Corporate Plan

Financial Years 2021 -2025

Official sign-off

It is hereby certified that this Corporate Plan:

1. Was developed by the management of the Small Enterprise Finance Agency (**sefa**) under the guidance of **sefa**'s Board of Directors.
2. Considers all the relevant policies, legislation and other mandates for which **sefa** is responsible.
3. Accurately reflects the strategic outcome-oriented goals and objectives which **sefa** will endeavour to achieve over the period 2021 – 2025.

Date: 25 Feb 2020

Mr Alroy Dirks
Head of Strategy, Planning & Reporting

Date: 25 Feb 2020

Ms Shoki Ralebepa
Chief Financial Officer

Date: 25 Feb 2020

Mr Setlakalane Molepo
Acting Chief Executive Officer

Date: 27/01/2020

Mr Martin Mahosi
Chairperson of the Board of Directors

GLOSSARY OF TERMS

AI	**Artificial Intelligence**
AfCFTA	**African Continental Free Trade Area**
AGOA	**African Growth Opportunity Act**
DFIs	**Development Finance Institutions**
DSBD	**Department of SmallBusiness Development**
ECSP	**Economic Competitiveness Support Programme**
ERM	**Enterprise Risk Management**
ESD	**Enterprise and Supplier Development**
EU	**European Union**
FY	**Financial Year**
FMP	**Fresh Produce Market**
GEM	**Global Entrepreneurship Monitor**
IDC	**Industrial Development Corporation of South Africa Limited**
IFC	**International Finance Corporation**
IGR	**Intergovernmental Review**
IMF	**International Monetary Fund**
IPAP	**Industrial Policy Action Plan**
JVs	**Joint Ventures**
LGD	**Loss Given Default**
MTEF	**Medium Expenditure Framework**
MTSF	**Medium Terms Strategic Framework**
NDP	**National Development Plan**
NGP	**National Growth Path**
PD	**Probability of Default**
PFIs	**Partner Financial Institutions**
PFMA	**Public Finance Management Act**
SA	**South Africa**

SACN	**South African Cities Network**
SARB	**South African Reserve Bank**
SARS	**South African Revenue Services**
SCM	**Supply Chain Management**
Sefa	**Small Enterprise Finance Agency**
Seda	**Small Enterprise Development Agency**
SMMEs	**Small, Medium and Micro Enterprises**
SOE/SOC	**State-Owned Enterprises/Companies**
TEF	**Township Enterprise Fund**
VRM	**Vendor Rotation Management**

Table Contents

EXECUTIVE SUMMARY

Small, Medium and Micro-enterprises (SMMEs) and Co-operatives represent critical components that are integral to addressing the triple challenges of job creation, poverty and inequality in South Africa. These critical levers play a pivotal role in driving economic growth, employment, innovation and competitiveness.

The **sefa** Corporate Plan is developed within the broader context of the government's economic policy and legislative framework (National Development Plan (NDP), government's Medium-Term Strategic Framework (MTSF), National Policies and the Broad-Based Black Economic Empowerment (B-BBEE) legislation and Codes of Good Practice).

The Corporate Plan has been compiled in fulfilment of the provisions of section 52 of the Public Finance Management Act (PFMA), Act 1 of 1999 as amended; Treasury Regulation 29.1.3 requirements; and the Revised Guidelines on Strategic and Annual Performance Plans issued by the Department of Monitoring and Evaluation (DPME)

The development of the Corporate Plan was shaped by an extensive consultation process and organisational review that included:

- Ongoing engagements and consultation with the Executive Authority, the Department of Small Business Development (DSBD).
- Regular reporting and feedback from **sefa**'s shareholder, the Industrial Development Corporation of South Africa Limited (IDC).
- **sefa**'s quarterly reporting and engagement with the Portfolio Committee on Small Business Development (National Assembly) and Select Committee on Small Business Development (National Council of Provinces- NCOP).
- **sefa**'s Executive Committee strategic planning sessions.
- **sefa** Board Corporate Planning session – quarterly review of organisational performance and the identification of key strategic priorities.
- **sefa** Divisional Corporate Planning – assessment of year-to-date divisional performance and the identification of divisional priorities and targets.

Primarily, **sefa** aims to provide simple, efficient and sustainable access to finance to SMMEs and Co-operatives throughout South Africa. The organisation pursues the following Medium-Term Strategic Objectives as outlined in this Corporate Plan:

- Ensure **sefa** is a high impact, high-performance DFI that is responsive to the government's microeconomic policies and specifically the DSBD's MTEF plan
- Align **sefa**'s organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy
- Develop the **sefa** brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models
- Improve **sefa**'s sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions

The **sefa** Board of Directors and Management team recognises the need to balance the contradictory and sometimes competing priorities that come with meeting the unlimited demands of the organisation's mandate while deploying limited fiscal resources. This implies that **sefa** exercises critical care in taking key organisational and program decisions; making the necessary trade-offs and solving long-standing dilemma issues that would improve **sefa**'s impact and sustainability over the MTEF period and beyond.

To this end, **sefa** has developed a 2020 corporate planning rationale statement supported by the most recent qualitative and quantitative insights, a scenario development methodology that spells out key strategic options and analysis there-of, as well as isolation of key strategic decision issues from which our strategic choices are distilled.

The successful implementation of the Corporate Plan over the five years (2020/21 – 2024/25 financial years) will result in R10.8 billion loan approvals with the disbursement of R10.6 billion to 832 095 SMMEs and Co-operatives. The disbursements are expected to have the following developmental and economic impact:

No of Jobs Facilitated (#)	1 007 167
Disbursements to black-owned Enterprises (R'000)	8 928 645
Disbursements to women-owned Enterprises (R'000)	5 275 358
Disbursements to youth-owned Enterprises (R'000)	4 200 754
Disbursements to township-owned Enterprises (R'000)	6 354 895
Disbursements to enterprises owned by people with Disabilities (R'000)	317 498
Disbursements to enterprises located in rural towns and villages (R'000)	4 762 471

To ensure effective implementation of the Corporate Plan, the following programmes have been formulated:

- Programme 1: Increase access and provision of finance to SMMEs and Co-operatives:
  - Sub-programme: Informal Sector and Micro-Enterprises Finance.
  - Sub-programme: Direct Lending.
  - Sub-programme: Wholesale SME Lending.
  - Sub-programme: Co-operative Enterprise Lending.
  - Sub-programme: Khula Credit Guarantee.
- Programme 2: Post Investment/ Workout and Restructuring Management.
- Programme 3: Corporate Services
- Programme 4: Marketing and Stakeholder Management
- Programme 5: Governance, Risk and Compliance.
- Programme 6: Property Management.

1 STRATEGY OVERVIEW

1.1 Background

All over the world, it is recognised that access to finance is a key constraint in the development and growth of SMMEs. The need for the existence of an institution therefore that intervenes in the provision of access to finance for small business is consequently broadly acknowledged. The motivation remains strong for such an institution either as a patch to fill the gap because the private sector does not adequately cater for the sector, or because it is an imperative that a developing economy such as South Africa supports the growth of an emerging small business sector.

Additionally, it needs to be recognised that there are key SMME market segments that cannot be served profitably by commercial players in the micro-finance and formal banking sectors. This market failure requires government redress and the establishment of the likes of **sefa** is to address this failure, but equally to scale-up and rationalise government's SMME lending.

sefa was established in April 2012 as a result of a merger of Khula Enterprise Finance Agency (Khula) and the South African Micro Apex Fund (**samaf**). It was established to streamline the provision of access to finance to Small Medium and Micro Enterprises (SMMEs), inclusive of Co-operative enterprises. **sefa** functions as both a wholesale lender, capacitating SMME financial intermediaries, and as a direct lender to SMMEs and Co-operatives, in support of government economic policy.

sefa is a wholly owned subsidiary of the Industrial Development Corporation of South Africa Limited (IDC) and derives its legislative mandate from the IDC Act No. 22 of 1940 (as amended 2001). **sefa** reports to the Department of Small Business Development (DSBD).

sefa's has invested in the South African economy and impacted the small business sector. Since its inception up to the end of March 2019, **sefa** has financed 331 071 Small Medium Micro Enterprises (SMMEs) and Co-operatives and facilitated 442 917 jobs into the economy.

During the same period, **sefa** approved R5.6 billion and disbursed R6.8 billion into the South African economy. Over R4 billion was disbursed to Black-owned businesses, R2.6 billion to women-owned enterprises and rural towns and villages was supported with R2.9 billion. In supporting government policy to revitalise townships, R198 million was disbursed to township-owned enterprises and R1.3 billion to Youth-owned enterprises.

1.2 sefa's Vision, Mission and Values

The table below provides a strategic overview of **sefa**'s vision, mission, values and core objectives.

Vision	**To be the leading catalyst for the development of sustainable Small Medium and Micro Enterprises and Co-operative Enterprises through the provision of finance.**
Mission	**sefa's** mission is to provide simple access to finance efficiently and sustainably to SMMEs throughout South Africa by: • providing loan and credit facilities to SMMEs and Co-operative enterprises; • providing credit guarantees to SMMEs and Co-operative Enterprises; • creating strategic partnerships with a range of institutions for sustainable SMME and Co-operative enterprise development and support; • developing, through partnerships, innovative finance products, tools and channels to catalyse increased market participation in the provision of affordable finance.
Values	**sefa**'s values and guiding principles to deepen institutional culture and organisational cohesion are: • Kuyasheshwa!: We act with speed and urgency • Passion for development: Solution-driven attitude, commitment to serve • Integrity: Dealing with clients and stakeholders in an honest and ethical manner • Transparency: Ensuring compliance with best practice on the dissemination and sharing of information with all stakeholders, and • Innovation: Continuously looking for new and better ways to serve our customers
Strategic Objectives	• Ensure **sefa** is a high impact, high-performance DFI that is responsive to the government's microeconomic policies and specifically the DSBD MTEF plan • Align **sefa**'s organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy • Develop the **sefa** brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models • Improve **sefa**'s sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions

1.3 Legislative and Policy Mandates

With regards to SMME development policies in South Africa, the government considers promoting SMMEs to be a shared task, involving a wide range of different national and provincial departments, as well as municipalities, non-governmental organisations (NGOs) and the private sector. As such, SMME policies are designed to fit within the national policy eco-system, considering the broader policy environment.

South Africa's SMME policy environment is based on different macroeconomic policies. These have provided a framework, as well as the mandate and rationale, for SMME development strategies and plans thus far.

These policies include the following:

- National Strategy for the Development and Promotion of Franchising in South Africa (released in 2000);
- The Micro-Economic Reform Strategy (published in 2002);
- The Broad-Based Black Economic Empowerment (B-BBEE) Legislation (Amended Act, 2013);
- The Accelerated and Shared Growth Initiative (published in 2006);
- Industrial Policy Action Plans (published in 2007);
- The National Industrial Policy Framework (issued in 2007); and
- The New Growth Path (published in 2011);

sefa's operations are governed and guided by a wide range of legislative requirements and government policies. The table below outlines the most prominent policies and Acts that guide and influence **sefa's** operations.

Policies and legislation that guides sefa Operations		
Foundational Policies	**Sector-Based Policies**	**Legislation**
The National Strategy on the Development and Promotion of Small Business in South Africa (1995)	Co-operatives Development Policy (2004)	National Small Business Act (1996; revised 2004)
Integrated Small Business Development Strategy (2004 – 2014)	Integrated Strategy on the Development and Promotion of Co-operatives (2012)	National Credit Act
The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)	National Informal Business Upliftment Strategy (2013)	Industrial Development Act
	Youth Enterprise Development Strategy 2013-2023 (2014)	Financial Intelligence Centre Act (FICA)
		Consumer Protection Act, 2008
		Companies Act of 2011
		Co-operatives Act (No. 14 of 2005)
		Short Term Insurance Act
		Promotion of Access to Information Act, 2000

		Public Finance Management Act (1999 as amended)

1.4 sefa's Main Business and Funding Activities

sefa's main business and funding activities are aligned to the key activities of a development finance institution, namely: playing a catalytic role to attract other industry players; funding gaps in the market and risk funding aimed at the development of entrepreneurs and addressing market failures.

1.5 sefa's Target Market

sefa aims to address market failure in the provision of finance to SMMEs and Co-operative enterprises. In this regard, the organisation loan financing programme focusses on targeted groups such as women, black people, youth, township, rural communities and people with disabilities.

Its loan programmes are aligned and geared to the execution of governments' economic policy as outlined in the New Growth Path (NGP), Industrial Policy Action (IPAP) and the National Development Plan (NDP).

sefa provides funding to qualifying business ventures within the following SMME sectors:

- services (including retail, wholesale, IT and tourism, transport logistics);
- manufacturing (including agro-processing);
- agriculture (specifically land reform beneficiaries and micro-farming activities);
- construction;
- mining;
- green industries (renewable energy, waste and recycling management).

1.6 sefa's Loan Criteria

In granting loan financing to qualifying businesses, the applicants must comply with the following:

- be South African citizens and/or permanent residents;
- be a registered entity or sole proprietors and have a fixed physical address;
- able to meet the contractual capacity requirements;
- be registered within South Africa;
- be compliant with generally accepted corporate governance practices appropriate to the client's legal status;
- have a written proposal or business plan that meets the requirements of **sefa's** loan application criteria;
- demonstrate the character and ability to repay the loan;
- have provided personal and/or credit references (if available);
- be the majority shareholder and the owner-manager of the business;
- where possible, provide relevant securities/collateral; (sefa is not security backed lender; as a result, security is not a prerequisite for funding to be considered); and
- have a valid Tax Clearance Certificate.

1.7 sefa's Operating Model

sefa's operating model makes provision for financing and business support **directly** to SMMEs and Co-operatives through its regional office network and **indirectly** through its partnership with intermediary financial institutions such as Retail Finance Intermediaries (RFIs), Microfinance Finance Institutions (MFIs), Funds, Joint Ventures (JVs) and Co-operative Financial Institutions (CFIs). **sefa** has a property portfolio with 53 properties across the country. In these properties, small businesses have access to business premises at discounted rates. There are identified properties that are in the market for the entrepreneurs to buy, with the current occupants having the opportunity to buy.

In addition, **sefa** administers a Credit Guarantee Scheme that indemnifies banks and other non-financial institutions which provide credit facilities to small businesses against a possible default. **sefa** also manages Small Business Funds that support and promote SMME and Cooperative Enterprises participation in strategic value chains.

The diagram below gives an overview of **sefa's** operating model.

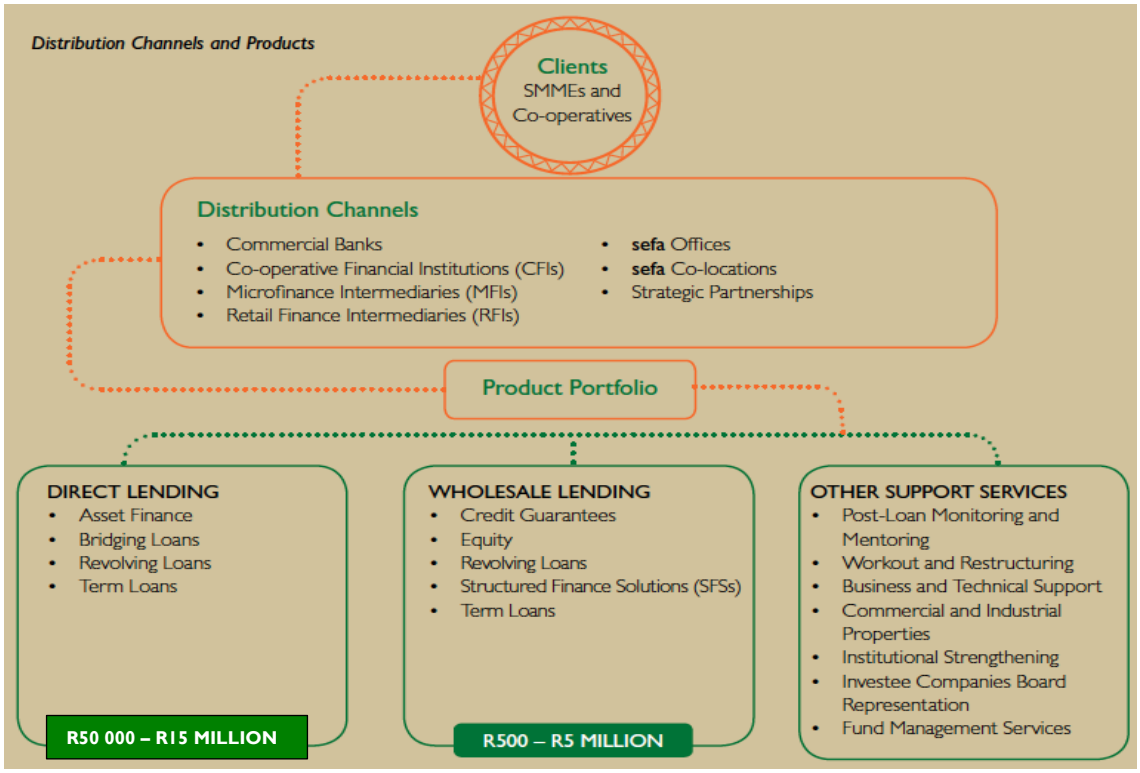


Figure 1: **sefa** *Operating Model:* Note: Wholesale intermediaries lending facilities go up to R100 million.

2 PERFORMANCE REVIEW

2.1 Reflection on sefa's Performance Over the Past 3 Years

sefa continues to play a catalytic role in providing financial support to SMMEs and Co-operatives in a challenging economic operating environment. In promoting financial inclusivity, **sefa** has formed various strategic relationships with the private sector and government to increase access to finance to SMMEs. The table below tabulates **sefa**'s performance for the past three financial years against its predetermined performance targets.

Performance Criteria	2016/17	2017/18	2018/19	Projected 2019/20
Loan Book				
Approval (R'000)	827 000	446 345	703 263	715 934
Disbursements (R'000)	1 076 000	1 313 027	1 219 943	1 325 863
No of Enterprises Financed	43 211	45 141	72 897	57 714
Jobs Facilitated	55 997	54 389	88 632	95 667
Development Impact				
Facilities disbursed to youth-owned (18-35 years old) enterprises (R'000)		204 476	197 689	229 660
Facilities disbursed to enterprises to rural towns and villages (R'000)	222 000	462 544	549 444	439 094
Facilities disbursed to women-owned businesses (R'000)	366 000	416 432	481 963	649 680
Facilities disbursed to black-owned businesses (R'000)	760 000	902 687	897 199	1 150 891
Disbursements to township-based enterprises (R'000)		45 679	107 475	132 944
Facilities to people with disabilities (R'000)	3 000	8 081	2 386	3 030
Loan Book Performance				
Impairments	47%	37%	47%	40%

Over the past three financial years (2016/17 – 2018/19) **sefa** approved over R1.9 billion and disbursed over R3.6 billion loan financing to 161 249 SMMEs and Co-operatives and in the process facilitated in the creation and maintenance 199 018 jobs.

Disbursements to the following targeted groups over the period was as follows:

- Youth-owned enterprises – R402 million
- Women-owned enterprises – R1.2 billion
- Black-owned enterprises – R2.5 billion
- Enterprises located in townships – R 153 million
- Enterprises located in rural towns and villages – R1.2 billion
- Enterprises owned by people with disabilities – R 13 million

2.2 IMPLEMENTATION OF ORGANISATIONAL KEY STRATEGIC INITIATIVES

During the 2019/20 FY, **sefa** implemented a number of strategic initiatives aimed at enhancing the organisational efficiencies, improving its loan programme accessibility and outreach as well as collaborating with other organisations to improve support services to SMMEs and Co-operatives. The list below indicates the progress made to date on these initiatives:

- **Review of the funding model: sefa,** DSBD and SEDA have been collaborating on the implementation and operationalisation of the Small Business and Innovation Fund (SBIF). With DSBD representatives as part of the investment committees, to date, **sefa** has committed grant funding across four Incubators to the value of R70 million. In addition, the SEDA monitoring framework has been incorporated in the agreements between **sefa** and

the Incubators to ensure that there are satisfactory performance and support to the Incubatees.

- **Development of funding facility for township and village enterprises: sefa** has a clear target to fund enterprises based in townships and villages and as a result, it sets aside funding for this strategic priority across its various lending channels. This target is measured and reported quarterly to various stakeholders including DSBD. It is envisaged that the further allocations for the SBIF in FY2020/21 will facilitate a ring-fenced fund for Township Revitalisation and will be conceptualised with DSBD.
- **Implementation of One Hundred Thousand Youth Fund: sefa** has since November 2019 implemented the Pitch for Funding sessions through the SBIF targeting primarily youth-owned businesses. Through these sessions as well as the other various sefa lending channels, **sefa** has supported 14 674 number of youth-owned businesses as at Q3 of FY 2019/20. In addition to the aforementioned Pitch for Funding sessions, through its partnership with Incubators and RFIs, youth-owned businesses will be part of funding support given to SMMEs and Co-operatives. **sefa** will continue to contribute to the support of the 100 000 Youth owned businesses through a Youth Fund in FY 2020/21 under the Small Business and Innovation Fund.
- **Reduction of loan impairments** – impairment reduction is core to **sefa**'s financial sustainability. The Post Investment Monitoring, Workout and Restructuring Division has introduced the following initiatives to reduce loan impairments:
    - Pro-active analysis and monitoring of businesses that are in distress and providing timeous remedial measures in the form of restructuring of accounts (extension and re-scheduling of the repayment period and business mentorship support).
    - The monitoring of Top 20 investment exposures in the loan book.
    - Strengthening of the collections business unit.
- **Establishment of the Call Centre:** a joint project team between **sefa**, Seda and the Department was established. A functional specification for a national SMMEs call centre has been developed and discussions between the project team and the State Information Technology Agency (SITA) are underway on hosting the call centre on SITA's call centre platform.
- **One-Stop-Shop:** collaboration with DSBD resulted in the development of a new communications platform (www.mybindu.org.za) that is modern, linked to social media activity and mobile-friendly. The *Common Funding Template* was developed and digitised to create a single business plan framework that can be used in funding applications at various institutions. Seda and **sefa** are exploring physical shared services at the district level.
- **SMME Database**: Integration of **sefa** and Seda CRM data to the SMME Database and *Common Funding Template* was prioritised for the initial SMME Database being developed by DSBD.

2.3 KEY STRATEGIC CHALLENGES and OPPORTUNITIES

Notwithstanding the successes mentioned above, **sefa** is faced with significant strategic challenges with opportunities as tabulated in the table below. These challenges and opportunities have been identified through various organisational assessments and engagement with different stakeholders.

Challenges	Interventions
Quality of the loan book: high levels of loan impairments, poor customer segmentation, high operating costs, compromising market perception (moral hazard) that is adversely affecting **sefa**'s ability to collect repayments timeously and employ consequence management.	• Actively diversify portfolio both within the MFI sector as well as in Direct Lending. • Develop customer intelligence for existing and target clients incorporating internal and external data sources, Leverage technology to optimise the pre-decision stage of the loan application process *–decision in principle'*. • Develop collection culture and processes to increase the propensity of customer repayment. • Balance portfolio to enhance the impact and reach while managing concentration risk (i.e. smaller loans, higher volumes). • Partnerships and performance management to better drive acquisition and service strategies. • Actively help build key client sectors, e.g. in microfinance.
Financial sustainability (Budget allocations to **sefa** have been declining)	• **sefa** needs to diversify sources of funding and revenue streams. • A focus on greater cost management, loan repayments and collections. • Quality loan book to grow income. • Need to sweat existing assets and capabilities. • Dispose of or transfer of the loss-making property portfolio • Develop a capital/funding strategy for Direct Lending and Wholesale Lending.
Lack of customer-centricity (lack of an active sales culture, investment officers are reactive, lack of proactive customer relationship management strategy, customer communication post application)	• Introduce a proactive deal acquisition culture through strategic partnerships that will provide a steady quality deal flow. • Partner with corporates to generate leads – their suppliers • Ease the application process or make it 2-stage: pre-screening and full review (not to lose many application leads). • Consider industry campaigns to attract new clientele.
Risk Management (1) Enterprise Risk Management (ERM) mostly focused on Operational Risk Management, Risk culture still not entirely embedded in the organisation, new/revised policy and procedures not yet implemented.	• Expand the scope of the Risk Management Unit to ensure sufficient coverage and attention to all risks

Challenges	Interventions
(2) Credit Risk Management – lack of documented risk acceptance triggers by product and segment, limited sector and industry analysis, lack of a risk rating model for wholesale lending, no credit risk appetite statement, no credit system automation.	• Ensure that all credit risk management reports-activities are reported to the Board Audit and Risk Committee. • Ensure that all staff clearly understands the risk. • Establish credit risk acceptance triggers, i.e., descriptions of quantitative and qualitative parameters by segment. • Conduct detailed industry analyses for key industry sectors within the portfolio; risk acceptance trigger should be set up based on industry/sector analysis, and red flag/early warning signals monitored with these triggers. • Better utilise customer scoring for decision making, pricing, provisioning, monitoring and Early Warning (EW) systems, NPL classification. • Define risk rating for Wholesale Clients • Establish differentiated credit processes based on specific criteria, e.g. establish fast track analysis and approval for low amounts and particular products (taking into consideration compliance, regulatory requirements). • Establish a separate process to monitor related party exposure.
Post Investment and collections – lack of post-investment and collections policy including early warning signals, lack of detailed analysis of customer behaviour by customer segment or product, NPLs not written-off promptly due to the protracted external litigation processes and the majority of the clients are in the start-up phase of the business life cycle with little or no collateral.	• Enhance the Post Investment Collection Procedure and early warning signals by using technology. • Use of external data to monitor clients and offer adequate business support for sustainability. • The utilisation of credit Bureau information, customer visits and intelligence reports to proactively identify possible high-risk clients and potential defaulters. • Review the loan book and segment the book in terms of an active and a legacy loan book. The legacy loan book will refer to non-performing loans and advances up to 31st March 2016. • Different collection strategies will be applied to the respective books

Challenges	Interventions
Data Analytics - There is functioning MIS and a lack of system integration, no electronic customer relationship management strategy, IT runs ad-hoc reports as per the requests of the business, but there's no dedicated Business Intelligence (BI) unit, no automated analytics introduced yet.	• Prioritise CRM development and ensure it has a full 360 customer view (volume of business, customer value, wallet, history, profitability). • Segment existing customers based on their wallet/value and repayment history. • Consider digitisation of the credit files. **RISK ANALYTICS** • Create Early Warning Signals models based on the past repayment behaviour • Develop models for the analysis of portfolios of intermediaries. • Analyse historical data of the non-performing customers to identify those who have higher propensity to move back to performing status and work individually with them.

3 SITUATIONAL ANALYSIS

3.1 Economic Overview

The South African economy continues to operate under pressure and struggle to recover in an increasingly challenging global environment. Isolationist tendencies in various parts of the world are compromising the global trading system. The US-China trade war has escalated and may turn out to be protracted. The risk of increased incidence of trade tensions is also emerging, while a hard Brexit is becoming a distinct possibility. Geopolitical tensions, in turn, have intensified in various parts of the world.

The adoption of protectionist measures (both of a tariff and non-tariff nature), alongside rising geopolitical risks, are detrimentally affecting world trade, investment activity and flows, impacting on SA through various transmission mechanisms. SA's preferential access to the US market under AGOA may be reviewed by the American authorities, with potentially negative repercussions for exporters, the sustainability of local production capacity in several industries, as well as investment prospects. China's slowing expansion momentum could affect industrial commodity markets negatively, both in terms of volume demand and prices. Structural reforms and deleveraging measures in China will also impact international commodity markets.

Weaker growth prospects globally will affect SA's open economy and will negatively impact on South Africa's exports to key destinations such as China, Germany, the US and the United Kingdom. Risk aversion towards emerging markets, in general, could, at times, lead to capital outflows, in the process weakening the rand and placing upward pressure on SA inflation and interest rates. Financial constraints experienced by the SA government and SOEs will limit their procurement and fixed investment spending activity, in the process affecting the pace of infrastructure development.

The economy faces the risk of further downgrades to SA's credit ratings, incl. Moody's placing the sovereign in a sub-investment grade. Adverse implications would include rising costs of, and access to foreign capital by public and private sector entities, large capital outflows, a sharply depreciating currency, rising inflation and, among other effects, higher domestic interest rates.

During the past five years, the South African economy grew, on average, by about 0.9%. The sluggish growth rate is not strong enough to effectively reverse the triple challenge of high unemployment, increased poverty and inequality. The current economic growth is falling short of 5.4% as set out in the National Development Plan (NDP) for South Africa to be able to meet its developmental targets.

Considering the subdued rates of economic growth anticipated over the short- to medium term, South Africa's tax revenue may deteriorate further over the next few years, before it eventually improves.

This will result in lower than anticipated tax revenues which, coupled with the financial constraints of key state-owned companies will worsen South Africa's fiscal metrics. Overall government debt, in turn, is spiralling out of control and could exceed the 65% of GDP ratio much sooner than projected in the 2019 Budget.

The IMF projects the global economy to grow by 3.5% in 2020. Demand conditions in global markets would remain reasonably favourable for SA's export sector, providing market development opportunities in specific regions, primarily through preferential access to other African markets (SADC, AfCFTA), the EU (SACU+M - EU EPA) and others.

The global economic environment is also expected to remain reasonably supportive of commodity markets, not only benefitting SA's mining and minerals sector but also resource-reliant African economies. Improving economic conditions in several African economies should support their demand for imports, benefitting SA's export sector.

Inward investment opportunities will potentially open in Sub-Saharan Africa (incl. SA) due to altering trade and investment relations between the world's major economic powers. Also, the AfCFTA should, over time, provide ample opportunities for inward investment seeking to benefit from enhanced intra-African trade and investment activity.

Domestically, greater policy coherence, coordination and certainty should revive business and investor confidence in the SA economy and improve its growth prospects. Gradually improving demand conditions should encourage investment activity, primarily as production capacity in several industries is increasingly utilised and reaches high levels. Enhancing employment prospects and progressively higher disposable incomes should accompany the recovery in fixed investment activity, supporting household spending.

Improved localisation efforts and their efficient enforcement, including more effective monitoring of product designations associated with public sector procurement, should enhance private sector fixed investment activity aimed at import replacement.

A competitive rand exchange rate should be supportive of SA's export performance and import replacement efforts. The risks to the forecast are mainly downside, and they include further trade and technology tensions that dent sentiment and slow investment.

The economy is projected to grow by 1.3% (IDC macroeconomic projections) compared to 0.6%, which was expected for 2019. However, the growth forecast is likely to stay modest over the coming three years. This state of economic affairs is expected to have an adverse impact on the small business sector. The implications are as follows: tougher lending criteria to the small businesses and co-operatives; rising unemployment is having a dampening effect on consumers' disposable income and in turn demand for goods and services offered by the small business sector; the resultant impact is a drop in jobs; whilst business expansions may be considered for funding by the conventional lenders, the small business start-up is unlikely to obtain financing outside the developmental funders.

This bleak economic outlook indicates developmental institutions such as **sefa** will be expected to enhance its countercyclical role in funding the targeted sectors, particularly small businesses in the early growth stage as well as the micro-enterprises that are in the main excluded from the formal commercial funders. **sefa** will have to strengthen the pre- and post-investment support in collaboration with Seda to enhance the sustainability of the funded clients.

3.2 SMME Stagnant Growth

The small business sector is a critical component of the South African economy. The small business sector in South Africa (SA) is estimated at 2.3 million enterprises (IFC, 2019). The growth of the Small Medium and Micro Enterprises (SMMEs) since 2008 is estimated at 2%, and this suggests that it has been stagnant over the last decade (Table 1).

	2008	2010	2013	2015	2017
StatsSA PALMS estimate	2,019,000	1,926,000	2,059,000	2,155,000	2,309,000
Annual growth estimate		-2.33%	2.25%	2.3%	3.51%

Table 1: Total SMME count using StatsSA QLFS data

Adapted Source (IFC, 2019)

The limited growth in SMMEs numbers creates the impression that the sector is not contributing enough as is expected. In addition, the Global Entrepreneurship Monitor (GEM) study on South Africa indicates that South Africa has a low rate of established enterprises and a poor rate of sustainability of start-ups (GEM, 2018). As a result, South Africa with few start-ups and low survival rate there are few SMMEs with a high chance of growing.

Therefore, the challenges facing the South African economy at present are enormous and impact on the small business sector's performance and growth. It will remain critical that government will need to continue using public procurement of locally produced goods to stimulate the economy and open market opportunities for the small business sector.

In line with the Government's commitment to improving the regulatory framework as well as the coordination and alignment of policies, it is anticipated that these will contribute towards restoring business and investor confidence.

3.3 Challenges facing SMMES and Co-operatives in South Africa

Compared to big business in South Africa and other countries, small businesses face a wider range of constraints and problems and are less able to address the problems on their own, even ineffectively functioning market economies. The small business sector struggles to advance the inclusive growth and development required (World bank, 2018) by the South African economy. This is despite the different policies and programmes that the government has put in place.

Research studies on SMMEs in South Africa (GEM,2018; Seda, 2016; BER, 2016, SME landscape survey, 2018) indicate that lack of finance, increased operating costs and inconsistent cash flow, excessive competition and lack of adequate premises and equipment are the significant challenges facing formal businesses and informal businesses. Furthermore, access to markets, red tape and burdensome regulations, technology adoption and skills development continue to inhibit SMMEs. The SMMEs landscape survey (2018) indicates that SMMEs in the start-up phase is often neglected and do not receive enough support and funding opportunities. As a result, they struggle to generate enough revenue to keep afloat in tandem with employing more people.

3.4 Access to finance for SMMEs in South Africa

Access to finance remains one of the primary challenges for start-ups, micro, small and medium enterprises in South Africa. (GEM, 2018). Contribution to this is because the majority of the entrepreneurs do not know how to prepare business plans that are acceptable to potential funders and the funders are offering support based only upon asset-based lending. (GEM, 2018).

The Finfind 2017 report on the South African SMMEs access to finance study estimates the SMME credit gap[1] in South Africa to be between R86 billion and R346 billion. Furthermore, the study states that start-ups and micro-businesses are the most underserved by the formal commercial finance market and represent the most significant funding gap. Traditional credit risk assessment requirements continue to play a key role in excluding early-stage SMMEs and low skills of SMMEs owners and data gaps.

The contributing factors are as a result of the following challenges inherent in SMMEs:

- the high failure rates
- high transactional costs
- high risks associated with small businesses in the early stages of development.

Finfind (2017) indicates that 62.4% of funding requests by SMEs relates to start-up capital, buying equipment, expanding businesses and working capital. 73% of SMMEs funding requests are below R1 million made up with 44% of loan requests below R250k and 29% between R250k- R1 million.

To address this funding gap, there is a need to develop new and innovative models which consider factors inherent in the operations of microenterprises. The advent of technology and the high penetration of mobile technology present an opportunity to increase financial inclusion for microenterprises. Finfind (2017) argues that digital SMMEs lenders will play an important role in improving financial access to microenterprises and is gaining traction in South Africa. The FinTech start-ups are encroaching on traditional financial services, leading with customer-friendly solutions with more value for money. This is driven by new technologies that revolutionise the ability to collect and analyse information.

The abovementioned factors provide context of **sefa**'s operational environment and the target market financial needs. **sefa** needs to work on enabling access to finance for the SMMEs, especially the microenterprises as they are the majority of enterprises excluded.

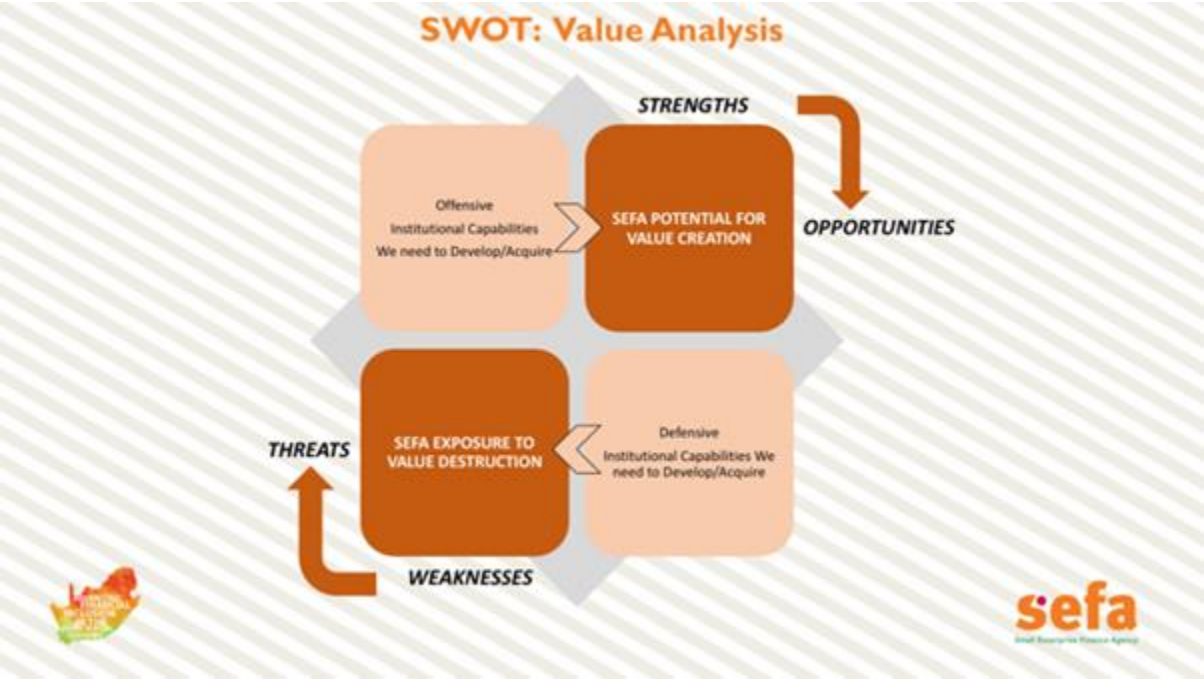
[1] SMME credit gap refers to an estimated number of SMMEs which are either underserved or unserved, that is cannot access finance.

