1. **THE PORTFOLIO COMMITTEE ON SMALL BUSINESS DEVELOPMENT, HAVING UNDERTAKEN THE OVERSIGHT VISIT TO THE FREE STATE PROVINCE FROM 14 - 18 AUGUST 2017, REPORTS AS FOLLOWS: - 22 NOVEMBER 2017**

**1. INTRODUCTION**

The report of the Portfolio Committee on Small Business Development (“the Committee”) covers its oversight visit to the Free State Province from 14 - 18 August 2017 to projects sponsored by the Department of Small Business Development (“the Department”) through its agencies i.e. Small Enterprise Development Agency (Seda) and Small Enterprise Finance Agency (**sefa**). In addition, the official visit included a stop-off at the Koppies Greenhouse Primary Agricultural Co-operative project in Koppies, and Leboshweshwe Boshweshwe artistic shop, two of the projects that had not been in the Committee itinerary.

The oversight visit was in accordance to the mandate of the Committee as outlined in the Constitution of the Republic of South Africa, (“the Constitution”), which is to legislate, conduct oversight over the executive and facilitate public participation. Parliament’s mission and vision statements, the rules of Parliament, further govern its obligation and Constitutional requirements in an endeavour aimed at forging the realisation of a developmental state and ensure effective service delivery. The visit was to furthermore accomplish the Committee’s own strategic objectives, which are rooted on the strategic objective(s) and outcome(s) of the fifth Parliament. These (strategic objectives of the Committee) further recognises the Department and its agencies’ priorities as captured in their respective five-year Strategic Plans and Annual Performance Plans (APP). As a result, this visit was key to discovering the degree to which the Department’s agencies endeavours to accomplish intents and purposes outlined in Programme three, actions essentially directed at survivalist, small, micro, medium and co-operative enterprises financially supported by **sefa** and those that are supported by Seda and furthermore to look into their existence, level of development, challenges encountered and possible interventions required.

**2. BACKGROUND**

Before the visit, Free State was one of the four provinces that had not been visited by the Portfolio Committee. The Province of Free State, is one of the nine (9) provinces making up the Republic of South Africa. It is divided into one metropolitan municipality, Mangaung and four municipal districts, namely, Xhariep, Thabo Mofutsanyane, Lejweleputswa and Fezile Dabi, and these are further split into 18 local municipalities. Critical for economic growth and social development is the provincial excellent road network that enables regional trade by linking its major economic hubs to Gauteng, North West, KwaZulu Natal and most importantly Kingdom of Lesotho.

The Committee embarked on a visit to a selected few enterprises that have benefited from **sefa** and Seda since inception of the Department in 2014. A total of twenty beneficiary projects from **sefa** and two from Seda, all in the Free Sate, had been selected for assessment to gauge the level of progress, to understand their business and operational requirements, opportunities and challenges, impact on poverty and job creation, alignment with local and district municipality Integrated Development Plans, Free State Economic Growth and Development Plan, Free State Infrastructure Development Master Plan and Intergovernmental Relations Framework Act to mention but the few. The Committee visited and interacted with the following survivalists, small, micro, medium and co-operatives, as well as municipalities: -

* Kopanong Local municipality (“LM”) (Xhariep District Municipality);
* Xhariep Leather Design Primary Co-operative Limited (Kopanong LM);
* Ke Nako Water and Waste Processing Primary Co-operative Limited (Kopanong LM);
* E-kasi Kitchen Co-operative Limited (Kopanong LM);
* Hareketsetseng Co-operative Limited (Kopanong LM);
* Mampotla Trading Enterprise Close Corporation (Kopanong LM);
* Mangaung Metropolitan Municipality;
* Mangaung Fresh Produce Market (Mangaung Metro);
* Kopanang Women’s Enterprise (KWE) Transport Logistics and Multi-Purpose (Mangaung Metro);
* Botshabelo Taxi Rank (Mangaung Metro);
* Tswellang Construction Primary Co-operative Limited (Mangaung Metro, Botshabelo);
* Lebone Construction Primary Co-operative Limited (Mangaung Metro, Botshabelo);
* Mamello Construction Primary Co-operative Limited (Mangaung Metro, Chris Hani);
* Advance Technology Training Institute(“ATTI”) Computer College (Mangaung Metro, Westdene);
* ETA Trust (Mangaung Metro, Heidedal);
* Bloem Organic Compost Close Corporation (Mangaung Metro, New Kimberly Road);
* Retmil Financial Services (Pty) Ltd (Mangaung Metro)
* Maqheleng Waste Management (Thabo Mofutsanyana District Municipality, Setsoto LM);
* Happy Hills Business Enterprise CC (Thabo Mofutsanyana District Municipality, Phuthaditjaba);
* Boshweshwe Leboshweshwe (Thabo Mofutsanyana District Municipality, Bakwena Tribal Council);
* Zolu Trading CC (Thabo Mofutsanyana District Municipality, Phuthaditjaba);
* Menza Steel CC (Thabo Mofutsanyana District Municipality, Phuthaditjaba);
* Lejweleputswa District Municipality
* Max Munchies Dog Food CC (Lejweleputswa District Municipality, Welkom);
* Lesole Agencies CC (Lejweleputswa District Municipality, Welkom);
* Moqhaka Local Municipality (Fezile Dabi District Municipality);
* Kroonstad Vehicle Testing Station (Pty) Ltd (Moqhaka Local Municipality);
* Moqhaka Pharmacy (Moqhaka Local Municipality, Phomolong);
* Koppies Greenhouse Primary Co-operative Limited (Fezile Dabi District Municipality);
* Fezile Dabi District Municipality; and
* Karatech CC (Fezile Dabi District Municipality, Sasolburg).

**3. OBJECTIVES OF THE VISIT**

The aim of the visit was to evaluate progress made on projects supported by the Department, **sefa** and Seda in line with their strategic plans and annual performance plans, to also test the legitimacy of information provided by the Department and its agencies through its quarterly and annual reports, to interact with internal and external stakeholders to inform the Department future strategic plans and annual performance plans, to ensure intergovernmental checks and balances in an effort to simplifying the Departmental systems and processes and essentially to:-

3.1 evaluate the state of enterprises and co-operatives supported by the Department under the CIS programme and agencies;

3.2 the extent of synchronisation with respect to service(s) and product(s) offering by the Department and its agencies;

3.3 assess the impact of financial and non-financial support given to enterprises and co-operatives by the Department and its agencies on triple challenges antagonising South Africa;

3.4 interact with the Provincial Departments of Economic Development, Tourism and Environmental Affairs, Cooperative Governance and Traditional Affairs, Agriculture and Rural Development which lead programmes of developing survivalist, small, micro, medium and co-operative enterprises;

3.5 enhance understanding the nature and state of enterprises and co-operatives in the Free State province including level of stakeholder participation, both in the public and private sectors;

3.6 enhance cooperation and coordination between all spheres of government in developing small business sector and to;

3.7 enable the affected groups to speak for themselves.

**4. COMPOSITION OF THE DELEGATION**

The delegation comprised of members of the Portfolio Committee on Small Business Development, Parliamentary Officials, and officials from the Department of Small Business Development, officials from Districts and Local Municipalities Local Economic Development (LED), officials from Free State Department of Economic Development, Agriculture, Rural Development and Cooperative Governance and Traditional Affairs (COGTA). Officials from Small Enterprise Finance Agency and Small Enterprise Development Agency.

