The Budgetary Review and Recommendation Report of the Portfolio Committee on Small Business Development, Dated 18 October 2023

The Portfolio Committee on Small Business Development, having considered the 2022/23 performance and expenditure of the Department of Small Business Development and its entities, Small Enterprise Finance Agency and Small Enterprise Development Agency, reports as follows -

1. INTRODUCTION

The Portfolio Committee on Small Business Development's Budgetary Review and Recommendation Report (BRRR) has been prepared in accordance with the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009. The report's objective is to provide appraisal of the Department of Small Business Development and its entities' service delivery performance given allocated resources. It also includes suggestions for future resource utilisation. The Portfolio Committee (the Committee) is in charge of overseeing the budget and performance of the Department of Small Business Development (the Department), alternatively, (DSBD), and its entities, Small Enterprise Finance Agency (Sefa) and Small Enterprise Development Agency (Seda).

1.1 Purpose of the Budgetary Review and Recommendation Report

The Constitution of the Republic of South Africa, 1996 (the Constitution), specifically Section 77 (3), stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. The Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (the Act) arose from this constitutional clause. The Act establishes the procedure for Parliament to submit recommendations to the Minister of Finance to change a national department's budget. According to Section 5 (5) of the Act, the National Assembly, through its Committees, must annually examine the performance of each national department in relation to the following criteria: -

- The medium term estimates of expenditure of each national department, its strategic priorities and measurable objectives, as tabled in the National Assembly with the national budget;
- Prevailing strategic plans;
- The expenditure report relating to such Department published by the National Treasury in terms of Section 32 reports of the Public Finance Management Act No. 1 of 1999 (PFMA), as amended in 2009;
- The financial statements and annual reports of such Departments;
- The report of the Committee on Public Accounts relating to the Department; and o Any other information requested by or presented to a House or Parliament.

Accordingly, Committees must submit the Budgetary Review and Recommendation Report (BRRR) annually to the National Assembly. The BRRR assesses the effectiveness and efficiency of a Department's use and forward allocation of available resources and may include recommendation on the use of resources in the medium term. Committees are to submit the BRRR after the adoption of the budget and before the adoption of the reports on the Medium Term Budget Policy Statement (MTBPS) by the respective Houses in November of each year. The Act therefore makes it obligatory for Parliament to consider the Department's budgetary needs and shortfalls vis-à-vis the Department's operational efficiency and performance.

In the case of DSBD, this is done taking into consideration the fact that the Department has oversight responsibilities over the two entities, that is, Small Enterprise Finance Agency and Small Enterprise Development Agency. The Committee is for that reason required to make recommendations on the forward use of resources to address the implementation of policy priorities and services as these may require additional, reduction or re-configuration of resources for the Department. Those recommendations have to be submitted to the Minister of Finance and the Minister of the Department of Small Business Development for execution. This gives effect to Parliament's constitutional powers to amend the budget in line with the fiscal framework.

1.2 Methodology used in the formulation of this BRRR

The Committee studied all presented documents as outlined in clause 5 of the Money Bills Amendment Procedure and Related Matters Act. It also assessed the performance of the Department for the 2022/23 financial year as outlined in the Annual Performance Plan (APP) of the Department against the set of targets as presented in the tabled APP in 2022. Furthermore, the Portfolio Committee engaged a number of different stakeholders and various organs of state that play a role in appraising the financial and non-financial performance of the Department, including the briefing by the

Auditor-General of South Africa (AGSA), alternatively, (AG), regarding the audit outcomes of the Department and its entities. Even though, the Department(s) of Planning, Monitoring and Evaluation (DPME) and Public Service Administration (DPSA) were not called to present to the Portfolio Committee but their contributions were solicited especially the DPSA in relation to the organisational structure.

In carrying out this exercise, the Committee utilised a number of source documents, including the revised Strategic Plan of the Department, APPs, Annual Reports, 2022/23 Financial Statements, National Treasury Estimates of the National Expenditure (ENE), numerous briefings by the Department and its entities during the course of the year, as well as the State of the Nation Address (SONA). The Committee also used the Constitution as its basis. The report has taken into consideration the best lessons learnt from the Portfolio Committee interactions with institutions that provide support to survivalist, small, micro, medium and co-operative enterprises, lessons learnt from various oversight visits, conferences and engagements with a variety of stakeholders.

1.3 Mandate of the Committee

According to the Republic of South Africa's constitution, Parliament oversees the government administration and scrutinises its activities on behalf of the electorate. Parliament has formed parliamentary committees to undertake oversight on specific areas of government administration in order to carry out this vital function. The Portfolio Committees of the National Assembly are in charge of analysing and passing of laws, voting on departmental budgets, and overseeing the performance of their respective departments. The use of parliamentary committees guarantees that the Executive is held accountable to Parliament. It enables Parliament to investigate any mismanagement and offer recommendations for reform. This system brings legislators face to face with bureaucrats, thus enhancing Parliament's access to information on governmental issues.