3,5 SWOT and PESTLE Analysis

Situational Variable	Strengths	Weaknesses	Opportunities	Threats
Political	• Uniqueness and relevance of **sefa**'s mandate • Political and national consensus on the importance of small business development as a critical component for the development of the South African economy. • Availability of National Voted Funds to support the operations of **sefa** in its development interventions. • Capacity to convene and mobilise strategic partners and alliances • National presence of **sefa** – Regional office network and its partner institutions	• Organisational capabilities & culture	• Political support to grow **sefa**'s loan book • **sefa** can further entrench relationships with stakeholders (IDC, DSBD & NT) through engagements that unlock mutual value	• Inability to meet high key stakeholder expectations (IDC, DSBD & NT) can result in low financial support • **sefa**'s delivery model is not well understood, notably, the use of intermediaries and their pricing of loans to end-users
Economic	• IDC institutional and financial support • Government economic policies and programmes creating opportunities for SMMEs (30% procurement set-aside, local content, etc)	• The high cost of lending to SMMEs & Co-operatives • Quality of the Loan Book resulting in high impairments • Low uptake of the Credit Indemnity Scheme	• Huge demand for SMME & Co-operative finance • Public sector 30% procurement set aside • Private sector enterprise development (ED) activities and BEE code alignment • Leveraging of R15,5 billion allocation to SMMEs & Co-operatives across government departments • Grant funding opportunities & Fund Management	• Low levels of capitalisation resulting in an unfunded mandate • High-risk target market • Lacklustre recovery in macro-economic conditions • Sub-optimal entrepreneurial eco-system • Fiscal constraints and reduced fiscal grant allocation • The unwillingness of individual entities to provide cessions • Weak GDP growth negatively affects the SMME sector prospects and increases the rate of impairments

			• Relationship with public sector and DFIs • Local Economic Development opportunities through relationships with municipalities & traditional authorities.	
Social				
Technological	• In-house loan administration system (**sefa**LAS).	• No standardised business processes making system development tedious and cumbersome	• Fintech industry representing a new delivery method to reach SMMEs at a cheaper cost • Increase in bandwidth and uptake of mobile and smartphone technology	
Legal	• Good governance (7 years of clean and unqualified audit performance)			
Environment	• Secure managed printing to monitor organisational paper usage.	Credit risk profiling not incorporating environmental risks of business financed (impacts on default)	Developing a formal environmental policy statement Corporate ecology-set measurable objectives for Green initiatives (office automation to reduce paper, waste management and use of video conferencing to cut down on unnecessary travel, smart boards)	

SWOT Value Analysis



sefa's most significant potential to create value is the combination of its inherent strengths and the best opportunities presented by the external environment. Similarly, **sefa**'s exposure to value destruction is highest in instances where the institution's weaknesses are directly subjected to the environment's most threatening developments. In both situations, **sefa** must develop coping mechanisms; capabilities needed to take advantage of opportunities, as well as capabilities to defend against threats.

POTENTIAL FOR VALUE CREATION	OFFENSIVE CAPABILITIES TO BE DEVELOPED
• Mandate perfectly fits the government agenda on small business growth as a driver of economic rejuvenation. • **sefa** geographic footprint enables national partnerships, funding support and stakeholder networks position **sefa** to perform its mandate.	• A business model that is focused on the 'sweet spot' market segments for funding. • Partnership (public-private) strategies that unlock value.
• **sefa**'s clean and unqualified audit history and role in unlocking the ecosystem of Government SMME policies, IDC institutional support and sector-based funding combined with private sector funding, grants and LED opportunities with local authorities.	• A proactive, stakeholder-based offensive fundraising strategy that is segment focused, supported by a **sefa**-wide stakeholder engagement strategy.
• **sefa**'s in-house loan administration system interfacing with and unlocking value from fintech platforms to reach	• Product and channel innovation workstreams established to look at how **sefa** can find new ways of servicing its markets efficiently.

more customers cost-effectively than our traditional channels.	
EXPOSURE TO VALUE DESTRUCTION	**DEFENSIVE CAPABILITIES TO BE DEPLOYED**
• **sefa**'s operating costs remain high; a challenge given SA's constrained economic climate. • **sefa**'s high impairments and poor-quality loan book weaken its ability to deliver on its mandate. This may have a negative impact on sefa's financial sustainability. • **sefa**'s funding focuses on a high-risk market with limited funding in a lacklustre economic environment; the institution impact is negatively affected.	• A cost optimisation model to be developed and applied across **sefa** on the back of a cost-cutting strategy. • A comprehensive pre- and post-investment strategy that gives **sefa** better control of the quality of deals as well as the collection of loans. • A loan product portfolio that is informed by SMME needs and value chain and a clear choice of where **sefa** must play to drive maximum development impact. A deeper understanding of loan portfolio can be enhanced by big data analytics and predictive modelling systems if deployed by **sefa** as part of improving operational decision-making.

4 SEFA'S STRATEGIC FOCUS AREAS – 2021 - 2025

4.1 sefa Corporate Plan 2020 Rationale

The **sefa** management team recognises the need to balance the contradictory and sometimes competing priorities that come with meeting the unlimited demands of the organisation's mandate while deploying limited fiscal resources. This implies that **sefa** exercises critical care in taking key organisational and program decisions; making the necessary trade-offs and solving long-standing dilemma issues that would improve **sefa**'s impact and sustainability over the MTEF period and beyond. To this end, **sefa** has developed a 2020 corporate planning rationale statement supported by the most recent qualitative and quantitative insights, a scenario development methodology that spells out key strategic options and analysis there-of, as well as isolation of key strategic decision issues from which our strategic choices are distilled.

In keeping with our view that **sefa** faces unlimited demands of supporting SMME's with limited fiscal resources, we have phased the implementation scope of our strategic choices over the MTEF period, starting with the most urgent and critical strategic agenda issues in the first 12 to 18 months of the MTEF period.

4.2 Management Insights, MTEF Implications

Strategic Dialogue Insights	MTEF Implications for sefa
Economic • Weak global and domestic growth • Fiscal pressure to support NDP job creation	• Funding levels will decline in the course of the MTEF; we must find efficiencies in the utilisation of **sefa** funding to drive more impact
SMME Sector • Stagnant growth in the SMME sector, widening the unfunded mandate	• **sefa** must explore innovative ways to source alternative funding channels and other revenue streams beyond the MTEF allocation
Loan Book Performance • Disbursements outstrip approvals over the last three years • The targeted number of SMME's lower than planned in the previous three years • Disbursements to youth and people with disabilities were lower than expected; disbursements to black-owned and women-owned were consistent with the plan	• **sefa** must strengthen its deal pipeline to avoid declining levels of impact • **sefa** must implement accurate channel and market segment targeting while improving overall operational performance • A deliberate targeted youth, as well as entrepreneurs with disabilities marketing strategy, must be formulated and implemented
Financial Driver Performance • Declining interest income • MTEF allocation declining Y/Y • The decrease in cash reserves • Impairments deteriorating • Headcount costs remain high • Weak cost-to-income ratio • Inefficient collections • Intermediary concentration • Declining income from SMME Wholesale	• **sefa** not only faces the task of achieving more with less; we must also mitigate the risks that limited cash reserves can threaten the institution's long-term sustainability • **sefa** needs a detailed understanding of its cost drivers and make the hard choices to manage costs down
Market Performance • Intermediary level measurement inadequate • Our microfinance focus limits job creation • Market targeting and channel risk appetite not matched • Product portfolio mix and profit quality not matched • The **sefa** institutional funding model is overly-dependant on government	• **sefa** must be a customer-centric organisation; customer research and relationship management capabilities must be developed and implemented • The question/balance between **sefa** as a 'lender' and its 'facilitation' role must be resolved. **sefa** must refocus on its niche markets that better serve its mandate • There are opportunities to improve **sefa**'s overall performance and delivery of its goals with improvement in internal systems, processes and the introduction of targeted

• **sefa** still supports a high number of entrepreneurs annually, relative to other institutions **Other Organisational Aspects** • Highly centralised, cumbersome process (no automation) and decision system, inadequate information management and decision support systems	automation. This, in turn, will improve decision-making and turnaround times

4.3 MTEF Scenarios, Assumptions & Strategic Issues

Scenario Variable	Base Case	Best Case
GDP Growth	Sub-2% GDP growth, ever-widening balance of payments, declining tax revenue to fund the NDP, increasing pressures on social spending, stunted SMME sector growth	Economic growth averaging 3%, government revenue improves and more funding for NDP programs
CPI	Threats of 'junk' rating status materialise, domestic economic pressures push the CPI towards the upper end of the SARB target CPI range, strain on consumer spending, business revenues and thus taxable income declines, overall costs of borrowing spiral higher, straining funded SMME's	SA achieves investment-grade rating, and inflation reigns into the mid-point of the SARB target range, cost of borrowing eased
Interest Rates	Higher interest rates to curb inflation achieve the opposite effect for SMME funding	Lower interest rates offer a spending stimulus for the domestic economy, positive knock-on for SMME funding and growth
MTEF Allocation	MTEF allocation has been declining year-on-year in real terms as government balances competing for spending priorities to stimulate economic growth	Improved government revenue would mean higher levels of support for **sefa** and other DFI's; **sefa** becomes the core investment engine for the government to stimulate economic growth through creation and growth of SMME's
Other Sources of Funding	**sefa** kick-starts public-private partnerships to generate new lines to fund its mandate focuses on revenue generation to fund its operations and improve financial sustainability	Mature private sector partnerships start to become the primary source of revenue expansion strategies for **sefa**, broader and deeper program impact is achieved

	(cost-to-income ratio at 100% and lower)	
Cost-to-Income	cost-to-income ratio reduces to 100% only in the 4th year and beyond (of the planning period)	Further reduction of **sefa** cost-to-income ratio driven by both cost reduction strategies and improved revenues (MTEF and partnerships) for **sefa**
Policy Framework	DSBD intensifies policies in support of small business and job creation initiatives, better co-ordination of cross-sector policies aimed at stimulating small business growth, stronger engagement of national treasury and IDC in supporting **sefa** capital requirements, better co-ordination of DFI's operating in the small business sector.	DSBD strengthens both policy and legislative framework for small business development giving **sefa** more financial capacity and scope to drive high impact programs
Public-private collaboration	**sefa**-Seda and private sector co-ordinate and collaborate at resource and program levels to drive job creation. Stronger collaboration between **sefa** and municipalities.	Mature collaboration programs with municipalities giving **sefa** full national coverage and reach, stronger presence and brand equity in the DFI space
Capabilities investment	**sefa** achieves significant investments in process automation, fintech solutions, and CRM systems	Mature investments now directly impacting **sefa**'s effectiveness, efficiencies, and breakeven
Business Model	**sefa** refines and refocuses its business model to be less capital intensive, focus on 'facilitation' vs 'funding' balance and builds a revenue engine to fund its operations	**sefa**'s business model for lower value loans becomes fintech-driven mainly, which is more cost-effective and improves **sefa**'s cost position and its sustainability.
Key Assumptions	IDC loan is increased, loan repayment terms are relaxed, internally measures are taken to reduce operational and headcount costs, impairment rates are reduced across, KCG capitalisation is reduced, non-performing investment properties are disposed of collections are increased, overall revenue position is therefore improved.	IDC loan converts to equity and **sefa** have no loan repayments to honour, and impairments rates are further reduced, the SBIF line of funding is clawed back, an optimised **sefa** structure and headcount is achieved
Strategic Issues to Deliver On during the MTEF period	• Commit to cost reduction program in the short-term • Review **sefa** business and operating model, achieve better efficiencies • Address the question of **sefa** status as a 'lender' versus 'facilitator' of SMME funding	

	• Choose **sefa**'s niche focus in the SMME value chain best suited to its mandate

4.4 Mapping Priorities over the MTEF Horizon -

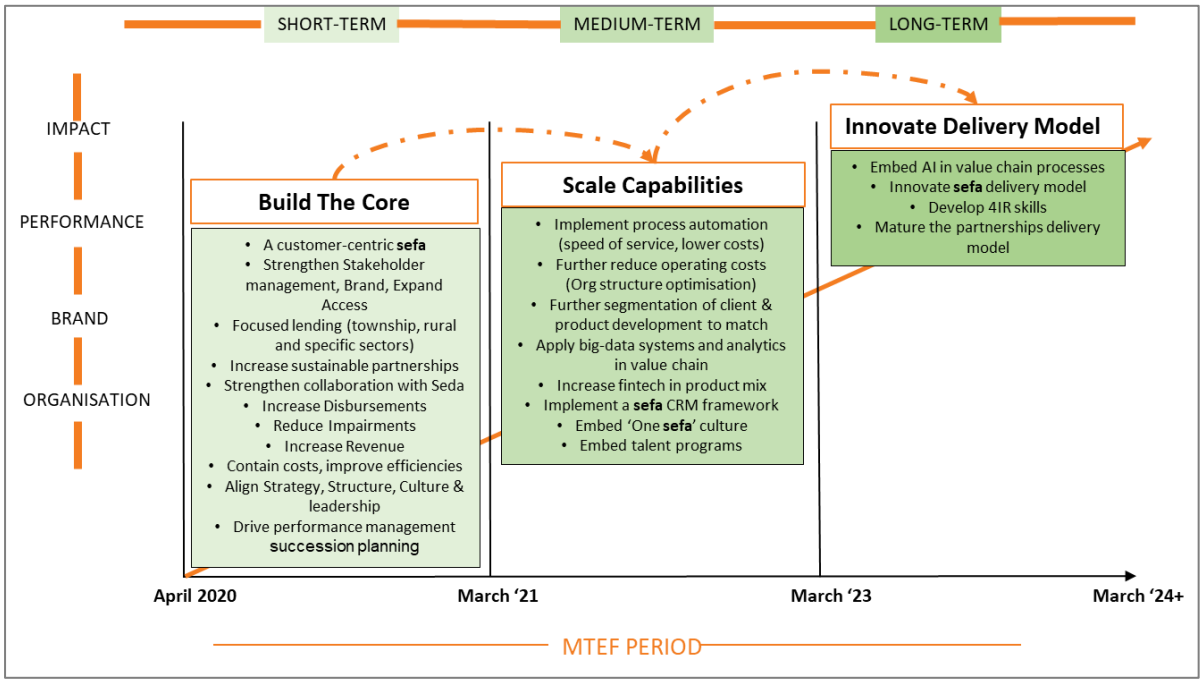


Figure 4. MTEF Strategy Road Map

From the series of internal strategic dialogues deliberating on the corporate plan, **sefa** management identified four key themes to focus strategic goals and implementation programs, namely 'Impact', 'Performance', 'Brand' and 'Organisation'. The themes are also an internal framework to align divisions and teams around the core priorities as well as to evaluate **sefa**-wide progress towards meeting its mandate. Further, the themes will be executed in three phases of work-streams to be driven over the planning period; the target is to achieve short-term gains in the most pressing areas of **sefa**'s business around its core operational backbone, moving on to scale up what the organisation does well in the medium term and to achieve wholesale business model improvement in the long-term. The three phases of work will enable **sefa** to simultaneously work towards institutional improvements and be financially sustainable as well as focus its mandate delivery by making product and distribution channel choices and impacting jobs in the designated demographic groups.

***Building the Core*: sefa** will focus the first-year efforts to taking the organisation back to basics, placing the customer at the centre of what it does. This implies that marketing, brand and stakeholder functions will need to be strengthened in support of operational programs and the specific loan products they distribute. Increased understanding of the **sefa** clients, the market and the SMME sector as a whole will require that **sefa** builds and strengthens its market research capacity and capability. The financial base requires a clear cost reduction program, a relentless focus on reducing impairments, a drive towards efficiency gains and a revenue growth focus. A high-performance culture led by committed leadership will be necessary to position **sefa** well for building a long-term sustainable future.

Scaling Capabilities: The gains of the first phase program will enable **sefa** to start focusing on scaling up its capabilities that support the core, particularly those with cost and efficiency dimensions. Process automation scoping is an early phase start project with full implementation gains (cost and turnaround improvements) to be achieved in the mid-point of the MTEF. The **sefa** structural optimisation is a big focus over the MTEF's cost management considerations. The phase will intensify **sefa**'s understanding of its clients on the back of stronger research capabilities, product development and market segmentation and targeting improvements. Fintech in the lower threshold loan sizes where there is high demand will become the core of how **sefa** broadens its reach and impact, cost-effectively. With this development, the institution will have faster access to customer data which will require big data analytics capabilities to support management decision making. A stable culture and leadership team will enable **sefa** to focus its people processes on retention and succession programs.

***Innovating the Delivery Model*:** As new, tech-driven platforms take shape in **sefa**'s operations, the need to maintain the innovation momentum will be key towards the tail end of the MTEF. **sefa** will look to intensify its usage of 4IR tools such as machine learning and artificial helping to improve decision-making all along the operational value chain. AI will expand **sefa**'s war chest of customer behavioural and through predictive modelling, be in a better position to pre-empt and act on various aspects relating to customer decisions, predicted loan performance and collections success probabilities.

4.5 sefa-Seda Collaboration

To enhance business support services to SMMEs and Co-operatives, **sefa** and Seda will collaborate on the following strategic initiatives over the planning period:

Access to Information

To ensure that SMMEs have access to information across the SMME ecosystem, the agencies will support the establishment of the National SMME database spearheaded by DSBD as well as the related support provided to SMMEs.

sefa and Seda will support the District Development model by partnering with a municipality in each district through the capacitation and training of their Local Economic Development (LED) offices on the products and services of each agency. This partnership will also foster a referral system through an information desk at the LED offices.

Business Development Support Services

The agencies will collaborate to develop a central database of business advisors and mentors that will suit the criteria of both entities for the provision of business support services to SMMEs.

This intervention will strengthen the managerial, business and technical skills of SMMEs through pre and post-funding support.

A central database will also ensure that the quality of the business advisors and mentors is enhanced to meet the requirements of SMMEs.

Access to Finance

A common business plan template has been developed and launched so that SMMEs have access to a business plan template that would meet the requirements of DFIs. Seda is managing the business plan common template and will ensure that applications for funding are channelled to **sefa** and other relevant DFIs. Should an SMME not be funding ready, Seda will implement interventions to assist the SMME to prepare for funding. It is envisaged that the common business plan template will also provide insights into the demand in the SMME market that will inform the design of new products and services for SMMEs.

sefa and Seda will develop an efficient and seamless referral process for SMMEs that require funding. This will cater for SMMEs that approach Seda for business support and post the Seda interventions, and they need financing. This referral process will be embedded in the CRM systems of both agencies.

Access to Markets

The agencies will seek to strengthen access to markets through procurement and business linkages. These will be driven through a sector approach focusing on the job absorptive sectors of the economy.

Seda will focus on preparing SMMEs to be export-ready through various interventions including training whilst **sefa** will finance those SMMEs through appropriate products.

4.6 Townships Enterprise Fund

South Africa's townships remain the remnants of the country's apartheid systems. It was never designed to have viable local economies but rather dormitory settlements for black workers who provided cheap labour to white-owned industries.

The impact of past abandonment, poor investment, overpopulation and isolation from urban areas is still evident, particularly represented by the lack of infrastructure and necessary resources and the high levels of unemployment.

There is a growing policy interest in the strengthening and development of the township economies. The South African government has made some effort to invest in townships since the end of apartheid. The most visible improvements have been in housing, basic infrastructure and social grants (HSRC, 2019).

Township economies differ in terms of their history, location, current dynamics, constraints and future potential, but they all share a few common characteristics (McGaffin et al., 2015:10):

- Serving the dual purpose of providing cheap labour to established nodes cities and the ability to absorb surplus labour;
- Poorly located and disadvantaged in terms of facilitating economic activity and retrieving other economic nodes and job opportunities; and
- The unequal concentration of lower-income households and lower skill levels.

The South African Cities Network (SACN) and Urban Landmark distinguish between three categories of townships, namely:

- **Apartheid Townships** – created during apartheid as dormitory settlements for black labour to serve white industries and economic activities in these townships were largely prohibited (Examples include Tokoza in Johannesburg, Gugulethu in Cape Town)

- **Post-Apartheid Townships** – largely shaped by the national housing programme (mass delivery of free-standing RDP/BNG houses on cheap, peripheral land. Examples include parts of Tembisa in Johannesburg and Delft in Cape Town.
- **Informal Settlements** – Shacks that is developed on formally developed land and informally occupied land not designated for residential purposes. Examples will include Diepsloot in Johannesburg and Kosovo/Phillipi in Cape Town.

The widespread transformation of the township economy is expected through the development of SMMEs. SMMEs play an important role in the development of the economy through its contribution to the country's GDP and its impact on job creation. While townships seem full of enterprising activity, most entities are informal, survivalist and involve circulating local resources rather than value addition and the production of distinctive goods and services. (HSRC). A research report from the University of Johannesburg (2015) stated that less than 10% of SMMEs in townships have a turnover of more than 1 million and employs more than five people. The majority of township enterprise activity comprise of liquor, grocery and food services (54%), services such as hair salons/barber shops, traditional healers, mechanical and electrical repairs and churches and early childhood care (34%) and micro manufacturing (2%). There exist also a large percentage of illegal enterprise activity such as drug-dealing, counterfeit goods and sex work that is not reflected in official statistics.

Products sold by township enterprises are almost exclusively produced by large corporations outside of townships.

Several challenges have been identified constraining the development of small and microenterprises. They include a lack of available land to conduct business, inadequate services and infrastructure (water, electricity, sanitation, waste and internet), lack of connectivity and thus high transport costs, limited access to finance, inappropriate regulations, limited government support and profitable markets, negative social attitudes and strong competition from more established businesses (Fourie, 2018; Rogerson, 2019).

Therefore, emphasis needs to be placed on the provision of infrastructure in townships and spatial transformation in order to create opportunities for SMMEs and enable them to participate meaningfully in the market which would ultimately reinforce the value chains, both downstream and upstream.

Revitalising township economies require an integrated approach, rather than a piecemeal approach. Townships are extremely diverse, so a tailored approach in each area is essential. Furthermore, to develop township businesses will require organisations to have the willingness to experiment and lasting commitment to continuous learning and improvement.

To strengthen township economies will require targeted investment in activities with high potential and the creation of stronger partnerships between the public sector, private enterprises, NGOs and civil society.

It is the strategic intention of sefa over the planning period to implement a Township Enterprise Fund (TEF). The TEF will a multi-pronged intervention that will facilitate

- access to finance (developing innovative and tailored financing solutions that respond to the needs of the various segments of the township enterprises;
- access to non-financial and technical business support
- access to markets – investment in township markets that can serve as an outlet for locally produced products and linking township enterprises to corporates and different value chains.
- access to business facilities – to coordinate, consolidate and refurbish the government business facilities portfolio in various townships for use by SMMEs and Co-operatives

4.7 MTEF Strategic Objectives

1. Ensure **Sefa** is a high impact, high-performance DFI that is responsive to the government's microeconomic policies and specifically the DSBD MTEF plan

2. Align **sefa**'s organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy

3. Develop the **sefa** brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models

4. Improve **sefa**'s sustainability, operational effectiveness, efficiencies and service delivery by streamlining business processes and deploying technology solutions

4.7 sefa's Contribution to MTSF 2019-2024 and DSBD Outcomes

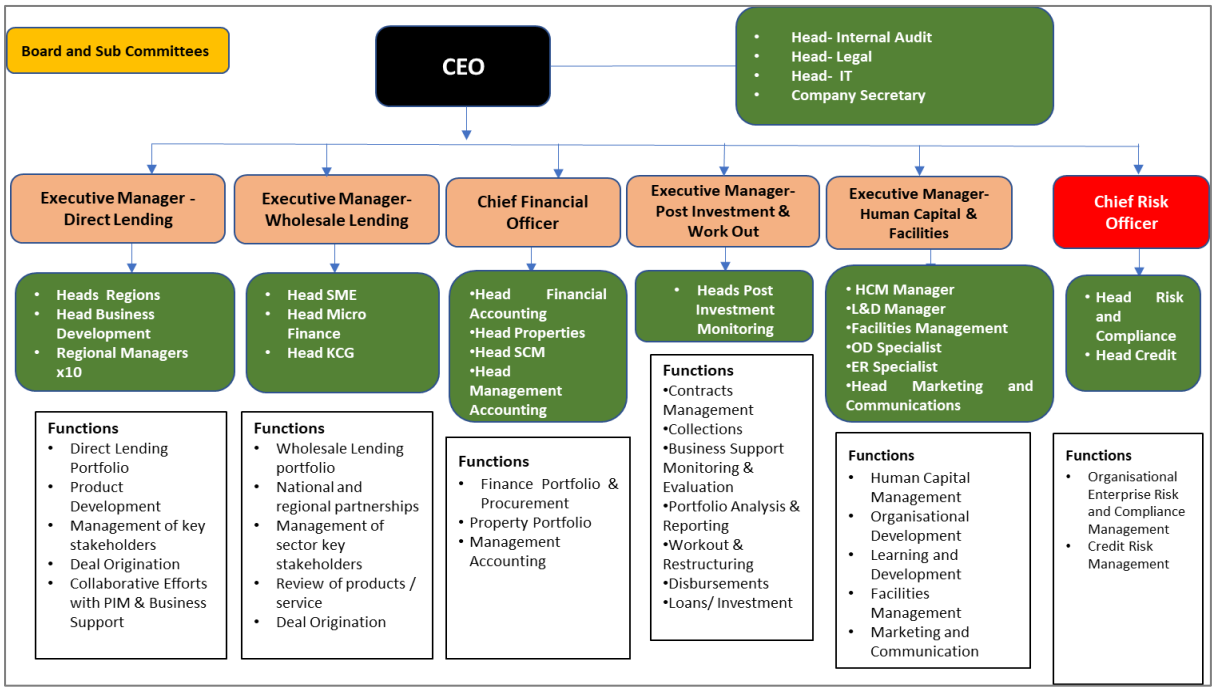
The table below depicts **sefa**'s proposed interventions and contributions aligned to the MTSF and DSBD's Strategic Outcomes

MTSF/ DSBD Focus	MTSF Intervention	sefa Intervention	sefa's Contribution over the MTSF Period (2021 -2025)
Priority 1: Economic Transformation and Job Creation			
Competitive & accessible markets	Strengthen development finance towards SMME development	Implementation of Direct Lending, Wholesale Lending & Credit Guarantee loan programmes	• Loan approvals: **R10.8 billion** • Loan disbursements: **R10.6 billion** • Numbers of Enterprises financed: **832 095** • Number of jobs facilitated: **1 007 167**
	Facilitate the increase in the number of competitive small businesses with a focus on township and rural development	Targeted loan programme interventions focusing on townships and rural villages	• Total disbursements to townships: **R6.4 billion** • Total disbursement to rural towns and villages: **R4.8 billion**
Increased economic participation, ownership and access to resources and opportunities by women, youth and persons with disabilities	Programmes to expand access to finance, incentives and opportunities for women, youth and persons with disabilities-led and owned businesses, including those in the informal sector	Targeted loan programme interventions focusing on for women, youth and persons with disabilities	• Total disbursements to women: **R5.3 billion** • Total disbursements to youth: **R4.2 billion** • Total disbursements to people with disabilities: **R317 million**
Rural economy**,** Implementation Plan: Sustainable land reform	Land acquired for redistribution, restitution and tenure reform	Implementation of Land Reform Empowerment Fund	Total approvals: R86 million

Priority 6: Capable, Ethical and Development State			
Functional, efficient and integrated government	Modernise business processes in the public sector	Over the planning period, **sefa**'s end-to-end business processes (lending business process, employee, corporate governance, finance, facilities & IT, performance management and reporting) will be automated	• Improved turnaround times • Reduced operating costs & improved organisational efficiencies • Increased customer satisfaction

5 Organisational Structure

The diagram below depicts high level organisational and functional structure.



As at 31st December 2019, **sefa**'s staff complement was 249. The headcount comprises of 2% Executive Management, 9.6% senior management and 88.4% comprised of professional and administrative staff.

During the MTEF period, **sefa** will embark on a business model, business process and organisational review to achieve greater organisational efficiencies and customer alignment.

6 PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Performance against Pre-determined Objectives						
Corporate Performance Scorecard						
Measurement Indicator	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**5-year Target**
Objective 1 -Ensure **Sefa** is a high impact, high-performance DFI that is responsive to the government's microeconomic policies and specifically the DSBD MTEF plan						
Loan Book Performance						
***Approvals (R'000)**	1 894 905	2 118 492	2 170 584	2 252 780	2 389 787	10 826 548
Approvals - sefa (R'000)	1 265 905	1 268 492	1 270 584	1 314 780	1 361 187	6 480 948
Approvals - TEF (R'000)	629 000	850 000	900 000	938 000	1 028 600	4 345 600
Total disbursements to SMMEs and Co-operatives (R'000)	1 886 166	2 031 274	2 144 708	2 215 078	2 306 042	10 583 269
Number of SMMEs and Co-operatives financed **	148 202	154 011	160 798	167 004	202 080	832 095
Number of jobs facilitated	180 197	188 667	196 352	203 135	238 816	1 007 167
Development Impact						
Facilities disbursed to youth-owned (18-35 years old) enterprises (R'000)	721 913	812 510	857 883	886 031	922 417	4 200 754
Facilities disbursed to enterprises to rural towns and villages (R'000)	848 775	914 073	965 119	996 785	1 037 719	4 762 471
Facilities disbursed to women-owned businesses (R'000)	926 806	1 015 637	1 072 354	1 107 539	1 153 021	5 275 358
Facilities disbursed to black-owned businesses (R'000)	1 584 434	1 709 715	1 807 260	1 871 405	1 955 832	8 928 645

Disbursements to township-based enterprises (R'000)	1 138 656	1 217 757	1 288 262	1 328 178	1 382 042	6 354 895
Facilities to people with disabilities (R'000)	56 585	60 938	64 341	66 452	69 181	317 498
Objective 2 - Align **Sefa**'s organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy						
Human Capital Management						
Employee Satisfaction Index***	70%	-	75%	-	85%	85%
Percentage of staff (P – Band and above) that scores 3.1 or more in the annual performance assessment.	80.%	80.%	80.%	80.%	80.%	80%
Objective 3 - Develop the **sefa** brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models						
Level of Customer Satisfaction **		80%	-	80%	-	80%
sefa/seda collaboration and shared online services	• National SMME Database: **sefa** customer data available for reporting purposes • Central database of business mentors & advisors: **sefa** mentorship activities integrated with Seda	Analytics on SMME lifecycle view of all databases and referrals for: • National SMME Database • A central database of business mentors & advisors: Expand to integrate to Seda eco-system partners. Common application template:	Expand on referrals and SMME lifecycle to include available government SMME information • Combining National SMME Database/central database of business mentors & advisors for full integration and referral tracking of activities			

	business advisors. • Common application template: Additional integrations to available sources. Implement business plan quality rating	Integrated application to **sefa** for good quality Business Plans. Deep learning/BOT implementation to assist with capturing of data. Reduce unnecessary information requests	• Common application template: Full integration to the **sefa** application form. Automate financials and include credit scoring.			
Objective 4 - Improve **sefa**'s sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions						
Financial Sustainability						
Cost to Income Ratio (excluding Impairments and Donor funding)	100%	100%	100%	100%	100%	100%
Accumulated Impairment provision as a percentage of total loans and advances (including equities and excluding DL legacy book)	37%	36%	35%	35%	35%	35%
Collection Rate	85%	85%	85%	85%	85%	85%
Level of Organisational process automation	20%	40%	60%	80%	100%	100%

Annexure 1 – provides an outline of the description of the performance indicators, data collection processes and the accountable process owners

* **Total Approvals include sefa's funding as well as the Township Enterprise Fund**

****sefa will be implementing the government's district development model and quarterly reports will indicate the level (the number of SMMEs financed & associated developmental impact) of support provided in the 44 districts.**

**** Employee Engagement and Customer Satisfaction will be measured every alternative year.*

See Annexure 4 for the explanatory details on sefa's initiatives and alignment in relation to SMMEs and Co-operative support.

7 FINANCIAL IMPLICATIONS

sefa's initial capitalisation was derived from:

1. the balance sheet of the merged institutions (Khula and **samaf**),
2. annual transfers from the fiscus (MTEF allocation), and
3. the long-term interest-free loan from the IDC

sefa receives a MTEF allocation through the Economic Development Department (EDD) on an annual basis. This MTEF allocation is received via our shareholder, the IDC, and accounted for by **sefa** as a shareholder loan in terms of the signed IDC Annual Grant Through Shareholder Loan Agreement.

For the MTEF period, R777.6 million MTEF allocation, which is a reduction of R24.5 million (an equivalent of R8 million annually). The MTEF allocation is utilised to subsidise the interest rate, funding of support services to clients, the Khula Credit Guarantee Fund and shortfalls incurred in operations of **sefa**. A projected inflationary increase was calculated for the remaining 2 years of the 5-year planning period.

sefa strives to raise funds through donor funding and thus maximising on job creation and developmental impact. R450 million has been raised in the last 2 years with the European Union, and R300 000 of that amount will be utilised in the financial year 2021.

A further R2,8 billion Township Entrepreneurship Fund (TEF) has been allocated to **sefa**, over the MTEF period, with additional R1 billion budgeted for 2024 and 2025 Financial Years (FY) respectively, adding to a total of R4.8 billion over 5 years.

This fund will be used for end user loans under Micro, Direct and Wholesale Portfolios at discretionary rates and provision of infrastructure and facilities to SMME's, and will allow **sefa** to create a job multiplier of 981 148 jobs, approvals of R10.8 billion and disbursements of R10.5 billion with roll over effect over 5 years. In addition, **sefa** has been allocated R200 million in 2021 for use of Blended Finance and R50 million to distressed funds.

	2020/21	2021/22	2022/23	2023/24	2024/25	**Total over MTEF**
MTEF Allocation (R'000s)	246 908	260 541	270 164	283 672	297 855	777 613
TEF Allocation	800 000	1 000 000	1 000 000	1 000 000	1 000 000	4 800 000

sefa currently has a signed facility letter with IDC for an interest-free loan and 5-year capital moratorium of R921 million. During the 2019 financial year, **sefa** signed an R640 million loan agreement with IDC and an R150 million loan drawdown was made in 2019 financial year. The budget assumptions for the drawdowns are as follows:

	2018/19 (the amount is already drawn)	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Drawdowns (R'000s)	150 000	290 000	200 000	0	0	0	640 000

Since inception, **sefa's** financial performance has been under pressure due to low growth economic environment which had a negative impact on the performance of **sefa** funded clients and the related effect of **sefa** loan book performance. Negative revenue growth as a result of the erosion of capital and the declining loan book emanating from high impairments, non-profitable properties, high staff cost structure and the direct lending expensive operating model, which had an adverse effect on **sefa** cost to income ratio, cash reserves and overall **sefa's** financial sustainability.

The MTEF reductions will have a significant impact on **sefa's** financial sustainability, business performance (loan book outcomes), cash balances and reserves. To achieve some positive financial outcomes, **sefa** will introduce financial measures and initiatives to counter the reduction in the allocation from fiscus and funding deficit.

The budget assumes that the IDC interest-free loan will be fully drawn down by the end of year five at R640 million.

Cost containment remains a priority for **sefa** together with operational efficiency. **sefa** continuous to aim to operate within available resources whilst working towards:

- attaining a 100% cost to Income ratio (generate adequate income to cover costs),
- maintain positive cash balances throughout the budget period,
- maximise the use of donor funding to enable job creation and developmental impact,
- implement targeted impairment reduction initiatives; and
- the utilisation of optimal product mix to create jobs.

Over the MTEF period, the focus is on **sefa's** ability to operate within the available sources of funding whilst maintaining positive cash balances, operational efficiency and the cost-to-income ratio of 100%. The following measures will be implemented:

a) Re-engineering and optimise the organisational structure to achieve the projected outcomes of strategic planning.

b) The repositioning and sale of non-strategic and non-profitable making properties with R63m cost savings over the five years. Relevant approval will be sought as per DOA, materially and significance framework and as per section of 54 of the PFMA in relation to any sale of significant assets.

c) The repositioning of the KCG programme based on the loan multiplier effect and accessing private sector resources for SMME lending through Supplier Credit Agreements and banking institutions.

d) Renegotiation of the IDC loan through accessing the un-allocated R281 million of the IDC loan and though not applied possible renegotiations of extended repayment terms.

e) A strengthened and dedicated post-investment programme to support client sustainability.

f) Re-align funding criteria to maximise the jobs impact.