**4.1 Members of the Portfolio Committee on Small Business Development**

Ms NR Bhengu, MP (ANC) Leader of the delegation

Mr N Capa, MP (ANC)

 Mr X Mabasa, MP (ANC)

 Mr SD Bekwa, MP (ANC)

 Ms N Mthembu, MP (ANC)

 Mr RWT Chance, MP (DA)

 Mr HCC Kruger, MP (DA)

 Mr TE Mulaudzi, MP (EFF)

 Mr SC Mncwabe, MP (NFP)

 Rev. KRJ Meshoe, MP (ACDP)

**4.2 Parliamentary Officials**

Mr NK Kunene Committee Secretary

 Mr S Gumede Committee Content Advisor

 Ms N Dinginto Acting Committee Assistant

 Mr A Ralo Executive Secretary to the Whip

**4.3 Department of Small Business Development Officials**

Mr Mzwanele Memani Director: Co-operatives

Mr July Motsoeneng Deputy Director: (CIS)

Ms Tanja Myburgh Senior Administration Clerk

Mr Kgolane Thulare Director: Incentives, Loans & Grants

Mr Lehlohonolo Thekiso Manager: Seda Xhariep

Ms Tlalane Teffo Sector Manager: Seda

Ms Boijane Mshumpela Operations Manager: Seda

Mr Benedix Claassen Regional Facilitator: Co-operatives Development, Seda

Mr Katleho Malan Business Advisor: Seda

Mr Godfrey Katsana Regional Manager: **sefa**

Mr Don Mashele Head: **sefa**

**5. DAY ONE: XHARIEP DISTRICT MUNICIPALITY**

**5.1 Kopanong Local Municipality in the Xhariep District Municipality**

The first day of the Committee’s oversight programme was dedicated to visits in the Xhariep District Municipality and Kopanong Local Municipality. The two municipalities are located adjacent each other, as a result, the Committee was addressed by the District Municipality. The Xhariep District Municipality is a Category C municipality situated in the southern part of the Free State. It is bordered by the Mangaung Metro to the north, Eastern Cape to the south, Lesotho to the east, and Northern Cape to the west. It is the largest district in the province, making up just more than a third of its geographical area. It consists of three local municipalities: Letsemeng, Kopanong and Mohokare, which include 21 towns. Its administrative headquarter is in Trompsburg, which lies 125 kilometers south of Bloemfontein. The towns in this district boast abundant natural resources such as water and agricultural land. The largest dam in South Africa is situated at the southern tip of the district.

The Councillor Teboho Mochechepa of Xhariep District and District Municipal Manager, Ms Lebohang Moletsane, pleasantly received the Committee on its arrival. Following the introductions, the Leader of the delegation for that leg, Mr X Mabasa, made a brief presentation outlining the objective of the oversight visit, brief summary concerning the nature of the support extended by the Department and its entities to the co-operatives in the Local Municipalities, expected roles of provincial, district and local spheres of government towards supporting these projects. The Portfolio Committee learnt quite a few things including that the mandate of the Department was not known nor clearly understood in the area, it being denoted or referred interchangeably with the Department of Trade and Industry was rather concerning.

Ms Moletsane outlined the state of enterprises in the district and the participation of the municipality through Local Economic Development (LED) office. Mr M Mohale, Director for Planning and Social Development made a presentation. The presentation outlined the role of local government on LED; role of district municipality; economic drivers of Xhariep District; LED Strategy; engagements with local municipalities; LED programmes; LED projects and potential projects. In closing, the Director emphasised that Xhariep District Municipality is depending on grants, thus making LED unit an important component of the local municipality. The LED manager, Mr Monamedi Maphalane, also gave a brief description of Xhariep Shoe Production project. He stated that it is project that is based at the municipal premises and producing shoes through the support of the funding that was acquired from the National Development Agency. The visit of the Portfolio Committee was thus welcomed as signalling the start of something tangible and beneficial to the local municipality. Members of the Committee took turn to ask questions of clarity or add inputs. The Municipal Manager acknowledged that there is a gap between the District Municipality, Local Municipality and various Departments, especially the Small Business Development around the issues of coordination that require further attention.

**5.2 Xhariep Leather Design Primary Co-operative Limited**

Xhariep Leather Design Primary Co-operative Limited was formed in 2011 with 22 members. It has been operating informally until assisted by the District Municipality through Expanded Public Works Programme (“EPWP”). The intervention of the municipality assisted the co-operative to afford stipends to its employees. Total financial assistance received from the National Development Agency in 2016 was R250 000. As this was a commercial venture, the products ranging from leather belts, bags to shoes were sold in the streets without any formal market.

Currently the project is not operational due to lack of power supply in the building that were given by the municipality. Power supply is one phase, yet for operations, three power supply is required. Another challenge is that funds that the project received from NDA have not been used since 2016 and the account is inactive, hence there are allegations that the account will be closed down and members do not know where will go to, according to the Chairperson of a co-operative.

**5.3 Ke Nako Water and Waste Processing Primary Co-operative Limited**

Ke Nako Water and Waste Processing Primary Co-operative Limited is currently a dormant project owing to lack of funds and property. The co-operative was formed in 2014, it is a seven-member youth owned project located in Kopanong Township. In light of ongoing drought and water crisis, this is one project with massive potential. It was formed out of Seda road-shows and training conducted in Kopanong municipality, and assistance received was only limited to developing a business plan. The intention of a co-operative is to recycle and purify water for re-use.

**5.4 E-kasi Kitchen Co-operative Limited**

E-kasi Kitchen Co-operative Limited was established in 2010 and registered in 2011 with six members through assistance from Seda. The project is located in Itumeleng Township in Jagersfontein and is operating in food and catering industry. It was assisted by Seda to get it off the ground through, among others, registrations, training in financial management, CIS application and acquiring of catering equipment to the value of R208 000 from the Department of Trade and Industry (**the dti**). It is operating in a rented building selling fast food. The intention of the project is to provide catering services in municipalities and government events.

The co-operative is grappling with numerous challenges, which include among others, that it is operating and located in a rented building with a rental amount of R 2 800 per month excluding services from municipality, such as electricity and water. The building is shared with other enterprises with one electricity main switch-box and water supply. The project had also managed to acquire a mobile kitchen, unfortunately, it has not been delivered due to failure of the municipality to allocate them a strategic operational site. An important observation made by the Committee is the allegation that, in spite of the government policy of 30 percent procurement from small enterprises, the co-operative is often side-lined by the municipality to provide catering services during government or municipality events. Lastly, the project has consistently been experiencing challenges in accessing an outstanding balance from funds that they received from the Department. The intention was to acquire a delivery transport that could be utilised for delivery or when catering for the events.

**5.5 Hareketsetseng Co-operative Limited**

Hareketsetseng Co-operative Limited is located in Edenburg under Xhariep District Municipality. It is an operative primary co-operative located in Edenburg, founded by seven members in 2012 with an aim of breeding ostriches. In 2015 it received an assistance from the Department of Agriculture, Forestry and Fisheries (“DAFF”) with a structure to the value of R23 500, a container which serves as an office, a toilet to the tune of R1,8 million and 60 ostriches. A second batch of 204 ostriches were also received in 2016. Seda involvement to the project was only limited to business plan development.

Although the project is functioning but its sustainability is in tatters mainly due to nonexistence of the market in the Free State province or neighbouring towns. The current market is +-400 kilometres away in Oudtshoorn, Western Cape. Consequently, logistics costs absorb more than half of the co-operative earnings. Accusations of fraud and corruption by DAFF officials i.e. a toilet worth R1.8 million were alleged.