1.4 Mandate of the Department

The primary mandate of the DSBD and its public institutions is derived from the Constitution of the Republic of South Africa. The Department is responsible for implementing Chapters 3 and 6 of the National Development Plan (NDP). Both chapters address the economy, employment, and rural inclusive growth. Regarding the seven goals defined in the Medium-Term Strategic Framework (MTSF), the Department has primary responsibility for effecting Priority 2: Economic Transformation and Job Creation, as well as the sub-outcomes and interventions associated with it. Other policy and strategy mandates informing the strategic direction of the Department include the Economic Reconstruction and Recovery Plan (ERRP), Re-imagined Industrial Strategy (RIS), Budget Prioritisation Framework (BPF), the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005), the Integrated Strategy on the Development and Promotion of Cooperatives (2012) as well as the National Informal Business Upliftment Strategy (NIBUS) and Implementation Framework (2014). The Department has currently two agencies reporting to it, that is Sefa and Seda.

1.4.1 Small Enterprise Development Agency

Small Enterprise Development Agency is an entity of the Department whose mandate include, inter alia, developing, nurturing, supporting and promoting small business ventures throughout the country, whilst ensuring their growth and sustainability in a harmonised fashion with various stakeholders. The Minister of Small Business Development is the Executive Authority (EA) of the agency and as such exercise oversight role over the entity as prescribed by the Public Finance Management Act (PFMA), Act 1 of 1999, as amended. Seda is a schedule 3A national public entity in terms of the Public Finance Management Act. The agency decree is to serve as the implementing arm for DSBD specifically on non-financial products and services.

1.4.2 Small Enterprise Finance Agency

The Small Enterprise Finance Agency is a Development Finance Institution (DFI) formed in April 2012 by combining the small business activities of the South African Micro-Finance Apex Fund (SAMAF), Khula Enterprise Finance, and the Industrial Development Corporation. It is a registered entity under the Companies Act of 2008 and an incorporated entity under Section 3(d) of the Industrial Development Corporation (IDC) Act of 1940, making it a completely owned subsidiary of the IDC. The IDC Act's Section 3(d) aims to "promote the development of small and medium-sized enterprises and co-operatives". The merger of the two entities, Seda and Sefa, as well as the Co-operatives Bank Development Agency (CBDA) into a single entity in accordance with the PFMA and Companies Act(s) has already begun.

1.5 Preparation of BRRR Report

In preparation for the BRRR report the Portfolio Committee received briefings from the Auditor-General of South Africa on 8 October 2023, as well as DSBD and entities on 9 October 2023. Whereas during the course of 2022/23 financial year the Committee undertook the following activities -

- Received regular briefings from the Department and entities on quarterly performance and expenditure reports;
- Held virtual oversight sessions with the Department beneficiaries and stakeholders;
- Examined the performance of the Department and entities in relation to set targets as captured in the Strategic Plan, the Annual Performance Plan and Budget of the Department for the 2022/23 financial year;
- Assessed the impact of support interventions offered by the overall portfolio for the benefit of small enterprises, co-operatives and informal traders, including updates on the expenditure of the Flood Relief funds and other support measures to cushion the sector from devastating impacts of the Covid-19 pandemic;
- Conducted oversight visit to the North West province to assess projects and initiatives supported by agencies of the Department, Seda and Sefa through various financial and non-financial programmes;
- The report also draws from other briefings, reports and inputs that the Portfolio Committee received throughout the 2022/23 financial year.

1.5 Outline of the Report

This report is divided into eight sections. Section one (1) provides an introduction, a brief overview of the Portfolio Committee's, the Department's and entities mandates, the goal of the BRR report, and the methodology used to prepare the report.

Section two (2) outlines the Department's primary policy areas of emphasis. This comprises an overview of the key national priorities as described in government policies and programs such as the National Development Plan, the Medium-Term Strategic Framework, Economic Recovery and Reconstruction Programme, the State of the Nation Address to which the Department must participate. Following that, an overview of the Department's and its entities' strategic plans is highlighted in order to examine the extent to which they address the broader government goals and plans derived from the aforementioned policies and plans. At the height of the Covid-19 pandemic both the strategic plans of the Department and entities were somewhat revised to reflect changes in the Medium Term Strategic Framework. Section three (3) revisits the 2022 recommendations to see if any of them have been addressed or implemented. The majority of these recommendations had been submitted to the Minister and the Department for response within three months of the House's deliberation.

Section four deals with overview of the service delivery performance including programme performance and key performance indicators. While section five considers the Department’s financial performance against its allocation for the financial year 2022/23. Section six assesses the Departmental entities, the financial and non-financial performance, as well as forward-looking budgetary and/or performance requirements.

Section seven of the report reflects on the Committee observations and perspectives with respect to the Department and entities' annual reports vi-a-viz their mandates, strategic objectives, and core concerns previously and currently highlighted by the Committee. Whereas section eight, provides a synthesis of the past and present recommendations based on the Department's evaluation in each of the sections outlined above.