Impairments are inherent to the lending business, added to that are micro and macro-economic challenges and the moral hazard of lending to SMMEs and Co-operatives. Historically **sefa** has suffered high impairment losses. The following tables illustrate the historical actuals and budget assumptions.

Measure	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Accumulated Impairment % provision as a percentage of total loans and advances (including equities and excluding DL legacy book)	47%	40%	37%	36%	35%	35%	35%
Increase in expected credit losses on loans and advances	(129 333)	(231 723)	(337 989)	(331 279)	(303 933)	(311 227)	(315 964)

sefa's objective is to remain focused on financial sustainability and to support the business. The outputs of the above will result in total income including MTEF and other grants allocation over the period of R8.8 billion, compared to total expenditure inclusive of impairments of R4.2 billion, resulting in a surplus of R4.6 billion. The business remains cash positive; however, the group cash balances at 2025 financial year are mainly attributable to high cash balances in TEF, SBIF and **sefa's** subsidiaries KCG.

7.1 Income Statement

STATEMENTS OF COMPREHENSIVE INCOME R'000	2019 AUDITED	2020 FORECAST	2021 FORECAST	2022 FORECAST	2023 FORECAST	2024 FORECAST	2025 FORECAST
Interest from lending operations	66 709	67 908	106 714	132 046	153 920	179 047	194 556
Increase in expected credit losses on loans and advances	(129 333)	(231 723)	(337 989)	(331 279)	(303 933)	(311 227)	(315 964)
Loss from lending activities	**(62 624)**	**(163 815)**	**(231 275)**	**(199 233)**	**(150 013)**	**(132 180)**	**(121 408)**
Fee income from loans	5 493	10 198	12 007	11 791	12 232	12 694	13 178
Indemnity fees	2 074	1 722	11 569	12 147	12 754	13 392	14 062
Investment property rental income	27 635	24 825	26 922	28 806	30 823	32 981	35 289
Interest on overdue rental debtors	1 719	1 094	-	-	-	-	-
Investment income	42 816	48 605	62 409	62 370	96 646	123 210	156 099
Other income	16 855	66 615	70 702	77 804	71 347	71 760	75 203
Interest expense on shareholder's loan	(41 171)	(44 688)	(52 409)	(67 139)	(74 865)	(78 482)	(33 197)
Gross loss after finance costs	**(7 203)**	**(55 444)**	**(100 075)**	**(73 454)**	**(1 076)**	**43 375**	**139 226**
Net fair value (loss)/gain on investment properties	5 254	-	-	-	-	-	-
Increase in impairments on investments	(3 777)	(1 185)	-	-	-	-	-
Investment property expenses	(53 524)	(51 536)	(98 671)	(97 823)	(88 719)	(83 911)	(88 385)
Personnel expenses	(177 180)	(219 300)	(269 481)	(276 693)	(256 818)	(267 284)	(279 672)
Other operating expenses	(76 965)	(90 755)	(116 234)	(89 336)	(85 613)	(88 109)	(87 931)
Operating loss	**(313 395)**	**(418 220)**	**(584 461)**	**(537 306)**	**(432 226)**	**(395 929)**	**(316 762)**
Profit from equity accounted investments, net of tax	13 738	37 327	48 000	56 599	59 331	62 196	62 207
Grant paid - SBIF	-	(81 400)	(13 567)	0	0	0	0
Grant Received - SBIF	-	81 400	13 567	0	0	0	0
Loss before tax	**(299 657)**	**(380 893)**	**(536 461)**	**(480 707)**	**(372 895)**	**(333 733)**	**(254 555)**
Income tax credit/(charge)	3 535	-	(2)	-	1	(1)	-
Net loss for the year	**(296 122)**	**(380 893)**	**(536 463)**	**(480 707)**	**(372 894)**	**(333 734)**	**(254 555)**
Other comprehensive income	3 653	-	-	-	-	-	-
SBIF transfer received	0	605 044	0	0	0	0	0
TEF transfer received	0	0	800 000	1 000 000	1 000 000	1 000 000	1 000 000
EU transfer received	0	150 000	300 000	0	0	0	0
Blended finance transfer received	0	100 000	200 000	0	0	0	0
Distressed Business Fund transfer received	0	0	50 000	0	0	0	0
MTEF allocation	228 837	241 452	246 908	260 541	270 164	280 133	290 470
Net (loss)/profit for the year after MTEF	**(63 632)**	**715 603**	**1 060 445**	**779 834**	**897 270**	**946 399**	**1 035 915**

7.2 Balance sheet

STATEMENTS OF FINANCIAL POSITION R'000	2019 AUDITED	2020 FORECAST	2021 FORECAST	2022 FORECAST	2023 FORECAST	2024 FORECAST	2025 FORECAST
ASSETS							
Cash and cash equivalents (Group)	593 368	398 155	847 594	1 018 386	946 578	792 696	636 809
Cash and cash equivalents (SBIF)	-	99 265	43 120	165 071	301 390	446 914	584 041
Cash and cash equivalents (TEF)	-	-	184 413	418 733	789 922	1 328 155	2 042 582
Cash and cash equivalents (EU)	-	137 369	12 193	34 945	61 547	89 930	119 821
Cash and cash equivalents (Managed Funds)	71 594	15 781	15 781	15 781	15 781	15 781	15 781
Trade and other receivables	32 569	42 023	40 416	41 864	19 725	22 486	25 396
Current tax asset	579	579	579	579	579	579	579
Loans and advances	389 441	522 317	612 336	602 600	700 143	789 356	864 200
Loans and advances (SBIF)	-	387 815	434 661	336 604	226 845	111 038	7 126
Loans and advances (TEF)	-	0	360 444	818 726	1 207 889	1 475 022	1 615 922
Loans and advances (EU)	-	10 596	101 302	79 962	56 415	32 868	9 713
Investment properties	187 469	187 469	191 070	256 070	336 070	416 070	496 070
Equipment, furniture and other tangible	5 532	11 107	16 240	14 091	11 379	8 694	7 122
Intangible assets	588	3 863	21 302	18 828	15 920	12 557	9 059
Deferred tax asset	4 454	4 454	4 454	4 454	4 454	4 454	4 454
Equity investments	926 184	946 663	989 308	1 033 003	1 073 805	1 118 001	1 166 207
TOTAL ASSETS	**2 211 778**	**2 767 456**	**3 875 213**	**4 859 697**	**5 768 442**	**6 664 601**	**7 604 882**
EQUITY AND LIABILITIES							
Share capital	308 300	308 300	308 300	308 300	308 300	308 300	308 300
Shareholder reserves	1 862 543	2 810 039	4 231 521	5 502 988	6 703 152	7 913 285	9 133 755
Retained earnings and other reserves	(708 860)	(1 092 469)	(1 628 931)	(2 109 637)	(2 482 531)	(2 816 268)	(3 069 821)
Equity attributable to owners of the parent	**1 461 983**	**2 025 870**	**2 910 890**	**3 701 651**	**4 528 921**	**5 405 317**	**6 372 234**
Non-controlling interest	11	11	11	11	11	11	11
Total equity	**1 461 994**	**2 025 881**	**2 910 901**	**3 701 662**	**4 528 932**	**5 405 328**	**6 372 245**
Liabilities							
Trade and other payables	145 565	96 724	100 485	105 487	109 681	112 293	114 855
Outstanding claims reserve	8 123	6 722	11 248	11 565	12 352	13 916	14 853
Unearned risk reserve	12 962	10 266	12 729	14 767	16 401	17 504	18 166
Post-retirement medical liability	554	594	745	902	901	905	905
Shareholder's loans	582 580	627 266	839 103	1 025 312	1 100 175	1 114 657	1 083 861
Total liabilities	**749 784**	**741 572**	**964 310**	**1 158 033**	**1 239 510**	**1 259 275**	**1 232 639**
TOTAL EQUITY AND LIABILITIES	**2 211 778**	**2 767 456**	**3 875 213**	**4 859 697**	**5 768 442**	**6 664 601**	**7 604 882**

7.3 Cash Flow Statement

	2019 AUDITED	2020 FORECAST	2021 FORECAST	2022 FORECAST	2023 FORECAST	2024 FORECAST	2025 FORECAST
Cash flows from operating activities							
Cash utilised by operations	(198 951)	(326 199)	(243 851)	(177 908)	(102 757)	(114 621)	(110 814)
Loans and advances awarded to customers or investees	(61 784)	(763 010)	(926 004)	(660 428)	(657 333)	(528 219)	(404 642)
Tax paid	(25)	-	-	-	-	-	-
Net cash utilised by operating activities	**(260 760)**	**(1 007 809)**	**(1 156 288)**	**(838 336)**	**(760 090)**	**(642 840)**	**(515 456)**
Cash flows from investing activities							
Purchase of equipment, furniture and other tangible assets	(2 674)	(11 662)	(9 100)	(2 881)	(3 025)	(3 176)	(3 335)
Purchase of intangible assets	(44)	(4 265)	(20 650)	(2 785)	(2 917)	(3 067)	(3 220)
Improvements on investment properties	-	-	(40 000)	(65 000)	(80 000)	(80 000)	(80 000)
Investment income	52 740	57 183	62 409	62 370	96 646	123 210	156 099
Acquisition of investments	2 771	4 369	5 354	12 905	18 528	18 000	15 000
Proceeds from sale of property and equipment	35	294	1	-	-	-	-
Proceeds from sale of investment properties	1 659	-	29 899	(7 000)	(7 000)	-	-
Net cash generated by investing activities	**54 487**	**45 919**	**27 913**	**(2 391)**	**22 232**	**54 967**	**84 544**
Cash flows from financing activities							
Capital funding received from shareholders	378 837	947 497	1 580 908	1 390 541	1 200 164	1 146 133	1 156 470
Net cash from financing activities	**378 837**	**947 497**	**1 580 908**	**1 390 541**	**1 200 164**	**1 146 133**	**1 156 470**
Net increase/(decrease) in cash and cash equivalents	172 564	(14 393)	452 533	549 816	462 304	558 260	725 557
Cash and cash equivalents at beginning of year	492 398	664 962	650 570	1 103 101	1 652 916	2 115 218	2 673 476
Cash and cash equivalents at end of year	**664 962**	**650 569**	**1 103 103**	**1 652 917**	**2 115 220**	**2 673 478**	**3 399 033**
Cash held on behalf of managed funds	(71 594)	(15 781)	(15 781)	(15 781)	(15 781)	(15 781)	(15 781)
Cash attributable to the Group	**593 368**	**634 788**	**1 087 322**	**1 637 136**	**2 099 436**	**2 657 697**	**3 383 252**

7.4 Key Ratios

Outcome	Outputs	Output Indicators	Audited Performance			Estimated Performance	Projected 2021/22	Projected 2022/23
			2017/18	2018/19	2019/20	2020/21		
Ensure the financial sustainability of the entity and contain costs	Financial sustainability	Cost to income ratio (excluding impairments, TEF, EU results, SBIF results, and blended finance,) The cost to income ratios in the 2018 and 2019 financial years included impairments	102%*	105%*	62%	100%	100%	100%
Cash and capital preservation	Capital Preservation and financial sustainability	Accumulated Impairment provision as a percentage of total loans and advances (excluding Direct Lending disbursement before 1 April 2016) The accumulated impairments ratios in the 2018 financial years included disbursements prior to 1 April 2016	37*	47%	40%	33%	30%	28%
Operational Efficiency		Personnel costs/ loans and advances and equities	11%	13%	15%	17%	17%	15%

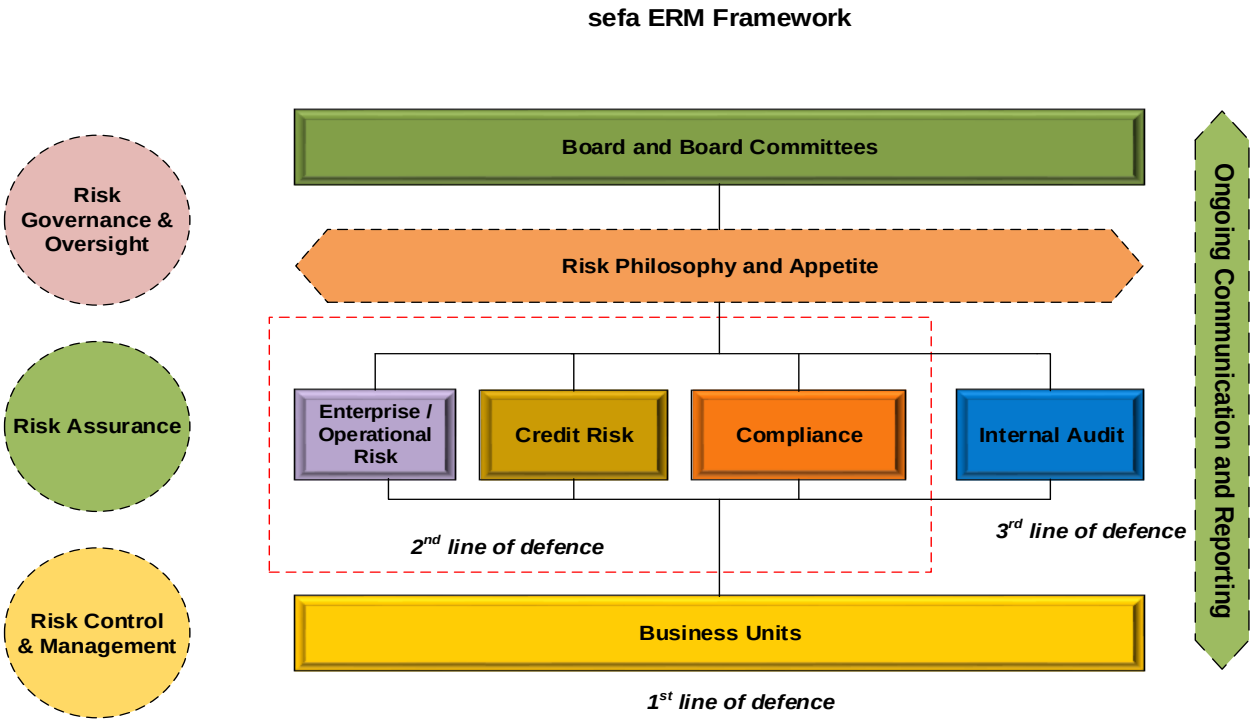
8 Risk MANAGEMENT

In line with best practice and as required by the PFMA, King IV as well as the National Treasury Regulations, **sefa** will undertake an assessment of the risks it faces on an annual basis to identify emerging and critical risks. The results of this assessment will enable **sefa** to build and maintain its risk register continuously.

8.1 Risk management strategy

sefa adopted an integrated risk management strategy, based on international best practice, to ensure the achievement of its stated objectives.

This strategy incorporates an integrated model for risk management roles and responsibilities which were adapted from the internationally recognised three lines of defence model, as depicted in the diagram below:



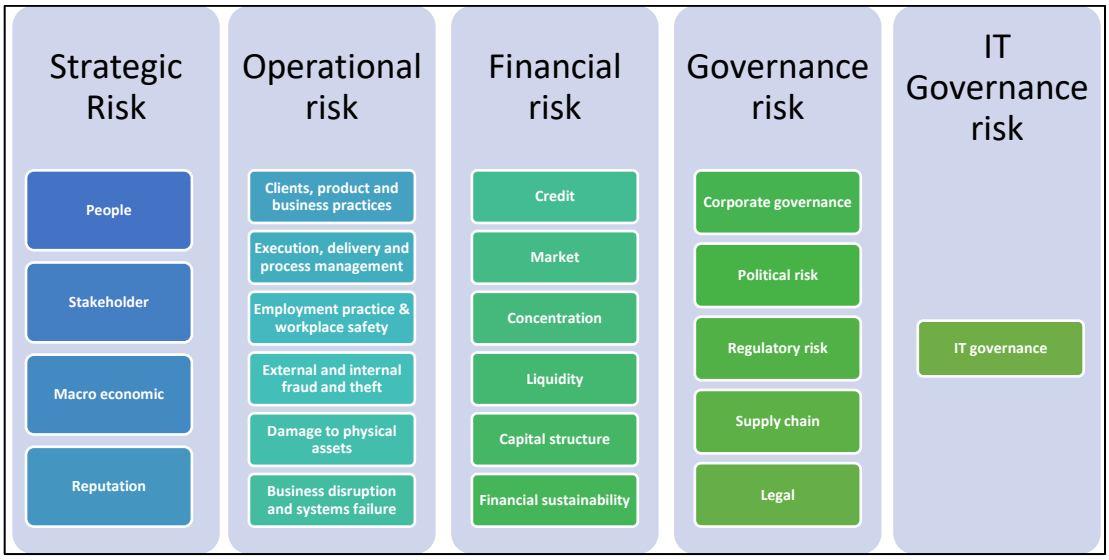
Risk management strategy

8.2 sefa's Risk Universe

As a development finance institution, **sefa's** operating environment exposes it to many risks which are inherent in its business activities.

The universe of risk categories which have been identified as core to **sefa** is reflected in the diagram below.

sefa's Risk Universe



From these risk categories, the following key strategic risks were identified and assessed as potentially having a strategic impact on the overall achievement of the **sefa** objectives:

- **Organisational Strategic Balance** - The inherent tension between the developmental mandate and financial sustainability objectives which may disrupt the organisational strategic focus and balance;
- **People-** Insufficient levels of adequately skilled, motivated and performance-driven human resources to execute on the mandate of the organisation;
- **Financial (Collections) -** Inability of **sefa** to collect on the loans and other investments resulting in high levels of impairments and losses;
- **Performance Reporting -** Inadequate monitoring of and timeous reporting on the performance of the organisation;
- **Governance and Compliance -** Ineffective corporate governance and compliance structures and processes to ensure that the organisation is effectively governed within all regulatory requirements;
- **Customer -** Inability to effectively and efficiently deliver products and services that respond to the needs of the clients of **sefa**;
- **Talent Management -** Ineffective harnessing of the skills through an effective talent management strategy and
- **Organisational Sustainability -** Inability to define and secure the long-term sustainability of **sefa** to continue delivering developmental solutions to its stakeholders.

The above-identified strategic risks are subject to annual review to assess its relevance and identify new risks. Specific mitigating actions were identified and will form the basis of the monitoring of and reporting on **sefa**'s strategic risk profile throughout the financial year.

8.3 Transaction and Counterparty Limit

sefa's transaction and counterparty limit for direct lending is set at R 15 million for identified strategic sectors and will be reviewed on an ongoing basis in line with the delegation of authority.

Investment in intermediaries, funds and joint ventures via the wholesale lending products are limited to R150 million.

8.4 Improvement of risk management capability

In 2020/21, the organisation will focus on the improvement of risk management capability, whilst ensuring that critical risk exposures assumed are adequately assessed and managed. This will include:

- Embedding a risk awareness and responsive culture and practice to enable **sefa** to respond appropriately through targeted awareness and training interventions;
- Creating a centre of excellence in risk management to serve the business areas in the identification, assessment, treatment, monitoring and reporting of risks through the appropriate acquisition and deployment of people with the right level of risk management knowledge, skills and experience;
- Developing technological solutions to dynamically record, monitor and report on risks, including risk models which provide information on the behaviour of the risks, specifically credit risk;
- Enhanced measurement and accountability for the monitoring and reporting of key risk exposures through the implementation of reporting formats and structures which feed into the respective governance structures of the organisation;
- Integrating strategy planning and reporting with risk management, monitoring and reporting; and
- Improving governance processes, including policies, procedures, tools and templates to create a standard that will ensure uniformity, efficiency and effectiveness in the management of risks.

8.5 Key Organisational Risks

The table below highlights the key strategic risks in relation to **sefa**'s strategic objectives over the planning period.

Strategic Objectives	Risk Description	Root causes/Contributing Factors	Risk Mitigation
Ensure **Sefa** is a high impact, high-performance DFI that is responsive to the government's macroeconomic policies and specifically the DSBD MTEF plan	Credit default risk originating from the quality of loan book.	High-risk target market – as a DFI, **sefa** provides loans to clients which exposes it to credit risks i.e. clients may fail to make required payments	• Develop customer intelligence for existing and target clients incorporating internal and external data sources. Leverage technology to optimise the pre-decision stage to the loan application process. • A business model that is focused on the market segment for funding • Product and channel innovation workstreams established to look at how **sefa** can find new ways of serving its market efficiently.
		Moral hazard that is adversely affecting **sefa**'s ability to collect repayments timeously.	• Develop a collection of culture and processes to increase the propensity of customer collections • Enhancement of the PIM collections process to include early warning signals by using technology. Workout and restructuring to be carried out once clients are flagged through the systems.
	A risk arising from challenging macro-economic conditions impacting on **sefa**'s ability to achieve its mandate and strategic	• State of the economy and its negative impact on SMMEs – low product uptake and high impairments.	• Dedicated market analysis, continuous assessments of alternative sources of financing; • Review and improvement of pricing model;

Strategic Objectives	Risk Description	Root causes/Contributing Factors	Risk Mitigation
	objectives	• Weak GDP growth negatively affecting SMME sector prospects and impact on **sefa** due to reduced government funding	• Proactive monitoring of the credit portfolio • Use of data analytics for client's acquisition, portfolio diversification and post loan management. Top 20 watchlist developed and monitored.
	Credit risk management	• Lack of documented risk acceptance triggers by product and segment. • Lack of sector and industry-based benchmarking systems leading to inadequate risk assessments. • Enterprise risk management mostly focused on operational risk management. The risk culture is still not entirely embedded in the organisation. • Credit risk profiling not incorporating environmental risks for business financed.	• Conduct detailed industry analysis for key sectors within the Portfolio. The risk acceptance triggers should be set up based on industry/sector analysis and early warning signals monitored with triggers identified. • Development of risk tolerance parameters by product, market segment and Channel. • Expand the role of the risk management unit to ensure sufficient coverage and attention to all risks, proactive risk management applying to new deals.
	Recovery of invested funds –low collections and high impairments particularly on old debt book	• Capacity and capability within **sefa** – structural and resourcing capabilities • Low levels of collections and high impairments	• Review the current client on-boarding process and introduction enhanced system • Investment monitoring system – early warning systems to improve the monitoring process • Improved working collaborations with Wholesale SME and Direct Lending to enhance portfolio performance • Top 20 client reporting and interventions

Strategic Objectives	Risk Description	Root causes/Contributing Factors	Risk Mitigation
			• Skills acquisition and development of PIM resources
	Risk of lower than expected developmental impact on projects financed and implemented	• Stagnant growth in the SMME sector • Some funded intermediaries are not fit for purpose • **Sefa** product portfolio not well-targeted	• Portfolio diversification incorporating longer-term investments with more significant impact and more sustainable jobs. • Development of an in-house sector specialist skills that will ensure improved quality investments • Prioritise CRM development and ensure that it has a full 360 customer view (volume of business, customer value, history, profitability). Consider digitisation of the credit files.
Improve **Sefa**'s sustainability, operational effectiveness, efficiencies and service delivery by streamlining business processes and deploying technology solutions	Lack of standardised business processes limits the value add **sefa** can derive from **sefa**Las.	• There is currently no automated processes and inadequate information management systems to bring efficiencies and effectiveness and decision making.	• Implement value-add solutions – automate processes to improve operational efficiencies. • Employ data analysis capabilities to create early warning signal models based on the past repayment behaviour of clients. • Develop models for the analysis of portfolios of intermediaries.

Strategic Objectives	Risk Description	Root causes/Contributing Factors	Risk Mitigation
	Compliance to laws and regulations	There has been an increasing regulation within the financial services and focus of risks by regulators	• Compliance monitoring and reporting to regulatory bodies regularly • Governance risks and Compliance monitoring regularly • Internal controls reviewed regularly
Develop the **Sefa** brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models	Lack of customer centricity and lack of stakeholder focus	• There is a lack of pro-active customer relations strategy • Electronic communication (e.g. through cell phones) not optimised customer feedback/feedback post-application process. • Non-adherence to loan applications turnaround times. • Extensive deal-making requirements clients are unable to meet.	• Customer relationship management system to be developed • Post investment customer support with Marketing and PIM collaboration
	Lack of brand visibility and weak level of brand equity for **sefa**	• Limited accessibility of **sefa** to its target market (physical and electronic infrastructure) • Inadequate marketing funding • Resourcing of the marketing function	• **Sefa** corporate brand program activated as part of the marketing strategy • Local brand-building campaigns activated quarterly • Conduct Client education on **sefa**'s products. Update on websites and outreach on products offered by **sefa**.

Strategic Objectives	Risk Description	Root causes/Contributing Factors	Risk Mitigation
Align **sefa**'s organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy	Inability to attract, retain and develop a skilled workforce	• Lack of clearly defined institutionalised culture • Inadequate employee value proposition	• Leadership development – design **sefa** leadership brand and Promise "servant leadership." • Enhancement of employee value proposition • Culture transformation – implement culture change project • Launch and integrated internal **sefa** brand strategy focusing on values and culture • Implementation of talent management framework and implement with career pathing • Enhancement of change management capability • Implementation of targeted learning programmes aimed at developing "fit for purpose" employees

9 Annexure I – Technical Indicator Descriptions

The tables below outline the description of the performance indicators, data collection processes and the accountable process owners.

Indicator Title	**Approvals**
Definitions	A measurement, against the set target, of the Rand amount of application approvals for the different loan types? Approval is recognised when the delegated committee approves the application. Please see footnote of loan programmes at the bottom.
Target for Strategic over the Planning Period	R 5.8 billon
Calculation Method	Cumulative Rand value
Calculation/Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Approvals through Wholesale and Direct Lending portfolios.
Purpose/Importance	Measures **sefa** contribution to government policy (MTSF, nine-point plan, NDP, NGP) Facilitate access to credit to targeted groups and build inclusive growth
Limitations	**sefa's** level of capitalisation and organisational footprint are a constraint in the growth of its approval levels and growth of its loan book.
Indicator Type[2]	Performance - Economy
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative year-to-date (YTD)
Source	**sefa**LAS Modules: 1) Applications management
Role	• Ensure that approvals information is captured accurately and timeously. • Conduct an audit on a sample of approvals and check for data correctness /accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) or NPD Manager **Review**: Line Manager **Approve**: Committee
Accountable (Designation)	WL SME: Head WL MFI: Head Strategy: Head Credit: Head KCG: Head DL: Operations Manager DL: Head of Operations
Accountable (Person)	Thoba Vokwana Evans Maphenduka Alroy Dirks Eric Kwadjo Letlatsa Lehana Anneline Keyser Bonga Mchunu

[2] *Indicator type is defined as: It identifies whether the indicator is measuring inputs, activities, outputs, outcomes or impact, or some other dimension of performance such as efficiency, economy or equity*

Indicator Title	**Disbursements**
Definitions	A measurement, against the set target, of the Rand amount of disbursements, through the different loan types and credit guarantees issued to end-users (beneficiaries) through direct lending and intermediaries' channels. The disbursement amount is the amount approved as per the decision record exclusive of the client initiation fees and VAT
Calculation Method	Cumulative Rand value
Calculation/Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements through Wholesale and Direct Lending portfolios.
Purpose/Importance	Measures the investment that the **sefa** loan disbursement value chain invest in the economy through investment individual SMMEs and Co-operative Enterprises
Limitations	Completeness of the disbursements is dependent on accurate reporting by funded intermediaries and timeous capturing of disbursement information onto **sefa**LAS
Indicator Type	Performance - Economy
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS Modules: 1) Applications management
Role	• Ensure that disbursements information is captured on time and correctly. • Conduct an audit on a sample of disbursements and check for data correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Portfolio Manager (PM) or NPD Manager **Review**: Line Manager **Approve**: Committee
Accountable (Designation)	WL: PIM Head KCG: Head DL: Operations Manager DL: Head of Operations Strategy: Head
Accountable (Person)	Bettina Mokete Letlatsa Lehana Anneline Keyser Alroy Dirks Bonga Mchunu

Indicator Title	**Number of SMMEs and Co-operatives financed**
Definitions	A measurement, against the set target, of the number of SMMEs and Co-operatives financed through all loan programmes and credit guarantees. NOTE: Count first disbursement to or first instance of each SMME or Co-operative (i.e. unique ID number and unique company registration number of the beneficiary or end-user) per financial year.
Calculation Method	Cumulative value
Calculation	CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Number of SMMEs and Co-operatives Financed (first disbursements)
Purpose/Importance	Measures the progress that the organisation is making with its core mandate
Limitations	Funding SMMEs that are not viable and non-sustainability of intermediaries
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	• Ensure that information related to the SMMEs or Co-operatives financed for the first time by **sefa** is correctly captured. • Conduct an audit on a sample of number of SMMEs or co-operatives financed for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: Line Manager **Approve**: Committee
Accountable (Designation)	WL SME: Head WL PIM: Head KCG: Head WL MFI: Head DL: Head DL PIM: Head
Accountable (Person)	Thoba Vokwana Evans Maphenduka Bettina Mokete Letlatsa Lehana Bonga Mchunu Henderson Matope

Indicator Title	**Number of Jobs Facilitated**
Definitions	A measurement, against the set target, of the number of jobs that are facilitated via the **sefa** loan programmes and credit guarantees. Jobs facilitated relate to new and maintained jobs as a result of the funding intervention. Measurement include - informal and formal sector jobs. Rules: 1. Jobs Facilitated for Direct Lending are based on approvals and information captured must align with the decision record 2. Jobs Facilitated for Wholesale Lending are based on disbursements. 3. Only consider the first instance of each SMME or Co-operative (i.e. unique ID number and unique company registration number of the beneficiary or end-user) per financial year. 4. Actual jobs Facilitated must to be verified
Calculation Method	Total number of facilitated jobs
Calculation/Formula	Jobs Facilitated = Maintained Jobs + New Jobs (at approval stage) Jobs Facilitated_{WL} = Maintained Jobs + New Jobs (at disbursement stage) **Number of Jobs Facilitated** = Jobs Facilitated_{DL} + Jobs Facilitated_{WL}
Purpose/Importance	**sefa** contributes to one of the key objectives of the NDP to create 11 million jobs by 2030. **sefa** through its financing of the SMMEs creates and maintains jobs
Limitations	Seasonal and temporary jobs
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	• Ensure that information related to jobs created/maintained for enterprises financed is correctly captured. • Conduct an audit on a sample of job created/maintained for enterprises for correctness/accuracy for each reporting cycle
Responsibility	Capture: Investment Officer (IO) or Relationship Manager (RM) Review: Line Manager Approve: Committee
Accountable (Designation)	WL SME: Head WL MFI: Head WL PIM: Head KCG: Head DL: Head DL PIM: Head
Accountable (Person)	Kgalalelo Nazo Evans Maphenduka Bettina Mokete Letlatsa Lehana Bonga Mchunu Henderson Matope

Indicator Title	**Facilities disbursed must be youth-owned**
Definitions	A measurement, against the set target, of disbursements to youth-owned enterprises where the majority of shareholding percentage (50+1) is owned by individuals between the ages of 18 – 35
Calculation Method	Cumulative Rand value
Calculation / Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to Youth-owned Enterprises through Wholesale and Direct Lending portfolios.
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs • Broaden ownership of assets to historically disadvantaged groups.
Limitations	• Lack of sufficient, viable applications from youth-owned enterprises • Lack of skills in business management and entrepreneurship
Indicator Type	Performance - Economy
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	• Ensure that information related to the youth-owned enterprises financed is correctly captured. • Conduct an audit on a sample of youth-owned enterprises for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: Line Manager **Approve**: Committee **Calculation**: system
Accountable (Designation)	WL SME: Head WL MFI: Head WL PIM: Head KCG: Head DL: Head DL PIM: Head IT: Head
Accountable (Person)	Thoba Vokwana Evans Maphenduka Bettina Mokete Letlatsa Lehana Bonga Mchunu Henderson Matope Deon Vermeulen

Indicator Title	**Facilities disbursed to enterprises in rural towns and villages**
Definitions	A measurement, against the set target, of disbursements to enterprises in priority rural provinces (Mpumalanga, Limpopo, Northern Cape, North West, Eastern Cape and Northern Cape).
Calculation Method	Cumulative
Calculation / Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to rural towns and villages through Wholesale and Direct Lending portfolios.
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs • Broaden ownership of assets to historically disadvantaged groups.
Limitations	Low economic activity • Geographical location of potential clients • Visibility of **sefa**
Indicator Type	Performance - Economy
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	• Ensure that information related to disbursements to enterprises in priority rural provinces is correctly captured. • Conduct an audit on a sample of disbursements to priority rural provinces for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: Line Manager **Approve**: Committee

Accountable (Designation)	WL SME: Head WL MFI: Head WL PIM: Head KCG: Head DL: Head DL PIM: Head
Accountable (Person)	Thoba Vokwana Evans Maphenduka Bettina Mokete Letlatsa Lehana Bonga Mchunu Henderson Matope

Indicator Title	**Facilities disbursed to women-owned enterprises**
Definitions	A measurement, against the set target, of women-owned enterprises where the majority of shareholding percentage (50+1) is owned by females.
Calculation Method	Cumulative Rand value
Calculation	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to Women-owned Enterprises through Wholesale and Direct Lending portfolios.
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs • Broaden ownership of assets to historically disadvantaged groups.
Limitations	Women-owned enterprises are traditionally focused on certain industries such as health & beauty, catering, clothing, retail etc.
Indicator Type	Impact
Calculation Type	Cumulative Rand value
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	• Ensure that information related to the women-owned enterprises financed is correctly captured. • Conduct an audit on a sample of women-owned enterprises for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: Line Manager **Approve**: Committee
Accountable (Designation)	WL SME: Head

	WL MFI: Head WL PIM: Head KCG: Head	DL: Head DL PIM: Head
Accountable (Person)	Thoba Vokwana Evans Maphenduka Bettina Mokete Letlatsa Lehana	Bonga Mchunu Henderson Matope

Indicator Title	**Facilities disbursed must be black-owned businesses**
Definitions	A measurement, against the set target, of black-owned enterprises where the majority of shareholding percentage (50+1) is owned by previously disadvantage individuals (PDIs). PDI is defined in terms of the B-BBEE Act (African, Indian and Coloured)
Calculation Method	Cumulative Rand value
Calculation / Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to Black-owned Enterprises through Wholesale and Direct Lending portfolios.
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs • Broaden ownership of assets to historically disadvantaged groups.
Limitations	Black-owned enterprises often lack business management and entrepreneurial skills
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	• Ensure that information related to the black-owned enterprises financed is correctly captured. • Conduct an audit on a sample of black-owned enterprises for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: Line Manager **Approve**: Committee
Accountable (Designation)	WL SME: Head WL MFI: Head WL PIM: Head KCG: Head DL: Head DL PIM: Head
Accountable (Person)	Thoba Vokwana Evans Maphenduka Bettina Mokete Letlatsa Lehana Bonga Mchunu Henderson Matope

Indicator Title	**Disbursements to township-owned enterprises**
Definitions	A measurement, against the set target, of the Rand amount of the predetermined percentage of disbursements to enterprises located in townships as per **sefa** approved definition of a township.
Calculation Method	Cumulative Rand value
Calculation/Formula	Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to Township-owned Enterprises through Wholesale and Direct Lending portfolios.
Purpose/Importance	A measurement, against the set target, of the Rand amount of the predetermined percentage of disbursements to enterprises located in townships as per **sefa** approved definition of a township.
Limitations	Township-owned enterprises often do not have access to other market. The location prohibits them from being accessible to potential clients across all races.
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	Ensure that information related to the township-owned enterprises financed is correctly captured. • Conduct an audit on a sample of township-owned enterprises for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: Line Manager **Approve**: Committee
Accountable (Designation)	WL SME: Head WL MFI: Head WL PIM: Head DL PIM: Head KCG: Head DL: Head
Accountable (Person)	Thoba Vokwana Evans Maphenduka Bettina Mokete Henderson Matope Letlatsa Lehana Bonga Mchunu

Indicator Title	**Facilities Disbursed to Enterprises Owned by Entrepreneurs Living with Disabilities**
Definitions	• A measurement, against the set target, of facilities disbursed to enterprises where disability shareholding is 25% or more. • Disabilities are defined as per the Department of Labour codes and the individual(s) must be declared by a medical doctor as disabled.
Calculation Method	Cumulative Rand value
Calculation/Formula	CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Disbursements to Enterprises owned by Entrepreneurs with Disabilities (where disability shareholding is 25% or more)
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs • Increase the share of national income of the bottom 40 percent from 6 percent to 10 percent. • Broaden ownership of assets to historically disadvantaged groups.
Limitations	The lower number of enterprises owned by people living with disabilities are often due to the fact that they are generally disadvantaged in access to education and business opportunities
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	• Ensure that information related to disbursements to enterprises owned by entrepreneurs living with disabilities is correctly captured. • Conduct an audit on a sample of disbursements to enterprises owned by entrepreneurs living with disabilities for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: Line Manager **Approve**: Committee
Accountable (Designation)	WL SME: Head WL MFI: Head WL PIM: Head KCG: Head DL: Head DL PIM: Head
Accountable (Person)	Thoba Vokwana Evans Maphenduka Anneline Keyser Bonga Mchunu

