government grant)	130.0%	157.0%	130.0%	130.0%	165.0%	136.0%	147.0%	136.0%	96%		
Accumulated Impairments provision as a percentage of total loans and advances.	29.0%	29.0%	29.0%	29.0%	55.0%	55.0%	55.0%	55.0%	53%		
Growth in interest and Admin fees generated from loans	6.0%	76.0%	76.0%	76.0%	-4.0%	74.0%	34.0%	28.0%	467%		
Number of days bridging loans (# of days)	20	20	20	20	26	16	20	16	125%		
Number of days for terms loans (# of days)	20	20	20	20	48	29	39	29	69%		
Number of days for wholesale application (# of days)	45	45	45	45	49	41	9	41	110%		
Enhancement of the loan management system and key organisational business process automated.	40% automation of key business process automated (reduction in the business process cost and process times).				Direct lending surveys, DRM automation from Outlook. InMagic replacement	DRM tool for staff (PMO testing) Agenda system, ACCPAC workflow project, IS backup replacement					
Labour Turn Over Rate (LTO) of critical/ strategic positions	7.0%	7.0%	7.0%	7.0%	3.0%	3.0%	6.0%	6.0%	117%		
Improvement in Employee Satisfaction Index	70.0%	70.0%	Survey will be conducted in Q4								
Implemented IDPs that enhance prioritised organisational core competencies (as per 3E Development Framework - Due Diligence/Financial Analysts/Project Management/Coaching Skills).	80.0%	80.0%	80.0%	80.0%	8.0%	59.0%	89.0%	89.0%	111%		

Ministerial Support/ Intervention



- **Cessions of loan payments**
 - sefa's high impairment is partly the result of non-payment from SMMEs and Co-operatives who receives payment from government but fails to honour their sefa loan obligations
 - To mitigate this risk, sefa management would propose that the accountant - general issues a practice in which government departments issues a cession in favour of sefa.
- **sefa Recapitalisation**
 - the high impairment rate and loan write-offs is negatively impacting on the sefa capital base/structure and its ability to radically scale-up its loan programmes.
 - In addition, sefa MTEF allocation has been reduced with 50% over the MTEF period.
 - For sefa to be effective, it will need a capital injection from the Treasury, through a significant increase in the MTEF allocation
- **Property Portfolio**
 - sefa inherit a set of commercial and industrial properties through the merger with Khula and SAMF
 - Property portfolio is negatively impacting on the sefa's cash resources.
 - In addition there is ownership disputes with regard to certain properties, which makes management of the properties difficult (rent boycotts)
 - The properties is in desperate need of maintenance and sefa do not have the cash resources for such a maintenance programme.
 - sefa requires ministerial direction with regards to future management strategy of the property portfolio.
- **Advocacy to change the 15% Prudential Limit imposed on Co-operative Financial Institutions (CFIs)**
 - sefa has a strategic intention to partner with CFIs for on-lending to SMMEs and Co-ops
 - CFI can only borrow 15% of the saving for on-lending.
 - sefa therefore request a ministerial engagement with Treasury to review the prudential limits with regards to CFIs
- At the recent sefa Board Strategy Session with Minister, it was agreed that management will present a detailed business case to DSBD and Minister on these and other items for consideration. Management is in the process of compiling such a business case for each of these key items”.

RECOMMENDATIONS



small business
development
Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

Conclusion

**IT IS RECOMMENDED THAT THE PORTFOLIO COMMITTEE NOTES
THE 2016/17 Q3 PERFORMANCE REPORT OF THE DEPARTMENT
AND ITS ENTITIES (SEFA AND SEDA)**



small business
development
Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