2. OVERVIEW OF THE RELEVANT POLICY FOCUS AREAS

The National Development Plan (NDP) is a long-term development plan, crafted by the National Planning Commission (NPC) on behalf of the South African government in collaboration with South Africans from all walks of life. The NDP aims to achieve the following objectives by 2030 -:

- Uniting South Africans of all races and classes around a common programme to eliminate poverty and reduce inequality;
- Encourage citizens to be active in their own development, in strengthening democracy and in holding their government accountable;

- Raising economic growth, promoting exports and making the economy more labour absorbing whilst focusing on key capabilities of both people and the country;
- Capabilities include skills, infrastructure, social security, strong institutions and partnerships both within the country and with key international partners;
- Building a capable and developmental state and;
- Strong leadership throughout society that work together to solve our problems.

2.1 Relationship with National Development Plan (NDP)

The implementation of the National Development Plan (NDP) is one of the current administration's key deliverable, and it is associated with the Africa Agenda and the global Sustainable Development Goals (SDG). The NDP focuses on the general goals, which are endorsed by South Africans, of eradicating poverty and significantly reducing inequality by 2030 through job creation and promoting inclusive economic growth. The Department is tasked with carrying out chapters three (3) and six (6) of the NDP, which deal with the economy and jobs, as well as rural inclusive growth. The NDP is the country's vision, with a goal of creating 9.9 million new jobs from small enterprises by 2030.

2.2 Relationship with the Medium Term Strategic Framework (2019 - 2024)

The period under review marks the end of the second Medium Term Strategic Framework following the adoption of the NDP. In 2013, the Cabinet had then decided that the 2014 - 2019 MTSF would form the first five-year implementation phase of the NDP. The MTSF 2019-2024 was developed in 2019, approved by Cabinet at the end of October 2019 and officially launched with the SONA 2020 for implementation. National and provincial departmental APPs and SPs are connected with the MTSF. However, by early 2020, the Covid-19 pandemic had a negative impact on the MTSF's implementation. As a result, departments' plans and finances had to be reprioritised in reaction to the pandemic and recovery efforts. With respect to the seven priorities identified in the MTSF, DSBD obligation is in relation to Priority 2: Economic Transformation and Job Creation and their related sub-outcomes and interventions as follows-

- Creating more jobs and inclusive economic growth;
- Re-industrialisation of the economy emergence of globally competitive sectors;
- Increased access to and uptake of Information and Communication Technology (ICT);
- Competitive and accessible markets through reduced share of dominant firms in priority sectors (market concentration);
- Mainstreaming of youth, women, and persons living with disabilities with minimum 40 percent target for women, 30 percent for youth and seven (7) percent for persons living with disabilities in the SMMEs and Co-operatives sector.

2.3 State of the Nation Address

In his State of the Nation Address (SONA) delivered on 9 February 2023, President Cyril Ramaphosa did acknowledge that the state of our economy was still precarious. He conceded that political instability in Eastern Europe, ongoing electricity blackouts, subdued economic global conditions to mention the few are hampering our economic recovery efforts. In order to cushion the sector during these difficult times he announced that "the National Treasury was working on changes to the bounce-back loan system that would allow banks and development finance institutions to borrow directly from the scheme to simplify the leasing of solar panels to their clients". The President asserted that "growth and the creation of jobs in our economy will be driven by small- and medium-sized enterprises, co-operatives and informal businesses". He reaffirmed his previous year's commitment that "the Department of Small Business Development will work with National Treasury on how the bounce-back scheme can be strengthened to assist small and medium enterprises and businesses in the informal sector".

2.4 The Economic Reconstruction and Recovery Plan

The emergence of the Covid-19 pandemic was a significant and unanticipated exogenous blow to the South African economy, which was already performing poorly. Prior to the outbreak of the pandemic, the economy was in a slump, unemployment was at its highest level in over a decade, poverty and inequality remained entrenched, and the fiscal situation was deteriorating due to lower-than-expected revenue earnings and rising national debt. There is therefore a general consent that the path to recovery from the pandemic will not be an easy one. Following Covid-19 waves in the biennium 2020-2021, recovery has been slow, with Gross Domestic Product (GDP) only rebounding to the pre-pandemic levels in the first quarter of 2022 before falling back to pre-pandemic levels again. In response, the South African government produced a strategic blueprint for economic recovery and growth, the Economic Reconstruction and Recovery Plan. The plan has the following five policy objectives -

- To create jobs, primarily through aggressive infrastructure investment and mass employment programmes;
- To re-industrialise our economy, focusing on growing small businesses;
- To accelerate economic reforms to unlock investment and growth;
- To fight crime and corruption; and
- To improve the capability of the State.

2.5 Summary of the Key Priorities informing the 2020-25 Strategic Plan and 2020/21 Annual Performance Plan

During May 2020, the Department and entities presented their five-year strategic as well as annual and corporate plans which underlined key priority/focus areas. The annual performance currently being considered is premised on the commitments contained in these statutory documents and they included -:

- Finalisation and implementation of the Township Entrepreneurship Fund;
- Establishment of Funds in partnership with the private sector;
- Review and implement Credit Guarantee Scheme;
- Finalise and implement the SMME Funding Policy;
- Finalise amendments to the National Small Enterprise Act to deal mainly with the establishment of the SMME Ombud Office, regulations/licensing of businesses owned by foreign nationals and unfair business to business practices;
- Accelerate establishment of incubators and digital hubs in the townships and rural areas.