	Bettina Mokete Henderson Matope Letlatsa Lehana

Indicator Title	**Level of Customer Satisfaction**
Definitions	A measurement, against the set target, of the level of customer satisfaction. The annual customer satisfaction survey will be undertaken by an independent external party.
Target for Financial Year (2017-18)	75%
Stretch Target	105%
Calculation Method	No calculation done by **sefa**
Calculation/Formula	N/A
Purpose/Importance	Provides **sefa** management with a metric on the customer experiences. Information can then be used to improve business processes and ultimately the customer journey and operational efficiency.
Limitations	Dedicated measurable action plans to improve customer experience
Indicator Type	Performance - Efficiency
Calculation Type	Survey report at the end of the FY
Reporting Cycle	Annually
Source	Customer Satisfaction Survey (conducted by an independent service provider)
Role	Survey is conducted by an independent service provider timeously.
Responsibility	**Facilitates conducting of the survey:** Head: Marketing & Comms
Accountable (Designation)	Head: Marketing & Communication
Accountable (Person)	Nothemba Gqiba

Indicator Title	**Cost to income ratio (excluding impairments & finance charges and the effects of the grant subsidy)**
Definitions	A measurement, against the set target, of the amount of operating expenses incurred in generating operating income. The ratio measurement excludes impairments, capital gains/losses, dividend income from Business Partners Ltd, government grants, and finance charges). ***sefa*** *must strive to achieve a lowest rate possible.*
Calculation Method	It is calculated by dividing operating income by operating expenses
Calculation/Formula	turnaround Times = Average Number of Working Days of (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual)
Purpose/Importance	• Measures the efficiency of the **sefa** business operations • Financial objectives and monitoring thereof is important to drive down costs, increase revenues, and reduce **sefa**'s dependence on government grants. • The financial health of an organisation is a critical for managers to track.
Limitations	Timeous and accurate reporting of the indicator
Indicator Type	Performance - Efficiency
Calculation Type	Cumulative indicator
Reporting Cycle	Monthly, cumulative YTD
Source	ACCPAC
Role	Track costs against income
Responsibility	**Calculate & Capture**: Management Accounts General **Review**: Line Manager
Accountable (Designation)	Head: Financial Management Management Accounts General
Accountable (Person)	Carel Wolfaardt Neo Seloro

Indicator Title	**Accumulated Impairments provision as a percentage of total loans and advances**
Definitions	A measurement, against the set target, of the accumulated impairments. This is the loan loss provision, or an expense set aside as an allowance for bad loans expressed in a percentage form.
Calculation Method	It is calculated by dividing accumulated impairment by cost of loans outstanding.
Calculation/Formula	Accumulated Impairments provision = (accumulated impairment ÷ cost of loans outstanding) x 100
Purpose/Importance	• Measures the efficiency of the **sefa** business operations • Financial objectives and monitoring thereof is important to drive down costs, increase revenues, and reduce **sefa**'s dependence on government grants. • The financial health of an organisation is a critical for managers to track.
Limitations	Timeous and accurate reporting of the indicator
Indicator Type	Performance - Efficiency
Calculation Type	Cumulative indicator
Reporting Cycle	Monthly, cumulative YTD
Source	ACCPAC
Role	Track costs against income
Responsibility	**Calculate & Capture**: Management Accounts General **Review**: Line Manager
Accountable (Designation)	Head: Financial Management Management Accounts General
Accountable (Person)	Carel Wolfaardt Neo Seloro

Indicator Title	**Improve turnaround times for application approvals: Number of days term loans**
Definitions	A measurement, against the set target, of number of working days spent processing an application for finance, from Due Diligence to Committee Approval stage
Target for Financial Year (2017-18)	30 days
Stretch Target	21 days
Calculation Method	Calculate business days from capture to approval stage
Calculation/Formula	Turnaround Times Average Number of Working Days of (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual)
Purpose/Importance	Turnaround times measures the efficiency of the **sefa** loan operations, customer centricity, identifies bottlenecks in the business process and establish accountability.
Limitations	• Turnaround times might be accurately captured by investment officers • Organisationally not structured optimally for efficiency • Low process optimisation • Silo mentality
Indicator Type	Performance - Efficiency
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly
Source	**sefa**LAS
Role	System calculates the turnaround times for Direct Lending, from loan application capture to approval
Responsibility	**Calculation**: system
Accountable (Designation)	DL: Operations Manager
Accountable (Person)	Anneline Keyser

Indicator Title	**Level of Organisational Process Automation**
Definitions	Analysis, improvement and digitation and **sefa** core, management and support process via automated workflows
Calculation Method	Count of the number of processes
Calculation/Formula	CCYY-YY Achievement Number of Processes = Count of Automated Processes
Purpose/Importance	Introduces automated systems to fast track internal processes to increase efficiency and effectiveness and thus reduce operational costs
Limitations	Lack of sufficient IT resources
Indicator Type	Performance - Efficiency
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly
Source	Sign-off by Process owner post automation implementation
Role	Count the number of automated processes that are key in the organisational core/primary functions
Responsibility	Head of Project Office – Marleen Lewis
Accountable (Designation)	Head of Strategy
Accountable (Person)	Alroy Dirks

Indicator Title	**Labour Turn Over rate of critical/strategic positions**
Definitions	The ratio of the number of employees in critical/strategic positions that leave a company through attrition, dismissal, or period to the number of employees on payroll during the same period. Critical positions refer to employees in management (M band)
Target for Financial Year (2017-18)	7%
Stretch Target	5%
Calculation Method	Terminations for critical positions divided by annual average headcount
Calculation/Formula	Labour Turn Over rate = (number of employees in critical/strategic positions ÷ terminations in critical/strategic positions) x 100
Purpose/Importance	Management of LTO rate is important to attain and maintain stability within the management and leadership levels. Too high and frequent turnover in leadership affects the organisational environment.
Limitations	**sefa**'s challenging mandate and operating environment
Indicator Type	Performance - Efficiency
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	ESS VIP
Role	Number of termination/total number of employees in the M & E bands
Responsibility	Calculate & capture HCM: Senior Manager
Accountable (Designation)	Senior: HCM
Accountable (Person)	Esther Gruindelingh

Indicator Title	**Investor in People Measurement Index**
Definitions	• A measurement, against the set target, of the level of employee satisfaction. • The annual employee satisfaction survey will be undertaken by an independent external party.
Calculation Method	N/A
Calculation/Formula	N/A
Purpose/Importance	• Track and measure staff engagement levels. If they are low, they are not committed to the organisation • The survey assists employers to measure and understand their employees' attitude, feedback, motivation, and satisfaction. • It helps the organisation to identify and introduce interventions to increase staff engagement.
Limitations	• Lack of staff engagement • Lower quality feedback
Indicator Type	Impact
Calculation Type	N/A
Reporting Cycle	Annual
Source	Employee Satisfaction Survey (conducted by an independent service provider)
Role	Survey is conducted by an independent service provider timeously.
Responsibility	**Facilitate the conduct of the survey:** OD Specialist
Accountable (Designation)	OD Specialist
Accountable (Person)	Gugu Moyo

Indicator Title	**Percentage of staff (P band and above) that scores 3.1 or more in the annual performance assessment**
Definitions	A measurement of performance of employee in the P-band and above, who have attained a final performance score of a 3.1 and above
Calculation Method	Staff Performance (in P-band and above) = (Total Number of employees ÷ Number of employees with Performance Score of 3.1 or above) x 100
Calculation/Formula	Same as above
Purpose/Importance	To drive a culture of high performance
Limitations	Timeous measurement and feedback to staff on performance
Indicator Type	Performance - Efficiency
Calculation Type	Bi-annually and Annually
Reporting Cycle	Bi-annually and Annually
Source	VIP
Role	Calculate the number of employees in the P-Band and above.
Responsibility	**Calculate & capture** HCM: Senior Manager
Accountable (Designation)	Head: HCM
Accountable (Person)	Esther Gruindelingh

10 Annexure 2 – Material and Significance Framework

PFMA requires that an entity must on request, disclose to its executive authority, all material facts that may influence decisions made by the executive authority.

PFMA states that Treasury approval is required before entering into significant or material transactions. The act also requires that material irregular expenditure and fruitless and wasteful expenditure be reported in the annual report. The act does not define material and significant as such; an entity is required to develop a materiality framework that is applied to both significant transactions and irregular expenditure.

Materiality levels for significant and material transactions:

The practice notes on the applications under section 54 of the PFMA provides the following parameters for calculating materiality:

Element

Element	% range to be applied against R value
Total assets	1% - 2%
Total revenue	0.5% - 1%
Profit after tax	2% - 5%

The materiality and significance framework of **sefa** is based on Total Assets due to the nature of **sefa**'s business being asset-based.

Total group assets as per 2018/9 audited annual financial statements: R2,211,778,000, 2% of total assets: R44,235,560.

The materiality is in line with materiality used for external audit purposes.

In addition to the above, section 17 of the Shareholder compact requires that:

- The Accounting Authority will develop and agree on a framework of acceptable levels of materiality and significance with the Shareholder and the Executive Authority.
- The Accounting Authority will promptly and in writing request approval from the Shareholder and the Executive Authority for each funding transaction where its total exposure to the company being funded will increase to above R150 million or where **sefa** equity stake in the company will exceed 50%.
- Section 54(2) of the PFMA considers the following transactions to be significant, and an entity must inform the relevant treasury of the transaction and submit relevant of the transaction to its executive authority for approval concluding the transaction;
- The establishment or participation in establishing a company (this type of transaction is significant by nature);
- Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement (significance is determined by the value of the transaction);

- Acquisition or disposal of a significant shareholding in a company (this will be significant where ownership control is affected or where the entity's control over a special resolution is affected, or the change in shareholding exceeds 20% or any transaction that will result in an ultimate shareholding exceeding 20%);
- Acquisition or disposal of a significant asset (significance is determined by the value of the transaction);
- Commencement or cessation of significant business activity (This applies to activities that are non-core in nature and the amount thereof must be significant);
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement (this will be significantly based on the amount or where the nature of the relationship changes or where the cumulative interest exceeds 20% or any transaction that results in an aggregate interest of 10%).

Materiality levels for irregular expenditure:

Materiality levels for reporting irregular expenditure are set at 0.5% of materiality levels for significant and material transactions, hence amounting to R221,178 (2017/18: R234,142) on a transactional level.

Borrowing Limitations

sefa has the following borrowing limitations imposed:

- Funds may only be borrowed or guarantees issued through the Accounting Authority.
- The Memorandum of Incorporation prescribes that Shareholder's approval is required before concluding a transaction where the entity borrows funds or issue guarantees.
- **sefa** may not borrow money in a foreign currency above a prescribed limit.

11 Annexure 3 – Fraud Prevention Plan

In the efforts to ensure appropriate Fraud Risk Management, **sefa** has the following policies and systems in place: -

- Fraud Risk Policy
- Fraud Response and Prevention Plan
- Anonymous Tip-Off Hotline Robust Fraud

Awareness will be done within **sefa** to ensure the effectiveness of **sefa**'s mechanisms in the combatting of fraud and corruption.

12 Annexure 4 – Strategic Initiatives in support of SMME Plan

sefa will be implementing the government's District Development Model across the 44 districts in the country. To that end, dedicated interventions will be rolled out through the following initiatives and the impact will be reported, quarterly to demonstrate the number of SMMEs supported in each district per quarter.

- **100 Thousand Young Entrepreneurs:** Direct Lending will continue to host provincial **Youth Pitch for Funding Sessions** in various districts across the country through the Small Business and Innovation Fund (SBIF) in support of the target of the **100 000 Youth owned enterprises** to be support over 3 years. In addition, sefa will further collaborate with NYDA and SEDA to develop further support to Youth entrepreneurs. These will supplement the Youth owned Businesses that sefa supports through its various lending channels.

- **SMME Expansion/ Scale-Up:** sefa supports SMMEs that have been in existence for 4 years or more with at least 5 employees across all its product channels. Increased emphasis will be placed on ensuring that this support is spread and measured across all 44 districts in order to contribute to the SMME Support Plan.

- **Township and Rural Entrepreneurship:** As indicated sefa Corporate Performance Scorecard above, sefa has set targets to support SMMEs in Townships and Rural towns & villages. Increased emphasis will be placed on ensuring that this support is spread and measured across all 44 districts in order to contribute to the SMME Support Plan. In addition, through the SBIF, sefa will dedicatee further funds to the support of SMMEs in Townships and Rural areas in the FY2020/21.

- **Start-Up Nation:** sefa has committed funding to Incubators for the purposes of supporting start-up SMMEs across the country. sefa will measure the impact of the funding and report on it to ensure that the funding is spread across the 44 districts.

ANNEXURE 5: FINANCIAL INSTRUMENTS

1.1 PROGRAMME 1: ACCESS TO FINANCE FOR SMMES AND CO-OPERATIVES

sefa will collaborate with Seda, other government entities and the private sector in utilizing their grant/incentive offerings to develop a blended funding model that will directly benefit SMMEs. A blended finance model involves the mixing of grants and loans with the aim to lower the cost of capital for borrowers, increase access and improve the chances for the survival and sustainability especially for early-stage enterprises that require lower gearing and patient capital. By adopting a blended funding model, **sefa** will, in effect, strengthen SMME capital structures and consequently increase their chances of sustainability.

Further, the blended funding model will enable leveraging of **sefa**'s funding to achieve higher development impact through the crowding in of investment to SMMEs.

1.1.1 Sub-Programme: Informal Sector and Micro-Enterprises Finance

sefa services informal and micro enterprises owned by people in their personal capacity and in juristic persons/registered entities through intermediaries and strategic partnerships. informal and micro enterprises were estimated at 3.49 million and 1.7 million respectively by the FinScope Small Business Survey of 2010. The number of such informal businesses also increases as the unemployment level increases. It can be further deduced that income generated from informal enterprises falls short of minimum income standards expected for families living above the poverty line and that they hardly invest meaningful capital.

The larger informal businesses, popularly referred to as micro enterprises, may have broken the poverty barrier line, but are still precariously close to it. They need support to grow their enterprises to small and medium-sized businesses to fully escape poverty and provide job opportunities to their disadvantaged communities, hence the need for a consistent supply of credit to microenterprises at a large scale in South Africa.

Purpose of Programme

To increase and innovatively expand access and reduce the cost of end-user financing to informal and micro-enterprises, particularly those in rural and peri-urban areas.

Outcomes, Outputs Performance Indicators and Targets

One of the key Government priorities as set out in the NDP is support to the SMMEs. In terms of numbers, informal and microenterprises form the bulk of the SMMEs. Outcome four (4) of the NDP, which reads in part, *"Decent employment through inclusive growth," is a key priority of the Department of Small Business Development (DSBD), and by extension, a priority of its agency,* **sefa**. The informal and microenterprise sector accounts for more than 70% of **sefa**'s development statistics. This is important for the organization as each loan that goes out to an informal or micro enterprise either creates or maintains a job. Jobs are essential in this sector, as most vulnerable women in rural areas, and youth in the Townships need to run their microenterprises to survive and take care of their families. The Microfinance intermediaries through which **sefa** has traditionally provided credit to women mainly in rural areas offer additional services such as women empowerment, business advisory services, health education including the management and care for HIV infected family members. The supported

microenterprises have been reported to have resulted in real benefits to their owners that include affording three meals per day for families, decent housing, sending children to school and affording basic health care.

In the urban areas**, sefa**'s informal and microenterprise footprint is still limited. This means that the youth, in particular, that run their tiny businesses in the Townships have limited access to **sefa**'s informal and microenterprise lending programme. As a result, **sefa** acknowledges that it has to do more work to bring its informal and microenterprises to Townships and reach more youth. Expanding **sefa**'s footprint in the Townships will promote access to credit by the vulnerable and unemployed youth and, in addition, people with disabilities. The more youth and people with disability businesses reached, the more essential and critically needed jobs will be facilitated there. The current efforts that involve partnership with CCBSA will be expanded to embrace multiple public and private sector that have interests in supporting youth entrepreneurship. The public sector is key in such partnerships as it provides procurement opportunities for the youth.

In the next five years, the Informal and Micro Enterprise Lending Department will dedicate significant amounts of time in pursuing four key activities in order to increase and innovatively expand access and reduce the cost of end-user financing to informal and micro-enterprises. These activities are:

a) Identifying technology platforms that can efficiently disburse credit to informal and microenterprises;
b) Developing new products that will enhance credit offerings by Intermediaries to informal and microenterprises;
c) Going beyond the utilization of traditional Microfinance Institutions and identifying and/or creating new lending channels to informal and microenterprises, especially those in peri-urban and township areas;
d) Working with the Credit Department to Create flexible and tailored credit assessment processes for informal and microenterprises that will significantly lower costs and improve ease of access.

Successful implementation of the above activities will result in **sefa** reaching and supporting approximately 521 600 informal and microenterprises over the five-year period ending 2024/25. As previously stated, each of the loan recipients will represent either a job created or maintained. Most of the supported businesses will be in the rural areas and will be funded through the traditional MFIs. Women and Youth, who are the most vulnerable, will be prioritised. In addition, efforts will be made to target Associations that represent people with disabilities, and tailored products will be designed for their businesses. It is also expected that **sefa** will expand its footprint in all the rural provinces, especially in the North West, Eastern Cape, Limpopo, Mpumalanga and the Northern Cape.

Strategic initiatives 2020/21

For the 2020/21 financial year, the Informal and Micro-enterprise Lending programme will focus on the following strategic initiatives:

Strategic Initiative 1 – sefa as a High Impact and High Performance DFI. The informal and microenterprise traditional lending channel of MFIs need to be expanded to include innovative and alternative ways of offering credit. Many end users in Townships and peri urban areas run larger microenterprises that are registered and have some forms of financial statements. In almost all of the cases, these microenterprises operate bank accounts dedicated to their businesses, and separate from

their personal expenses. Larger and registered microenterprises with business bank accounts can be reached through FinTech platforms. As a result, in order to have high impact among informal and microenterprises in both urban and rural areas, **sefa** will utilize multiple lending channels that include MFIs, Fin Techs and Wholesale and retail platforms. In 2020/21, the process of identifying appropriate and relevant new and creative platforms will involve:

Researching and identifying companies that have Fintech solutions to reach massive numbers of microenterprises in the townships and peri urban areas with credit, including

- Negotiating value adding partnerships with at least two companies with Fintech solutions;
- Partnering with wholesalers and retailers and to reach informal and microenterprises in unreached areas; and,
- Requesting the Credit Department to establish cost-effective processes that are expedite the credit offerings to informal and microenterprises.

Strategic Initiative 2 - Develop the **sefa** brand value-proposition for our target markets.
The Informal and microenterprise Department will cooperate with various public and private sector institutions to continuously bring awareness of the **sefa** products to potential end users throughout the country. Current and former partners like Coca Cola Beverages South Africa (CCBSA), the Fresh produce Markets and the Wholesale and Retail Seta, will be encouraged to invite **sefa** to present its products to various for a they may have.

Internally, the Informal and microenterprise division will continuously train all **sefa** staff on the products on offer to ensure that they become 'ambassadors' of the unit.

Strategic Initiative 3 - Align **sefa**'s organisational structure, culture and innovative delivery model.
The Informal and microenterprise Lending Department will cooperate with the Development Microfinance Association (DMA) to:

- Identify and utilize benchmarking tools for Microfinance
- Seek opportunities for further learning and staying abreast with industry developments for staff in the Informal and Micro enterprise Lending Department

A strong understanding of Microfinance benchmarks in Southern and East Africa, coupled with staff with up-to-date microfinance knowledge, will strengthen **sefa**'s due diligence processes and enable the organization to identify upcoming MFIs that have the potential to succeed.

sefa Annual Performance Plan – Informal and Micro Enterprise Lending
Outcomes, Outputs, Performance Indicators and Targets

Outcome	Output	Output Indicators	Annual Targets						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Research and identify Fintech companies with credit solutions to reach micro-enterprises	Partnerships with Fintechs	• Fintechs signed up as **sefa** partners or agencies	-	-	-	-	2	2	2
Identify and negotiate partnerships with leading wholesalers and retailers	Partnerships with wholesalers and retailers to reach informal and micro-enterprises in unreached areas	• Wholesalers signed up as a **sefa** partner	-	-	-	-	2	2	2
Current MFIs programmes and expansion of credit services to unreached areas	MFI's expand credit services in their operational areas and extend to unreached areas	• Informal and micro enterprises access affordable credit.	42 390	44 294	72 183	89 212	108 049	99 032	101 382
		• Current Programmes expanded to the NC, FS and WC	-	-	-	-	1	-	1

Outcome	Output	Output Indicators	Annual Targets						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Loan Programme	End users access affordable credit	Approvals (R000)	110 344	40 400	47 882	101 538	265 000	320 000	370 000
		Disbursements to Intermediaries (R000)	95 129	70 973	116 847	178 423	295 249	354 512	380 987
		Disbursement to end users (R000)	186 431	212 364	313 799	356 846	590 498	709 023	761 974
		SMMEs Financed (#)	42 390	44 294	72 183	89 212	145 716	151 032	157 724
		Jobs Facilitated (#)	55 514	54 389	80 594	89 212	145 716	151 032	157 724
		Women Owned Businesses (R000)	173 610	205 055	309 945	249 792	295 249	354 512	380 987
		Youth Owned Businesses (R000)	34 825	31 180	49 488	107 054	236 199	283 609	304 790
		Black Owned Businesses (R000)	182 470	211 587	313 562	356 846	590 498	709 023	761 974
		People with Disabilities Owned Businesses (R000)	369 000	166 494	44 000	7 138	17 715	21 271	22 859
		Disbursements to businesses in rural towns and villages (R000)	167 462	202 257	301 272	249 792	265 724	319 060	342 888
		Disbursements to Businesses in Townships (R000)	13 038	3 088	5 633	214 108	413 349	496 316	533 382

Indicators, Annual and Quarterly Targets - Informal and Micro Enterprise Lending

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Fin-Techs signed up as **sefa** partners or agencies	2	-	1	-	1
Wholesalers signed up as a **sefa** partner	1	-	1	-	
Current Programmes expanded to the NC, FS and WC	1	-	-	-	1
Approvals (R000)	265 000	53 000	64 000	74 000	81 600
Disbursements to Intermediaries (R000)	295 249	59 050	70 902	76 197	80 370
Disbursement to end users (R000)	590 498	118 100	141 805	152 395	160 740
SMMEs Financed (#)	145 716	29 143	30 206	31 545	32 780
Jobs Facilitated (#)	145 716	29 143	30 206	31 545	32 780
Women Owned Businesses (R000)	295 249	59 050	70 902	76 197	80 370
Youth Owned Businesses (R000)	236 199	47 240	56 722	60 958	64 296
Black Owned Businesses (R000)	590 498	118 100	141 805	152 395	160 740
People with Disabilities Owned Businesses (R000)	17 715	3 543	4 254	4 572	4 822
Disbursements to businesses in rural towns and villages (R000)	265 724	53 145	63 812	68 578	72 333
Disbursements to Businesses in Townships (R000)	413 349	82 670	99 263	106 676	112 518

Operational Plan - Informal and Micro Enterprise Lending
Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
Partnerships with Fintechs	Fintechs signed up as **sefa** partners or agencies	2		Research into Fintechs	FY 2022	Research (TBC)	• Research document with key information on Fintechs and their operational systems, as well as how they manage credit • Additional resources for research approved	Research Unit
				• Due diligence • Approval • Contracting • Disbursing		Travel – R131 228		
							Understanding how Fintechs operate and how they manage credit and utilize payments systems	Informal and Micro enterprise Lending Unit
Partnerships with wholesalers and retailers to reach informal and micro-enterprises in unreached areas	Wholesalers signed up as a **sefa** partner	1		Research into how wholesalers and retailers manage credit for their clients	FY 2021	Research (TBC)	• Research document with key information on how wholesalers and retailers manage credit for their clients • Additional resources for research approved	Research Unit

				• Due diligence • Approval • Contracting • Disbursing		Travel – R114 824	Partnership agreements	Informal and Micro enterprise Lending Unit
MFI's expand credit services in their operational areas and extend to unreached areas	Informal and micro enterprises access affordable credit.	86 319		• Due diligence • Approvals • Contracting • Disbursing	FY 2021	Travel – R82 017	Current Facilities managed efficiently and refinanced	Informal and Micro enterprise Lending Unit
	Current Programmes expanded to the NC, FS and WC	1		• Due diligence • Approvals • Contracting • Disbursing	FY 2021		• MFIs willing to move into low density priority provinces • Capacity building grants	

1.1.2 Sub-Programme: Wholesale SME Lending and Co-operative Enterprise Lending

Purpose of the Programme

To increase and innovatively expand access to finance whilst reducing the cost of end-user financing for SMMEs and Co-operatives, particularly those in rural towns and villages, as well as in peri-urban areas. The Wholesale Lending programme (SME) crowds-in financial, business support and technical resources of the public and private sector strategic partners, which share **sefa**'s objective of increasing SMMEs and Co-operatives' access to finance. Whilst the Co-operatives programme facilitates the growth of the social economy, collective ownership and economic participation through the funding of Co-operative enterprises. **sefa** supports both Co-operative Financial Institutions (CFIs) as well as Enterprising Co-operatives.

Programme Performance Information and Background

Wholesale Lending: SMMEs and Co-operatives ("WL") is a lending channel within the **sefa** with the aim to increase access to finance by SMME's and co-operatives through leveraging private and public-sector finance and technical know-how. This enhances the establishment and growth of small businesses which in turn contribute to economic growth, job creation and economic transformation. The WL division focuses on specific products that complement direct lending offerings, extend the reach of **sefa** and deliver support to SMME's and cooperatives in a cost-effective manner; its products and services include business loans, equity, fund management services and, to a limited extent, structured finance solutions. The WL distribution channels are diverse and serve the needs of end-users at different localities.

In addition to the **sefa** on-Balance Sheet responsibilities of this program, WL assumes responsibilities to manage the Land Reform Empowerment Facility ("LREF"), which is fully funded by the Department of Rural Development and Land Reform and is registered as a **sefa** wholly owned Not-for-Profit company. **sefa** also has the fund management responsibility for the Godisa Supplier Development Fund ("Godisa") which finances the Transnet ESD programme. Further, WL is tasked to manage the €30m wholesale facility of the EU Employment Promotion through SMME Support Programme ("EU EPSSP") as well as the Small Business and Innovation Fund ("SBIF"), which is earmarked to run over the MTEF period starting 2019/20 FY.

For the purposes of this annual performance document, focus of the program is limited only to the **sefa** on-Balance Sheet funded programme as well as the LREF and Godisa and specifically excludes the EU EPSSP and SBIF programs**.**

Co-operatives are characterised by principles of i) voluntary and open membership, ii) democratic member control, iii) members' economic participation, iv) autonomy and independence, v) training, education and information, vi) cooperation among Co-operatives and vii) concern for the community. The seven (7) principles are interdependent, and the presence of all the condition is the key to running a successful Co-operative enterprise and a pre-condition to the success and growth of Co-operatives.

The continuous effort towards social mobilisation and cohesion is required to ensure that the Co-operatives are geared for success. The absence of such support has a direct impact on the Co-operatives ability to repay **sefa**'s loans. Comprehensive support is required at various levels of the

business lifecycle, from pre-formation to growth stages, backed by the consistent re-enforcement of the principles.

The Wholesale SME and Co-operatives program focuses on the following strategic sectors as set out in the table below:

Sector	**Source of Capital during the 3-year plan**					
	WL SME	**EU ESD**	**EU IF**	**SBIF**	**GoDisa**	**LREF**
Heavy manufacturing	X	x		x		
Light Manufacturing	X	x		x	x	
Green Industries	X	x	x	x		
Telecommunications	X	x		x		
Infrastructure development	X	x		x		
Tourism	X	x		x		
Primary Agriculture				x		x
Agro-processing	X	x	x	x		x

The identified sectors present the best opportunity for impact as they have been deemed as strategic sectors by the Government. The program's focus will primarily be on the value-chains that create the maximum number of jobs in line with the strategic focus of **sefa** of job creation.

These strategic initiatives will be supported by strong investment in **sefa** brand proposition and channel build by the **Marketing** department, human capital development by **Human Resource** team and process re-engineering to a more efficient **sefa** by the **IT** department in conjunction with the **Strategy** unit.
The strategic outcomes, outputs, performance indicators and targets of WL are tabulated below

Outcomes, Outputs, Performance Indicators and Targets during the MTEF – SME Wholesale Lending & Co-operatives

Outcome	Outputs	Output Indicators	Audited/Actual Performance			Estimated Performance	2021/22	2022/23
			2017/18	2018/19	2019/20	2020/21		
Approvals (R'000)				150 000	314 400	673 000	810 575	780 104
Disbursements (R'000)				78 240	129 320	680 100	666 145	705 062
# Jobs				261	431	19 001	21 452	21 938
# SMMEs				52	86	940	1 188	1 259
Disbursements to Black SMMEs (R'000)				54 770	90 520	476 070	466 302	493 544
Disbursements to Women SMMEs (R'000)				35 210	58 190	340 050	333 073	352 531
Disbursements to Youth SMMEs (R'000)				23 470	38 800	272 040	266 458	282 025
Disbursements to Township Owned SMMEs (R'000)				19 560	32 330	476 070	466 302	493 544
Disbursements to SMMEs owned by people with disabilities (R'000)				1 570	2 590	20 403	19 984	21 152
Disbursements to SMMEs in Rural Towns and Villages (R'000)				35 210	58 190	306 045	299 765	317 278
# New Strategic Partnerships					4	5	6	7
Turnaround Times				90	45	45	45	45

Indicators, Annual and Quarterly Targets for FY2020/21- SME Wholesale Lending & Co-operatives

Indicator	FY2020/21				
Outcome	**Annual**	**Q1**	**Q2**	**Q3**	**Q4**
Approvals (R'000)	**673 000**	134 600	201 900	201 900	134 600
Disbursements (R'000)	680 100	136 020	204 030	204 030	136 020
# Jobs	19 001	3 800	5 700	5 700	3 800
# SMMEs	940	188	282	282	188
Disbursements to Black SMMEs (R'000)	476 070	95 214	142 821	142 821	95 214
Disbursements to Women SMMEs (R'000)	340 050	68 010	102 015	102 015	68 010
Disbursements to Youth SMMEs (R'000)	272 040	54 408	81 612	81 612	54 408
Disbursements to Township Owned SMMEs (R'000)	476 070	95 214	142 821	142 821	95 214
Disbursements to SMMEs owned by disable people (R'000)	20 403	4 081	6 121	6 121	4 081
Disbursements to Rural located SMMEs (R'000)	306 045	61 209	91 814	91 814	61 209
# New Strategic Partnerships	5	1	2	2	1
Turnaround Times	45	9	14	14	9

ANNUAL OPERATIONAL PLAN - SME Wholesale Lending & Co-operatives

Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
Partnerships with new RFIs through various **sefa** Wholesale SME programs: *SBIF, LREF and own Balance Sheet*	New partnerships with RFIs (#)	4	1	• Due diligence • Approval • Contracting • Disbursing	FY 2021/22	Travel – R231 228	• Capacitated ***Human Capital*** resources in terms of number of team members and upskilling approved • Initiation of new partnerships as a result of prominent ***Marketing*** inactivates targeted to the Wholesale SME target market • Robust Information System (***Systems and Processes***) infrastructure to bolster efficiencies and improve turnaround times	• Human Capital Unit • Marketing Unit • Information Technology Unit • SMME & Co-Operatives enterprise Lending Unit
	Expanding reach to SMMEs (#)	86	13					

	Approvals to RFIs (R 'million)	181.5	45.4				within **sefa**, in particular Wholesale Lending: SME & Co-ops) • RFIs willingness to finance SMMEs and Co-operatives in rural, township and peri-urban places to meet **sefa** developmental key performance indicators	

1.1.3 Sub-Programme: Khula Credit Guarantee (KCG)

Purpose of Programme

The Credit Indemnity Scheme assists SMMEs and Co-operatives to obtain financing from the commercial banks, non-bank financial institutions, corporates and other lenders of incidental credit to enable them to establish, expand or acquire new or existing businesses in circumstances where they would not, without the support of an indemnity cover, qualify for such financing in terms of the participating institution's SMME lending criteria.

The objective of the Khula Credit Guarantee scheme is to issue partial credit guarantees to lenders for SMME borrowers, whose access to finance is impeded by the lack of collateral required by lenders.

The guarantee scheme is classified as a short-term insurance product and therefore it is governed by the Insurance Act 18 of 2017 and Financial Sector Regulation (FSR) Act No.9 of 2017. The respective regulatory and supervisory bodies are; Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA).

Strategic Focus for the credit guarantee programme:

- To expand the utilization of the Credit Indemnity Scheme by increasing the number of participating institutions, introduction of new products, and the streamlining of business processes and systems.
- To increase the capitalisation of the scheme to broaden its impact by reaching out to more participating institutions

Streamlining of business processes

In order for KCG to be attractive to the Partner Financial Institutions (PFIs) is to have clear eligibility criteria which is flexible enough to be aligned to PFIs, adequate coverage ratios to maintain incentives for lenders, risk-based pricing to ensure financial sustainability, simple approval and payment rules and procedures, strong risk management capacity, and evaluation mechanisms to measure achievements in terms of outreach.

The enablers to streamlined process include a well-designed Management Information System which can give access to external clients to have live interaction with portfolio guarantee system at KCG which could be by way of an extranet portal system. Such a system could enhance Claims environment to have quicker turnaround times and thus ensuring accurate reporting.

KCG as a short-term insurer operating under Twin Peaks environment has rigorous financial reporting requirements, regulatory reporting to the Prudential Authority at SARB, have the financial statements externally audited, and regular reviews by way of regulatory returns to the PA to assess financial sustainability. Accurate and audited financial statements are important to ensure that the insurance license is never under threat so as to increase the credibility of the scheme. Periodic reviews are important to provide the checks and balances to evaluate operations and refine procedures, with regards to operational efficiency, claim pay-out, design features, performance, client satisfaction, additionality, sustainability, outreach, new products, and others.

ORSA – Own Risk and Solvency Assessment

In the planning of this strategy exercise an assessment of short-term risks and solvency has been done on a review of the current business, whilst the assessment of long-term risks and solvency has been based on a projection and scenario testing of KCG's business activities over the MTEF planning period. This is to conform to the ORSA – (Own Risk and Solvency Assessment) requirement for every short-term insurer. ORSA is the entirety of the processes and procedures to identify, assess, monitor, manage and report the long and short-

term risks (of an insurer), and to determine the own funds necessary to ensure that the overall solvency needs are met at all times for the business strategy.

Historical Performance from inception

Performance of the scheme dropped over the years, more specifically from 2008 due to the worldwide economic meltdown. In responding to the drop in the utilisation of the scheme, KCG made a shift from Individual Guarantees to Portfolio Guarantees which brought about new uptake from financial institutions and corporates, with more facilities earmarked for the planning period FY2020 – FY2024

Portfolio Performance Analysis

The table below depicts the performance of the Credit Guarantee Programme for the pre-**sefa** establishment and post-**sefa** establishment.

Performance Dimension	Prior 2012	Post 2012 – Portfolio Guarantees
Authorised Guarantees	R2 163 644 983	R364 515 060
Guarantees Taken-up	R1 503 245 374	R153 422 805
Number of SMMEs	9 020	2 566
Defaults	R674 330 191	R39 071 900
Authorised Claims pay-out	R332 506 583	R55 832 057
Default Rate	45%	33%

The value of authorized guarantees post-2012 to 2019 is R364 515 060; the value of guarantees taken-up is for the same period is R153 422 805; number of SMMEs assisted is about 2 5166, and in the same period the value of defaults is about R39 071 90; authorized claims pay-out value is R55 832 057, and the percentage default rate has reduced significantly from 45% in prior to 2012 to 33% post 2012

Partner Financial Institutions (PFIs) appetite for the Guarantees

The financial sector institutions expressed interest in participating in an efficient, cost effective, properly run Partial Credit Guarantee (PCG) scheme. The PFIs reiterated their interest in a risk-sharing facility that would enable them to advance greater financing to SMEs. Interaction with financial institutions gave a positive feedback on the proposed KCG parameters - on portfolio guarantee, which place greater reliance on banks' credit-risk assessment procedures and reduce duplication in risk assessment of each guarantee, as experienced under the individual guarantee product. The PFIs indicated that with the benefit of a credit guarantee scheme, they could increase their targeted SME lending figures by 15–20 percent

Capitalisation of KCG

The Partner Financial Institutions (PFIs) are aware that inclusive growth is a government priority and the financial sector is on the front line to create a more diversified economy. They are also aware of other priorities, such as:

- Broad-Based Black Economic Empowerment Regulations (B-BBEE);
- financing of women-owned enterprises;
- rural and township economy;
- youth-owned enterprises; and
- green economy.