**5.6 Mampotla Trading Enterprise Close Corporation**

Mampotla Trading Enterprise (“MTE”) CC is a registered close corporation domiciled in Bloemfontein with its operation in Edenburg, under Xhariep District Municipality. The entity was appointed by Free State Department of Human Settlements (“DOHS”) on 14 November 2012 to construct 250 units of low cost houses. However, in January 2013, the DOHS split the project into two, effectively reducing the initial 250 to 129 units. MTE approached **sefa** around 19 June 2014 for a bridging loan to buy building material and pay for labour. However, there was no infrastructure where the 129 units were to be build and some were to be built on the sewerage line. Out of the 129 units allocated to MTE, only 89 sites/stands were adequate to build on. In the end, the DOHS decided to reallocate the project from Springfontein to Edinburg. Further protracted disputes with DOHS caused the project to grind to a halt. For that reason, MTE struggled to service **sefa** loan. Despite the bridging loan facility having been restructured in April 2015, this has had little effect in terms of helping MTE honour its obligation to **sefa** owing to ongoing disagreements and non-payments from DOHS. Dora was in the process of contesting liquidation order

**5.7 Visit to Mangaung Metropolitan Municipality**

The Mangaung Metropolitan Municipality is a Category A municipality. It is situated in the Free

State Province, in the central interior of South Africa. The Free State is bordered by the Gauteng, Eastern Cape, Northern Cape, KwaZulu-Natal and North West Provinces, as well as by the neighboring country of Lesotho. Mangaung, accentuates the vibrant, dynamic and energetic character of the tourism industry in the Heart of it All. The economy is strongly driven by the government sector, which has seen the fastest growth in the last five years as a result of increased government programmes in livelihoods improvement interventions. The finance sector is the second-fastest growing sector due to very active estate and construction activities. Small businesses have a major role to play in the South African, and especially the Mangaung, economy in terms of employment creation, income generation and output growth. It is estimated that more than 12 million people in South Africa are actively involved in the small business sector, which accounts for approximately 60 percent of all employment in the economy and 40 percent of output. In an area such as Mangaung, with its relatively high levels of unemployment and poverty, it can be expected that the SMME sector play an even more important role in job creation and poverty alleviation. The informal economy makes an important contribution to the economic and social life of Mangaung. Due to the decline in formal employment and consequent increase in unemployment, many people seek alternative means of earning an income. Main Economic Sectors are Community services (35.3%), finance (26.8%), trade (16%), transport (11.8%) and manufacturing (3.5%).

**5.7.1 State of the Small Businesses in the Metro**

According the Metro integrated development plan (IDP) informal economy is one of the sectors earmarked for expansion in order to augment and intensify economic activity in the region to address the needs of the unemployed. In an area such as Mangaung, with its relatively high levels of unemployment and poverty, it can be expected that the small business sector plays an even more important role in job creation and poverty alleviation. The informal economy makes an important contribution to the economic and social life of Mangaung. Due to the decline in formal employment and consequent increase in unemployment, many people seek alternative means of earning an income.

Hundreds of survivalists, small, micro, medium and co-operative enterprises have been set up in the area, many under the jobs for growth programme, others linked to either the Department of Agriculture or Department of Social Services and producers, workers and business people themselves have set some up. Other businesses are registered in line with the Mangaung Business Act as survivalists, street traders, whackers and tuck shop owners and the Municipal Officials conduct inspections to businesses that are operating within the Metro to check compliance with the said act and to ascertain if they keep up with expected health hazards.

**5.7.2 Summary of the Discussions**

The visit of the Portfolio Committee was applauded as signalling the start of something tangible and beneficial to the Metro. The Head of Department for Economic and Rural Development, Mr Teboho Maine went further to state that there are Fresh Produce Market (FPM) and Botshabelo Taxi Rank buildings within the Metro that are actively functional through collaboration of the Metro with **sefa**. These are some of the projects that ensures the active participation informal traders. Members of the Committee took turn to ask questions of clarity or add inputs.

Members for instance were keen to know the status of the relationship between the Metro and Department of Small Business Development, the status of the Fresh Produce Market (FPM) and the Metro’s involvement in the Agri-park initiative. Further questions from Members were asked with respect to efficacy of LED Forums with other local and district municipalities, or if at all, they do exist. Members were concerned that it seems, the focus especially of the national departments is more on building infrastructure that ultimately tend to become white elephant because there is no coordination taking place either horizontally or vertical to ensure that these projects do come to fruition.

**5.7.3 Concluding Remarks**

The Municipal Manager acknowledged that there is a gap between the Metro and various Departments, especially the Small Business Development around the issues of coordination that require further attention and concluded by emphasising that the issue was the lack of technical support and commercialisation of the projects and link with markets.

**6. DAY TWO: MANGAUNG METROPOLITAN MUNICIPALITY**

The second day of the Committee’s official visit was dedicated to the following enterprises operating within the Metro: - Mangaung Fresh Produce Market; Kopanang Women’s Enterprise (KWE) Transport Logistics and Multi-Purpose; Botshabelo Taxi Rank; Tswellang Construction; Lebone Construction; Mamello Construction; ATTI Computer College; ETA Trust; Bloem Organic and Retmil Financial Services.

**6.1 Mangaung Fresh Produce Market**

The Mangaung Fresh Produce Market is situated approximately five kilometres outside Bloemfontein and covers an area up to the Northern Cape (Kimberley and De Aar), the Eastern Cape (Queenstown), most of the Free State and Lesotho. Conversely fresh produce is procured from most producing areas of the country including but not limited to Limpopo, Mpumalanga, the Western Cape and the Free State. The vision of Mangaung Fresh Produce Market is to be the hub of economic activity for the producers, market agents, intermediaries and consumers of fresh produce in South Africa. Evident from the current statistics, a sharp increase in non-bulk traders as market participants has occurred.

An extensive marketing drive has also resulted in the return of some of the bulk buyers – one of the reasons being high transportation costs. The bulk of the trading is with fresh produce rather than livestock and processed meats. Market participants include bulk buyers, general consumers, informal traders (street vendors), agents being the intermediaries between the buyers and producers of fresh produce, producers (farmers) who provide their produce for sale at the market via the market agents and the Mangaung Metro, who provides the necessary infrastructure for all other participants to transact and exchange products for monetary value.

The Fresh Produce Market formed a partnership with **sefa**, whereby through its Direct Lending scheme, **sefa** developed a direct lending channel for traders. An IT-based lending platform has been developed to provide quick and affordable credit to informal business buyers at the market to a tune of R 2.3 million. The project provides affordable credit to the informal traders. Weekly loans of between R500 and R10 000 are made available to successful applicants. As long as the client repays the loan on the set date, that same amount is made available again on a revolving basis, for a six-month period. Traders, whose applications are successful, are only able to purchase fresh produce with the loan from **sefa**, because the money is disbursed directly to the buyer’s market card. If repayments are not being made, the buyer’s card is blocked immediately, thus minimising the risk of non-payments.