3. SUMMARY OF PREVIOUS KEY COMMITTEE RECOMMENDATIONS

During the 2022 Budgetary Review and Recommendation Report, the Portfolio Committee made the following recommendations, to which the Minister and the Department have responded as follows:

Table 1: 2022 BRRR Recommendations

3.1	As noted earlier that the National Small Enterprise Amendment bill might only be referred to Parliament in 2023, and considering the period that has elapsed since this bill has been on the drafting phase, the Committee is of the view that a staggered approach to the development of the bill should be considered. The precedent was set by the Department of Trade and Industry when it successively amended the National Small Business Act (1996) in 2003 and 2004. The Department must endeavour to review its timelines. The third quarterly report (2022/23) should consist of implementation framework on how it plans to meet these milestones bit by bit.	The National Small Enterprise Amendment Bill was submitted together with the Business Case, that seek to incorporate CBDA and Sefa into Seda in December 2022, to both the National Treasury and Department of Public Service and Administration for concurrence and approval in December 2022. The Bill was delayed so that it can incorporate the merger of small enterprise entities, Seda, Sefa and the CBDA into a new small enterprise development agency. *On 29 June 2023 the Minister of Small Business Development introduced the National Small Enterprise Amendment Bill to Parliament in terms of Rule 159 (1) (a) and (b) of the Joint Rules of Parliament.*
3.2	The Committee is of the view that in light of a variety of challenges besetting the sector, and hundreds of complaints from small business owners before the Committee, a segmented approach should indeed be given primacy. The Committee herewith recommends to the Department to consider the following propositions for implementation on or before 31 March 2023 – ▪ The Small Enterprise Ombudsman Services Bill announced by the Former Minister Khumbudzo Ntshavheni in July 2020 be	The Bill that seeks to establish the Office of the Ombuds Service was certified by the Office of the Chief State Law Adviser (OCSLA) early in 2022 and with SEIAS certificate issued. However, due to the process of merger of entities, it became apparent that these processes could not run parallel since the DSBD cannot submit two separate Bills, amending the same Act – i.e the Ombud Service Bill and the Entities Merger Bill. *As per 3.1 above the Bill was tabled in Parliament on 29 June 2023 by the Minister*

	referred to Parliament. The Committee understands that the bill had gone through all legal hurdles; ▪ The National Small Enterprise Amendment Bill which incorporated a chapter on the creation of the "Small Enterprise Ombud Service" is referred to Parliament. The bill had gone through all legal scrutiny including obtaining Socio Economic Impact Assessment System (SEIAS) certification and gazetted for public comments in December 2020; ▪ Alternatively, as per the revised business case shared with the Committee at the beginning of the financial year 2021/22 concerning the establishment of the Office of the Small Enterprise Ombud Service, the Department should go ahead establish the office as a Juristic Person within the Department, and in the medium term as a Public Entity i.e. Schedule 3A. The Committee reserves its right to accept or reject the Department strategic plan and annual performance plan (2023/24) should it not comply with any of the directive set forth hereinabove.	*of Small Business Development.*
3.3	In the meantime, and in case of further delays by the Department in executing the Committee resolutions, the Committee will explore a Committee bill (Section 75 bill) in order to implement its own resolution for the establishment of the Small Enterprise Ombudsman. The Committee is in agreement that the Small Enterprise Service Ombuds bill, draft bill amending the National Small Enterprise Act (1996) and draft Public Procurement bill specifically the section that deals with dispute resolution should be considered key constituents of the planned bill.	*Refer to feedback in 3.1 and 3.2* *Prior to the submission of the Bill in Parliament on 29 July 2023, the Committee had resolved on 7 September 2022 to initiate the Committee Bill in order to amend the National Small Enterprise Act, 1996 (Act No. 102 of 1996) ("the Act"). On 22 February 2023, a memorandum was submitted to the Speaker in accordance with National Assembly Rule 273(1) to obtain authorisation to institute and introduce the Bill. On 2 May 2023 the National Assembly considered and granted permission to the Portfolio Committee in accordance with Rule 273(3) to proceed with legislative proposals on the National Small Enterprise Bill. When the Executive Bill was introduced in Parliament, the Committee decided to halt its work and give priority to the Executive Bill.*
3.4	During the course of the financial year (2022/23) the Department revised its own	During the 2022/23 financial year the DSBD revised its timelines on the finalisation and