Lending to all these sectors is a priority for the government, and KCG intends to partner with the lenders who expand their portfolios in these areas. KCG will assist in encouraging the growth of cluster financing by

helping to de-risk the SMME sector whilst the PFIs will also need to consider financial literacy, a particular area of risk, to enhance SMMEs' bankability. The leverage of funds is a key element to KCG in stimulating the economy.

There are various sources of funding through which KCG can in principle be capitalised. Possible funding sources include government funding, private-sector investment and donor funding. In any case it is expected that a budget allocation (MTEF) from the government will be needed to at least partly capitalise the KCG in order to allow it to have the maximum leverage and reignite the utilisation of the scheme so as to reach the scale needed for it to grow and make a noticeable impact in terms of SMME financing. The remaining capital for KCG, which is proposed could be sought from the EU Budget Support through the EPSSP and other international donors.

Capitalisation of the guarantee scheme is crucial to the successful implementation of KCG strategic initiatives over the planning period. The two primary funding options are:

(i) A once-off capital injection of R300 million which would allow the scheme to be self-sustainable for the MTEF Planning period;
(ii) Annual capital contributions of R60 million over 5 financial years based on funding requirements of KCG and MTEF allocation.

Whilst the second option may be more practical in a budget-constrained environment, the first option is preferable, because a once-off capital injection would both allow the scheme to reach scale and become sustainable and thus allowing the KCG to fund expected losses from its earnings in the form of investment income and to achieve envisaged leverage effect of 6.67 times.

Moreover, whilst fund management becomes easier under annual allocation because of a one-year focus, KCG would not face urgent liquidity crisis. It would require government commitment on allocation. However, KCG would then need such government commitments for the value of guarantees which can be issued during the year well in advance, and this would be difficult without knowing how much demand there will be for the guarantees from the PFIs.

This would also be difficult to cater for the needs of the PFIs if they suddenly needed additional guarantee limits. Claims payments would be slower since KCG would have requested funds from government to make claims payment. Furthermore, donor funding would be less stable as a source of annual funding allocation. Therefore, a once-off capitalisation would be the preferred option as it provides stability of the scheme over the planning period.

Assumptions in the capitalisation of KCG

Sustainability of KCG over time requires the maximum leverage effect of capitalisation, R675 million would have to be sourced to fund KCG over a long-term period. This is based in the following assumption:

The four major commercial banks in South Africa have over 90% market share in terms of total banking assets

- All bank exposure to loans up to R7.5m is R180 billion (approximately)
- KCG targets to take 2.5% of this market = R4.5 billion
- Claims on guarantee will be an average of 2% per year
- R4 500 000 000 @ 50% = coverage R2 250 000 000

Claims cap @15% = R337 500 000
Investable capital = R337 500 000 (other 50%)
Total Capital Required R675 000 000

Leveraging the Capital Fund	
Capital fund	R 675 million
Portfolio cap	15%
Loan guarantee coverage cap	50%
Total loans guaranteed	R 9 billion
Achievable Leverage	13.33 times
Recommended maximum loans	R 4.5 billion
Recommended Leverage	6.67 times

The effect of the loan guarantee coverage cap (50%) combined with the portfolio cap (15%) on the KCG 's capital fund is as follows: if the KCG 's capital fund was R 675 million it could guarantee loans up to R9 billion. This is calculated as R675 million ÷ 50 percent (coverage) ÷ 15 percent (claims cap) = R9 billion and constitutes a leverage of up to 13.33 times of KCG's capital (calculated R9 billion ÷ R675 million) with no risk of being overdrawn, such that loans equal in value to 13.33 times the available KCG 's capital fund can be guaranteed without the risk of the KCG defaulting on a single guarantee claim.

The recommended leverage effect of **6.67 times** can be achieved at a lesser capital requirement, considering the constraints in the national fiscus. The recapitalisation of KCG at **R300 million** would result in loans guaranteed of R2 billion being disbursed in the economy. This would be achieved at a guarantee cover of 70% and portfolio cap of 20%.

Although leveraging the KCG entire capital fund would potentially enable much more lending in underserved and unserved segments, it would also make it more challenging for the KCG to generate sufficient revenue to meet operational expenses and grow the fund. It is equally important to take note that no matter how prudently the PFIs assess loans, there are bound to be claims.

Sustainability of the scheme can only be achieved when the KCG's commencement income, investment yield and recovery of guarantees paid exceeds or at least equals the losses from claims payments and operational expenses. This means that a certain percentage of the capital fund needs always to be set aside to meet the Solvency Capital Requirement as per the Prudential Authority, and such be invested in less risky assets, e.g. savings accounts, call accounts, investment accounts, such that the interest income may be able to offset the claims amount.

High impact industries which KCG intends to grow

KCG has since inception issued guarantees worth R2 billion and the resultant impact in the economy can be measured on loans issued, the SMMEs assisted and the jobs created in the following sectors:

Past performance on guarantees since inception				Future Growth of guarantees	
Industry	**% Split**	**SMMEs**	**Jobs**	**Growth %**	**PFIs to be used**
Wholesale and Retail	81.4%	3 897	40 467	10%	FI, NBFI
Manufacturing	6.2%	221	3 365	10%	FI
Construction	8.2%	493	9 494	10%	Supplier Credit
Automotive	2.8%	63	477	10%	Supplier Credit, NBFI
Agriculture	0.1%	23	1 106	10%	FI, Corp ESD
Services	1.3%	1 482	15 918	10%	FI, NBFI, Corporate ESD

The R300 million capitalisation of KCG would enable PFIs to issue loans to about R2 billion into the economy and thus resulting in the 6.67 times leverage of the capital fund.

Product Development

The following new guarantee products could be introduced in short to medium term so as to facilitate increased uptake of the indemnity facility and thus reach high impact

Guarantee product	Guarantee product description
Performance Guarantees	Performance Guarantees are issued mostly in the construction industry on the full contract price as a way to guarantee failure by the contractor to meet the completion of the obligations of the contract. The contract is normally awarded with the request for a performance guarantee
Franchise Financing Scheme	Franchisor be registered with the Department of Trade and Industry (the dti) and the Franchise Association of South Africa (FASA) Net asset of shareholders' funds R7 - R10 million, loan tenure 5 - 7 years
Micro-Insurance Scheme	Facility amount extended to end user is around R300 000 and the facility is normally between 12 – 24 months, guarantee cover is up to 50%. It covers production risk, natural resources, financial risk and marketing risk
Wholesale Guarantees	Blanket guarantee on loans already underwritten by PFIs, PFIs benefit from capital relief, PFIs obtain additional security to unsecured or partially secured SME loans (Reduction in credit exposure) fixed guarantee fees payable yearly
Portfolio Guarantees	Improved methodology: Pricing fixed and agreed upfront, issuance of individual LG not required, turnaround time 3 days, method of submission Online, easy selling by PFI sales team in view of pre-fixed terms

SEFA ANNUAL PERFORMANCE PLAN -KHULA CREDIT GUARANTEE OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS

Outcome	Output	Output Indicators	Annual Targets						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
A high impact and high-performance Institution that is responsive to government's microeconomic policies	Leverage private sector funding to issue guarantees to government priority sectors	• Increased number of Partner Financial Institutions signed up as KCG partners (Approved partners) (R'000)	3	4	0	11	9	10	10
			70 000	100 000	0	60 000	549 991	565 659	582 108
Develop KCG brand value-proposition for the intended target markets, improve distribution reach, and establish winning collaborative models	Strategic partnership with industry bodies such as BASA to promote the scheme	• All commercial banks represented at BASA utilising (taken ups) the Credit Indemnity Scheme. (R'000)	4	1	2	8	9	10	10
			60 000	60 000	210 000	240 000	176 088	181 103	186 370
Improve KCG's sustainability, operational, effectiveness, efficiencies & service delivery	Maintain adequate reserves so as to respond speedily to the needs of Partner Financial Institutions	• Maintain a Solvency Capital Requirement of 6 times	4.39	4.32	4.32	4.2	6.0	6.0	6.0
Revenue growth from Premium and investment returns for sustainability of the scheme as a short-term insurer	Increased Returns from investable capital which can cover the claims payment	• Investment in not only liquid assets but also in other short-term investment suitable for an insurer	7.3%	7.3%	7.3%	7.3%	8%	8%	8%

Outcome	Output	Output Indicators	Annual Targets						
			Audited /Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
A high impact and high-performance Institution that is responsive to government's microeconomic policies	Leverage private sector funding to issue guarantees to government priority sectors	Approvals to PFIs(R'000) **Supplier credit and others**	70 000	100 000	0	60 000	150 408	154 693	159 191
		Taken-ups by PFIs (R'000)	28 825	152 848	103 810	112 000	90 245	92 816	95 515
		SMMEs Financed (#)	111	851	320	156	361	371	382
Develop KCG brand value-proposition for the intended target markets, improve distribution reach, and establish winning collaborative models	Strategic partnership with industry bodies such as BASA to promote the scheme	Approvals to PFIs(R'000) **Commercial banks**	60 000	10 000	210 000	240 000	399 583	410 965	422 917
		Taken-ups by PFIs (R'000)	17 845	10 000	15 700	100 643	199 792	205 483	211 459
		SMMEs Financed (#)	21	10	2	51	133	137	141
		Jobs Facilitated (#)		105	1 018	2 066	11 522	11 850	12 195
		Women Owned Businesses (R'000)		30 773	28 747	25 374	145 018	149 149	153 487
		Youth Owned Businesses (R'000)		32 706	11 160 3	22 851	116 015	119 319	122 789
		Black Owned Businesses (R'000)		130 680	103 811	86 919	203 026	208 809	214 881
		People with Disabilities Owned Businesses (R'000)		0	0	0	8 701	8 949	9 209
		Disbursements to businesses in Rural Towns and Villages (R'000)		15 078	12 889	65 256	130 516	134 234	138 138

		Disbursements to Businesses in Townships (R'000)		4 114	11 384	36 276	72 509	74 575	76 743

Indicators, Annual and Quarterly Targets 2020/21 – Khula Credit Guarantee

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Supplier Credit and others - PFIs	**3**	1	1		1
• Approvals (R'000) **supplier Credit and others**	150 408	30 082	45 122	45 122	30 082
• Taken-ups PFIs(R'000)	90 245	18 049	27 073	27 073	18 049
• SMMEs Financed (#)	361	72	108	108	72
Commercial Banks - PFIs	**6**	2	1	2	1
• Approvals (R'000) **Commercial Banks**	399 583	79 917	119 875	119 875	79 917
• Taken-ups -PFIs Partners (R'000)	199 792	39 958	59 938	59 938	39 958
• SMMEs Financed (#)	133	27	40	40	27
• Jobs Facilitated (#)	11 522	2 304	3 457	3 457	2 304
• Women Owned Businesses (R'000)	145 018	29 004	43 505	43 505	29 004
• Youth Owned Businesses (R'000)	116 015	23 203	34 804	34 804	23 203
• Black Owned Businesses (R'000)	203 026	40 605	60 908	60 908	40 605
• Businesses owned by People with Disabilities (R'000)	8 701	1 740	2 610	2 610	1 740
• Disbursements to businesses in Rural Towns and Villages (R'000)	130 516	26 103	39 155	39 155	26 103
• Disbursements to Businesses in Townships (R'000)	72 509	14 502	21 753	21 753	14 502

Annual Operational Plan – Khula Credit Guarantee
Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
Partnerships with Non- Bank Financial Institutions (NBFIs), Corporates and Incidental Credit Lenders. These will Institutions responsive to government priority sectors	NBFIs signed up as **KCG** Partner Financial Institutions (PFIs)	2		• Outreach to NBFIs. • Industry workshops on Access to Finance would provide a data base of potential partners	FY 2021		• KCG active participation on National Treasury – FinMark Trust- Access to Finance Workshops	KCG Operations Unit
				• Due diligence • Approval • Contracting • Taken-up of facilities (utilisation)		Travel – Client Visit	Supplier Credit Guarantee Agreements Portfolio Guarantee Agreements	• KCG Operations • Credit Risk • Legal Department
Partnerships with Commercial Bank to reach a wider target market and maximise the leverage effect with the banks	Commercial banks signed up as KCG Partner Financial Institutions (PFIs)	2		• Outreach to Commercial banks directly and via BASA involvement. • Industry workshops on Access to Finance would provide a data base of potential partners	FY 2021		• KCG active participation on BASA events, National Treasury – FinMark Trust- Access to Finance Workshops	KCG Operations Unit
				• Due diligence • Approval • Contracting • Taken-up of facilities (utilisation)		Travel –	Portfolio Guarantees Agreements	• KCG Operations • Credit Risk • Legal Department

Development and expansion of guarantee products which are responsive to market and client needs	Signing up of new guarantees such as: • Performance Guarantees • Micro-Insurance Schemes • Wholesale Guarantees	1 (new product)		• Research with the FSCA and PA into the legalities and capital requirements on how to acquire micro-insurance business and performance guarantees. • World Bank and EU assistance into the implementation of wholesale guarantees.	FY 2021	Research costs and travel costs	Properly designed guarantee products accepted by Partner Financial Institutions	• Research Unit • Operational Risk • KCG
				• Due diligence • Approvals • Contracting • Taken up status	FY 2021		• Guarantee product agreements	

1.1.4 Sub-programme: Direct Lending (DL)

Purpose of Programme:

With the establishment of **sefa** in 2012, the Direct Lending funding programme was specifically introduced to address this market's failure and to facilitate a closer relationship between **sefa** and its target market to complement Wholesale Lending.

The Direct Lending programme has been designed to provide tailor-made solutions to SMMEs and Co-operatives in the formal sector of the economy that require support for business start-ups or expansions through the provision of finance for asset acquisition and working capital.

Products offered are term loans, bridging loans, revolving credit, instalment sale agreements as well as non-financial support services. Funding to SMEs ranges from R50 000 to R15 000 000. The funding is offered through the **sefa**'s regional offices, co-location network and the Finfind access to finance portal.

sefa's impairment levels have always been expected to be higher than those of other financiers, due to the following reasons:

- **sefa** addresses a market failure and targets clients that are not in a position to receive funding from commercial banks.
- **sefa** takes limited security as its target market does not have security.
- **sefa** does not have access to the normal bank accounts of clients through which it can monitor the real-time cash movements of its clients.
- **sefa**'s target market represents a higher risk profile.

Direct Lending has over the years implemented various strategies to manage its impairment levels and ensure collections from its clients. These interventions have seen some traction in reducing impairments however consistent efforts are still being made to reduce them even further.

Direct Lending approvals in FY19 experienced a **38% growth** to R272 million from R197 million in FY18. This is the first growth recorded since FY15. In line with Direct Lending approvals, disbursements followed suit with a **32% growth** to R158 million from R119 million in FY18. It is envisaged that with continued effort from the Direct Lending team an **upward trend** in approvals and disbursements will be achieved despite the depressed South African economy. It is important to note that cconsistent growth in the Approvals and Disbursements of Direct Lending year on year is critical to achieve overall sustainability.

Strategic Initiatives 2020/21

For the 2020/21 financial year, the Direct Lending programme will focus following

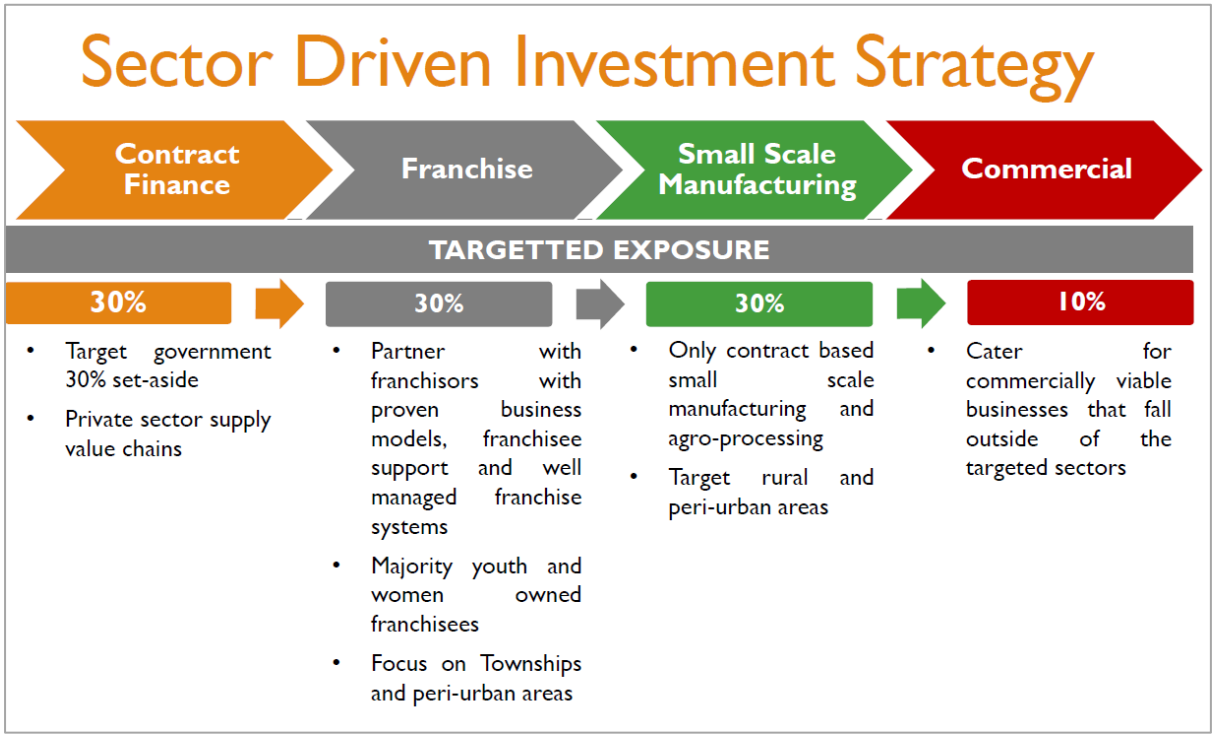
Strategic Initiative 1: Grow the Direct Lending loan book through supporting sustainable job absorptive sectors (sector investment strategy) with a biases to townships, rural, youth and women owned enterprises.

One of the major drivers of the high impairments in Direct Lending is the lack of portfolio construction and concentration limits in terms of exposures in certain sectors. Direct Lending has high over-

exposure to the contract finance where funding is short term in nature and therefore limited income generation opportunity as well as significant challenges in effecting cession of payments. In addition, due to the over reliance on walk in clients, Direct Lending has onboarded clients across various sectors that it does not have the specialist skill to adequately assess the risks associated with those sectors.

Direct Lending intends on focusing on four core sectors in its investment strategy i.e. Contract Finance, Franchise, Small Scale Manufacturing and Commercial. The sectors are not only in line with national priorities, but they are also job absorptive sectors. Through a targeted sector driven investment strategy, Direct Lending will be able to achieve the following:

- Portfolio diversification incorporating longer term investments with greater impact and more sustainable jobs
- Develop inhouse sector specialist skills that will ensure improved quality investments
- Improved financial sustainability of Direct Lending through lower impairments



The above sector investment strategy will cater for the following:

1. **Contract Finance**

   Contract Finance will cater for the government strategy of 30% set aside for SMME's. As is currently experienced, there are a substantial number of SMME's that are accessing these contracts from government, however **sefa** needs to limit its exposure to fund only those government entities that will grant **sefa** cession of payment and will also ensure that the cession is honoured.

   Most the funding provided in contract finance is very short term in nature as well as single contract clients, therefore presenting various risks that are difficult to mitigate. **sefa**'s exposure will be capped to 30% of all new funding approved in the 2020/21 FY to diversify the portfolio.

2. **Franchise**

   Direct Lending intends to invest in franchise outlets with a funding structure that addresses the 50% unencumbered funding required to viably invest in established franchises. By so doing, this will ensure that the franchise outlets are not heavily geared from commencement of operations and therefore able to weather the initial business start-up phase.

   sefa will target reputable franchise concepts to support entrepreneurs wishing to start new businesses as well support existing enterprises with expansion capital. It will provide **blended finance** to provide an innovative funding solution to address the 50% unencumbered funding required by franchisors where the business creates a minimum of 10 jobs.

   sefa's exposure in franchise finance will be increased to 30% of all new funding approved in the 2020/21 FY to increase longer term funding and build sustainable businesses.

3. **Small Scale Manufacturing**

   Direct Lending intends to support businesses in the small-scale manufacturing sector to unlock the opportunities that the sector provides in terms of job creation, in line with the national priorities. **sefa** will provide **blended finance** to manufacturing clients that create a minimum of 10 jobs.

   sefa's exposure in manufacturing finance will be increased to 30% of all new funding approved in the 2020/21 FY to increase longer term funding and build sustainable businesses.

4. **Commercial**

   Direct Lending recognizes that there will be commercially viable opportunities that do not fit into the contract finance, franchise or manufacturing sectors. Therefore, there will be funding made available for these businesses. This funding will be ideally for expansion capital of existing SMME's that have a track record along with demonstrable ability to service the funding required.

   sefa's exposure in other sectors will be limited to 10% of all new funding approved in the 2020/21 FY in order to that the targeted sector strategy is implemented. This will also afford Direct lending the opportunity to build skills in the core sectors it is targeting.

Strategic Initiative 2: Drive Direct Lending sustainability through revenue generation and cost reduction.

Direct Lending seeks to improve **sefa**'s overall sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions.

In an effort to increase revenue generation for Direct lending new products will be explored and enhanced such as SMME Commercial Property, Blended Finance etc. These products should ensure improved competitiveness of SMMEs while creating additional sustainable revenue streams for **sefa**.

Direct Lending will seek to implement a white labelled technology solution for the delivery of smaller loans i.e. loans below R250k through partnering with a Fintech provider. This is mainly driven by the fact that **sefa** is restricted by the National Credit Act in terms of interest and fees changed on these smaller loans therefore the Direct lending model will remain unsustainable to deliver the small loans. Through the use of technology, Direct lending will be able to cater for this market in an effective manner.

Regarding costs of Direct Lending, regional offices will be streamlined to ensure that the optimal staff compliment per region is achieved as well as the correct skills per regional office.

Strategic Initiative 3: Enhance Direct Lending's value proposition and improve brand visibility through strategic partnerships.

In order to develop **sefa**'s brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models, Direct Lending seeks to strengthen its strategic partnerships.

A sustained focus on delivering more collaborative partnerships with various members of the SMME ecosystem including public and private sector in order to unlock more quality and lower risk SMME applicants. This will be achieved through targeting of national, provincial and district partnerships that will provide a quality pipeline for **sefa** to fund.

In addition, Direct Lending will continue to host provincial **Youth Pitch for Funding Sessions** in various districts across the country through the Small Business and Innovation Fund (SBIF) in support of the target of the **100 000 Youth owned enterprises** to be support over 3 years.

Enhanced collaboration between **sefa**/Seda collaboration will be an area of focus in delivering non-financial support services to SMMEs particularly pre-application support to ensure seamless value chain between the agencies.

Strategic Initiative 4: Adopt a high-performance culture through robust performance management and incentives that reward excellence.

In order for Direct lending to develop a high-performance culture, it is critical that there be a reorganisation and /or capacitation of the Direct Lending front office staff to ensure competent and quality assessment of deals coming to Direct Lending across all regional offices.

Performance management will be a key driver in driving a high-performance culture through the implementation of quarterly performance reviews and consequence management where applicable. Equally the recognition of high performance through the implementation of deal makers of the quarter and the year will improve overall staff morale.

Strategic Initiative 5: Improve Turnaround Times

Direct lending has commenced with an Automation Project implemented by the Project Management Office (PMO) in **sefa**. The Automation project will focus on the front-end processes in Direct Lending, from an enquiry to disbursement of funds to beneficiaries, to identify processes that can be automated in order to improve efficiencies and result in quicker turnaround times. The project is being scoped and will be implemented in FY2020/21.

sefa Annual Performance Plan – Direct Lending
Outcomes, Outputs, Performance Indicators and Targets

Outcome	Output	Output Indicators	Audited /Actual Performance		Estimated Performance	(Projected) 2020/21	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20			
Increase value of Approvals and Disbursements year on year	Increase Access to Finance for SMMEs and targeted groups.	Value of Approvals: small & medium enterprises (R'000)	R197 000	R272 644	R280 800	406 914	422 259	438 372
		Value of Disbursements: small & medium enterprises (R'000)	R119 000	R157 677	R223 210	325 531	357 807	370 698
		No. of SMMEs and Co-operatives financed	175	190	149	1 053	1 283	1 292
		No. of jobs facilitated (created and sustained)	1775	3124	2790	3 958	4 334	4 495
		Disbursements to black-owned enterprises (R'000)	R83 300	R110 374	R156 247	314 840	325 581	336 860
		Disbursements to women-owned enterprises (R'000)	R53 550	R70 955	R100 444	146 489	178 904	185 349
		Disbursements to youth-owned enterprises (R'000)	R35 700	R47 303	R66 963	97 659	143 123	148 279
		Disbursements to township-owned enterprises (R'000)	R29 750	R39 419	R55 802	176 729	180 565	184 593
		Disbursements to enterprises owned by people with disabilities (R'000)	R2 261	R2 996	R4 241	9 766	10 734	11 121
		Disbursements to businesses in rural towns and villages (R'000)	R53 550	R70 955	R100 444	146 489	161 013	166 814

Indicators, Annual and Quarterly Targets – Direct Lending

Output Indicators	Annual Target 2020/21	Q1	Q2	Q3	Q4
Value of Approvals: small & medium enterprises (R'000)	406 914	81 383	84 452	87 674	91 058
Value of Disbursements: small & medium enterprises (R'000)	325 531	65 106	71 561	74 140	76 847
No. of SMMEs and Co-operatives financed	1 053	211	257	258	260
No. of jobs facilitated (created and sustained)	3 958	792	867	899	933
Disbursements to black-owned enterprises (R'000)	314 840	62 968	65 116	67 372	69 741
Disbursements to women-owned enterprises (R'000)	146 489	29 298	35 781	37 070	38 423
Disbursements to youth-owned enterprises (R'000)	97 659	19 532	28 625	29 656	30 739
Disbursements to township-owned enterprises (R'000)	176 729	35 346	36 113	36 919	37 765
Disbursements to enterprises owned by people living with disability (R'000)	9 766	1 953	2 147	2 224	2 305
Disbursements to enterprises located in villages and rural enterprises (R'000)	146 489	29 298	32 203	33 363	34 581

Annual Operational Plan - Direct Lending

Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
Enhanced value proposition	Seda / **sefa** collaboration			• Seamless utilisation of common business plan template • Pre-investment support of SMMEs that are not funding ready	Q2 FY21			Business Development
Contribution to 100 000 Youth owned enterprises	Youth Pitch for Funding Sessions	24 pitch sessions in different districts across the country	6 x pitch sessions per quarter	• Host Pitch sessions across the districts throughout the country	2 session per month		Small Business & Innovation Fund	HoDs DL
Enhanced value proposition	Private Sector partnerships - Manufacturing	2 x new manufacturing partnerships for the year	1 x partnership biannually	• Research appropriate partnerships that will enhance reach of targeted groups • Structure a facility to fund the pipeline provide by partnership Ensure implementation of the facility				Resource Required
Enhanced value proposition	Private Sector partnerships - Franchise	4 x new franchise partnerships for the year	1 x partnership per quarter	• Research appropriate partnerships that will enhance				Resource Required

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
				reach of targeted groups • Structure a facility to fund the pipeline provide by partnership • Ensure implementation of the facility				
Enhanced value proposition	Public Sector partnerships – municipal LED Offices			• Ensure that LED Officers are trained on the **sefa** product offering to increase reach	Q4 FY21	Travel costs		Business Development
Revenue generation	white labelled technology solution			• Research potential partners • Issue an RFQ • Appoint service provider' • Implement solution	Q3 FY21	To be determined	Small Business & Innovation Fund	Resource Required
Revenue generation	New Product development				Q2 FY21			Resource Required
Cost reduction	Regional Office realignment				Q2 FY21		Human Capital Support	Executive DL

1.2 PROGRAMME 2: POST INVESTMENT / WORKOUT AND RESTRUCTURING MANAGEMENT.

Purpose of Programme

PIM and Workout is a core support function of the Investment business and it solely exists to ensure that **sefa** can:

a) Build sustainable investee companies that will create value for the entrepreneurs. This in turn ensures that **sefa**'s investment is protected, fully repaid and that jobs are sustained.
b) Contain and reduce portfolio impairment rates of the investments made in order to ensure that **sefa's** capital base is not eroded. Reducing the portfolio impairment rates to minimal levels will guarantee the sustainability of **sefa.**
c) Manage and improve portfolio collections.

The above can only be achieved through dedicated sub-programmes that are managed by collecting and analysing client data to make informed decisions about each investment.

The focus of PIM and Workout department is therefore on the following value creating activities:

a) Investment Monitoring
b) Debtors Management
c) Restructuring and Workouts
d) Business support

The above sub-programmes and related strategic initiatives are discussed under section 3 of this report.

The above sub-programmes should not be generic but should be designed to manage investments based on the risk appetite that **sefa** assumes during the onboarding of investments. The higher the risk appetite the more intense the activities within these sub-programmes should be. While the investment team may be working hard to select the best investments available, the reality is that **Sefa** operates in a developmental finance environment which is naturally high risk. This mainly comprises of start-up business where owners have limited industry experience or acquisition of established business where owners lack experience or intermediaries that have experience on the field but investing the funds on risky investments.

sefa's portfolio risk is also increased by the fact that **sefa** follows a cash flow-based type of lending with little security as opposed to the collateral-based model that is used by commercial banks. Past financial statements of entities are analysed with an intention to predict the future growth of the business, however, most of the businesses that are funded are not well-established entities with guaranteed future cash flows.

Given the high level of risk that is being assumed by **sefa** on its investments, **pro-active management** of the portfolio should be a priority. If the pro-active approach to investments management is followed, PIM should be able to foresee Investee problems prior to the problems materialising by performing thorough client data analysis. This means that PIM should develop a clear client onboarding plan that will identify all the risks of the investee company as well as possible interventions to ensure that the risk is minimised. The capability to analyse Investee data (qualitative and quantitative), experience, knowledge and relationship management skills are

critical within PIM and Workout. This will enable the team to effectively manage investments and make swift decisions about the Investees.

Analysis of Performance

PIM and Workout Unit has a task of effectively and efficiently managing all the investments of **sefa** whether in a form of loan advances or funds. **sefa's** investments are categorised into Wholesale Lending and Direct Lending. The Wholesale and Direct Lending portfolios are made up of investments from various funds and these include **sefa's** own allocated funds, funds from EU, and Funds from the Department of Small Business Development (DSBD) for blended finance and the Small Business Innovation Fund (SBIF). The total book performance is as follows:

Product	Exposure - 31 March 2019	Balance at Risk 61 days + March 2019	PAR %	Exposure - 30 Sept 2019	Balance at Risk 61 days + Sept 2019	PAR %
Retail Financial Intermediaries	377 434 525	179 076 797	47%	381 619 460	189 349 781	50%
Funds	344 135 123		0%	352 560 196	-	0%
Land Reform Empowerment Facility	284 737 154	15 495 818	5%	304 565 644	56 534 849	19%
Micro Finance Institutions	72 068 904	52 017 635	72%	105 408 784		0%
Fresh Produce Markets	631 212	325 594	52%	587 750	587 750	100%
Co-Operatives	72 435 420	66 860 758	92%	74 998 431	69 562 591	93%
WL Total	**1 151 442 339**	**313 776 602**	27%	**1 219 740 263**	**316 034 971**	26%
Direct	**726 124 666**	**568 311 395**	**78%**	**810 181 754**	**620 466 447**	77%
Grand Total	**1 877 567 005**	**882 087 997**	**47%**	**2 029 922 017**	**936 501 418**	**46%**
Legal Book - Sept 2019						
Wholesale	345 157 301					
Direct	535 513 505					
Total	**880 670 806**	**43%**				

Challenges

The PIM and Workout Unit has witnessed the rise in portfolio impairment levels and a reduction in real time collections. The portfolio at risk has been increasing as well. There are various contributors to these challenges and below is a snapshot of internal and external contributors:

<u>Internal challenges affecting the book performance:</u>

- Inadequate resources that are delegated to debtor's management. **sefa** has a book of about R1.8 billion and based on the current model, it is expected that the portfolio monitoring officers must also be debt collectors (soft collections). This creates a relationship conflict with the client whereby the monitoring officer is meant to establish a solid relationship with the client in order to manage the portfolio effectively and at the same time be responsible for collections. This is also the reason for in-effective debtors' management process whereby the defaulting clients are not contacted on time, demand letters are not issued on time, payment arrangements (reschedules) process is not efficient, inefficient write-offs process, delayed hand over to legal and lack of efficient legal process amongst other issues. Hard collections are managed by a team of three people, however, there is no collections policy and processes. This is currently being developed and is part the deliverables for 2020/21.
- Inadequate resources in the restructures and workout. Currently there is no resource in the workout and restructure team, as a result there are no streamlined interventions on clients that are struggling to meet monthly obligations, hence the negative roll rate on the portfolio is so high. This means that even clients that could be saved are not saved and they progress naturally to

non-performing loans resulting in high impairments. The portfolio at risk keeps growing because this tool of managing the portfolio is non-existent.

- Lack of proactive portfolio management strategies.
- Quality of investments (book) especially the legacy book.
- Lack of skills within the team to analyse both qualitative and quantitative data in order to reach informed decision about the investees. This results in delayed decisions about the investments.
- Lack of systems to manage the whole PIM and workout process resulting in inefficiencies.
- Lack of planning, and methods to manage the portfolio. The team is reactive to changes on the portfolio because there is no full understanding of possible business risks and the business model of the investees.
- Excessive reliance on Mentors and lack of timeous implementation of the recommendations by Mentors,
- Lack of systematic schedule for client visits resulting in an in-effective office-based method of monitoring investments.

External challenges affecting the book performance

Challenges	Solutions
unpredictable Electricity supply. This means fewer operating hours for clients resulting in low revenue figures affecting the client's ability to repay debt. This also results in damaged equipment which increases costs of repairs thus reducing the clients cash flows	▪ An assessment of the affected clients' needs to be conducted and rescheduling of payments could be proposed for those clients who were severely affected so that they can rebuild their cash flow reserves ▪ **sefa** should continue to assess the electricity supply situation and its impact on existing clients. It is recommended that **sefa** should consider buying generators for affected clients using a combination of debt and grant Power generators should be considered for future investments where necessary.
State of the economy and its negative impact on SMMEs	▪ SMMEs should be assisted to unlock new markets using the services of mentors, rescheduling and restructuring of accounts should be done swiftly on affected clients. For those that are completely out of business, legal must move quickly.
Interest rates - The inflation targeting policy of the South African Reserve Bank (SARB) has created a stable interest rate environment. However, expectations are that SARB will use monetary policy to stimulate economic activity.	▪ Reduced interest rates improve the affordability of loans by the clients. given the current state of the economy, reduction of interest rates offers a much needed relief for the clients.
Government not paying clients on time. This affects the client's ability to repay **sefa** facilities resulting in low	▪ Proactive portfolio management has started where all movements in accounts are monitors but mostly where the Post

collections and contributing to high impairments in some instances.	Investment Associate is expected to know the challenges faced by the clients so that the accounts are corrected on time. ▪ Establishing relationships with various government entities in order to ensure that our clients are paid on time and to be informed if the government entity/department has problems with funds. This will help in managing the book in such a way that the account will be rescheduled accordingly while waiting for payment.

1.2.1 Investment Monitoring (Pro-active Portfolio Management)

The purpose of effective investment monitoring function is to increase the chances of success in every investment that is made by **sefa**. This is done through developing a solid monitoring process that will inform a Post Investment Associate (PIA) about the required level of involvement in an investee. Thorough assessment of the Investee business model, risks involved, chances of scale up and building plans around that including helping the entrepreneur to improve business efficiencies should be part of monitoring planning. Monitoring PIA's should familiarise themselves with all the Investments in their portfolio and develop metrics to monitor each client because all clients are different.

The PIA should understand the client from turnover (revenue model) to net profit including the contributors to turnover, cost structure as well as the number of days it takes the client to break even. This will help in understanding if the client will be able to pay the next instalment or why the instalment has been missed.
PIA should own the relationship with the client, mentors/industry experts should be used to provide specialised skills in order to assist the client. Mentors should not perform the monitoring work of the PIAs as this will always leave **sefa** exposed to the risk of collusion and not having full control of Investee business.

Portfolio monitoring is about pro-active management of the investment from the hand over date until the investment has yielded the desired returns. To do it better, PIM should be involved in transactions prior to disbursement so that proper monitoring planning is done. This will enable PIM to engage the client from day. Pro-active management of the portfolio is a forward-looking method of managing investments, it also allows the PIA to check the blind spots to effectively manage the portfolio.

A thoroughly planned monitoring process should enable post investment to foresee problems other than being reactive. This means that this function must not wait for client's problems to materialise but must work with the client to develop plans to prevent risks from materialising. Monitoring should also work as a feeder to the restructure and workout department.