**6.2 Kopanang Women’s Enterprise (KWE) Transport Logistics and Multi-Purpose Primary Co-operative**

The co-operative was established in 2010 with a membership of 25 women, 100 percent black owned, 80 percent women and 20 percent youth owned. This is one the most progressive projects visited by the Committee operating and located in Thaba Nchu. The Co-operative was registered in 2010 and operated on a small scale for three years. In the ensuing years, it was manufacturing clothing and school uniforms and specialises in cut, make and trim activities for larger retailers. Mr Phato Moroe and Ms Geslina Lesetla, both Directors of KWE Co-operative, approached **sefa** after they had been awarded a contract by the South Africa Social Society Agency (“SASSA”) in partnership with the Department of Social Development (“DSD”) for the production of school uniforms for orphaned and vulnerable children in the Free State and Northern Cape.

At the time that they were assisted by **sefa**, they had been awarded purchase orders to supply school uniforms in Upington, Warrenton, Qwaqwa and Bloemfontein. The loan from **sefa** allowed KWE Co-operative to maintain 25 jobs and create 50 new jobs. The factory size at KWE Co-operative is now large enough to accommodate 73 sewing machines and it is set up to provide adequate space to all sections of production processes. Through this investment, **sefa** assisted a Women and Youth owned Co-operative to address the need for school uniforms in deep rural areas. The funding assisted the co-operative to procure sawing machines, buy material for school uniform and hampers to be supplied to various schools within the Free State and for labour and transportation costs. The business is able to successfully deliver on their contracts with all the SASSA offices in various towns across Free State, and has potential to secure more orders. It has also secured another building adjacent the current one with an intention of producing sanitary towels for school going girls.

**6.3 Botshabelo Taxi Rank**

The Mangaung metro, in an attempt to displaying and and showcasing its commitment to survivalists, street traders and whackers, took the Committee to Botshabelo Taxi rank project wherein, more than 44 stalls have been erected for informal traders, largely in fast African food. This is a partial fulfilment of the Mangaung Business Act, which recommended scaling up assistance, both financial and non-financial, to informal traders.

**6.4 Tswellang Construction Primary Co-operative Limited**

Tswellang Construction project is registered as a co-operative in terms of the Co-operatives Act of 2005. It was formed by three (3) males and two (2) from Botshabelo township in the Free State Province. Tswellang Construction started as a Close Corporation and out of advises from the Department, it was then converted into a co-operative with five members in order to leverage CIS grant. The co-operative received financial assistance from the Department of Small Business Development through its Co-operative Incentive Scheme (CIS) to procure a bakkie and construction machines to the value of R270 000. The co-operative’s aspiration is to bid for government tenders i.e. school renovations, clinics and private sector. When the Committee visited the co-operative, there was clearly no activity taking place, no contract or tender being executed. It has not received any training from DSBD entities i.e. Seda. The bakkie and equipment are currently being used by proprietors for their own personal use.

**6.5 Lebone Construction Primary Co-operative Limited**

Lebone Construction Primary Co-operative was registered in March 2016 with five members and soon thereafter, scored the CIS grant. It received financial assistance from the Department of Small Business Development through Co-operative Incentive Scheme to procure a bakkie and construction equipment to the value of R272 109. Currently, the co-operative does not have a stable contract with any government department or state owned entity. According to DSBD, when asked if CIS guidelines or policy allows for disbursement to non-existing or conceptual projects, the Committee was told that the co-operative intends to benefit from Enhanced Peoples Housing Program in the Free State. The expenditure was done based on an ‘intent letter’ issued by the Department of Human Settlement. However, a follow up by the Committee with the Free State Department of Human Settlement, this assertion by DSBD was dismissed as fabrication.

**6.6 Mamello Construction Primary Co-operative Limited**

Akin to Lebone Construction Primary Co-operative Limited, Mamello Construction Primary Co-operative Limited was registered in 2016 and soon thereafter, scored the CIS grant of R272 109. Mamello Construction Primary Co-operative saga is exactly similar to Lebone Construction Primary Co-operative and Tswellang Construction Primary Co-operative.

**6.7 Advance Technology Training Institute**

Advance Technology Training Institute(“ATTI”) Computer College is a women-owned enterprise which is an advanced technological institute bought from the previous owners in 2014. The College offers accredited courses that varies from graphic designing to systems administration at a cost between R54 000 to R60 000 per annum. It has a capacity of registering 400 students per annum. The college acquired financial assistance from **sefa** in 2015 to acquire the business. In the process, a total of 16 jobs were created and the institution is running successfully.

**6.8 ETA Trust**

ETA Trust is a women-owned passenger transport enterprise trading as JPS. The trust was founded in 1999 by the sole trustee Ms Emily Talioe, the business is a passenger busline services contracted to the department of Agriculture in Free State to transport their staff members from Bloemfontein to Glen College on a daily basis for the period of seven (7) years ending end of March 2020. It also provides charter services. It was financed for acquisition of four semi-luxury buses to be able to transport staff accordingly. The project has so far created seven (7) new job opportunities.

**6.9 Bloem Organic Compost Close Corporation**

Bloem Organic Compost CC was established in August 2008 and has been operating for nine (9) years in Bloemfontein. The business manufacture compost, lawn dressing, potting soil and manure from waste. **sefa** funding was used to purchase raw materials, side tipper trailer and to cover working capital. Bloem Organic Fertilizer Producer is an enterprise that uses new technology to manufacture organic compost from manure, peanuts shells, chicken litter and waste, lawn dressing, compost and potting soil. The enterprise is productively functional and has created ten jobs. The **sefa** funding enabled the business to increase its turnover, to supply more quantities of the finished products and to operate more profitably.

**6.10 Retmil Financial Services (Pty) Ltd**

Retmil Financial Services has been a **sefa** client since 2004 and focuses on providing access to funding to small enterprises. Loan products are asset finance, property loans, equity finance and working capital loans. From November 2004 to January 2009, then Khula Enterprise Finance Limited approved, to Retmil, a total of R69 000 000 in business loans and R1.4 million in seed loans (grants). In April 2011, the business loans were consolidated to one facility with a value of R41 575 million repayable over 84 months. In August 2012, **sefa** approved an additional business loan of R30 million. It would appear, Retmil struggled to service this debt. In July 2016, Retmil was handed over to legal for judgement with the total exposure of R46 364 million.

In terms of the SA High Court settlement reached on the 28th of July 2016, the settlement of R45 million owed by Retmil to **sefa** was to be repaid at prime rate less 2 percent from 28 July 2016, six months’ instalments of R500 000 with effect from 1 September 2016, and the outstanding balance to be paid in monthly instalments of R250 000 plus interest from the 1st of March 2017. Retmil did not obey this agreement. For the first six months Retmil adhered to the repayment agreement of R500 000 per month, but failed to honour monthly reporting requirement hence, as of November 2017, Retmil remains in arrears with monthly payments. **sefa**’s predicament is that, without receipts of management accounts and other monthly information, as well as a list Retmil’s debtors, **sefa** does not have adequate information to comment on the Retmil’s affordability to meet its respective obligation. According to **sefa**, it is now left with one option but to revert to the Court to enforce the July 2016 agreement forged by both parties.

During its visit to Free State, the Committee engaged extensively with the founder and Chief Executive Officer of Retmil Financial Services (Pty) Ltd. At first, she was very adamant that she does not want to meet with members of the Parliament owing to humiliation and intimidation she has suffered or received from **sefa** officials, which she went on to mention. It was through the persuasion of the Committee members that she eventually relented and met the Committee. She narrated her side of the story. However, owing to confidentiality of the matter, and the fact that it is currently being canvased at the Court, a caution was exercised not divulge information that might later implicates her, Retmil Financial Services and **sefa**. The Portfolio Committee undertook to conduct its own investigation in order to take an informed intervention and resolution.