	timelines in as far as the referral of the Business Amendment bill to Parliament is concerned. The project plan was shared with the Committee. It is on this basis that the Committee was prevented from pursuing its resolution to produce a Committee Bill. In terms of the project plan shared and agreed to by the Committee, the Department shall table the draft bill to Parliament on or before April 2023. Despite the fact that the project plan is not a statutory document to hold the executive to account, the Committee will scrutinise strategic plan and annual performance plan (2023/24) to ensure that this target is fully incorporated and correctly reflected on the Department's plans.	presentation of the Business Licensing Amendment Bill before the Portfolio Committee. The 2021/22 financial year has been used to initiate the initial review of the Act as well as the dtic 2013 Business Licensing Bill. The DSBD indicated that the Bill would be introduced to Parliament by the end of quarter 2 of 2023/2024. The timelines are articulated in the plans submitted to Parliament during the 2022/23 financial year and DSBD intends to adhere to the timelines as promised.
3.5	The SMME and Co-operatives Funding Policy must be accelerated and concluded before 31 March 2023. This target has been on the successive annual performance plans of the Department since the financial year 2020/21. It will not be in the interest of good governance if the Committee accepts or considers the annual performance plan (2023/24) with this target still incomplete or pending approval by Cabinet.	The SMMEs and Co-operatives Funding Policy was presented to the Economic Sectors, Employment and Infrastructure Development (ESIEID) Cluster on 12 December 2022. It is anticipated that the Funding Policy will be presented to Cabinet by end of 2022/23 financial year. Whereafter, the SMMEs and Co-operatives Funding Policy will be gazetted to enable members of public to provide comments pertaining to the contents of the Funding Policy.
3.6	Co-operatives enterprises are struggling to access financial assistance from Sefa or the Department. It is reported in the annual reports that there was no co-operative funded by Sefa in the previous financial year. Whereas the Department fell short of its expenditure target on co-operatives by more than R70 million. The Department's catalytic and supportive role in the development of co-operatives is invisible. The Committee would like to reiterate its previous recommendation to the Department to reinvent the Co-operatives Development Support Programme (CDSP) to include performance linked incentive scheme for co-operatives.	The DSBD and Seda will improve the type of non-financial support provided to co-operatives to ensure they have the necessary knowledge and skills to operate successful co-operatives. The provision of business and technical support will assist co-operatives to understand the fundamentals of their respective businesses, especially how to develop capacity to produce the requisite quantities and qualities to meaningfully participate in private sector enterprise and supplier development programmes as well as public procurement programmes.
3.7	The Department should develop a turnaround plan on co-operatives. The plan must be incorporated into the third quarterly report (2022/23) for consideration and discussion with the Committee.	The department and Seda will execute the redesigned programme as soon as approval has been received from the National Treasury. The revised qualifying criteria will most likely improve the uptake on the programme.
3.8	As stated before the utilisation of financial intermediaries by Sefa was raised sharply by members of the Committee and flagged by the Financial and Fiscal Commission (FFC) in 2019 as increasing the cost of capital for struggling small enterprises. The Portfolio Committee recommendation is that Sefa should consider insourcing all its lending activities, alternatively, consider giving priority to financial institutions registered, licensed and regulated by reputable agencies of the state e.g. Prudential Authority, Financial	The role of the CBDA will be subsumed in the functions of the new merged entity and shall also be regulated by the enabling the legislation that forms the new enterprise development agency. These are captured in the business case that is under the National Treasury and Department of Public Service and Administration's consideration for approval. Sefa is evaluating the co-operative financial institutions as a potential base to partner with

	Sector Conduct Authority, Financial Intelligence Centre and National Credit Regulator. As the Co-operatives Banks Development Agency prepares to join the Department, from the policy point of view, it is important for the Department to proactively envisage potential role of Co-operatives Banking Institutions in distribution or channelling of resources to SMMEs and Co-operatives.	to perform the roles as financial intermediaries. Sefa is in the process of establishing a fintech platform which will enable financial intermediaries to access a common IT support service and enable intermediaries to access services such as a loan management system, accounting services and other institutional services, thereby lifting the administrative burden of these emerging financial intermediaries.
3.9	The skewness in the distribution of funds and resources as observed in all annual reports in favour of Gauteng, KwaZulu Natal and Western Cape (provinces with big metros) at the exclusion of other struggling regions and/or provinces like Northern Cape, Eastern Cape, Free State, Mpumalanga and North West requires urgent intervention. Historical inequities exist between provinces as well as among districts within each province. Remedial measures should include, amongst others, equitable allocation of resources per provinces and districts. Such distribution should be reported on the quarterly and annual reports of the Department and agencies.	DSBD will endeavor to ensure the distribution of resources in all its programmes and projects to cover townships and rural areas focusing on the struggling provinces such as Northern Cape, Free State, Eastern Cape, Mpumalanga, Limpopo and North-West. - Budget is allocated based on the economic activity and SMMES per province. During the 2021/22 financial year, Seda Gauteng province's expenditure was lower than that of the following five provinces, i.e. Eastern Cape; Free State; Limpopo; Mpumalanga and North-West. This was a deliberate effort to ensure that some of the rural provinces do benefit from the allocation. During the 2022/23 financial year, sefa allocated more budget to priority provinces, which refer to North-West, Northern Cape, Limpopo, Mpumalanga, Free State and Eastern Cape in an attempt to increase its reach beyond the metros. However, as can be seen in the quarterly performance reports, high demand for our services remains in the metros, with an increasing demand also seen in Limpopo and Mpumalanga during this period. This is as a result of sefa's deliberate efforts to enhance marketing its services through among others, road shows, media presence and collaborations with like-minded players in the small business ecosystem who have strong presence in other provinces besides the metropolitan areas. As a result, by 31 December 2022, the Eastern Cape and Northern Cape had already achieved their annual approval targets, whereas North-West, Northern Cape and Free State, had reached their annual disbursement targets by December 2022. The support given to these provinces, in terms of additional personnel and training has enhanced the performance.
3.10	The Committee is calling on Seda and Sefa to re-examine the degree to which their services are integrated and interdependent. The Committee does not concur with the notion that funding applications and business plans developed by Seda maybe declined willy-nilly and without recourse or corrective measures by Sefa. In future, all Seda and Sefa	Retraining of Seda Business Advisors (BAs) on precritical/analytical thinking (to cover financial modelling) is under way in order to improve the pre-investment support offerings. Service provider's quality of work will be reviewed, and training will also be offered to upskill them. It is envisaged that this will improve the quality of business plans.