Monitoring is about client visits and engagements, collection of information, managing of covenants, site visit reports, preparing lessons learnt, analysing the information received from the

clients in order to make informed decisions about the investment. Therefore, The team must have the skills to analyse the information (Financial statements, bank statements, site meeting minutes, project progress reports, business plans, financial projections, product costing, strategy documents amongst other reports) provided in order to make informed decisions about the investments. This will also enable PIM to develop relevant lessons learnt across all sectors. This will then be used to influence the investment process as well as sectors that **sefa** should fund.

Strategic initiatives 2020/21

The sustainability of **sefa's** investments remains a priority. Effective portfolio monitoring will result in various interventions as discussed above. This will in turn reduce impairments and/or portfolio at risk. This should in turn improve the collections rate. In order to perform effective monitoring, the following initiatives must be between the last quarter of 2019/20 and first quarter of 2020/21:

a) **Development/Review of current loan management processes.** New/improved client on boarding form, entrepreneur risk assessment matrix, business risk assessment matrix and sector-based monitoring information collection form, will be developed, site report templates will be improved.

b) **Investment Monitoring Systems.** A monitoring system must be developed: this will include an early warning signal system At least a prototype for the early warning signal system must be available within the last quarter of 2019/20. The system will accommodate both Direct and Wholesale Lending clients. The monitoring system must be able to automate the monitoring process from on-boarding to report writing including analysis of data. This will improve the monitoring process of individual clients but will also give the monitoring team benchmarking data on similar investments within the portfolio. The availability of analysed data will enable PIM to contribute meaningfully the assessment of new investments.

c) **Establishment of a high performing team: Skills acquisition and development:** In order to effectively manage **sefa's** investments through analysing client data as well as developing models that will ensure that the investments are sustainable, the monitoring division must be resourced with skilled personnel and the existing employees must be upskilled. Both Direct and Wholesale Lending portfolios need to be strengthened with a combination of well experienced personnel in post investment management and financial accounting personnel. Based on the current analysis of employee skills and qualifications, about 45% of the employees do not possess the required skill and qualification to perform effective portfolio monitoring and risk management.

d) **Pro-active Loan Book Management.** The Monitoring division, after applying due processes and analysing the book properly based on information submitted by clients on a monthly basis, should be able to report on challenges faced by clients, which clients are eligible for urgent interventions through rescheduling and restructure. Based on analysis to date, an amount of R104 million should be restructured between Q4 of 2019/20 and Q1 of 2020/21 financial years. Rescheduling of accounts will be done monthly on a need basis.

e) **Collaboration:** This involves working together with Direct Lending and Wholesale Lending teams to improve portfolio performance**.** Monthly effective meetings with HOD's of Direct and Wholesale lending to go through client challenges with a view of finding effective solutions. The meetings should be based on reports that would have been prepared and shared with the HOD's prior to the meeting. Meeting for different portfolios will be held at different times in order to efficiently utilise resources. These meetings should also give PIM an opportunity to share lessons learnt with the Investment team with a view to ensure that new investments are executed differently.

f) **Understanding of the underlying investments on wholesale lending in order to measure the impact of sefa's funds on the investees.** This will be an ongoing process for 2020/21 however caution will be exercised in ensuring that the business of intermediaries is not compromised.

g) **Top 20 client reporting and interventions.** The focus on top 20 exposures will continue in order to keep an eye on the transactions whose non-performance would have a huge impact on the income statement and balance sheet of **sefa.** Legal work will be intensified on those transactions that are with legal in order to ensure that **sefa** has a reasonable chance of collecting funds.

1.2.2 Debtors Management

All things equal, no matter how much efforts can be dedicated to investment monitoring, business support and onboarding quality of investment, if debtors' management is not prioritised, all the other efforts will be in vain. Collections and general debtor management are a key part of the business, this is where the soft and hard loan collections techniques are developed. The priority of this function is collections and the following are some of the activities that will be carried out:

a) Monthly analysis of collections report and plan actions
b) Monthly calling of clients that have missed instalments demanding repayments
c) Rescheduling of instalments when clients are facing difficult times, and this is done in communication with the investment monitoring team.
d) Follow-up on commitments not honoured
e) Issuing of letters of default and letters of demand together with legal
f) Issuing of loan statements
g) Handing over of accounts to legal
h) Handle liquidation, business rescue and auction matters working together with legal
i) Handling of restructured accounts until they are fully rehabilitated
j) Management of non-performing loans
k) Preparing account write-offs

Portfolio collection is at the end of the investment process, in most times, it is really one of investment success measurement tool. When the quality of investments is prioritised at onboarding stage, the monitoring of investments is intensified, and business support is adequately provided, the chances of investment failure are minimised. This normally results in improved collection rates.

Hard collections should be the responsibility of both PIM and Legal department, once the file is handed over to Legal, Legal should pursue the clients following a litigation process and policy. However, the hard collections PIM team should always be available to assist.

Strategic initiatives 2020/21

a) Separation of debtors' management from investment monitoring and adequately capacitating both units. It is anticipated that some of the employees that are currently performing the Investment monitoring function be moved to debtor's management.
b) Develop a debt management policy and processes
c) Clearly separate specialised collections and soft collections
d) Develop a collections/debtor's management system.

1.2.3 Restructures and Workout

This is a dedicated unit with a focus that support funded clients whose business go into distress and have difficulty in honouring loan repayment commitments. It requires financial skills, deal making experience, financial modelling, due diligence skills as well as excellent report writing skills. Given the current status of the South African economy and the negative impact on the SMMEs' operations (i.e. the inability to generate sufficient cash flows).

Strategic initiatives 2020/21

During the 2020/21 financial year, the strategic focus for the Unit:

a. To operationalise and capacitate the unit with the necessary skills needed to timeously engage companies that are showing signs of distress.
b. To develop a Fund for SMMEs and Co-operatives in distress - Previous studies indicate that 78% of start-up enterprises fail within the first three years of operation. In addition, the prevailing low economic growth environment negatively impacts on businesses profitability and survival. To reduce the mortality rate in SMMEs, especially those that are in distress but have the potential to be turned around, **sefa** in conjunction with Seda and DSBD will introduce a dedicated fund for small businesses in distress. The proposed fund will comprise of support in the form of non-financial as well as financial interventions. The criteria for the implementation of the fund will be developed in the FY2020/21 to ensure that we systematically and clinically intervene in those businesses that are distressed due to the prevailing economic conditions.
c. Develop a restructuring diagnostic tool
d. Enhance templates for restructures
e. Develop a restructuring framework.

1.2.4 Business Support Interventions

This leg of the post investment strategy revolves around providing the applicant with additional interventions that are beyond the normal monitoring, restructurers and debtors management. The interventions that could be offered to clients must be determined at the deal

origination/investment stage as well as during the post investment pre-planning phase of the investment cycle.

The interventions that can be offered are either training or mentorship depending on the gaps identified. **sefa** currently utilise the service of mentors but there is an over reliance on mentors while at the same time there is a little implementation of the recommendations. The overall objective is not to lose touch with the investments that **sefa** has made. Mentors should be utilised for specialised skills that the team doesn't have but the responsibility of knowing the client's business remains with the monitoring team.

The services of industry experts can be utilised in cases of complex and specialised matters like agriculture and complex manufacturing businesses as well as training.

This function of PIM will also be responsible for stakeholder engagements with a view to develop partnerships that will provide value add to **sefa** clients**.** For example, the plan is to target various ESD funds and with an intention to introduce **sefa'**s clients that could offer products that are relevant to the various funds. This will help establish additional markets for **sefa's** clients contributing to the sustainability of investments.

Outcomes, Outputs, Performance Indicators and Targets – PIM & Workout and Restructuring

Outcome	Outputs	Output Indicators	Audited/Actual Performance		Estimated Performance	(Projected) 2020/21	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20			
Impairments	Improved Impairment rates	Achieved Impairment rate of 33%	37%	47%	40%	33%	30%	28%
Collections	Efficient Collections Management	Collections	118%	91%	85%	85%	85%	85%

Indicators, Annual and Quarterly Targets - PIM & Workout and Restructuring

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Impairments (Including equities and excluding DL portfolio disbursed before 1 April 2016)	33%	33%	33%	33%	33%
Collections (Active Book)	85%	85%	85%	85%	85%

sefa's total all-in collections rate is targeted at 85%. This rate refers to the minimum cash that **sefa** collects out of total instalments raised on a monthly/quarterly/annual basis. This rate will be reviewed annually in line with proposed improvements on the on-time collection rate.

PIM and Workout

PIM will be measured on improvements on the on-time rate as well as the arear collection rate on the defaulting or legal book. The average on time collection rate is 47% and this is the rate that PIM with all the proposed measures is aiming to improve. Over the planning period, this ratio is expected to be as follows:

Detail	2020/21	2021/22	2022/23	2023/24	2024/25
On-Time collection rate	47%	55%	60%	65%	65%

Outcomes, Outputs, Performance Indicators and Targets – PIM & Workout and Restructuring

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Dependencies	Responsibility
Loan/Client management processes	Effective client management processes: ▪ client onboarding form ▪ entrepreneur and business risk assessment matrix ▪ sector based client information collection form ▪ site visit report templates ▪ client data analysis templates	Documented processes and templates	Documented processes and templates	Review of current on boarding, monitoring and debt management processes Benchmarking of effective processes Obtaining expert services to assist with the development of the tools and development of the tools Implementation	Q1 and Q2		PIM EXEC and HOD's
Establish a high performing team	▪ Efficient PIM structure ▪ No vacancies ▪ Developed employees ▪ Skilled personnel	Fully resourced and high performing team	Complete analysis of skills Talent acquisition Internal and external Training	Analysis of current and required skills set Development of a PIM structure, obtaining relevant approvals and implementation Talent acquisition and management	Q1 and continuous	Budget	PIM EXEC

				Training of employees			
Collaboration with business	▪ Positive influence on the investment process ▪ Influence on investments made ▪ Value add service	Value add services to the Investment Team	Lessons learns to be provided on all new applications Quarterly meetings	Providing lessons learnt on loan applications Analysing internal client performance and provide data on how funded clients in various sectors are performing in order to add value on which sectors should be funded Quarterly meetings with Wholesale and Direct Lending HOD's to analyse the performance of the book with a view to enhance due diligence process	Ongoing		PIM EXEC, PIM HOH's, DL&WL HOD's
Post Investment Monitoring system	A system that supports: ▪ client on-boarding, ▪ entrepreneur risk assessment matrix ▪ collections/debt management, ▪ business support, ▪ Site visit planning, client data collection form, client data analysis including early warning signals, ▪ work out and	Business support system that will support the PIM business processes	Business process model (as is analysis and to be analysis) Functional specification IT system	Develop/enhance effective processes Develop functional specification Develop and deploy the system Monitor the implementation	Q1 Q2 Q3	Availability of resources	PIM HOD's with support of a Business analyst Business analyst IT and Business analyst

	restructuring matrix and ▪ loan book performance reports						
Post Investment management (Monitoring) and reports	▪ Pro-active portfolio management ▪ Client visit reports including client situational analysis reports ▪ Portfolio analysis reports ▪ Client Interventions ▪ Management of high value exposures	Effective Post Investment Monitoring Unit	Monthly reports on site visits including client situational analysis Quarterly portfolio performance reports to relevant committees	Site visits and obtaining client information Analysis of client data and make timeous recommendations for various interventions including restructures, rescheduling, access to markets, mentorships, and other services Monthly management of portfolio roll rates in order to implement effective monitoring measures Preparation and submission of monthly and quarterly reports Management of top 20 exposures Action recommendations of various committees	Ongoing		PIM EXEC and HOD's
Debt Management Policy and Standard	▪ Implemented policy and procedures	Approved policy and procedures	Approved policy and procedures	Drafting of the policy and procedures	Q1		PIM EXEC and HOD's

Operating Procedures				Consultation and inputs Refine the policy Submit to relevant approval structures Implementation of the policy			
Collections Management	▪ Effective Collections Team ▪ Monthly collections report that has all activities undertaken including arrangements ▪ Motivations for reschedules ▪ Hand over reports	85%	85%	Establishment of efficient debt management unit that will effectively manage soft and hard collections. Submission of monthly analysis of collections report Monthly engagements with clients that have defaulted on both active and non performing book Rescheduling on instalments where there are valid reasons Monthly management of collections roll rates Issuing of statements and letters of defaults/demand Handling over of account to	Q1 and ongoing		PIM EXEC and HOD's

				legal and working together with legal on all matters including those under litigation, business rescue and liquidation.			
Impairment management	▪ Achieve an impairment rate of 35%	33%	33%	Development of the impairment rate predictive management model Pro-active monitoring, analysis of the loan book, make timeous recommendations on various interventions loan to be restructured and written off. Implemented the recommendations based on approval	Q1and ongoing		PIM EXEC and HOD's
Impact of **sefa's** funds on selected Wholesale Lending investee companies	▪ Report on wholesale lending ultimate investee impact	Independent Report	Independent Report	Appointment of service providers	Q3 and continuous	budget	PIM Wholesale Lending HOD
Business support	▪ Mentorship support ▪ Effective client Interventions	Effective utilization of Mentor reports to assist funded	Effective utilization of Mentor reports to assist funded	Appoint Mentors on a case by case basis to assess business performance, to assist with management accounts, facilitate access to	Continuous		PIM HOD's

		businesses	businesses	markets for funded business and general mentorship amongst other activities			

1.3 PROGRAMME 3: Corporate Services

1.3.1 Sub - Programme: Financial and Supply Chain Management

Purpose:

The **sefa's** SCM division has been established to undertake a centralised key function of ensuring that all Business Units comply with the procurement policy and procedures and to assist in its implementation thereof. The approach adopted in developing **sefa** procurement policy is in pursuance with Section 217 of the Constitution of the Republic of South Africa, (Act No. 108 of 1996), which prescribes that goods and services must be contracted through a system that is fair, equitable, transparent, competitive and cost-effective.

sefa also acknowledges the supply chain management requirements contained in the Public Finance Management Act (Act No.1 of 1999) as well as the Preferential Procurement Policy Framework Act 2000 (PPPFA) and the amended Regulations.

sefa is committed to promoting economic growth through the advancement of preferential procurement from Historically Disadvantaged Individuals ("HDI's") and the promotion of local enterprises. The objective is to improve inclusive development and economic transformation through the procurement functions.

sefa is committed to spending to 2% of NPAT towards Enterprise and Supplier Development as prescribed by the Financial Sector Codes, **sefa** goods and services shall be procured in line with the below targets:

a. EME's or QSE's that are at least 51% black Owned with a turnover of less than R50 million.
b. Empowering Suppliers;
c. Being an active supplier with **sefa** having conducted business in the current financial year;
d. Create environmental sustainability probability factor and/or business growth potential through existing **sefa** mentors;
e. Black Women Owned SME's;
f. Designed groups

Finance will continue with a differentiated approach to fundraising, support **sefa** donor management function and facilitate draw-down documentation for approval. Sources of funding over the MTEF period will comprise of MTEF allocation, IDC loan and donor funding.

Further cost containment measures will be introduced (including staff costs, property expenses and the introduction of efficient and cost-effective procurement of goods and services). Cash preservation, cash management and quarterly cashflow forecasts will also become a priority.

Outcomes, Outputs, Performance Indicators and Targets - Financial and Supply Chain Management

Outcome	**Outputs**	**Output Indicators**	Audited /Actual Performance			Estimated Performance	**(Projected) 2021/22**	**(Projected) 2022/23**
			2017/18	2018/19	2019/20	2020/21		
Ensure financial sustainability of the entity and contain costs	Financial sustainability	Cost to income ratio (excluding impairments) * The cost to income ratios in the 2018 and 2019 financial years included impairments	102%	105%	62%	100%	100%	100%
Prudent cash management and securing of new and existing funding.	Raise additional funding through Shareholders and donor funding	Cash preservation and maintain positive cash balances throughout budget period (R'000). Accurate quarterly cash forecasts. Timely draw-downs from shareholder.	R492 398	R664 962	R650 570	R1 103 101 (Adequate cash to cover 6 months)	R1 652 916 (Adequate cash to cover 6 months)	R2 115 218 (Adequate cash to cover 6 months)

Increased process efficiency, reporting and automation	Enable decision making through use of (Vendor Rotation Management) VRM for purchases, ABC model and Finance Model for assessment of cost–benefit analysis and forecasting needs	Enhanced divisional reporting	Enhanced divisional through introduction of Financial Model and ABC model.	Enhanced divisional through introduction of Financial Model and ABC model.	Financial model fully implemented.	Use of Financial model and ABC model for quarterly reporting.	Use of Financial model and ABC model for quarterly reporting.	Use of Financial model and ABC model for quarterly reporting.
Raise additional funding through Shareholder	Procure funding for on lending	Shareholders loan draw down (R'000)	R NIL	R150 000	Budgeted draw-down (R NIL) - Actual draw-down will be based on cash needs and forecasts at that time. Quarterly meetings and discussions with IDC and National Treasury	Budgeted draw-down (R290 000) - Actual draw-down will be based on cash needs and forecasts at that time. Quarterly meetings & discussions with IDC and National Treasury	Budgeted draw-down (R200 000) - Actual draw-down will be based on cash needs and forecasts at that time. Quarterly meetings and discussions with IDC and National Treasury	

Compliance with regulations	No significant irregular and wasteful expenditure	Amount of irregular and wasteful expenditure.	No significant irregular and wasteful expenditure	No significant irregular and wasteful expenditure	No significant irregular and wasteful expenditure	No significant irregular and wasteful expenditure	No significant irregular and wasteful expenditure	No significant irregular and wasteful expenditure

Indicators, Annual and Quarterly Targets - Financial and Supply Chain Management

Output Indicators	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**
Cost to income ratio (excluding impairments) * The cost to income ratios in the 2018 and 2019 financial years included impairments	100%	100%	100%	100%	100%
Prudent cash management and securing of new and existing funding (R'000).	R1 103 101	Development of a quarterly cash flow forecasts model to correctly compute and ensure **sefa** has sufficient cash to meet 6 months operational expenses and loan commitments. Facilitate IDC draw-down. - Preparation of draw-down documents, and - seek proper approvals at appropriate levels	Development of a quarterly cash flow forecasts model to correctly compute and ensure **sefa** has sufficient cash to meet 6 months operational expenses and loan commitments. Facilitate IDC draw-down - Preparation of draw-down documents, and	Development of a quarterly cash flow forecasts model to correctly compute and ensure **sefa** has sufficient cash to meet 6 months operational expenses and loan commitments. Facilitate IDC draw-down	Development of a quarterly cash flow forecasts model to correctly compute and ensure **sefa** has sufficient cash to meet 6 months operational expenses and loan commitments. Facilitate IDC draw-down - Preparation of draw-down

Output Indicators	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**
		Quarterly meetings and discussions with IDC and National Treasury to discuss **sefa**'s financial sustainability	- seek proper approvals at appropriate levels Quarterly meetings and discussions with IDC and National Treasury to discuss **sefa**'s financial sustainability	- Preparation of draw-down documents, and - seek proper approvals at appropriate levels Quarterly meetings and discussions with IDC and National Treasury to discuss **sefa**'s financial sustainability	documents, and - seek proper approvals at appropriate levels Quarterly meetings and discussions with IDC and National Treasury to discuss **sefa**'s financial sustainability
Increased process efficiency, reporting and automation	Enhanced divisional reporting	Quarterly management accounts prepared using **sefa** Financial Model. ABC model utilised to perform cost per activity and profit centres reporting. Enable decision making through use of VRM for purchases, and BEE reporting.	Quarterly management accounts prepared using **sefa** Financial Model. ABC model utilised to perform cost per activity and profit centres reporting. Enable decision making through use of VRM for purchases, and BEE reporting.	Quarterly management accounts prepared using **sefa** Financial Model. ABC model utilised to perform cost per activity and profit centres reporting. Enable decision making through use of VRM for purchases, and BEE reporting.	Quarterly management accounts prepared using **sefa** Financial Model. ABC model utilised to perform cost per activity and profit centres reporting. Enable decision making through use of VRM for purchases, and BEE reporting.

Output Indicators	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**
Timely and accurate reporting	Timeous Quarterly management accounts. Unqualified Annual financial statements. Timely reporting to National Treasury Timely Accurate Annual budgets that leads to decision making.	Quarterly management accounts. NT quarterly reporting Draft audited annual financial statements	Quarterly management accounts NT quarterly reporting Final audited annual financial statements	Quarterly management accounts NT quarterly reporting ENE for NT Draft budgets (including cost cutting initiatives)	Quarterly management accounts NT quarterly reporting Final budgets
Compliance with National Treasury regulations and procurement policy.	Raise awareness on	Training provided at inductions.	Training provided at inductions.	Training provided at inductions.	Training provided at inductions.
Improve BEE areas relating to procurement.	Develop a SCM strategy with aim of improving **sefa**'s BEE rating	Quarterly reporting on SCM spend	Quarterly reporting on SCM spend. Develop a procurement strategy (including an ESD framework) for submission to the Procurement Committee and approval by Exco	Quarterly reporting on SCM spend	Quarterly reporting on SCM spend

Output Indicators	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**
Support small businesses with prompt payments	Ensure suppliers are paid within 30 days of invoice date or per agreed contract terms	Ensure suppliers are paid within 30 days of invoice date or per agreed contract terms	Ensure suppliers are paid within 30 days of invoice date or per agreed contract terms	Ensure suppliers are paid within 30 days of invoice date or per agreed contract terms	Ensure suppliers are paid within 30 days of invoice date or per agreed contract terms

ANNUAL OPERATIONAL PLAN - FINANCIAL AND SUPPLY CHAIN MANAGEMENT

Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Responsibility
Ensure financial sustainability of the entity and contain costs	Reporting on **sefa**'s financial performance	4 quarterly reports Audited financial statements	n/a	Preparation and submission of quarterly management accounts using **sefa's** ABC Model. .NT quarterly reporting Quarterly BBBEE Procurement spent report Audited annual financial statements	Quarterly and annually Quarterly Quarterly 4 months after year end	HoD: Management Accounting HoD: Management Accounting HoD: Management SCM HoD: Financial Accounting
Cash preservation and cash management	Cash and cash equivalents disclosed on group balance sheet (Including EU and SBIF)	Six months cash reserves to cover operational and loan commitments	N/A yearend target	Update and maintain **sefa**'s cash flow projection model Facilitate IDC draw-down Ensure draw-down is initiated at least 15 days before required date. - Preparation of draw-down documents, and - seek proper approvals at appropriate levels Quarterly meetings and discussions with IDC and National Treasury to discuss **sefa**'s financial sustainability	Daily	Head: Management Accounting

1.3.2 Sub-Programme: Human Capital Management (HCM)

The Human Capital Management (HCM) Division is the key custodian of all matter relating to the people agenda within the organization. The role of the HCM Division it to attract, develop, and retain the best human resource capacity for **sefa**. The HCM's long term action plan is to enable the organisation to execute its strategy and mandate whilst aiming to achieve a High Performance Organisation (HPO) status.

The Human Capital strategic work plan execution for fiscal year 2020/21 will be centred on interventions geared towards transitioning **sefa** through the growth phase of the High Performance Organisation (HPO) status through focus interventions on Leadership Development and Culture Transformation.

9.7.1 Strategic Objective

The strategic objective of the HCM Division is to continue to cement the implementation of the interventions that propels towards a high performance through interventions on Leadership Development and Culture Transformation by prioritising the following key strategic objectives:

9.7.2 Divisional Strategic Outputs - HCM

The Human Capital Management (HCM) 2020/21 strategic work plan execution is centred on improving impact, sustainability, productivity and efficiency within **sefa**. The strategic initiatives are aimed at channelling the organisation through the growth phase of the HPO journey.

STRATEGIC THEME: IMPACT **Goal: Implementation of customized interventions to drive a culture of high performance**		
Strategic Interventions	**Strategic Outputs**	**Strategic Outcomes**
1. Leadership Development	I. Design **sefa** Leadership Brand and Promise "Servant Leadership" II. Implementation of Leadership Developments Programs	I. Defined **sefa** Leadership core competencies and Leadership Development Framework.
2. Culture Transformation	I. Implement Phase 1 of Investors in People (IiP) Culture Change Project II. Conduct Employee Engagement Survey	II. Define **sefa** culture and baseline **sefa** IiP Profile III. Improvement of **sefa** Employee Engagement Index to 70%
3. Enhancement of Change Management Capability	I. Change Management Framework Design and socialization to business II. Change Management intervention in support of the revised Delegation of Authority for DL RMs and WL HoDs	IV. Establish a Change Management Capability baseline for **sefa**
4. Implementation of Targeted People Management practices	I. Implementation of targeted learning programmes aimed at developing "fit for purpose" employees II. Conduct Talent Assessments to identify Succession/Retention pools for Leadership and HOD Roles	V. Establish a Talent Pool Pipeline for **sefa**

9.7.3 STRATEGIC THEME: PERFORMANCE - HCM

Goal: To Strengthen Performance Management Capability to drive towards a High-Performance Organization

Strategic Interventions	Strategic Outputs	Strategic Outcomes
5. Learning and Development Strategy	i. Design Competency Framework ii. Implementation of Skills Audit Outcomes (Job Matching, Developmental plans) iii. Design and implementation of Learning Pathways for career progression	i. Implementation of Blended training approach based on the 3Es Learning Model
6. Performance Management Enhancement	I. Standardization and alignment of individual Performance Targets to Corporate targets II. Strengthen Performance Management through tracking and reporting of monthly Team Performance Feedback III. Effective Performance Management Governance Framework	ii. Increased organisational performance obtaining a score of 80% of employees above 3.1 performance score.
7. Implementation of Reward and Recognition Policy	IV. Design an Employee Reward and Recognition Program • *Deal Maker of the Year* • *Regional Manager of the Year* • *Super Star – Living **sefa** Values* V. Implementation Reward and Recognition Incentive Schemes	iii. Implementation of an Employee Reward and Recognition Program aligned to Employee Value Proposition Strategy; that supports the recognition and retention of high performers

STRATEGIC THEME: BRAND

Goal: To design and implement Employee Value Proposition interventions to attract retain "fit for purpose" employees

Strategic Interventions	Strategic Outputs	Strategic Outcomes
8. Employee Value Proposition	I. Design Employee Value Proposition (EVP)	I. **sefa** Employee Value Proposition that attracts and retains "fit for purpose employees", II. Establish a culture of self- referral by employee who need emotional / psychological support,
9. Enhanced Wellness Program	III. Establish partnerships with Employee Wellness Provider to improve on-site support	

STRATEGIC THEME: ORGANISATION

Goal: Streamlining of structural designs, HCM systems and processes to achieve an optimal delivery model

Strategic Interventions	Strategic Outputs	Strategic Outcomes
10. HCM Processes and Systems Enhancement	I. Enhancement of People Management Systems through automation of processes	I. Streamlining and Optimization of HCM processes
11. Organizational Design Review	II. Organizational Design Review	II. Redesign of **sefa's** Organization Delivery Model and Structure
12. Governance and Compliance with legislative requirements	III. Management of HCM Risk and Compliance Plans	III. Compliance with HCM and OHS legislative requirements

9.7.4 Annual Strategic Divisional Performance Plan: HCM

Outcomes, Outputs, Performance Indicators and Targets

The HCM Division seeks to achieve the following key outputs within the next MTEF period:

Outcome	Output	Programme Target Indicators	Estimated Performance	MTEF Targets		
			Project 2020/2021	2022 / 2023	2023 / 2024	2024/2025
Achieve 70% and above Employee Engagement Index	Employee Engagement Survey	Percentage improvement in the Employee Engagement Index (EEI)	60%	70%	70%	75%
Labour Turnover Rate maintained at a rate of 10% or below	Labour Turnover in key positions	Percentage turnover of employees in key positions	10%	10%	10%	9%
Organizational performance score of above 3.1	Performance Enhancement Interventions	Percentage of staff (P – Band and above) that scores 3.1 or more in the annual performance assessment	75%	80%	80%	80%

HCM Output Table - 2019 -2023

Programme Target Indicators	Estimated Performance	MTEF Targets				
	2018	2019	2020	2021	2022	2023
Percentage improvement in the Employee Engagement Index (EEI)*	60%	70%	70%	70%	-	80%
Percentage turnover of employee key positions	7%	7%	7%	7%	6%	6%
Percentage of staff (P – Band and above) that scores 3.1 or more in the annual performance assessment.	80%	80%	80%	80%	80%	80%

* *Employee Engagement will be measured every alternative year starting in 2021.*

HCM Output Table - 2019 -2023

Programme Target Indicators	Estimated Performance	MTEF Targets				
	2018	2019	2020	2021	2022	2023
Percentage improvement in the Employee Engagement Index (EEI)	60%	70%	70	70	80%	80%
Percentage turnover of employee key positions	7%	7%	7%	7%	6%	6%
Percentage of staff (P – Band and above) that scores 3.1 or more in the annual performance assessment.*	80%	80%	80%	80%	80%	80%

* *New Indicator refers to the HCM's ability to drive a high performance culture*

1.3.3 Sub-Programme: Information and communication technology (ICT)

The achievement of **sefa**'s strategic objectives is directly dependent on various Information Technology services, without which the core and supporting functions of **sefa** will not be able to operate. These services are delivered fit-for-purpose by Identifying and implementing technology that improves efficiency, through the provision and maintenance of sound network infrastructure, appropriate user IT innovations and user-friendly Management Information Systems (MIS) as and when required. The division also strives to continuously improve access to professional services, technical support, ICT resources, tools and skills.

Purpose of Programme
Provide reliable ICT support to **sefa** business through application development, network/infrastructure management, security management and end-user computing support.

Status of key strategic initiatives for the Financial Year

Strategic Initiative 1 – IT Service Delivery and Management

- **Governance Improvement and Alignment to Strategy**
  To ensure maximum ROI on investment and proper management of initiatives, a review of ICT processes is needed, and appropriate project management implemented. The benefits should ensure that projects deliver on time, budget and functionality expectations.
- **Service Management Process Establishment**
  IT service management is a core function of all IT operations. Proper planning, design, development, transition, maintenance and improvement of service delivery is essential to enable IT to deliver and maintain expected support levels.

Strategic Initiative 2 – Network/Infrastructure management

- **Sustainable Infrastructure Planning**
  The need for proactive planning around IT infrastructure represents a foundational initiative to the IT Strategy. In the context of this initiative, infrastructure refers to the hardware, networks, and facilities that support the procurement, development, delivery, maintenance, disposal and support of IT services.
- **Improve Regional Network Infrastructure**
  Regional offices have outgrown the network capabilities. The regional office networks are currently independent and not aligned to the head office standards for security and management. IT personnel are not able to limit contention for resources, monitor or adequately secure regional office networks. The objective is to ensure that these connectivity issues to regional offices are solved and telephony standards improved.
- **Improve IT Business Resilience**
  The primary objective is establishing a redundant site for all essential infrastructure that can be accessed even when the majority of **sefa**'s core infrastructure is inaccessible for any reason. This initiative involves replication of data, backup & restoration, testing and continuous improvements in line with risks and changes to the business environment.

Strategic Initiative 3 – Customer Automation

This IT initiative involves:

- Internet/Intranet improvements – automate content updating and functionality
- Customer portal – enhance and add automated processes for customers
- Online portal improvements and integration for the application process
- Mobile solution development for customers
- Automate entrepreneurial assessment and integrate risk rating to an initial credit risk rating model defined by Credit division.
- Improve automated credit risk ratings dependant on client behaviour and integrations to other credit rating partners.

Strategic Initiative 4 – Business System Automation

- **ERP improvements and opportunities**

  ERP solutions are continuously improved and expanded. Upgrading existing- or additional modules are often faster, more cost-effective and have better user acceptance. Implementing upgrades on time also means less costly/complex projects in the future and provide new functionality and automation.

- **Development – Business Systems**
  Prioritise development improvements/implementations, implement commercial solutions and outsource development of standalone/non-core modules.

- **Computer literacy and cyber-crime awareness**
  Enhanced automation and digitization require employees that are skilled in modern computer equipment, workflows and systems. Training of staff through digital and formal sessions will make staff more productive and cyber-crime training/information will raise awareness among **sefa** employees.

Strategic Initiative 5 – Shared online services

The long-term objective is to have a single lifecycle view of SMMEs that are supported by government and private sector funders. This can be achieved by creating and expanding a communication and integration framework for institutions that support SMMEs. As an implementation partner with DSBD and Seda it will take form in these deliverables:

- **National SMME Database**
  Interactions with **sefa** to be integrated to the SMME Database
- **Central database of business mentors & advisors**
  Mentors integrated to the mentors & advisor database
- **Common application template**
  Additional integrations to available sources. Implement business plan quality rating.

ICT Strategic Outputs

Outcome	Outputs	Output Indicators	Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Governance Improvement and Alignment to Strategy	Review and improvement of IT processes, policies and procedures	Number of processes/documents updated and approved	All policies and procedures drafted			4	4	4
Service Management Process Establishment	Align IT service management to ITIL processes	Number of IT staff trained in ITIL for Service/DevOps for developers	4			6	8	10
Sustainable Infrastructure Planning	Reliable service infrastructure	Ensure 99% uptime of business-critical services during business hours	99.9%			99%	99%	99%
Improve Regional Network Infrastructure	Availability of regional network: limit contention for resources, monitor or adequately secure regional office networks	% of regional offices monitored, secured by firewall with redundant telephony	0%			100%	100%	100%
Improve IT Business Resilience	DR site available and backups performed	# of DR tests P/A	1			2	2	2

Business System Automation	Improved processes and automation improvements	Number of newly automated processes/significant improvements on existing automations	>10	>10	>10	>10
Shared online services	lifecycle view of SMMEs that are supported by government	System integration	sefa/seda integration to SMME Database	Mentors & Advisors integrated, Common Template Improved and Integrated.	Integration to other available systems/sources from government. Automation of quality rating for Common Template using machine learning.	Single lifecycle view of SMME interaction with government. SMME integration framework completed.

1.3.4 Sub-Programme: Corporate Strategy and Reporting

Purpose of Programme

Provide strategic support services to the line of business within **sefa**, using the implementation of the following functions:

- Corporate planning and reporting.
- Research management, information dissemination and programme evaluation.
- Strategic project management implementation and coordination.
- New product development and pilot implementation.

Strategic initiatives for 2020/2021

Strategy and Reporting

- Development of **sefa**'s 2021/22 Annual Performance and Annual Operational Plan
- Quarterly reporting on the implementation of the 2020/21 Annual Plan
- External Audit of 2019/20 Performance against Pre-determined outcomes
- Data Integrity, Business Intelligence and Data Analytics **-** Business Intelligence, Data Analytics and Reporting are fundamental requirements to provide correct information to decision makers at the right time. Data quality assessment is needed to identify areas of improvement. By implementing full Balanced Scorecard automation and Analytics, management can enforce proper use of systems and eliminate Garbage-In-Garbage-Out.