**7. DAY THREE: THABO MOFUTSANYANA DISTRICT MUNICIPALITY**

Day three of the Committee visit in Free State was earmarked for visiting the following enterprises and local municipality located within Thabo Mofutsanyana District Municipality: Maqheleng Waste Management; Setsoto Local Municipality; Happy Hills Enterprise; Boshweshwe Leboshweshwe; Zolu Trading and Menza Steel.

**7.1 Maqheleng Waste Management**

Maqheleng Waste Management (“MWM”) is a black woman-owned enterprise in the waste recycling industry. MWM is a Ficksburg-based company that commenced its operations in 2012. It is owner-managed by Ms Caroline Kgomo, a black woman. Ms Kgomo was unemployed and identified a gap in the market when she noticed that waste and refuse material was scattered all over their surroundings which posed a health hazard to the community. That became a business idea for her as she decided to explore the viability of turning waste into revenue and at the same time keeping Ficksburg clean. She admits that in the beginning it was not a walk in the park. When she commenced business, she had to rent a disposal truck to collect waste from various supplier sites. This became a challenge for her as a big chunk of her profit went towards the payment of the rented vehicle.

MWM’s challenge was financed by **sefa** in 2014 to acquire a collection and delivery van, erection of a shelter, a pressing machine and a working capital. The Committee was quite impressed with the progress the project has registered. It is fully operational with seven (7) full-time and five casual employees. Seda assisted with training and branding and the Setsoto Local Municipality offered land for operation. In terms of the entity’s growth expansion plan, there are gaps that will necessitate additional funding. However, the view of the Committee was that, before exploring credit facility either through **sefa** or any other financial intermediary, the entity must be assisted to acquire grants, incentives from the local government in order to cut or reduce operating costs and/or interest free loans.

**7.2 Setsoto Local Municipality**

Upon arrival at Setsoto Local Municipality, the Portfolio Committee was cordially received by the Municipal Manger the LM, Mr Tshepiso Ramakarane. Following the introductory and welcome remarks by the Municipal Manager, the Chairperson gave a detailed background behind the Committee’s visit to the LM, indicating among others that, most national and provincial Departments have SMMEs and co-operative programmes which are not strategically coordinated and harmonised to deal emphatically with the triple-challenge of poverty, unemployment and inequality ravaging the country. The Chairperson further pointed out that it seems, ‘these are nice to have programmes with interventions that tend to focus more on consumptive budget i.e. child support grants and free housing as opposed to addressing productive capacity’ to empower recipients to become self-sufficient.

Hence, the medium to long-term vision of the Portfolio Committee is to realise cost-effective utilisation of limited resources to see a number of child grant beneficiaries and those that are recorded in the indigent register of the municipalities being reduced and becoming productive and economic citizens that contribute to the revenue of the municipalities. Presently, the government outlay, estimated at R50 billion annually, is heavily skewed in favour of social services which is putting more strain on public resources. SMMEs and Co-operatives model and particularly the creation of the Department tasked with the responsibility to nurture and cultivate the culture of co-operatives and entrepreneurship is an opportunity that all the strata of society ought to embrace. However, this was not feasible if the Department entrusted with this responsibility is not up to the task as has been proven time and again.

**7.3 Happy Hills Business Enterprise Close Corporation**

Happy Hills Business Enterprise CC is a women-owned business located in Qwaqwa. **sefa** loan assisted an enterprise to acquire a franchise to operate Vodacom Express Shop, whereas Seda assisted with training and various other business development activities. Committee members were fairly fascinated with the project and took turns to ask clarity seeking questions, provided words of advice and support. The founder and Managing member Ms Thandeka Lavisa, indicated that the project is fully functional, the venture is able to cover overhead and operating costs, and comfortable with repayment of the loan. Six permanent jobs have been created.

**7.4 Boshweshwe Leboshweshwe**

The Committee paid a courtesy visit to a designer manufacturing enterprise, sole trader, which specialises in garments design out of Basotho Blankets. The shop is owner-managed by a young, female and black entrepreneur, Ms Monapo Mopeli. The enterprise is self-propelled without any assistance from neither the Department nor agencies. The Basotho blankets have a deep cultural significance and history. The designs have been developed over many years with the blessing of the Lesotho Royal Family.

What makes the Basotho blankets unique is the layout of the design, the various symbols used, the bold colour combinations and the characteristic pin-stripe. Traditionally Basotho blankets are manufactured from wool which offers protection from the wind and rain and provides warmth in the high altitude of The Mountain Kingdom. The shop has massive potential for growth on condition that appropriate support is provided. Members of the Committee summoned Seda to assist Ms Mopeli to cultivate and grow her business through, among others, do the needs analysis, conduct due diligence and develop a credible business plan with realistic financial projections.

**7.5 Zolu Trading Close Corporation**

Zolu Trading CC was founded by two members, Danisile and Lulu Zoko in 2013. Zolu Trading buys and sells liquefied petroleum gas and other energy products such as electricity, coal and paraffin to individual and institutional customers. The business was established and operated informally from August 2006 and has been operating for 11 years. The Business is located in Phuthaditjhaba in the rural jurisdiction of the Free State province. It is 100 percent black owned. The business buy and sell liquefied petroleum gas (“LPG”) and other energy products such as electricity, coal and paraffin to individual and institutional customers. The **sefa** funding was used to purchase equipment, stock, sales and marketing as well as to cover transport costs. An enterprise is operating successfully and has created five jobs. The entity has thus far managed to diversify its product offerings. Moreover, the brand and the reputation of the business is enhanced because apart from the turnover growth, the business is beginning to make inroads into contractual agreements with big suppliers and industry heavyweights

**7.6 Menza Steel Work Close Corporation**

Menza Steel Work CC is a family run and managed business that design and install steel gates, fence, burglar proofs, security doors and all other steel works related to welding. The business was established in July 2007 out of coincidence or passion and without any prior skill training. It has now operated for 10 years in the Phuthaditjhaba area. The first machine was purchased in Haartesbeepoort, with Free State Development Corporation (“FSDC”) helping with setting up of the factory. At the beginning, the owner would hire someone who can weld, but this proved untenable. The company buys raw material from Arcello Mittal, the market is mainly Qwaqwa, Harrismith and Kerstel. It was funded by **sefa** in 2015 to acquire machinery, stock and to cover a portion of the working capital. The business is burgeoning with enormous potential to grown even further. It produces steel products more efficiently and new modern technology was acquired with **sefa** funding. The business is able to generate more revenue because sufficient stock could now be purchased, which solved liquidity problems.

**8. DAY FOUR: LEJWELEPUTSWA DISRICT MUNICIPALITY**

Day four, was allocated strictly for visitation to Lejweleputswa District Municipality and two small enterprises funded by **sefa**, Max Munchies and Lesole Agencies, owing to distance from Qwaqwa to Welkom, engagements commenced almost midday, with the Committee paying a courteous visit to the District Municipality, Lejweleputswa.

**8.1 Lejweleputswa District Municipality**

The Lejweleputswa District Municipality is a Category C municipality situated in the north-western part of the Free State. The district makes up almost a third of the province, and consists of the following five local municipalities, Masilonyana, Tokologo, Tswelopele, Matjhabeng and Nala. The main economic activities are in sectors of mining, construction, transport, electricity and trade. Mr PK Pitso, Acting Municipal Manager made a presentation of the District Municipality which outlined its Enterprise Development Initiatives and challenges. On enterprise development initiatives, the Committee was informed that Lejweleputswa District Municipality has mainly been doing a number of projects with DAFF; Free State Provincial Treasury; assisted Coffin Manufacturing Co-operatives and also provided financial support to existing and qualifying enterprises with material and equipment.