	quarterly reports must incorporate a column – re: status of all applications submitted and received by both agencies respectively.	Since there's a number of new BAs, provinces need to re-train them on the pre-requisites for recommending a client for assistance with a Business Plan, for example, availability of a lease agreement, proof of market. Seda has added the Business Canvass model in its products offerings. All BAs and service providers that will be on the panel will be trained on it. It will improve the quality of business plans including establishing a Panel of service providers and Reviewing of the payment terms of service providers, based on the rejection of the business plans. Furthermore, Sefa noted the Committee's recommendation and will be incorporated in the upcoming Sefa performance reports.
3.11	There are areas of underspending in the Department occasioned by vacant posts i.e. compensation of employees, goods and services as well as capital assets. The Department of Public Service and Administration has approved DSBD organisational structure. The Committee is calling on the Department to act swiftly in filling vacant posts particularly at senior management level. The Committee will track progress through monitoring quarterly reports of the Department.	<u>CoE Expenditure:</u> The Department's structure was approved in September 2022 and provided for 144 additional posts of which 46 were prioritised for the 2022/23 financial year. In addition, the moratorium on filling vacancies was also lifted in September 2022. This situation provided for an underspending of approximately R9.5 million due to not expending on the 79 posts (33 existing vacancies and 46 new posts) for the first 5 months of the 2022/23 financial year. During quarter 3 of the 2022/23 financial year, the DSBD appointed 5 new staff members, a further 5 new staff members was appointed during January 2023 and thus far 3 new appointments have been made in February 2023. The Department will continually update the Portfolio Committee on the implementation of these matters on a quarterly basis. It is important to indicate to the Portfolio Committee that even though the approved structure provides for 144 additional posts the budget is not available to fill all these positions, but National Treasury provides funding in a staggered approach over a three-year period which necessitate that the Department also fill the position in a staggered manner.
3.12	A high staff turnover at Seda and Sefa is posing a risk to service delivery environment. The Committee is of the viewpoint that 20-month extension granted by Cabinet was indicative and not cast in stone. There is a lot that can be achieved within a reasonable period of time to ensure that entities are stabilised. The Committee wishes to invite the Department and entities to conduct an analysis and develop a mitigating strategy for	The risk of continuous loss of critical skills due to lack of growth prospects as a result of short-term contract and uncertainty due to the merger has now materialised within Seda. However, the recruitment drive (short term contracts) is very high and continuous within Seda to bridge the gap and capacitate the organisation to perform optimally and achieve the set targets. Sefa is continuously filling in vacancies the

	consideration by the Committee before 31 January 2023.	fixed term contracts whilst at the same time pursuing the building of an organisational culture to retain talent and decrease staff turnover rate.
3.13	The Committee is on record and wishes to reiterate its initial recommendation when the merger was first introduced that consolidation of the three agencies, should if possible, be assumed separately from regular operations of the entities as all three of them are governed by different legislations that may take longer to process. The Minister should ensure that proper coordination between the entities and National Treasury is monitored to guarantee that the mandate of the Portfolio is achieved.	The Business Case together with the embedded enabling legislation, the National Small Enterprise Bill, have been completed during December 2022 and sent to both the National Treasury and Department of Public Service and Administration for their concurrence and approval. The request for their approval also includes the establishment of a panel comprising of the three departments to work on the business case on matters related to resourcing of the new entity.
3.14	The Portfolio Committee noted Auditor General remarks with respect to absence of good planning, in-year performance management, monitoring and reporting. Committee is calling on the Seda to act speedily in dealing and implementing AG recommendations. In line with AG recommendation to the Committee, the Committee will ensure that all Seda quarterly reports provide feedback on the implementation and progress of action plans to ensure improvement in the audit outcomes of the agency.	The organisation took the adverse opinion on performance information very seriously and the concerns of the Committee are also read on the same note. The opinion of Auditor-General was issued at a time when Seda had started developing a performance information management system. This system was completed at the end of quarter 2 of 2022/23 and followed by testing, training and subsequent usage of the system. The performance system will also be linked to the new CRM that will be completed by the end of quarter 1 of 2023/24. It is envisaged that the results of all these new measures will be evident during the audit of the 2023/24 financial year given that all systems will be fully utilised during the next financial year to store data and means of verification. Given that the current financial year was utilised to develop and implement the systems, it is envisaged that the audit finding will be fully eliminated by the end of the 2023/24 financial year.
3.15	In spite of numerous road shows, marketing and awareness campaigns, as well as expansion of co-locations to remote and underprivileged regions, remonstration and grumbling on the ground have not abated. The Department should monitor the extent to which annual performance plans and quarterly reports incorporate output indicators that involves working with Parliamentary Constituency Offices. This could be facilitated or achieved through the District Development Municipal Champions. The Committee will monitor this adaptation during quarterly reports presentations.	The DSBD is currently strengthening its DDM deployments and allocations and will take the suggested additional resources into consideration as part of this process. The proposal will be tabled in the inter-departmental committee on DDM that is chaired by the Department of Cooperative Governance and Traditional Affairs (COGTA) for deliberations. The proposal to utilise Constituency Offices, branch satellites, co-location points, pop-up facilities and any relevant facilities available in outlying municipalities beyond the reach of either Sefa or Seda will be considered. Sefa has started a process of rolling out satellite offices in collaboration with Seda where the plan is to co-locate to limit costs. Furthermore, Sefa and Seda are working together to share the Seda Touchpoints as a cost-effective approach to extend to footprint