Research Management

- Develop and implement a research programme that will contribute to informed decision-making;
    - Assessment of the impact of **sefa** funding on loan beneficiaries' businesses
    - Support to postgraduate students that want to pursue research on access to finance
- Expansion and enhancement of the **sefa** knowledge and information platform/bank;
    - Publication of research and sector studies to support loan officers
- Facilitation of innovation management in **sefa**

Project Management Office:

- Analysis and automation of **sefa**'s business processes
- Enhance of the **sefa** Corporate Planning and Reporting System
- Implementation of **sefa** Enterprise Architecture Framework (EA)

New Product Development

- Implementation of Township finance solution

Outcomes, Outputs, Performance Indicators and Targets – Research and Information Management

Outcome	Outputs	Output Indicators	Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Monitoring and Evaluation of **sefa** loan programmes implementation	Research report	Annual impact survey	Supplier credit guarantee impact survey Microfinance client's analysis			1	1	1
Knowledge Management Implementation	Research brief publications	Research brief publications		8	8	8	8 Research brief publications	8 Research brief publications
Knowledge Management Implementation	Bi-monthly Sector summary publications	Bi-monthly Sector summary publications		12	24	24	24 Sector summary publications	24 Sector summary publications
Innovation management	Innovation workshop	Introduce or improve process/products	Definition and importance of Innovation information videos Design thinking information videos			1	1	1
Commissioning of ad-hoc research studies	Business conditions survey	Business conditions survey	Business conditions survey report			4	4	4
Strategy, planning and reporting	Quarterly reports	Strategic plan	Strategic plan			Strategic plan	Strategic plan	Strategic plan
		Annual performance plan	Annual performance plan			Annual performance plan	Annual performance plan	Annual performance plan
		Operational plan	Operational plan			Operational plan	Operational plan	Operational plan

Indicators, Annual and Quarterly Targets – Research and Information Management

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Monitoring and Evaluation of **sefa** loan programmes implementation	An annual impact survey of the organisation's programmes on its funded Clients.	Identification of loan program for the study.	Definition of study. Design of data collection tools.	Data collection	Data Analysis Report writing Research report with recommendations
Knowledge Management Implementation		2 Research brief publications	2 Research brief publications	2 Research brief publications	2 Research brief publications
Knowledge Management Implementation		Bi-monthly Sector summary publications (market research data)	Bi-monthly Sector summary publications (market research data)	Bi-monthly Sector summary publications (market research data)	Bi-monthly Sector summary publications (market research data)
Innovation management		Innovation workshop sessions			Innovation workshop sessions

ANNUAL OPERATIONAL PLAN – Research and Information Management

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Budget per Activity	Dependencies	Responsibility
		Monitor and evaluate the **sefa** loan programmes implementation	Monitoring and evaluation study on impact of **sefa** funding	Definition of study Data collection Report writing Research report with findings and recommendations	3-6 months			
		Commissioning of ad-hoc research studies	Facilitation of and commissioning of ad-hoc research	Facilitation of Terms of reference Appointment of service provider (evaluations or research proposals) Review of research reports (deliverables)	5-20 days			
			Build **sefa** research management	Support post graduate student research and facilitate access to	1-5 days			

			capacity network	data.				
		Knowledge Management Implementation	Maintain market research data service provider	WhoOwnsWhom service renewal	2 weeks			
			2 Research brief publications	Review research report Draft summary report Publish report and share with employees	5-7 days			
			Documenting lessons learned for business	Managing knowledge creation				
			Bi-monthly Sector summary publications (market research data)	Review market research report Draft summary report Publish report and share with employees	5-7 days			
			Research support to	Facilitating	1-3			

			business units (BU)	requests. Update knowledge bank reports	days			
			Innovation management	Host Innovation sessions				
Annual performance plan	Annual performance plan report	Strategic plan Annual performance plan Operational plan	Quarterly performance report	Strategic workshops Business review meeting Quarterly performance report	3-6 months 1-2 days 3-5 days			

Outcomes, Outputs, Performance Indicators and Targets – Project Office

Outcome	Outputs	Output Indicators	Audited /Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Business Process Automation Programme	**sefa** business processes automated: *Primary Processes:* • 142 L3 processes *Supporting Processes:* • 274 L3 processes *Management Processes:* • 192 L3 Processes	• AS-IS Process Models • TO-BE Process Models • Solutions deployed	Corporate Performance and Reporting (CPR) System: • Strategy Planning Module • Annual Performance Plan Module • Quarterly Reporting Module			20% of Processes Automated:	30% of Processes Automated[1]	50% of Processes Automated:
Corporate Performance and Reporting (CPR) System	Automated Corporate Performance and Reporting System	1. Functional Specification Developed 2. Technical Specification Developed	Modules Implemented: 1. Strategy Planning 2. Annual Performance Planning Quarterly Reporting: ○ DSBD report ○ IDC report			Quarterly Reporting Module: 1. Parliamentary report 2. Divisional performance reports		

[1] Detailed selection of processes will be based on a priority matrix as well as a discussion with business

Outcome	Outputs	Output Indicators	Audited /Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Enterprise Architecture (EA)	Enterprise Architecture adopted and implemented	1. Roadmap 2. Scope of Work 3. Project Schedule 4. Operational EA forum	1. Roadmap approved 2. Project established 3. EA Forum established			AS-IS **sefa** Enterprise Architecture Developed	TO-BE **sefa** Enterprise Architecture Developed	Enterprise Architecture Implemented
		AS-IS **sefa** Enterprise Architecture				Feasibility study on procurement of an EA Tool		
		TO-BE **sefa** Enterprise Architecture				Procurement of EA Tool (if feasible)		
		Recommendation report on feasibility of EA Tool				Implementation of Tool (if suitable for organisation)		

Indicators, Annual and Quarterly Targets – Project Management Office

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Automation of **sefa** business processes	20% automation of **sefa** business process	• As is business analysis • To-be Business Analysis • Development and deployment of the solution	• As is business analysis • To-be Business Analysis • Development and deployment of the solution	• As is business analysis • To-be Business Analysis • Development and deployment of the solution • Evaluate the impact of the to be solution	• As is business analysis • To-be Business Analysis • Development and deployment of the solution • Evaluate the impact of the to be solution
Corporate Performance and Reporting (CPR) System Phase 2 • Progress Reporting Module Implemented	Implementation of the progress reporting functionality		Approved Functional Design Specification	Solution Developed & Deployed Testing and User Training	Solution Developed & Deployed Testing and User Training
Corporate Performance and Reporting (CPR) System Phase 2 • Divisional Module Implemented	Automation of the divisional performance and reporting functionality		Approved Functional Design Specification	Solution Developed & Deployed Testing and User Training	Solution Developed & Deployed Testing and User Training

Output Indicators	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**
Enterprise Architecture					
As-IS **sefa** Data and Applications Architecture	Approved AS-IS **sefa** Data and Applications	AS-IS **sefa** Data and Applications Developed	AS-IS **sefa** Data and Applications Approved	AS-IS **sefa** Technology Architecture Developed	AS-IS **sefa** Technology Architecture Approved
Enterprise Architecture Implementation Roadmap	Approved EA Implementation Roadmap				Approved EA Implementation Roadmap (FY2)

ANNUAL OPERATIONAL PLAN 2020-21 -– Project Management Office

Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Dependencies	Responsibility
Business Process Automation	• Automation of **sefa**'s core (primary), management and support business process	20% automation of business process	3 business process per quarter)	• As-is Analysis • To-Be analysis • Functional Specifications • Technical Specification • Solution Development and deployment • Change management and end user training	• As-is Analysis (3 weeks per identified process) • To-Be analysis (2 weeks per business process) • Functional Specifications (1 week per business process) • Technical Specification (1 week per business process) • Solution Development and deployment (3 weeks per business process)	• Business but-in and their availability to participate in sessions • Employment of SharePoint Developer	• Business Analyst •SharePoint Developer •HR – Organisational Development Specialist (Change management)
Modular System IT Documentation application system supporting the **sefa** corporate planning and reporting	Corporate Performance and Reporting (CPR) System Phase 2 •	• Planning Module (strategic and annual Performance Plan • Reporting Module (DSBD, National Treasury and IDC)		• Functional Specification • Development and Deployment of the Solution • Training of the users on the system	Q1 – Functional Design Q2 – Development of the Solution Q3 – Deployment of the solution Q4 – Change Management	• Availability of IT resources	• Business Analyst • Systems Developer

Enterprise Architecture	EA framework that modules the **sefa** business	**Sefa** Business Enterprise Architecture Information Architecture Data Architecture Application/ System Architecture Technology Architecture	AS-IS **sefa** Data and Applications Developed and Approved AS-IS **sefa** Technology Architecture Developed and Approved	Gather existing **sefa** documents that describe the **sefa** business and technology capabilities, practices, formal process models, data and systems Develop the As-IS **sefa** Data and Applications Architecture (Analysis and Design) Develop the As-IS **sefa** Technology Architecture (Analysis and Design)	12 months	Establishment of EA project	Business Analyst IT Department

Outcomes, Outputs, Performance Indicators and Targets – New Product Development

Outcome	Outputs	Output Indicators	Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Township Enterprise Financing Solution	Fintech Financial Intermediary (RFI) that provide, bulk-buying, revolving credit facility, mobile app (stock ordering and management), access to stock purchases at discounted prices, non-financial support (stock management, pricing)	• Fintech RFI providing access to finance to Township Enterprises • No. of township enterprises participating on the platform			• Concept approval • Partnerships arrangements	Set up /Establishment of RFI to administer the financing solution • Technology partner • Distribution partner • Product Manufactures • Pilot Implementation in selected townships	• Monitoring and evaluation of the Pilot • Roll-out of the solution into two provinces	• Full-scale roll out implementation of the programme

Indicators, Annual and Quarterly Targets

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
No. of Township Enterprises Financial Solution (Spaza and Fresh Produce)	• No. Township Enterprises Financed	•			
Establishment of Retail Financial Intermediary (RFI)	• Business Plan • Governance and establishment of the structure and processes • Technology Platform • Agreements with Suppliers and Distributors	• Approved Business Plan • Organisational set up - Staff - Infrastructure			
Implementation of the Pilot	• Development and adoption of Implementation Plan	• Implementation Plan signing off	Implementation of Pilot		
Programme Management	• Portfolio Management	•	**Reporting** - Detailed status / performance of the portfolio/programme (approvals, disbursements/taken up, development impact stats, defaults/claims and salvages/collections) - Monthly Steering Committee - Report on the Portfolio performance (Approval, Claims, Marketing and other issues) **Monitoring** - 1. Approvals, Disbursement/taken ups, payment of fees/interest and claims/ defaults - Management of collections and salvages - Analysis of Portfolio -		

1.4 PROGRAMME 4: Marketing and Stakeholder Management

Purpose: The role of Marketing and Communication is to position and market **sefa**, its products and services to SMMEs and Co-operatives and to facilitate strategic engagements with key stakeholders.

The market that is serviced by **sefa** is heterogenous and is primarily connected by one thread which is "a need for access to funding" in order to make their dreams a reality.

As a response to these divergent customer demands, the agency offers a bouquet of funding products targeted at SMME's and Cooperatives. The key product portfolio consists of direct lending, wholesale lending and other services. Additionally, there is the European Union (EU) funds, Small Business Innovation Fund (SBIF) and Blended Finance.

The distribution channels are also extremely wide and diverse to cater for this heterogenous market. This ranges from funding directly the entrepreneurs to funding via intermediaries like banks and Microfinance intermediaries.

sefa provides funding to qualifying business ventures within the following SMMEs and Co-operative sectors:

- Services (including retail, wholesale, IT and tourism, transport logistics).
- Manufacturing (including agro-processing).
- Agriculture (specifically land reform beneficiaries and small farming activities).
- Construction (small scale construction)
- Mining (small scale mining)
- Green industries (renewable energy, waste and recycling management)

Strategic Marketing Objectives

1. Strategically communicate and market the **sefa** brand and product offerings
2. to all relevant client segments through various mediums and channels
3. Develop a vibrant Stakeholder engagement culture
4. Create a positive **sefa** brand image across all platforms
5. Develop a **sefa** brand experience framework
6. Collaborate with internal partners to define and enhance **sefa** culture
7. To develop a succinct Communication Strategy for consistency and uniformity of messaging.

The strategy

The marketing strategy will be driven by customer centricity and high **sefa** brand visibility with clear messaging through various channels and market segments.

sefa needs intensify the brand presence and awareness in targeted customer segments across townships and rural areas. This will be achieved through local brand building campaigns which will cross sell **sefa** products to the various customer segments. The campaigns will be focusing on generating awareness for the products by allowing the SMME's and Co-operatives to directly interact with brand in order for the existing and potential clients of **sefa** products to touch and feel the brand. The below the line strategy will be deployed in order to achieve a high reach but cost-effective approach to reaching out to clients. This will be executed through various programmes including, but not limited to sponsorships, exhibitions, brand activation.

The Marketing department intends to support **sefa** trade channel programs with necessary requirements and a focused customer messaging. The distribution channels that support **sefa** business operating model vary from direct interaction to utilising intermediaries. The strategy will support these diverse channels through sales & activations campaign, direct call to action messaging. A clear call to action messaging will be communicated through the various channels in order to drive the potential clients to the relevant channels.

Stakeholder engagement program is key in ensuring that the agency stays abreast of stakeholder requirements. An annual calendar will be developed which will contain the various activities required by various stakeholders and time frames. The activities in the calendar will be informed by operational requirements.

The **sefa** brand will be built from within utilising internal communication strategies, in collaboration with the Human Capital Management department. The campaigns will focus on building the brand whilst entrenching the **sefa** values and culture in line with "one culture theme".

The existing platforms will have to be enhanced and more exciting platforms to be explored to continuously keep the staff engaged. Support staff will be immersed with exciting and live content of **sefa** external activities. These will give support staff a sense of an ideal client and what happens at the cold face of interaction outside the office. Meaning this will allow the support and internal staff to virtually travel and interact with clients. The aim is to build a strong integrated **sefa** culture where there is a common understanding of the client both internally and externally.

Going forward the plan is to co-ordinate a **sefa** wide brand customer campaign management program. This will further be implemented with segment driven channel-based campaigns focusing on direct lending, intermediaries and the new funding programmes. To give impetus to these campaigns **sefa** will employ the services of a professional PR company that will assist in changing negative attitude around the brand and creating a positive public perception for **sefa**. This will assist in rejuvenating the brand and repositioning it as a top of mind brand within SMME and cooperative sector nationally.

In order to ensure that the department is able to assist the operations efficiently, the department's resources and efforts will be apportioned based on identified requirements within the corporate structure. The resources will be apportioned as follows; corporate level (20%), product level (70%) and communications plans (10%).

Customer centricity will be at the core of **sefa**'s marketing strategy. Meaning that internally (operations) will be compelled to thoroughly understand the customer in order to deliver value. The marketing department will work with the Research Department to embark an in-depth customer research exercise in order to provider invaluable customer insights to operations. The current CRM survey will be enhanced to address more relevant issues and focus on the current acute need and gaps identified. In order to create efficiencies around customer data collation has to be automated in order to provide immediate reports for issues to be addressed. This will further guarantee that **sefa** will have credible data which will allow for better planning.

Key to achieving the goal of a customer centric organisation will the implementation of a digital strategy. The immediacy of digital platforms to direct interaction and feedback to and from customers will keep **sefa** informed of customer needs.

The department will also be utilising various touch points to test customer and brand satisfaction index. The data collated will be significant in informing business processes which in turn will improve customer satisfaction.

Outcomes, Outputs, Performance Indicators and Targets - Marketing and Stakeholder Management

Outcome	Outputs	Output Indicators	Audited /Actual Performance		Estimated Performance		(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Divisional Goal 1							Implement an automated survey system to continuously monitor the service levels throughout the **sefa** operational value chain Conduct quarterly and annual surveys to test customer service and brand perception. Run a national above the line advertising campaign focusing on the **sefa** products and channels.	Implement an automated survey system to continuously monitor the service levels throughout the **sefa** operational value chain Conduct quarterly and annual surveys to test customer service and brand perception. Run a national above the line advertising campaign focusing on the **sefa** products and channels.
Visibility and top of mind awareness of **sefa** brand. Higher customer reach and increased application. **sefa** brand ambassador.	Local brand building campaigns. Segmented target stakeholder calendar. Targeted call to action messaging to direct SMMEs to **sefa** channels. Support **sefa** trade channel programs with marketing collateral.	Implement an automated survey system to continuously monitor the service levels throughout the **sefa** operational value chain Conduct quarterly and annual surveys to test customer service and brand perception. Run a national above the line advertising campaign focusing on the **sefa**						

		products and channels.				
Divisional Goal 2						
Operations effectively supported at a marketing level. **sefa** brand extended to the **sefa** employer brand.	Marketing resource plan and budget formulation for high impact and to close capacity gaps. Launch an integrated internal **sefa** brand strategy focusing on (brand, values and culture)	Marketing resource plan and budget formulation for high impact and to close capacity gaps. Launch an integrated internal **sefa** brand strategy focusing on (brand, values and culture)				
Divisional Goal 3					Run a PR campaign focusing	Run a PR campaign focusing

Integrated "one **sefa**" customer engagement view. Targeted campaigns that deliver RIO. Balance marketing activities & focus improved business support.	On board the services of a PR marketing agency. Co-ordinate a **sefa** wide spread customer relationship management program. Annual marketing and campaigns calendar. Implement channel and segment specific campaigns	Run a PR campaign focusing on **sefa**'s achievements. Work with operations to improve customer relationships. Develop a channel specific events calendar.			on **sefa**'s achievements. Work with operations to improve customer relationships. Develop a channel specific events calendar.	on **sefa**'s achievements. Work with operations to improve customer relationships. Develop a channel specific events calendar.
Divisional Goal 4					Conduct annual customer needs	Conduct annual customer needs

Customer centered decision and resource allocation Continuous improvement of **sefa** customer engagement process. Cost effective brand publicity, pulse measure of reputational risk and pro-active response.	In collaboration with Strategy and Research department to embark on in depth customer research in order to provide customer insights. Implement **sefa** customer brand experience and satisfaction index Actively manage and monitored social media pages tied to **sefa**'s integrated marketing campaign.	Conduct annual customer needs survey to understand customer insights. Implement recommendations Produce quarterly social media ratings report.			survey to understand customer insights. Implement recommendations Produce quarterly social media ratings report.	survey to understand customer insights. Implement recommendations Produce quarterly social media ratings report.

Indicators, Annual and Quarterly Targets - Marketing and Stakeholder Management

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Divisional Goal 1					
Implement an automated survey system to continuously monitor service levels throughout the **sefa** operational value chain.	Produce 3 Quarterly customer surveys reports. 1 Annual customer survey.	Produce Quarter 1 survey report.	Produce Quarter 2 survey report.	Produce Quarter 3 survey report	Conduct Annual survey and produce report.
Run a national above the line advertising campaign focusing on the **sefa** products and channels.	Run a media campaign utilizing print and radio nationally.	Publish **sefa** on 2 national print. Advertise **sefa** on 2 national radio. **Sefa** to conduct 2 interviews on national radio stations.	Publish **sefa** on 3 provincial print. Advertise **sefa** on 3 provincial radio. **sefa** to conduct 3 interviews on provincial radio stations.	Publish **sefa** on 3 provincial print. Advertise **sefa** on 3 provincial radio. **sefa** to conduct 3 radio interviews.	Publish **sefa** on 2 national print. Advertise **sefa** on 2 national radio. **sefa** to conduct 2 interviews on national radio stations.
Divisional Goal 2					

Have a fit for purpose Marketing Department that can respond to the organizational requirements. Conduct quarterly staff surveys to test internal assimilation of culture values and brand and adherence to	Sufficiently resourced Marketing department that id agile and well resourced Implement a robust internal communications strategy that ensure clear and consistent communication and flow of information from top down.	Recruit necessary staff. Allocate sufficient budget for activities. Conduct Q1 internal surveys. Hold quarterly meetings with HODs to check alignment	Hold quarterly meetings with HODs to check alignment Conduct Q2 internal surveys.	Hold quarterly meetings with HODs to check alignment Conduct Q 3 internal surveys	Hold quarterly meetings with HODs to check alignment Conduct Q4 internal surveys
Divisional Goal 3					
Run a PR campaign focusing on **sefa**'s achievements. Work with operations to improve customer relationships. Develop a channel specific events calendar.	Utilise national radio, print and digital media to communicate achievements by profiling 8 clients. Run radio adverts in provincial 4 radio stations Capture client stories through video. Develop a detailed calendar with activities for the channels.	Profile 2 **sefa** clients success story on radio. Profile 2 **sefa** client's story on print. Run a one-week radio advert campaign in 1 Provincial radio stations Implement 30% of the activities.	Profile 2 **sefa** client success story on radio. Profile 2 **sefa** client story on print. Run a one-week radio advert campaign in 1 Provincial radio stations Implement 30% of the activities.	Profile 2 **sefa** client success story on radio. Profile 2 **sefa** client story on print. Run a one-week radio advert campaign in 1 Provincial radio stations Implement 30% of the activities.	Profile 2 **sefa** client success story on radio. Profile 2 **sefa** client story on print. Run a one-week radio advert campaign in 1 Provincial radio stations Implement 30% of the activities.

Divisional Goal 4					
Conduct annual customer needs survey to understand customer insights. Implement recommendations. Produce quarterly social media ratings report.	Collate customer insights through a survey. Develop an implementation plan and report on progress.	Quarter 1 survey report. Implement and Report on progress. Report on Q1 social media report.	Quarter 2 survey report. Implement and Report on progress. Report on Q2 social media report.	Quarter 3 survey report. Implement Report on progress. Report on Q3 social media report.	Quarter 4 survey report. Implement Report on progress. Report on Q3 social media report.

ANNUAL OPERATIONAL PLAN – Marketing and Stakeholder Management

Activities, Timeframes and Budgets

Output	**Output Indicator**	**Annual Target**	**Quarterly Target**	**Activities**	**Time-frame**	**Budget per Activity**	**Dependencies**	**Responsibility**
Divisional Goal 1								
Local brand building campaigns. Segmented target stakeholder calendar. Targeted call to action messaging to direct SMMEs to **sefa** channels. Support **sefa** trade channel programs with marketing collateral.	Implement an automated survey system to continuously monitor the service levels throughout the **sefa** operational value chain Conduct quarterly and annual surveys to test customer service and brand perception. Run a national above the line advertising campaign focusing on the **sefa** products and channels.	Produce 3 Quarterly customer surveys reports. 1 Annual customer survey. Run a media campaign utilizing print and radio	Produce Quarter 1 survey report.	Send out automated survey to **sefa** client's new clients. Appoint a service provider to run a national survey. Run a national campaign directly and indirectly by appointing service providers to assist were required.	Quarterly. (June, September, December & March) Annually (1 April 2020 – 31 March 2021) Annually (1 April 2020 – 31 March 2021)	R400k	Clean and updated database for **sefa**Las. Assistance from **sefa** IT department. Budget & SCM processes Budget, list of willing clients and SCM processes.	Stakeholder Marketing & Communications.

		nationally.				R2.5m		
Local brand building campaigns. Segmented target stakeholder calendar. Targeted call to action messaging to direct SMMEs to **sefa** channels. Support **sefa** trade channel programs with marketing collateral.	Implement an automated survey system to continuously monitor the service levels throughout the **sefa** operational value chain Conduct quarterly and annual surveys to test customer service and brand perception. Run a national above the line advertising campaign focusing on the **sefa** products and channels.	Produce 3 Quarterly customer surveys reports. 1 Annual customer survey. Run a media campaign utilizing print and radio nationally.	Produce Quarter 1 survey report.	Send out automated survey to **sefa** client's new clients. Appoint a service provider to run a national survey. Run a national campaign directly and indirectly by appointing service providers to assist were required.	Quarterly. (June, September, December & March) Annually (1 April 2020 – 31 March 2021) Annually (1 April 2020 – 31 March 2021)	R400k R2.5m	Clean and updated database for **sefa**Las. Assistance from **sefa** IT department. Budget & SCM processes Budget, list of willing clients and SCM processes.	Stakeholder Marketing & Communications.
Divisional Goal 2								

Marketing resource plan and budget formulation for high impact and to close capacity gaps. Launch an integrated internal **sefa** brand strategy focusing on (brand, values and culture)	Marketing resource plan and budget formulation for high impact and to close capacity gaps. Launch an integrated internal **sefa** brand strategy focusing on (brand, values and culture)	Sufficiently resourced Marketing department that id agile and well resourced Implement a robust internal communications strategy that ensure clear and consistent communication and flow of information from top down.	Recruit necessary staff. Allocate sufficient budget for activities. Conduct Q1 internal surveys. Hold quarterly meetings with HODs to check alignment	Appoint required staff. Hold quarterly meetings with HODs to check alignment Conduct internal surveys. Create a vibrant internal **sefa** environment.	Appoint staff. Invite HODs to quarterly meetings Send out internal surveys via IT Identify and utilise relevant communication platforms that have high appeal to staff.	R20k R500k	HCM, Finance and Stakeholder Marketing & Communications. **Sefa** IT department and operations for database.	Stakeholder Marketing & Communications.
Divisional Goal 3								

On board the services of a PR marketing agency. Co-ordinate a **sefa** wide spread customer relationship management program. Annual marketing and campaigns calendar. Implement channel and segment specific campaigns Annual marketing and campaigns calendar. Implement channel and segment specific campaigns	Run a PR campaign focusing on **sefa**'s achievements. Work with operations to improve customer relationships. Develop a channel specific events calander.	Utilise radio, print and digital media to communicate achievements by profiling 8 clients. Run radio adverts in provincia4 radio stations. Develop a detailed calendar with activities for the channels. .	Profile 2 **sefa** clients success story on national radio. Profile **sefa** 2 **sefa** client's story on national print. Run a one-week radio advert campaign in 1 Provincial radio stations Implement 30% of the activities.	Work with business to identify clients to profile. Work with business and agency to develop messaging that will be pushed through these adverts. Engage clients/stakeholders .	1 April 2020 – 1 March 2021. Per quarter Monthly activities	Costed above R700k R500k	SCM & budget SCM & Budget SCM, budget & Operations	Stakeholder, Marketing & Communications.

Divisional Goal 4								

In collaboration with Strategy and Research department to embark on in depth customer research in order to provide customer insights. Implement **sefa** customer brand experience and satisfaction index Actively manage and monitored social media pages tied to **sefa**'s integrated marketing campaign.	Conduct annual customer needs survey to understand customer insights. Implement recommendations Produce quarterly social media ratings report	Collate customer insights through a survey. Develop and implementation plan and report on progress	Quarter 1 survey report. Implement and Report on progress. Report on Q1 social media report.	Send out quarterly surveys. Analyse report. Communicate recommendations. And implement. Monitor social media platforms and report quarterly.	Quarterly Quarterly Quarterly	R300k R300k	SCM & Budget Operations IT systems	Stakeholder, Marketing & Communications.

1.5 PPROGRAMME 5: COMPLIANCE, GOVERNANCE, ENTERPRISE RISK MANAGEMENT AND INTERNAL AUDIT

1.5.1 Sub Programme: Governance, Risk and Compliance

The purpose of this programme is to ensure that **sefa** fully comprehends the compliance obligations that are inherent in its business. Furthermore, it is to promote aspects that enhance financial sustainability in the **sefa** loan book portfolio. Monitoring exercises are conducted in a form of compliance reviews and control self-assessments to determine the level of compliance within business units. The Compliance management department provides compliance advisory and research services for all regulatory matters within **sefa**.

- Review of business policies for regulatory alignment
- Provide compliance oversight, support and guidance - Compliance research and ongoing update of Bills and emerging trends in the compliance environment
- Advise and monitor compliance governance
- Compliance statutory reporting – Liaison and reporting to regulators
- Embed the compliance culture within the organisation

Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Responsibility
Embed risk management culture and improve the Maturity of Risk within **sefa**	Review of Enterprise Risk management framework and Policy	• Risk management framework • Risk Management Policy	• Risk management framework • Risk Management Policy	• develop a corporate wide enterprise (including credit) risk management methodology & frameworks. • Benchmarking with similar institutions for Enhanced Risk Policies, Governance and Processes.		Head: Risk & Compliance
	Risk maturity	1 report	Q1 – 1 report	Conduct a risk management maturity	April – June	Head: Risk &

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Responsibility
	assessment report			assessment • Establish the level of risk management maturity within **sefa** • Implement recommended actions from gaps identified to reach an acceptable maturity level	2020	Compliance
		8 Business Continuity Training	Q1- 2 Q2 – 2 Q3 – 2 Q4 - 2	Training, Communication & awareness • Conduct Risk and BCM training and awareness • Conduct Risk and BCM Champion training • Provide Risk and BCM training to MANCOM and EXCO	Annual Q1 – Q4	Head: Risk & Compliance
Risk appetite statement that is aligned to the **sefa** mandate		Develop and implement a Risk Appetite and Tolerance framework	Q1 – 1 framework developed	Develop risk appetite & tolerance frameworks and a risk bearing capacity framework	Quarterly target Quarter 1	Head: Risk & Compliance
Enhanced risk management capabilities aligned to	• Strategic risk assessment report • Operational risk assessment report	80% Coverage 10 Regions; 18 Departments; 1 Strategic Risk	Q1 – 3 Risk Assessments (10%) Q2 – 11 Risk	Develop and implement corporate and divisional risk plans: • Conduct Strategic and divisional Risk Assessments to develop risk profiles		Head: Risk & Compliance

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Responsibility
industry changes		Assessment	Assessments (38%) Q3 – 10 Risk Assessments (34%) Q4 – 5 Risk Assessments (17%)	• Initiate Project Risk Management for **sefa** • Effective Risk Management monitoring		
			Q1 – 1 Policy Framework	• Reviewed BCM policy and Framework		Head: Risk & Compliance
		80% coverage of business continuity plans 12(11 regions & Head office)	Q1 – 3(20=25%) business impact analysis reviewed Q2 - 6 (50% Q2 & 75% cumulative Q3 – 3(25% of Q3 & 100% cumulative	• Business Impact Assessment reports • Business Continuity Management Strategy report • Business Continuity Plans		Head: Risk & Compliance
Implemented business continuity management	Implement effective business continuity management.	4 regional office Head Office	Q2 – 2 Regional offices Q3 – 2 Regional	• Conduct Business continuity plans exercise and testing. • Alignment of business continuity plans with **sefa** emergency response, crisis		Head: Risk & Compliance

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Responsibility
processes			offices Q4 – Head Office	management and IT continuity plans.		
Reduce **sefa s** exposure to the effects of insurance liabilities		12 **sefa** offices (11 Regional Offices and 1 Head Office)	Q1 – 6 Surveys Q2 – 6 Surveys Q3 – Insurance renewal policies review Q4 – Finalise Insurance policies for next Financial year	• Conduct insurance surveys at HQ and regional offices Coordinate insurance activities for **sefa** • Management of all Insurance claims within **sefa** • Management of Annual Insurance Renewals with all **sefa** Policies		Head: Risk & Compliance
Provide compliance oversight, support and guidance	Approved Compliance Policy & Framework	2 = Policy framework	Q1 Approved Compliance Framework Approved Compliance Policy	• Review compliance governance policies and framework		Head: Risk & Compliance
	Reviewed and approved Regulatory	Regulatory universe	Q1 – once off review and	• Review and updating of Regulatory		Head: Risk &

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Responsibility
	Universe	approved	approval	Universe		Compliance
	CRMPs conducted on Priority 1 & 2 legislation Total population = 22 Priority 1 = 9 Priority 2 = 13	CRMPs conducted for Priority 1 And 2 legislation	Q1- 6 Q2 – 6 Q3 – 6 Q4 - 4	• Develop and review CRMPs to identify gaps within business		Head: Risk & Compliance
	Reporting on the status of regulatory Audit findings	4 status reports issued	Status report - 1 per quarter	• Facilitate the implementation of audit findings to mitigate regulatory risk		Head: Risk & Compliance
	Automated Compliance program - Governance Risk & Compliance	GRC Tool rolled out	Q1 – roll out of GRC	• Modernize the compliance functions (capture/log noncompliance and track reporting)		Head: Risk & Compliance
Review of business policies for regulatory alignment	Reviewed and approved Policies and Procedures	100% of policies due for review	Q1 – 20% coverage Q2 – 50% coverage Q3 - 80% coverage Q4 – 100% coverage	• Review of **sefa** policies, procedures and guidelines for regulatory alignment.		Head: Risk & Compliance

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Responsibility
Advise and monitor compliance governance - compliance statutory reporting	Timeous submissions of regulatory reports • SARS monthly returns • NT Quarterly Reports • Management accounts			• Tracking of regulatory reports		Head: Risk & Compliance
	• NCR quarterly reports (Form 39) • Annual NCR Report (Form 40)	Annual NCR Report	4 NCR quarterly reports (form 39)	• Preparation of regulatory reports		Head: Risk & Compliance
	Technical updates according to regulatory changes	Adhoc	Adhoc	• Review the KYC requirements		Head: Risk & Compliance
Embed the compliance culture within the organisation		Population -12 11 regions 1 – head office	3 trainings offered per quarter -	• Provide training and awareness • Provide regular updates and advise on compliance matters. • Compliance management reporting		Head: Risk & Compliance

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Responsibility
Provide compliance oversight, support and guidance	• SARB Form 67 & 68 • SOLO license conversion workbook • SAM CPR Annual return • SAM CPR Quarterly returns	SAM CPR annual report	4 SOLO conversion workbooks 4 SARB form 67 & 68 4 SAM CPR quarterly reports	• Develop and review KCG Policies & Procedures • Review KCG compliance governance policies and framework	Quarterly	Head: Risk & Compliance
Advise and monitor regulatory compliance	Approved ORSA returns			• Preparation and submission of regulatory Reporting • ORSA Reporting • Compliance monitoring		Head: Risk & Compliance

1.5.2 Sub-Programme: Enterprise Credit Management

Purpose of Programme

The primary objective of the Unit is to ensure that **sefa**'s risk is in line with the Institution's risk appetite and threshold and ensure that all risks inherent in **sefa**'s lending decisions are mitigated and managed. The Unit performs an independent credit risk assessment of all transactions and indicates "support or no support" and the basis thereof. The risk assessment critically identifies and assesses the risks and proposes appropriate additional mitigation plans. Since its formation, the unit has been able to embed foundational policies, processes and systems.

Outcomes, Outputs, Performance Indicators and Targets - Enterprise Credit Management

Outcome	Outputs	Output Indicators	Audited /Actual Performance		Estimated Performance		(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
High Impact, High Performance Credit Risk Unit	Review and enhance Credit risk policies and procedures	Revised Credit and Investment Risk policy aligned with current market needs	N/A		Discussions and engagement with all stakeholders to improve Credit and Investment Risk policy	Approved Revised Credit and Investment Risk Policy	N/A	N/A
	Implement sector-based benchmarks through archiving of credit risk reports and financial models Improved credit risk assessment and identification through effective portfolio analytics	Promote a uniform approach to credit risk assessment underpinned by lessons learnt and Industry benchmarks. Build portfolio model that will enhance risk	N/A N/A		Giving the entire portfolio cashflows to IT expert Discussion with IT to build pull data from **sefa**las	Testing and implementation of the portfolio cashflows model Testing of the Portfolio data model	Maintenance of the portfolio cashflow model Maintenance of the Portfolio data model through	Maintenance of portfolio cashflow model Maintenance of the Portfolio data model through quarterly reports

		assessment and reporting				quarterly reports	
	Optimisation of relationship between Credit and Business as well as PIM • Effective allocation of Credit Analysts to a respective region • Continuous involvement of Credit Analyst at origination • Involvement of Credit Analysts at review and restructuring phases	Improved turnaround times Better quality transactions presented to committees. Increased throughput as a direct result of better-quality transactions. Improved impairment rate	Credit Risk Unit Involvement at early deal origination Enhanced Credit Assessment and Risk Identification	Continue to ensure the deeper involvement of Credit Risk Analyst in the due diligence process.	Continue to ensure the deeper	Continue to ensure the deeper involvement of Credit Risk Analyst in the due diligence process Enhanced Credit Assessment and Risk Identification	Continue to ensure the deeper involvement of Credit Risk Analyst in the due diligence process Enhanced Credit Assessment and Risk Identification
	Continuous professional development through skills training, enhancements, and knowledge sharing with key stakeholders	Improving Skill set of both Credit Risk Analyst and impact that skill to Business	External Credit risk training	Training Workshops at the regions	Training Workshops at the regions	Training Workshops at the regions	Training Workshops at the regions

Sefa sustainability and operational effectiveness	Continuous recalibration and integration of predictive credit risk models	Reliable quantification of Client risk profile and efficiency in the estimation of provisions and impairments	N/A	Working with PWC to build model to calculate Expected Loss	Improving the predictive power of Expected loss model	Improving the predictive power of Expected loss model	Improving the predictive power of Expected loss model

Indicators, Annual and Quarterly Targets - Enterprise Credit Management

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Revised Credit and Investment Risk policy aligned with current market needs	Credit and Investment Risk Policy	Research and benchmarking	Discussion with Stakeholders	Drafting of policy	Tabling of policy to Exco and Board
Implement sector-based benchmarks through archiving of credit risk reports and financial models	Build a portfolio financial forecast and benchmarking Portal	Giving the entire portfolio cashflows to IT expert	Testing of the portfolio cashflows model	Implementation of the portfolio financial Cashflow model	Maintenance of the portfolio financial Cashflow model
Improved credit risk assessment and identification through effective portfolio analytics	Building a portfolio portal	Discussion with IT to build pull data from **sefa**LAS	Testing of the Portfolio data model	Implementation of the portfolio data model through reporting of the data	Maintenance of the portfolio data model

Optimisation of relationship between Credit and Business as well as PIM	Improve turnaround times	Allocating Credit Risk Analyst to each respective region	Continue to accelerate greater alignment with business by increasing conversion rate	Continue to accelerate greater alignment with business by increasing conversion rate	Continue to accelerate greater alignment with business by increasing conversion rate
Continuous professional development through skills training, enhancements, and knowledge sharing with key stakeholders	Improving Skill set of both Credit Risk Analyst and impact that skill to Business	Attending credit risk workshop and training	Impacting knowledge to business through visiting region and having training workshop	Impacting knowledge to business through visiting region and having training workshop	Impacting knowledge to business through visiting region and having training workshop
Continuous recalibration and integration of predictive credit risk models	Reliable and Robust quantification of Client risk profile and efficiency in the estimation of provisions and impairments	Improving the predictive power of Expected loss model	Providing monthly expected loss estimation to finance	Providing monthly expected loss estimation to finance	Providing monthly expected loss estimation to finance

1.5.3 Sub-Programme: Internal Audit

sefa's Internal Audit function is an independent, objective assurance and consulting activity. It will evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit activity provides audit coverage, in conjunction with independent Auditors, of significant operational and financial reporting risk activities in **sefa** and assists management in ensuring that proper controls are in place.

Internal Audit monitors and follows up on the implementation of agreed action plans to ensure an improved control environment. It performs Forensic investigations, special assignments as well as consulting activities as requested by Management and the Board as part of Fraud Risk Management. Internal Audit is also responsible the management of the organisation's anonymous fraud hot-line and follow up on all potential fraud activities.