A Member of the Mayoral Committee on Local Economic Development, Ms Dikeledi Direko, added that the district municipality was working close with Lejweleputswa Development Agency in projects of rehabilitating mines, Wi-Fi connections and agro-processing in Nala Local Municipality. Amongst other projects that the agency is involved in are supply of equipment to small business owned by people with disabilities in Matjhabeng Local Municipality, promotion of tourism through mining museum and festivals, development of protective clothing factories and creation of a plant for bio-fuel through empowerment fund. The Committee was further told that, the entire local economic development unit of the district is operating with a budget of R 1.6 million, an unfortunate pattern that the Portfolio Committee has observed in almost all the local government it has visited.

**8.2 Max Munchies Dog Food Close Corporation**

Max Munchies Dog Food was registered as close corporation in 2008 by three Directors. The business manufacture dog food using a mix of quality ingredients that guarantees that the food tastes great. The business has recorded reasonable rate of growth since inception. In 2015, the owners resolved to acquire financing in order to acquire stock and equipment. **sefa** was subsequently approached for this purpose. In terms of the agreement by both parties, **sefa** was to pay the service provider direct, which they then did. Disappointingly, however, the equipment was not delivered. Consequently, and during the Committee visit to the business site in Welkom, members of Parliament were talked through the entire debacle, including the circumstance that the business has since been paying **sefa** loan for an equipment that has not or was never delivered. Probed further by members of the Committee as to how was it possible and what was being done by **sefa** to remedy the situation, reasonable responses were not forthcoming. The Committee, therefore, undertook to conduct its own investigation on the matter.

**8.3 Lesole Agencies Close Corporation**

Lesole Agencies CC was founded by Mr M Lesole in 1999. The company specialises in the professional and implementation services. It comprises of qualified and previously disadvantaged individuals, who have in their previous careers worked under established consulting firms, construction firms, public sector and major projects for many years. It has also links with established companies to provide additional capacity and exchange expertise with regards to projects in order to provide the best available deliverable to client.Lesole Agencies was funded by **sefa** in 2015 for the construction of Bolokanang library in Petrusurg for the Department of Sport, Culture and Recreation. The project created 66 local jobs opportunities, it is now complete and sefa loan has been paid in full.

**9. DAY FIVE: FEZILE DABI DISTRICT MUNICIPALITY**

The last day of the visit was assigned for inspection of the five small enterprises domiciled in Fezile Dabi District Municipality, namely, Kroonstad Vehicle Testing Station; Moqhaka Pharmacy, Koppies Greenhouse Primary Co-operative, and Karatech CC, including a courtesy visit to Moqhaka Local Municipality.

**9.1 Moqhaka Local Municipality**

The Moqhaka Local Municipality is a Category B municipality situated within the southern part of the Fezile Dabi District in the Free State Province. It is the largest of four municipalities in the district, making up over a third of its geographical area and the seat of local government is in Kroonstad. The general tendency of migration from rural to urban areas is also occurring in the area. In comparison to the other municipalities within the Fezile Dabi District, Moqhaka is significantly less urbanized. It is an area which is the centre of a large agricultural community that plays an important role in the economy of the district. Subsequently, industrial activities contribute significantly to the district’s economy. The Department of Correctional Services and the School of Engineers military bases are situated in the town. Kroonstad has recently become a distinguished holiday destination due to the ultra-modern and popular holiday resort of Kroonpark, adjacent to the Vaal River.

The Chairperson gave a detailed background behind the Committee’s visit to the Free State Province, in general and to municipalities in particular, indicating among others that, most national and provincial Departments have co-operative programmes which are not strategically coordinated and harmonised to deal emphatically with the triple-challenge of poverty, unemployment and inequality ravaging the country. The Chief Whip, Municipal Manager and LED Manager provided a thorough briefing on the state of small businesses in the entire district. The issue(s) of technical support, commercialisation of the projects and linkages with the markets were underscored as serious impediments to the growth of sector in the district municipality. There was also an acknowledgement from discussants that there is a cavity between the DM and various other Departments, especially the Small Business Development around the issues of coordination that require further attention.

**9.2 Kroonstad Vehicle Testing Station**

Kroonstad Vehicle Testing Station is a two-member owned private company founded in 2014 with an aim of setting a grade A roadworthy vehicle testing station in Kroonstad. The company domicile address is 14th Avenue Kroon Industrial, Kroonstad. The funding from **sefa** was used for the construction of a vehicle testing station and for the acquisition of a vehicle testing equipment. It is a first privately owned testing station in Kroonstad and created ten job opportunities. The project is on final phase of the infrastructure development. On deliberations, challenges of sewerage system as well as offering of a grade B permit from the Department of Transport was raised, while the project had applied for a grade A permit.

**9.3 Moqhaka Pharmacy**

Moqhaka Pharmacy was established in January 2016. The pharmacy provides medical and non-medical products such as medicine, tablets, nutritional supplements, cosmetics and toiletries. The business is located in the township of Kroonstad, owned by Mr Sello Sheping, a qualified and experienced pharmacist. It received funding from **sefa** to prepare and refurbish premises, acquire office furniture, hardware, software packages, marketing material and pharmacy reference materials. Seda assisted with the formulation of a business plan. The business is operating optimally and has created five new job opportunities. The owner, Mr Sheping, informed the Committee that the loan has been paid back to **sefa** in full and before the loan period. However, during further probing by members of the Committee it emerged that the pharmacy, has on a number of occasions, struggled with working capital, implementation of pick-up points and marketing unit were highlighted.

**9.4 Koppies Greenhouse Primary Co-operative Limited**

On its way towards Gauteng, the Committee was invited by Fezile Dabi District Municipality local economic development unit to do a stopover at Koppies Greenhouse Primary Co-operative Limited. This is a ten-member co-operative founded in 2015 and registered in October 2016. The co-operative domicilium address is Plot 71 de Laan, Koppies just outside Sasolburg. The plot belongs to Fezile Dabi District Municipality and is 3 hectares. The co-operative grows agricultural produce such as spinach, green-pepper, tomatoes and cucumbers in seven tunnels. In 2016, Rand Water financially assisted the co-operative to a tune of R672 000 to acquire seedling, sawdust, floor plastic and monthly stipend of R3300 per each member.

Fezile Dabi District Municipality also assisted the co-operative with transport. The success of the project is based on the service provider, contracted by Rand Water, who is assisting the co-operative. The only training that was received by co-operative’s members from Seda was on first aid, however Seda indicated that it can offer other trainings on marketing, budgeting and financial management should the membership comprises of the minimum of twenty people. A layout structure for the future development and intentions of the Cooperative was shown to the Committee.

**9.5** **Fezile Dabi District** **Municipality**

The Fezile Dabi District Municipality is a Category C municipality, situated in the north of the Free State. It is bordered by the North West, Gauteng and Mpumalanga Provinces to the north, Thabo Mofutsanyana District to the south, and Lejweleputswa District to the west. The municipality is the smallest district in the province, making up 16 percent of its geographical area, consisting of four local municipalities namely, Moqhaka, Metsimaholo, Ngwathe and Mafube. Main Economic Sectors are trade, community services, manufacturing, households, agriculture, finance, construction and transport.