		and accessibility of Sefa service. The possibility of utilising specific days in the week or targeted days during each month offers a possible approach. These proposals will be further explored alongside the emerging District Ecosystem Facilitation Model of the Portfolio within DDM. Members of Parliament have a clear role to play in these proposals as suggested.

Source: 2022 BRRR Report

4. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE

During the evaluation period, the Department aimed to meet 25 annual targets. As seen in table 2 below, it met 14 of its overall targets while missing 11 others. Over a three-year period, the the Department's overall performance has fallen from a peak of 86 percent during financial year 2020/21 to 56 percent in the current fiscal year. This is the lowest score acquired since 2018. One area of concern that has consistently been flagged by the Committee during its previous budget vote and BRRR assessments has been a lack of willingness or resolve to complete organisational structure and filling of vacant posts particularly at senior management level. During this reporting cycle, the Department has reported that the Executive Authority approved the organisational structure on 1 September 2022 and it has commenced with the matching and placement process immediately thereafter. With the adoption of the structure, the vacancy moratorium was lifted, and the Department started a catch-up plan to reduce vacancies and fill important and strategic jobs.

However, it further reported that the termination of nine permanent staff employees impeded the its capacity to further reduce the vacancy rate, resulting in a 10 percent vacancy rate at the end of the reporting period under review. As a result, the Department recorded a 0.1 percent vacancy rate underperformance in funded posts. The process of filling vacant posts, the Committee was told, is ongoing and should result in enhanced performance. With respect to the agencies, the major area of shakiness or source of volatility is the current process of amalgamation of the three agencies, Seda, Sefa and Co-operative Banks Development Agency (CBDA). The Department is continuing with the merger of entities as approved by the Cabinet. The National Small Enterprise Amendment Bill has since been referred to Parliament for processing. The Bill includes mechanisms to allow for this merger to be effected before Parliament dissolves in 2024.

Presently, the Department is implementing four programmes namely: Administration branch which its performance regressed from 67 percent during the previous financial year to 60 percent during the period under consideration, Sector and Market Development declined by half from 67 percent to 33 during the current fiscal year, Development Finance stagnated at 50 percent without improvement from the previous year's results with only three of the six targets realised, whereas Enterprise Development achieved 100 percent, marking a significant improvement from last year's performance of 50 percent. Table 2 below provides summarised information regarding the performance of each of the four programmes of the Department.

Table 2: Performance Summary per Programme

Branch	No. of Output Indicators	Annual Targets	Achieved	Not Achieved
1. ADMINISTRATION	10	10	6 (60%)	4 (40%)
2. SECTOR AND MARKET DEVELOPMENT	6	6	2 (33%)	4 (67%)
3. DEVELOPMENT FINANCE	6	6	3 (50%)	3 (50%)
4. ENTERPRISE DEVELOPMENT	3	3	3 (100%)	0 (0%)
TOTAL	**25**	**25**	**14 (56%)**	**11 (44%)**

Source: DSBD Annual Report (2022/23)

4.1 Summary of Programme One Performance: Administration

The programme is responsible for providing strategic leadership, management, and assistance to the Minister, Director-General, Department, and entities. During the fiscal year under review, the administrative branch attained 60 percent of its planned targets. Some of the Department's notable accomplishments under programme one include, but are not limited to, the Department's first Unqualified Audit Opinion with no findings, commonly known as a clean audit opinion. This marks an improvement from the previous year's unqualified audit opinion. No fruitless or wasteful spending occurred. In addition, the Department paid all undisputed invoices in less than 30 days, having received 11 044 invoices totalling R63 million in an average of 7 days. It also improved women's representation in its Senior Management Services (SMS) to 52 percent, above the public service threshold of 50 percent, while representation of people living with disabilities recorded 3.3 improvement but still below a threshold of 4.2 percent.