The Internal Audit Profession

In the past two years, South African has seen a number to Commissions of Inquiries, and most these brought attention to the Internal Audit profession. The top four commissions that saw Internal Auditors under scrutiny were:

- Zondo Commission of Inquiry into State Capture
- Commission of Inquiry into Tax Administration and Governance by SARS
- Commission of Inquiry into allegations for impropriety regarding Public Investment Corporation
- Public Enterprise Portfolio Committee into Eskom Inquiry

The Internal Audit profession as a whole is under threat. The integrity of internal auditors is being questioned, even big and reputable entities suffered significant reputational damage in the recent past.

At his inauguration President Cyril Ramaphosa promised a clean government, an end to the culture of impunity and he further mentioned of the establishment of strong anti-corruption machinery to enable the country to arrest the misappropriation of public funds in the private and public sectors and attempt to recoup the losses.

At **sefa**, we share the same sentiments as the President. We have built a solid Internal Audit department made up of strong professionals that are independent, who walk the talk on integrity. We have a board of directors that is supported by an Audit Committee and both committees play a vital oversight role onto the organisation.

The State of sefa's Control Environment

sefa and its subsidiaries maintain financial and operational systems of internal controls in order to fulfil its responsibility in providing reliable financial information. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that assets are adequately protected against material loss or unauthorised acquisition, use, or disposal, and that transactions are properly authorised and recorded.

This system includes a documented organisational structure and division of responsibility, established policies, and procedures, including a Code of Ethics to foster a strong ethical climate, which are communicated throughout the Company. The internal auditors assist the Board in monitoring the operation of the internal control system and report their findings and recommendations to management and the Audit and Risk Committee. Corrective actions and any other measures are taken to address identified control deficiencies and to improve controls.

The Board, through its Audit Committee, provides supervision of the financial reporting process and internal control system. There are inherent limitations in the effectiveness of any system of internal

control, including the possibility of human error and the avoidance or overriding of controls. Therefore, effective internal control system only provides a reasonable assurance regarding financial statements' preparation and safeguarding of assets.

Although control deficiencies were identified in the past, most of the identified control deficiencies have been addressed by management and management is in the process of addressing the remainder of the deficiencies as reflected in the Issues Log. Internal Audit is confident that management are committed and are taking the necessary remedial action to address the control deficiencies.

Based on the scope and results of the historical audits performed, Internal Audit's opinion is that key controls implemented by management to address the associated risks indicate that an adequate control framework is in place although improvements are needed in certain key areas.

sefa's strategic outlook

The organization's strategic outlook in the current MTEF indicate an overall 25% growth in the loan book. This coupled with new products and initiatives that are planned to be implemented, suggests that addition work will be to be performed by Internal Audit. The additional work will be necessary in order to provide the Board with an opinion in the control environment and the implementation success of the said initiatives.

Internal Audit will perform an analysis of its headcount resources and the capacity requirements from the organization and make recommendations the Human Capital and Remunerations Committee.

Fraud Risk Management

sefa takes full responsibility to ensure proper stewardship of public money very seriously. Therefore, **sefa** is committed to the prevention, detection and investigation of all forms of fraud and corruption, whether these are internal or external to the organisation. **sefa** is committed to the highest possible standards of transparency and accountability in all its affairs and is determined to maintain a culture of honesty and opposition to fraud and corruption. **sefa** does not tolerate fraud, theft or dishonesty. All reported incidents, including internal fraud are thoroughly investigated with the utmost confidentiality.

sefa's Board takes firm and vigorous action against any individual or group who has committed a fraud. Such action may involve disciplinary action, civil and/or criminal legal proceedings. Disciplinary proceedings may result in the dismissal of an employee. **Sefa** maintains an effective fraud control environment to assist in fraud prevention and detection.

The Anti-Fraud and Corruption Policy outlines employees' expected behaviour, how to report a suspected fraud, the role of various bodies within **sefa** and its commitment to increasing employee awareness, training and recording of possible fraud.

The organization has clear anti-fraud policies and a fraud & corruption prevention plan. **sefa**'s anonymous tip-off line operates 24/7 and is managed by an independent reputable external firm.

Prior year challenges

In the past, the department has had a few challenges that was a hindrance to achieving the audit plan. Below is a list of some these challenges and the plan to address these challenges.

Challenge	Solution
Audit Plans Unrealistic Given Available Resources	Prepare the Annual Plan and 3-year rolling plan in consultation with the team, management and the Audit Committee
Lack of Specialised Audit Skills in the Department i.e. Forensic & IT Auditing	Recruit and retain an IT auditor and a Forensic auditor.
Lack of training of current staff members (To keep abreast with the changes and improve productivity)	Develop a training plan that is supported by the retention strategy aligned to **sefa**'s overall strategy.
Staff Turnover	Develop a retention strategy in consultation with Human Capital and Exco.
Lack of proper audit tool to ensure efficiency	Team to attend additional BarnOwl training and to use Microsoft Excel efficiently.
Number of forensic/ adhoc assignments	Notify Management and the Audit Committee of adhoc assignment that have a significant impact on the plan and make necessary adjustments to the plan.

Key outputs/ deliverables	2021	2022	2023	2024	2025
Percentage of completed assurance audits in accordance with Annual Approved Plan	90% completion of planned audits	95%	95%	100%	100%
Percentage of completion of Special Investigations/ adhoc assignments	Complete priority investigations as agreed with AC Chair and CEO	Complete priority investigations as agreed with AC Chair and CEO	Complete priority investigations as agreed with AC Chair and CEO	Complete priority investigations as agreed with AC Chair and CEO	Complete priority investigations as agreed with AC Chair and CEO
Fraud and Corruption Prevention Plan and awareness programs	Reviewed Plan & Policy Awareness workshops Awareness Survey	Perform an Ethics Survey	Address key issues and recommendations from the survey	Address key issues and recommendations from the survey	Reviewed Plan & Policy Awareness workshops Awareness Survey
Combined Assurance Framework	Approved Combined Assurance Framework	Continuous Reporting on the implementation of the combined assurance plan	Reporting and Monitoring	Reporting & Monitoring	Reporting & Monitoring
Use of Integrated Risk and Audit Tool to improve efficiency	On-going	Attend refresher course on BarnOwl	On-going	On-going	On-going

High performing Audit Team (Including Skills for specialised Audits i.e. IT and Forensic)	Continuous Professional Development in accordance with IDP	Continuous Professional Development in accordance with IDP	Continuous Professional Development in accordance with IDP	Continuous Professional Development in accordance with IDP	Continuous Professional Development in accordance with IDP

From the 5 year strategic initiatives listed above, Internal Audit will roll out the key strategic outputs as follows:

Key Initiatives for 2020/21

No	Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
1	Provide assurance and consulting services the Board and Management on the adequacy, effectiveness and efficiency of internal controls, governance and risk management processes.	Achieve at 90% of the approved annual plan	Complete audits as per the approved audit plan.	Complete audits per the quarterly milestones	Submit a written assessment to the Board	N/A	N/A	Management and process owner's readiness	HOD
2	Establish a high-performance Audit Team through securing and retaining the required resources.	0% vacancy rate	Maintain a fully resourced Internal Audit Department	Retain current resources and provide regular training opportunities	Develop and implement a retention strategy.	FY2021	R50 000	N/A	HOD
3	Provide fraud risk management services that will assist management to prevent and detect fraud activities.	Approved Fraud Prevention Plan	Perform Fraud Awareness sessions at head office and at regions	At least 2 regional awareness sessions	Appointment of an independent service provider to manage the anonymous tip-off service	N/A	R200 000	N/A	HOD
4	Use automated integrated audit and risk tools to improve	Effective use of BarnOwl and Excel	100% adoption and use of system	N/A		2021	R50 000	Training on BarnOwl dashboard reporting	HOD

No	Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
	Internal Audit efficiency.		generated dashboards.						
5	Develop and implement a Combined Assurance Framework.	Approved Combined Assurance Model	Combined Assurance Model	Develop an Integrated Assurance Strategy	Collaborate with Risk Management Department	2020	NIL	Approved Strategic Risk Register	HOD

1.5.4 Sub-Programme: Legal Services

Purpose of the Programme

Legal Services provides contract drafting, legal representation and legal advice to the core and supporting divisions in **sefa.**

OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS – LEGAL SERVICES

Outcome	Outputs	Output Indicators	Audited /Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Align **sefa**'s organisational structure, culture and innovative delivery model to its mandate and strategy	Efficient Legal Services Structure/Organogram to provide adequate legal support to the entire **sefa** value chain	Review Legal Services Structure	N/A			Complete	Complete	Complete
		Ensure the Legal Services Structure is fully capacitated	N/A			On track	On track	On track

Improve **sefa**'s sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions	Effective and Efficient Litigation Management	Litigation Report	N/A	On track	On track	On track
		Litigation Policy	N/A	Complete	Complete	Complete
	The implementation of efficient processes to enable quality, timely legal support to **sefa**	Efficient processes	N/A	Complete	Complete	Complete
Ensure that **sefa** is a high impact, high performance DFI responsive to government's macroeconomic policies & DSBD MTSF plan	Quality legal support to Direct Lending and Wholesale Lending business units within **sefa**	Legal agreements – wholesale lending	N/A	On track	On track	On track
		Legal reports – wholesale lending	N/A	On track	On track	On track
		Legal agreements – direct lending	N/A	On track	On track	On track
		Legal reports – direct lending	N/A	On track	On track	On track
	Contingent Liabilities Management and Reporting	Contingent Liabilities Register	N/A	On track	On track	On track
	Legal Support – Board, Subcommittees and Management Committees	Legal **sefa** Board and subcommittees	N/A	On track	On track	On track
		Legal Support – Board and Committees, Godisa	N/A	On track	On track	On track
		Legal support – Board and Committees – KCG	N/A	On track	On track	On track

		Legal support – Exco (normal, policy, prudential limits, SBIF, Blended Finance)	N/A	On track	On track	On track
		Legal support – Mancom (prudential limits, SBIF, Blended Finance)	N/A	On track	On track	On track

INDICATORS, ANNUAL AND QUARTERLY TARGETS - LEGAL SERVICES

Output Indicators	**Annual Target**	**Q1**	**Q2**	**Q3**	**Q4**
Review Legal Services Structure	Structure Review Report with recommendations	-	Structure Review Report with recommendations	-	-
Ensure the Legal Services Structure is fully capacitated	Where posts are funded, no vacancies for more than 4 months	Where posts are funded, no vacancies for more than 4 months	Where posts are funded, no vacancies for more than 4 months	Where posts are funded, no vacancies for more than 4 months	Where posts are funded, no vacancies for more than 4 months
Litigation Report	Development of Litigation Report	Quarterly Litigation Report	Quarterly Litigation Report	Quarterly Litigation Report	Quarterly Litigation Report
Litigation Policy	Development of Litigation Policy	-	Draft Policy	-	Final Policy
Legal agreements – wholesale lending	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information
Legal reports – wholesale lending	Provided within 3 working days of all relevant information	Provided within 3 working days of all relevant information	Provided within 3 working days of all relevant information	Provided within 3 working days of all relevant information	Provided within 3 working days of all relevant information

Legal agreements – direct lending	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information
Legal reports – direct lending	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information
Efficient processes	Review 2 processes	-	1 Process reviewed	-	2 Processes reviewed
Contingent Liabilities Register	Contingent Liabilities Register	Contingent Liabilities Register	Contingent Liabilities Register	Contingent Liabilities Register	Contingent Liabilities Register
Legal support - **sefa** Board and subcommittees	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Legal Support – Board and Committees, Godisa	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Legal support – Board and Committees – KCG	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Legal support – Exco (normal, policy, prudential limits, SBIF, Blended Finance)	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Legal support – Mancom (prudential limits, SBIF, Blended Finance)	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing

ANNUAL OPERATIONAL PLAN - LEGAL SERVICES

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Budget per Activity	Dependencies	Responsibility
1. Efficient Legal Services Structure/Organogram to provide adequate legal support to the entire **sefa** value chain	Review Legal Services Structure	Structure Review Report with recommendations	Structure Review Report with recommendations	• Assess present structure • Identify deficiencies • Benchmark • Make recommendations	By end Q2	Per approved Personnel Costs	Support from Human Capital	Head: Legal
	Ensure the Legal Services Structure is fully capacitated	Where posts are funded, no vacancies for more than 4 months	Where posts are funded, no vacancies for more than 4 months	• Advertise • Interview • Appoint	Ongoing	Per approved Personnel Costs	Support from Human Capital	Head: Legal Services
2. Effective and Efficient Litigation Management	Litigation Report	Litigation Report	Quarterly Litigation Report	Daily, weekly, and/or monthly litigation management via litigation register	Ongoing	Per approved budget	Support from Direct Lending, Wholesale Lending and PIM	Head: Legal Services
	Litigation Policy	Litigation Policy	Annual target	Benchmark and develop litigation policy, seek approval	Annual Target	Nil	Support from PIM	Head: Legal Services
3. Quality legal support to Direct Lending and Wholesale Lending business units within	Legal agreements – wholesale	Provided within 3 working days of provision	Provided within 3 working days of provision of	Daily, weekly, and/or monthly management	Ongoing	Nil	Provision of all relevant documentation and/or	Head: Legal Services

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Budget per Activity	Dependencies	Responsibility
sefa	lending	of all relevant information	all relevant information				information from Wholesale Lending	
	Legal reports – wholesale lending	Provided within 3 working days of all relevant information	Provided within 3 working days of all relevant information	Daily, weekly, and/or monthly management	Ongoing	Nil	Provision of all relevant documentation and/or information from Wholesale Lending	Head: Legal Services
	Legal agreements – direct lending	Provided within 3 working days of provision of all relevant information	Provided within 3 working days of provision of all relevant information	Daily, weekly, and/or monthly management	Ongoing	Nil	Provision of all relevant documentation and/or information from Direct Lending	Head: Legal Services
	Legal reports – direct lending	Provided within 3 working days of all relevant information	Provided within 3 working days of all relevant information	Daily, weekly, and/or monthly management	Ongoing	Nil	Provision of all relevant documentation and/or information from Direct Lending	Head: Legal Services
4. The implementation of efficient processes to enable quality, timely	Efficient processes	Review 2 processes	Annual target	Daily, weekly, and/or monthly management	Ongoing	As per approved	Support from IT and Corporate	Head: Legal Services

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Budget per Activity	Dependencies	Responsibility
legal support to **sefa**						budget	Strategy	
5. Contingent Liabilities Management and Reporting	Contingent Liabilities Register	Contingent Liabilities Register	Contingent Liabilities Register	Keep contingent liabilities register updated	Ongoing	Nil	Support from Human Capital and PIM	Head: Legal Services
6. Legal Support – Board, Subcommittees and Management Committees	Legal support - **sefa** Board and subcommittees	Ongoing	Ongoing	Monthly and or quarterly attendance, as required	Ongoing	Nil	Secretariat	Head: Legal Services
	Legal Support – Board and Committees, Godisa	Ongoing	Ongoing	Monthly and or quarterly attendance, as required	Ongoing	Nil	Secretariat	Head: Legal Services
	Legal support – Board and Committees – KCG	Ongoing	Ongoing	Monthly and or quarterly attendance, as required	Ongoing	Nil	Secretariat	Head: Legal Services
	Legal support – Exco (normal, policy, prudential limits, SBIF, Blended Finance)	Ongoing	Ongoing	Weekly, and/or monthly attendance, as required	Ongoing	Nil	Secretariat	Head: Legal Services
	Legal support – Mancom (prudential	Ongoing	Ongoing	Weekly, and/or monthly attendance, as	Ongoing	Nil	Secretariat	Head: Legal Services

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Budget per Activity	Dependencies	Responsibility
	limits, SBIF, Blended Finance)			required				

OUTCOMES, OUTPUTS, PERFORMANCE INDICATORS AND TARGETS - LEGAL SERVICES

Outcome	Outputs	Output Indicators	Audited /Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Align **sefa**'s organisational structure, culture and innovative delivery model to its mandate and strategy	Efficient Legal Services Structure/Organogram to provide adequate legal support to the entire **sefa** value chain	Review Legal Services Structure	N/A			Complete	Complete	Complete
		Ensure the Legal Services Structure is fully capacitated	N/A			On track	On track	On track
Improve **sefa**'s sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions	Effective and Efficient Litigation Management	Litigation Report	N/A			On track	On track	On track
		Litigation Policy	N/A			Complete	Complete	Complete
	The implementation of efficient processes to enable quality, timely legal support to **sefa**	Efficient processes	N/A			Complete	Complete	Complete

Ensure that **sefa** is a high impact, high performance DFI responsive to government's macroeconomic policies & DSBD MTSF plan	Quality legal support to Direct Lending and Wholesale Lending business units within **sefa**	Legal agreements – wholesale lending	N/A	On track	On track	On track
		Legal reports – wholesale lending	N/A	On track	On track	On track
		Legal agreements – direct lending	N/A	On track	On track	On track
		Legal reports – direct lending	N/A	On track	On track	On track
	Contingent Liabilities Management and Reporting	Contingent Liabilities Register	N/A	On track	On track	On track
	Legal Support – Board, Subcommittees and Management Committees	Legal **sefa** Board and subcommittees	N/A	On track	On track	On track
		Legal Support – Board and Committees, Godisa	N/A	On track	On track	On track
		Legal support – Board and Committees – KCG	N/A	On track	On track	On track
		Legal support – Exco (normal, policy, prudential limits, SBIF, Blended Finance)	N/A	On track	On track	On track
		Legal support – Mancom (prudential limits, SBIF, Blended Finance)	N/A	On track	On track	On track

1.5.5 Sub-Programme: Company Secretariat

Established in accordance with Section 86 of the Companies Act No 71 of 2008, as amended, the primary role of Company Secretariat is, amongst others, to provide Directors of the Company , collectively and individually with guidance as to their duties, responsibilities and powers, making directors aware of any law relevant or affecting the Company and maintaining the minutes of all Shareholders', Board and Committee meetings in accordance with the Companies Act. The Company Secretariat services and activities extend to the Company's Executive Committee and its sub-committees, as such, a concerted effort is required to rid the governance processes of inefficiencies, to enable effective planning and enhancement of the Delegation of Authority Matrix to enable flexibility and quicker decision making. In collaboration with business, the Company Secretariat office will assist and enable effective meeting planning, relevant, concise and timeous submissions for efficient meetings, quicker turnaround times for finalisation of minutes of meetings and providing the Company Directors with adequate information for informed decisions, effective monitoring and oversight of the Company. Furthermore, proper planning will reduce the number of meetings held and therefore time spent in meetings.

Outcomes, Outputs, Performance Indicators and Targets – Company Secretariat

Outcome	**Outputs**	**Output Indicators**	Actual Performance			Estimated Performance	**(Projected) 2021/22**	**(Projected) 2022/23**
			2017/18	2018/19	2019/20	2020/21		
Improved Governance Processes and Meetings Proceedings	Guide to conduct effective meetings	• A Guide to effective meetings • Training of chairpersons on managing effective meetings • Training of Company Secretariat Personnel on DFI and general governance and meeting processes • Standardised Company Secretariat templates across the board • Meetings are held according to the annual corporate/ work plan	• Developed templates for standardised Agenda, Minutes • Implement Matters Arising lists and resolution register • Implemented resolutions numbering. • In-house training on minutes and resolution writing.			• Monitor and enforce use of templates for standardisation • Training for **sefa** Executive Managers on managing effective meetings • Training for **sefa** NEDs on chairing effective meetings • Agenda setting for Exco Meetings to ensure effective and limited meetings	Review and enhancement Continuous training for Company Secretariat	Continuous review and improvement based on latest trends

Outcome	Outputs	Output Indicators	Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Implementation of a document management IT Application to support **sefa** governance processes	IT Document Management Application	• Technical user requirements specification • Technical solution • Development and deployment of solution • User acceptance test • Change management • Development of a User training guide	• Presently using Adobe for meeting documents			• Develop the user requirements specification • Identify and develop the IT Document Management Application technical solution • development and deployment of a solution • User acceptance test • Change management	• Review and enhance Applicatio n	Continuous Review and enhancement of Application Conduct Benchmark exercise (similar and/or other entities
Effective and efficient **sefa** record management	Implementation of centralised **sefa** records repository	• Deployment of SharePoint in the Organisation • Change Management Programmes • Development user guide for online collaboration	• Limited use of SharePoint			• Deploy the SharePoint Content repository • Deployment of SharePoint site for **sefa** governance structures • Pilot SharePoint site for 2 departments • Change management, awareness and training	Roll-out SharePoint/full implementation	Roll-out SharePoint/ full implementation
Statutory Records	Minutes of meetings are finalised timeously, approved and pasted in the minute books.	• Minutes approved timeously and pasted in the meeting books. • Quarterly review of minutes books by DRM and by Company Secretary.	• Finalise backlog of minutes • Ensure the minutes are approved, finalised and to date by March 2020.			• Minutes are approved timeously and pasted in the meeting books. • Quarterly review of minutes books by DRM and by Company secretary.	Continuous improvement of minutes and reporting back on action items to the governance structures	Continuous improvement of minutes and reporting back on action items to the governance structures

Outcome	Outputs	Output Indicators	Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
		• Annual review by Internal Audit to ensure completeness.				• Annual review by Internal Audit to ensure completeness. • Timeous response to actions		
Briefing notes to Board and/or Committees on related topics and/or update on legislation per annum	Briefing notes are tabled at a meeting or shared electronically with Members.	• Briefing notes/emails to Board and Committees on related topics	One briefing note submitted to the Board of Directors on Audit Committees Composition			• 2 briefing notes on related information to Board or Committees.	Continuous improvement and implementation	Continuous improvement and implementation
Corporate Governance Report (Annual/ Integrated Report)	Approved governance report by the Board	Report on the Board activities for the year including meeting attendance, approvals including respective disclosures.				Approved governance Report for inclusion in the annual report	Improved board disclosures/ reporting Adoption of King IV Report on Corporate Governance for SA	Improved board disclosures/ reporting

Indicators, Annual and Quarterly Targets - Company Secretariat

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
• Meetings are held according to the annual corporate/ work plan	Pre-schedule meetings by the start of each financial year in line with approved Corporate Calendar.	Hold the quarterly meetings and set agenda based on the Annual Work Plans.	Hold the quarterly meeting and set agenda based on the Annual Work Plan	Hold the quarterly meeting and set agenda based on the Annual Work Plan	Hold the quarterly meeting and set agenda based on the Annual Work Plan

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
• A Guide to effective meetings	A Guide to effective meetings	Research content for the Guide to effective meetings.	Develop the guide (in keeping with plans – develop an e-guide) and share the link with all related. Workshop the Guide at Exco level, Board Committees.		
• Training Company Secretariat team	Efficient/Effective Team with specific goals and plans for **sefa** improving governance Minimum of 2 training session per annum in line skills development plan]	• Finalise the task allocations • Develop plans and attendance to specific courses as identified • In-house training for SharePoint,	Individual team members attend a course during Q2	Implement lessons learned	Attend a course Review implementation of lessons and enhance
• Standardised Company Secretariat templates across the Organisation.	Implemented templates: Agenda; Minutes; Matter Arising; Resolution Register; Delegation of Powers; etc.	• Assess use of the templates implement in Q2 2019 • Ensure dissemination of the Delegation of Powers template and monitor use	Awareness article on Delegation of Powers across the Company including other governance processes (declarations of interest etc)	Review adherence with assistance from DRM	Continuous awareness articles or communiques on governance processes and template
• Training of Chairpersons on managing effective meetings	Chairpersons and Executive Management attend a Chairperson's course – IoDSA based on needs assessment.	Arrange NEDs and Executive Management attendance to IoDSA Course of effective Meeting and Chairpersonship	Arrange NEDs and Executive Management attendance to IoDSA Course of effective Meeting and Chairpersonship	Assess effectiveness of the training.	Continuously assess effectiveness of the training and conduct the assessment of Committee effectiveness at end of FY

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
• Technical user requirements specification • Technical solution development and deployment of a solution • User acceptance test • Change management • Development of a User training guide	Implement IT Solution by end of financial year	• Technical user requirements specification • Technical solution development and deployment of a solution	• User acceptance test • Change management • Development of a User training guide	Roll-out and assessment of solution	Review and enhance and full implementation
• Deployment of SharePoint in the Organisation • Change Management Programmes • Development user guide for online collaboration	• Relocate governance /statutory records from the Z-drive to SharePoint	Relocate records from the 2011/12 – 2014/15FY Start saving documents to SharePoint	Relocate 2015/16 to 2018/19FY	Review and assess completeness of records continue with relocation of records	Review and assess completeness of records
• Minutes approved timeously and pasted in the meeting books. • Quarterly review of minutes books by DRM and by Company secretary. • Annual review by Internal Audit to ensure completeness.	• Updated Minute books • Regular review and "audit" of minute books	Review 2019/20FY minutes for completeness of records Ensure Q4/2019/20FY minutes are reviewed, tabled at next schedule meeting, approved signed and pasted in minute book	Ensure Q1 minutes are reviewed, tabled at next schedule meeting, approved signed and pasted in minute book	Ensure Q2 minutes are reviewed, tabled at next schedule meeting, approved signed and pasted in minute book	Ensure Q3 minutes are reviewed, tabled at next schedule meeting, approved signed and pasted in minute book

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
• Report on the Board activities for the year including meeting attendance, approvals including respective disclosures.	• Approved corporate governance report	Consolidate and update the report based on the FY meetings and related activities.	Collate Q1 information and include in the draft report	Collate / Q2 information and include in the draft report	Collate Q3 information and include in the draft report and finalise report for approval after March.

ANNUAL OPERATIONAL PLAN - Company Secretariat

Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
Guide to conduct effective meetings	• Meeting are held according to plan • Annual work plans are met and/or exceeded	• Plans are met 100%	Each quarterly target as set out in the plan is met	• Planned meetings are held (or per new date) in line with Charter minimum requirements. • Training of Chairpersons for effective meetings management • Conduct Committees efficiency and effectiveness assessments on an annual basis (Plan against actual and quality of decisions)	12 months	N/A	• Departmental planning in line with the Corporate Calendar (as pre-approved) • Management adherence to plans • Effective and efficient Executive committee • Review composition of Executive Committee sub-committees (adequate skills and expertise, relevant officials appointed, purpose and naming conversion)	Executive Managers/ Company Secretary
IT Document Management	• Meeting packs are	IT Systems and	Q1 – investigate	• IT solution • Training of	6 months	R400K	• Budget availability for the	Company Secretary/

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
Application	disseminated electronically • Efficient dissemination of meetings packs	Programme implemented (e.g. Board Pad or similar)	program and seek authority to procure Q2 – Source programme, implement, and train users	users • Implementation and awareness			programme and related license • IT support • Exco Support	Head of IT
Implementation of centralised **sefa** records repository	Central and comprehensive Repository across the business	Improved use of SharePoint or other internal systems specific to other Departments (e.g. HCM)	TBC	• Awareness campaigns	12 months	TBC	• Reliable and secure SharePoint • Change Management program to encourage employees to utilize the system	Heads: DRM, IT and Strategy (PMO)/ Company Secretary
Minutes of meetings are finalised timeously, approved and pasted in the minute books.	Signed minutes are pasted in the minute books.	All minutes of the specific FY are pasted in the meeting book by June each year (*4th quarter minutes are tabled in Q1 of the following*	Approved previous quarter minutes for those governance structure that meet quarterly	• Training on minutes writing for team • Tabling of minutes for approval at next scheduled meeting as a standard approach	continuous	N/A	• Timeous completion of minutes by Company Secretariat • Accuracy of minutes	Company Secretary

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
		year)	Approve prior month minutes for Exco related.	• Each governance structure to review minutes or prior meeting(s) at the scheduled meetings to avoid backlogs. • Review as part of performance assessment for responsible company secretary and governance structure				
Briefing notes are tabled at a meeting or shared electronically with Members.	Briefing notes circulated	2 briefing notes per annum	1 note per second quarter	• Research on latest trends for related governance trends	3 months	N/A	Company Secretariat personnel and availability to conduct research (planning) Collaboration with **sefa** expertise e.g. (Risk, Internal Audit and Legal)	Company Secretary

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Timeframe	Budget per Activity	Dependencies	Responsibility
Approved governance report by the Board	Approved report included in the Annual Report	Finalise report by January 30	Report on member attendance, meetings held, and resolutions taken	• Reports on attendance • Reports on	Annual occurrence	N/A	• Availability of content/ information based on minutes and related	Company Secretary

1.6 PROGRAMME 6: PROPERTY MANAGEMENT

sefa owns a property portfolio comprising of 46 (industrial and retail) properties located in seven provinces, inherited through the merger process of Khula and samaf. The current Fair Value of Investment Properties as per audited AFS as at 31 March 2019 is R187 469 000, made up of 46 properties in 7 provinces: Gauteng; Kwa-Zulu Natal; Western Cape; Eastern Cape, Mpumalanga, Free State and Northern Cape compromising of 36 industrial properties and 19 retail commercial properties and 1 vacant land. There are 641 entities that are occupying the 46 properties..

The White Paper on Small Business Development (1995) identifies affordable business premises as a key constraint to the development and promotion of small business in South Africa. The **sefa** Property Portfolio houses SMMEs who operates in retail, small medium emerging enterprises, light manufacturing, township businesses and automotive sectors in previously disadvantage areas, primarily in black townships.

Challenges in managing the property portfolio

In managing the property portfolio, **sefa** is confronted with the following challenges:, namely:

- **Property maintenance** – due to losses incurred on the property portfolio, there has been lack on investment in the maintenance of the properties and face compliance challenges with regards to building occupancy (i.e. OHS etc).
- **Ownership disputes** – some of the properties in the portfolio are under ownership disputes, which arose from agreements where there was no mutual understanding among the affected parties. As a result, the tenants represented by the Association have embarked on rental boycott and prevent **sefa** from managing the properties.
- **Losses and arrears** – due to rental boycotts and non-profitability of tenants, the performance of the portfolio has resulted in losses incurred, which had to be subsidised from **sefa**'s balance sheet.
- Human Capital - the property portfolio division at **sefa** in not adequately capacitated.

Purpose of the Programme

sefa's property department aims to efficiently manage the properties in order to support SMME's by providing affordable and conducive accommodation. This aim is underpinned by the department's aim to ensure property capital value preservation and financial sustainability.

Strategic Initiatives 2020/21

Strategic Initiative 1 - Compliance with Statutory Building Regulations

The properties are currently not compliant with Occupation and Health and Safety Act. The intent of this initiative is to primarily mitigate the risk of the building's being condemned by the local municipally and shut down for business. The initiative will minimize the potential for fire damage and physical damage to patrons and tenants. Furthermore, the lack of building compliance threatens to have the insurer revoking **sefa**'s insurance cover.

Strategic Initiative 2 - Implementation of Pre-emptive Maintenance

The property portfolio is largely in a poor state of disrepair. Since its incorporation into **Sefa/Khula**, the expenditure on repairs on maintenance has been minimal and largely reactive. Reactive maintenance is characteristically more costly than pre-emptive maintenance. It is the department's intent to ensure proper maintenance in a cost-effective manner. Pre-emptively managing the facilities will not only ensure conducive space, it will also reduce emergency repairs expenses.

Strategic Initiative 3 - Ensure Income Security

Many of the tenants in occupation do not have signed leases. This diminishes the **sefa's** ability to enforce its rights in terms of rent collection and tenant activity regulation. Since property's primary source of income is rental income, it is imperative to ensure that this income stream is secured by legal contracts.

Strategic Initiative 4 - Improve the Portfolio's Financial Performance

The department intends on improving rental collections and reducing expenditure. The rent collection will be reinforced by increased legal collections and proactive monitoring of subletting and illegal occupations.

Strategic Initiative 5 - Disposal of Non-Performing Properties

Non-performing properties have been identified and approved for sale by the Board. These properties incur excessive holding and operating costs. They are the main contributors to the portfolio's financial loses. The department is intent on continuing the implementation of the Board's resolution to dispose of the properties in order to reduce financial losses.

Strategic Initiative 6: Repurposing the sefa Property Portfolio

A key strategic thrust of government's policy is the re-industrialisation of the country and the reviving of economic activity in townships. The **sefa** property portfolio is ideally positioned to contribute to this objective.

sefa will in the new financial year, seek partnerships with potential stakeholders and develop a roadmap on how to position the portfolio to act as potential hubs for incubators and the provision of affordable business premises to the small businesses. To this extent, **sefa** will pursue discussions and partnerships with:

1. the Gauteng Department of Economic Development (GDED) to extend the Transformation Modernisation and Re-Industrialisation (TMR) strategic objectives that were previously run by GDED.
2. Re-open discussion with the dti to fund industrialisation projects through Critical Infrastructure Grant and other grants.
3. Embark on donor fund raising and collaboration talks with DSBD, National treasury and other development agencies to enable **sefa** to embark on redevelopment and refurbishment projects.

Outcomes, Outputs, Performance Indicators and Targets -Property Management

Outcome	Outputs	Output Indicators	Audited /Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Building Statutory compliance.	Certificate of Occupancy issued by Council.	Electrical compliance, building compliance, plumbing compliance.	0%	0%	%	Building Statutory compliance.	Continued compliance with statutory requirements.	Continued compliance with statutory requirements.
Implement pre-emptive repairs and maintenance	Lower annual emergency maintenance expenditure	Income statement reviews	0%	0%	%	Implement pre-emptive repairs and maintenance.	Continue planned maintenance.	Continue planned maintenance.
Ensure income security by concluding leases with creditworthy tenants.	Signed leases on record.	Singed leases.	2%	2%		Conclude leases with credit worthy tenants.	Continue to renew leases prior to expiry.	Continue to renew leases prior to expiry.
Improve the financial performance of the property portfolio.	Increased rental collections, improved adherence to lease terms.	Increased rental collections, improved adherence to lease terms.	0%	0%		Institute legal action against non-paying tenants.	Continue managing tenant's payment delinquency and active monitoring of illegal occupations.	Continue managing tenant's payment delinquency and active monitoring of illegal occupations.

Outcome	Outputs	Output Indicators	Audited /Actual Performance			Estimated Performance	(Projected) 2021/22	(Projected) 2022/23
			2017/18	2018/19	2019/20	2020/21		
Dispose of approved GAPIPA and Retail Properties.	Reduced portfolio loses.	Sale proceeds received.	20%	45%		Dispose of approved GAPIPA and Retail Properties.	It is expected that this activity will end once the properties have been sold.	Continue to renew leases prior to expiry.

Indicators, Annual and Quarterly Targets - Property Management

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Statutory compliance.	12 Buildings	3 Buildings completed	3 Buildings completed	4 Buildings completed	2 Buildings completed
Implement pre-emptive repairs and maintenance.	20 Buildings	5 Buildings completed	5 Buildings completed	5 Buildings completed	5 Buildings completed
Conclude leases with credit worthy tenants.	50 Tenants	10 leases concluded	10 leases concluded	15 leases concluded	15 leases concluded
Institute legal action against non-paying tenants and illegal occupants.	50 Evictions to be in various legal stages	5 tenants evicted	10 tenants evicted	15 tenants evicted	15 tenants evicted
Dispose of approved GAPIPA and Retail Properties.	Disposal of 15 properties	0 properties disposed	6 properties to be disposed	4 properties to be disposed	5 properties to be disposed

ANNUAL OPERATIONAL PLAN - PROPERTY MANAGEMENT

Activities, Timeframes and Budgets

Output	Output Indicator	Annual Target	Quarterly Target	Activities	Time-frame	Budget per Activity	Dependencies	Responsibility
Statutory compliance on retained properties.	Certificate of Occupancy issued by Council.	12 Buildings	3 Buildings completed	1. Employ facilities managers. 2. Complete the establishment of a maintenance panel. 3. Perform building assessments 4. Procure various contractors to remedy infringements.	15 months		HCM for employment of facilities. SCM for the procurement of various contractors to execute the work.	Properties HCM SCM
Implement pre-emptive repairs and maintenance.	Lower annual emergency maintenance expenditure	20 Buildings	5 Buildings completed	1. Employ facilities managers and building managers. 2. Perform building assessments. 3. Procure contractors to execute repairs and maintenance. 4. Establishment of an online fault log system for retail properties and process tracking	12 months		HCM for employment of facilities. SCM for the procurement of various contractors to execute the work.	Properties HCM SCM IT

				system.				
Conclude leases with credit worthy tenants.	Signed leases on record.	70 Tenants	15 leases concluded	1. Appoint a leasing coordinator. 2. Finalize the leasing process that the current team has already started. 3. Source new tenants.	15 months		HCM for employment of leasing coordinator. Legal department for vetting of leases. SCM for procurement of various marketing material "To Let" signs etc.	Properties
Institute legal action against non-paying tenants and illegal occupants.	Increased rental collections, improved adherence to lease terms.	50 Evictions to be in various legal stages	5 tenants evicted	Commence legal action to recover outstanding moneys. Evict illegal occupants and non-paying tenants with no prospects to recover debts.	24 months		Legal department. Exco and Board for any necessary approvals. South African Judicial system	Legal department and Properties
Dispose of approved GAPIPA and Retail Properties.	Reduced portfolio loses.	15 properties disposed.	6 properties disposed.	Continue the execution of the board resolutions and Exco directive.	15 months		Exco and Board Legal department SCM	Properties Legal