The Chairperson gave a detailed background behind the Committee’s visit to the Free State Province, in general and to municipalities in particular, indicating among others that, most national and provincial Departments have co-operative programmes that are not strategically coordinated and harmonised to deal emphatically with the triple-challenge of poverty, unemployment and inequality ravaging the country. The local economic development Director, Ms Victoria Moloi, made presentation on available opportunities for growth particularly on agriculture, LED strategy of the municipality, natural resources for growth, various municipal initiatives, opportunities for tourism, implementation of intergovernmental relations, demographics and findings for the socio-economic survey conducted in 2012/13. There was also an acknowledgement from discussants that there is a cavity between the DM and various other Departments, especially the Small Business Development around the issues of coordination that require further attention.

**9.6 Karatech Close Corporation**

Karatech CC was the last project to be visited by the Committee in its oversight visit to Free State province. The business renders technical services to large chemical manufacturers. The client approached **sefa** for a loan to purchase an industrial property situated in Sasolburg. The relocation of the plant to the new premises would have improved the distance between the business and its customers and facilitate an improved service offering. On 7 September 2012, **sefa** approved the loan, this was followed by the appointment of the mentor. A number of issues were identified as constraints on the business operations. These included the lack of delegation in the business, a clear key-man risk and the inability of the entrepreneur to plan work appropriately. Unfortunately, many of the proposed interventions could not be implemented, as the entrepreneur was not adequately available to provide the relevant information to the mentor. The project has therefore collapsed and **sefa** has, in line with Section 129 of the National Credit Act, commenced with the legal proceedings, including attaching the property and equipment.

**10. OBSERVATIONS**

10.1 The first general reflection the Portfolio Committee noted in its oversight leg to Free State province is that DSBD, **sefa** and Seda are not present on the ground, they are barely recognised and their products and services are almost not known or accessible. Consequently, there are very limited projects currently being implemented by either **sefa** or Seda in Free State. For instance, while other provinces like Limpopo and Gauteng have seen the Co-operative Incentive Scheme beneficiaries climbing to more than 100 per province, less than ten (10) CIS beneficiaries are domiciled in the Free State province;

10.2 According to the respondents the Committee interacted with they cited, inter alia, that DSBD website is not user friendly and most of the information promoting its products and services is outdated. The Department is inaccessible via landline [no switchboard or dedicated call centre] and applications for financial assistance are either ignored, disregarded, not acknowledged or responded to very late;

10.3 In the past, the Portfolio Committee has repeatedly stressed the import for DSBD, **sefa** and Seda to execute their respective mandate(s) as a unit or collective. It was therefore disappointing for the Committee to learn that there is still no two-way referral coordination between **sefa** and Seda, or between DSBD and its entities. All three entities operate autonomously or independently of each other;

10.4 Horizontal and vertical coordination of local, provincial and national sphere(s) of government still poses a major challenge in the delivery of small business services. There is a gap between the district and local municipalities, various Departments and state owned entities, around the issues of coordination that require further refinement and modification. For instance, the Xhariep Leather Design Primary Co-operative project was regrettably grounded to a halt owing to lack of adequate power supply, something that Seda and DSBD, in consultation with the local government and Eskom, could or ought to have jointly facilitated;

10.5 During its visit to Ke Nako Water and Waste Processing Primary Co-operative Limited in Kopanong Township the Committee noted with regret that notwithstanding the potential of the project, it remains dormant due to lack of financial support and space or property wherein the co-operative can operate. This is one critical bottleneck, which has emerged in almost all the Committee visits. The Committee has, for instance, cautioned that DSBD incapability to cascade or convert policy aspirations into plans, programmes and key deliverables for implementation is problematic. The New Growth Path (“NGP”) contends that space and property availability for small businesses is often a challenge;

10.6 Similar to 10.5 above, a visit to E-kasi Kitchen Co-operative Limited in Jagersfontein the Committee was confronted with a similar challenge. The co-operative is renting a space for R2800 a month excluding water and electricity. In addition, the co-operative complained that there are not many opportunities available for small enterprises in the district. The previous observation by the Committee in relation to the market access was to note that the Department has a dedicated unit entrusted with this responsibility. Nevertheless, throughout the oversight visit(s), none of the officials entrusted with this responsibility were available. This is despite all the co-operative projects that the Committee had visited in the past have consistently raised the question of market access as a major obstacle. The Committee once again notes that the Department’s focus appears to be exclusively on addressing the demand side of the market yet its Achilles heel is proving to be its lack of foresight in dealing adequately with supply side capacity;

10.7 During the Hareketsetseng Co-operative Limited visit in Edenburg, Xhariep District Municipality, the Committee noted with concern allegations of malfeasance levelled against DAFF officials wherein one toilet came at a cost of R1.8 million. The project is in ruins, however, there is a possibility that it can be resuscitated provided Seda and DSBD intervene decisively. An implementing agent from DAFF, who decided the structure layout, storeroom, office container and ablution facility and costed it, only assists members of the co-operative. An agent also determines time for selling, buying and prices of ostriches. At some stage, ostriches were sold whilst there were still underweight. These ostriches are bought whilst they are young and sold to the very same market at the price determined by an agent;

10.8 The Committee observed developments at Mampotla Trading Enterprise (“MTE”) CC. The entity was appointed by Free State Department of Human Settlements (“DOHS”) on 14 November 2012 to construct 250 units of low cost houses. However, in January 2013, the DOHS split the project into two, effectively reducing the initial 250 to 129 units. While the Committee is aware of its incompetence to mediate commercial disputes between the two parties, viz MTE and DOHS, it was the facilitation role that **sefa** was supposed to have played in the whole debacle that caused discomfort among members of Parliament. MTE was owed money by DOHS, probable due to non- adherent to 30-day payment policy by DOHS. But **sefa**, particularly as a state organ, instead of aiding MTE to recoup its monies from DOHS, it conducted itself more like a commercial bank and invoked section 129 of the National Credit Act, placing unnecessary financial burden on MTE, having not fully exhausted all internal mechanisms;

10.9 The Committee was impressed by the relationship between **sefa** and fresh produce markets of Mangaung, Springs and Durban. The Mangaung Fresh Produce Market formed a partnership with **sefa**, whereby through its direct lending scheme, **sefa** developed a direct lending channel for informal traders. A substantial number of informal traders are benefiting from the programme. Direct lending channel with the use of card system is operational and most of informal traders are using the system with minor challenges;

10.10 The Committee applauded the success of Kopanang Women’s Enterprise (KWE) Transport Logistics and Multi-Purpose Primary Co-operative in Thaba Nchu. However, as per 10.2 above, it lamented lack of teamwork between **sefa** and DSBD. In its Mpumalanga report and observation, the Committee, after four co-operatives were smashed with a debt of R20 million excluding interests and fees, remarked that upon receiving applications from small enterprises, especially co-operative formations, **sefa** must engage DSBD to ascertain if the application or the nature of the project being pursued by the co-operative does not qualify for financial support under CIS or Shared Economic Infrastructure Facility (“SEIF”). While the Committee notes that **sefa** is a lender of last resort for small enterprises, but equally, before extending loan facility to small enterprises **sefa** must make it its responsibility to ascertain if such a credit cannot be leveraged by way of a grant or incentive from DSBD, DAFF, **the dti** or local government;

10.11 Dispensing of the CIS grant to newly formed and dormant entities i.e. Tswellang Construction Primary Co-operative Limited, Mamello Construction Primary Co- operative Limited Lebone Construction Primary Co-operative Limited is a cause for a great concern. The three entities were registered in 2016 and immediately after incorporation, qualified for the CIS. This is in the face of an application backlog as purported by the Department. The three entities are not functioning and the bakkies bought through the CIS grant are currently being used for private or personal purposes;

10.12 Furthermore, as alluded to earlier, it is unclear why Free State province has only less than 10 CIS beneficiaries when other provinces are sitting at more than 100 beneficiaries. In terms of the Companies and Intellectual Property Commission (“CIPC”) Free State province has more than 10 000 registered and active co-operatives;

10.13 Again, the Committee notes **sefa**’s fallacy that financial intermediaries or wholesale lending is less risky than direct lending. Three disturbing lessons from Retmil Financial Services episode: -

* from November 2004 to January 2009, then Khula Enterprise Finance Limited approved, to Retmil, a total of R69 000 000 in business loans and R1.4 million in seed loans (grants), and in August 2012, **sefa** approved an additional business loan of R30 million. How many individual small entities would have been financed with such an amount of money and also, the question of due diligence come to the fore as to the nature of checks and balances exercised before such huge sums of money are given to individual companies;
* Secondly, in terms of the SA High Court settlement reached on the 28th of July 2016, the settlement of R45 million owed by Retmil to **sefa** was to be repaid at prime rate less 2 percent. But **sefa** is unable to extend the same courtesy or benefit of charging ‘prime less’ to small enterprises and lastly;
* The Committee noted with quite unease the deterioration of relations between **sefa** and Retmil Financial Services management, the intimidations, verbal abuse and bullying to and from both parties;

10.14 In relation to 10.13 above the Committee further notes that this is not the first and may not necessarily be the last financial intermediary going through the same legal hurdle with **sefa**. During 2013 financial year, **sefa** reported that Marang Financial Services (Pty) Ltd, a large micro-finance intermediary was placed under liquidation. A final liquidation order was granted by the Master of the High Court on the 26th of March 2013, and in the process, **sefa** had to write off in excess of R65 million. The Committee notes that such monies could have been lent or could be loaned to deserving borrowers with capacity to pay it back;

10.15 Other **sefa** funded projects i.e. ETA Trust, Advance Technology Training Institute, Bloem Organic Compost Close Corporation, Maqheleng Waste Management, Zolu Trading Close Corporation and Menza Steel Work Close Corporation are progressing very well and able to meet their obligations. Nevertheless, they all underscored or decried the rate of interest charged by **sefa**, which usually oscillates between 14 – 20 percent, and also, opportunities for more funding and training;

**11. RECOMMENDATIONS**

11.1 The Department must develop an effective marketing and branding strategy. The Committee made this recommendation in 2016 after having observed that even those projects that are sponsored by the Department; they are hardly ever mentioned or showcased by way of publicising, advertising, billboards etc. Branding and marketing of these projects should be intensified in order to increase the awareness of DSBD service and product offerings. In the absence of a strategy however, this is not likely to be attained. The strategy must be developed and concluded no later than 31 March 2018;

11.2 There is a requirement for a dedicated system or platform for DSBD clients to track progress on application for financial assistance online;

11.3 DSBD and Seda must follow up on Ke Nako Water and Waste Processing Primary Co- operative Limited and ensure that the business plan is developed is financial requirements are sketched out with a view to getting the project off the ground before 31 March 2018;

11.4 As above, DSBD and Seda must follow up on E-kasi Kitchen Co-operative Limited to make sure that the business plan is updated and the remainder of the balance on the CIS is disbursed no later than 31 January 2018. Signing of transversal agreements with respective local and provincial government cannot be overemphasised but long overdue;

11.5 DSBD and Seda must follow up on Hareketsetseng Co-operative Limited. Allegations of corruption must be reported to DAFF and the role of the implementing agent. This is a commercial project and DSBD, together with her entities, has a responsibility to ensure that this project does not collapse. In addition, Chairperson of the Portfolio Committee must liaise with DAFF Portfolio Committee to bring the matter to its attention;

11.6 Mampotla Trading Enterprise is obviously going through a difficult time. The Committee is of the view that legal proceedings against this entity should be put on hold until proper consultation between **sefa** and DOHS is finalised. Without DOHS recapitalising this project by means of allocating more units to Mampotla Trading Enterprise, **sefa** portion of the loan is not likely to be repaid. There has not been a doubt or misgiving concerning Mampotla Trading Enterprise competence and capability to deliver. It is clear from the Committee point of view that the project was thrown off balance by irregularity of DOHS and, made worse by **sefa** litigation process. DSBD and **sefa** must report to the Committee before the end of 2017. Furthermore, **sefa** Board of Directors has a responsibility to investigate this matter in order to satisfy itself that all other projects similar to MTE are afforded lifeline;

11.7 In addition, **sefa** must henceforth, ensure that all small enterprises owed money by the state, particularly where there is evidence that goods and/or services were indeed delivered to the satisfaction of the client [state organ], are temporarily absolved until all internal mechanisms and processes are exhausted;

11.8 The Department has a duty, in conjunction with **sefa**, to rapidly finalise the development of the rescue strategy for struggling small enterprises before 31 March 2018. The concept of business rescue finds its foundation in one of the stated purposes of the Companies Act, which is to "provide for the efficient rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all relevant stakeholders”. In its correspondence to **sefa** Board of Directors, the Committee strongly advocated for the agency to adhere to these provisions before progressing to section 129 of the National Credit Act;

11.9 On the matter between **sefa** and Retmil Financial Services, the Committee is again calling on **sefa** Board of Directors, in its capacity as the Accounting Authority, to exercise its oversight responsibility by ascertaining if in the case of Retmil Financial Services, Accounting Officer, performed his duties diligently and meticulously without contravening Section 38 (a) (i) (b) (c) (ii) and (h) (i) (ii) (iii) of the PFMA, after additional credit was extended to Retmil Financial Services without proper due diligence, findings of which must be reported to the Committee for record before 31 March 2018;

11.10 The CIS guideline and/or policy must be expedited, so is the forensic investigation on the CIS grant. Provision of the CIS grant to newly formed and dormant entities i.e. Tswellang Construction Primary Co-operative Limited, Mamello Construction Primary Co-operative Limited and Lebone Construction Primary Co-operative Limited raises more questions than answers considering that the three entities were only registered in 2016 and immediately after that qualified for the CIS. On the face value, it appears that there was a flouting of the CIS guidelines;

11.11 On market access intervention, the Department needs to provide adequate support to projects, both financial and non-financial, lead an integrated process of nurturing co- operatives from inception phase to spearheading market access intervention programmes. The Portfolio Committee would like to recommend that a Market Access Unit within the Department urgently develop a detailed and realistic Market Access Strategy on or before 31 March 2018, contents of which will include plans to scale up support to all projects previously visited by the Portfolio Committee in Eastern Cape, Limpopo, KwaZulu Natal, Mpumalanga, Gauteng and Free State;

11.12 As per 11.11 above, other **sefa** funded projects i.e. ETA Trust, Advance Technology Training Institute, Bloem Organic Compost Close Corporation, Maqheleng Waste Management, Zolu Trading Close Corporation, Menza Steel Work Close Corporation and Kopanang Women’s Enterprise Corporation have demonstrated resilience in the face of economic headwinds. They need to be carefully examined to identify areas of further growth and report back to the Committee.

Report to be considered.