4.2 Summary of Programme Two Performance: Sector and Market Development

The purpose of the programme two is to facilitate and increase access to markets for SMMEs through business information, product development support and value chain integration. The overall performance of this branch is 33 percent. Market access is critical to the establishment and growth of any business since no business can thrive without market access. The Department has set a target of 250 items and services produced and delivered by SMMEs and Co-operatives related to the domestic market in this regard. A total of 281 items and services from SMMEs and co-operatives were successfully linked to the domestic market. The Department continued to implement the Small Enterprise Manufacturing Support Programme (SEMP), which aims to support South Africa's localisation policy. As of 31 March 2023, approvals granted to 85 SMMEs totalled R832 million, resulting in the creation of 5056 employment. Over the same period, R548 million was disbursed to 74 SMMEs. The total performance of this branch stood at 33 percent, with important milestones such as the Business Amendment Bill not being referred to Parliament as committed by the Department in prior APPs, number of women-owned businesses supported to register on the international platform falling short by 1298, and a total of 182 SMMEs and Co-operatives not being linked to the international markets as pledged in the 2021/22 APP. As part of the turnaround strategy to improve performance, some activities have been delegated to Seda since the entity has a greater reach and may be better able to achieve the key tasks, as well as tracking progress to verify that targets are fulfilled.

4.3 Summary of Programme Three Performance: Development Finance

The aim of the programme is to expand access to finance for SMMEs and Co-operatives through innovative service offerings. During the period under consideration, the Department attained an overall score of 50 percent. However, significant milestones were met under this programme. For instance, Cabinet, approved the SMME and Co-operatives Funding Policy in March 2023. The Policy was published in the Gazette on 28 April 2023 for public comment. Also, a total of 18 759 township and rural enterprises were supported against a stated annual target of 20 000, although these enterprises were supported with varied interventions, totalling 22 957 for the fiscal year 2022/23. Against a target of 200, the Department and its entities provided financial and/or non-financial assistance to 321 co-operatives.

The goal for the current fiscal year was to increase the number of enterprises rather than the value of support. Furthermore, the Department and its entities assisted 8 988 start-up youth firms, exceeding the annual target of 10 000. As of 31 March 2023, a total of 28 484 SMMEs and Co-operatives had been assisted. Marginal under-performance was recorded on other key targets e.g. township and rural enterprises supported financially and/or non-financially underachieved, as did the number of crafts supported through the Craft Customised Sector Programme and start-up youth businesses supported financially and/or non-financially. According to the Department, steps are in place to improve performance in these areas. The Department and its entities committed to continuing to assist the development of successful small businesses, with a focus on township and rural areas.

4.4 Summary of Programme Four Performance: Enterprise Development

The goal of programme four is to manage the promotion of an ecosystem that promotes entrepreneurship and the establishment, growth, and sustainability of small enterprises and cooperatives, as well as to coordinate business development support interventions across multiple levels of government. One of the primary deliverables of the programme is in the area of red tape, which is a major hindrance to the growth of SMMEs and Co-operatives. To magnify efforts to decrease regulatory burdens on small businesses, the Department set an annual goal of assisting 20 towns in implementing the Red-Tape Reduction Awareness Programme. Instead, the Department outperformed this target by assisting 25 municipalities (14 in Limpopo, six in North West, and five in Eastern Cape). The National Integrated National Small Enterprise Development (NISED) Strategic Framework was formally published in the Gazette on 17 February 2023. The Enterprise Development program has executed the NISED Masterplan (Strategic Framework) with the help of the NISED Strategic Framework. It highlights the importance of distinguishing between micro, small, and medium-sized businesses. During the period under review the programme delivered an impressive performance of 100 percent during.

5. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

The audited financial statements for 2022/23 were tabled in Parliament together with the annual report of the Department and entities on 11 October 2023. The Department received an appropriation of R2.533 billion, which was slightly less than the R2.637 billion final appropriation for 2021/22. As of 31 March 2023, annual expenditure amounted to R2.514 billion of the total appropriation. This equates to 99.3 percent spending and an R19 million under-utilisation of budget. The variance of R19 million was recorded with programme one accounting for the majority of the overall underspending. The Administration programme contributed R8.1 million to the underspending due to vacancies, as did capital expenditure due to orders for Ministerial cars and Departmental Bakkies not being delivered by the end of the fiscal year. The Sector and Market Development Programme contributed R4 million to the underspending, which was mostly caused by vacancies. The Development Finance Programme contributed R3.2 million to the underspending, which was primarily due to vacancies. Whereas the Enterprise Development programme contributed R3.7 million to the underspending also owing to unfilled positions. However, the R19 million under-expenditure in the SMME and co-operatives sector is a wasted opportunity to improve the Department's performance and efficiency in reaching the NDP objective of creating 9.9 million jobs by 2030.

Table 3: Financial Appropriation vs Actual Expenditure Per Programme

Programme	Adjusted Appropriation	Final Appropriation	Actual Expenditure	Variance
	R'000	R'000	R'000	R'000
Administration	127 588	117 676	109 619	8 057
Sector and Market Development	119 230	120 670	116 644	4 026
Development Finance	1 318 587	1 318 484	1 315 286	3 198
Enterprise Development	967 484	976 059	972 371	3 688
TOTAL	**2 532 889**	**2 532 889**	**2 513 921**	**18 968**

Source: 2022/23 DSBD Annual Report

This BRRR report concludes the cycle under the sixth administration and parliament. It is consequently critical to note that, during the course of the sixth administration, the Department has consecutively recorded an underutilisation of allocated funds. Despite the fact that the sums are insignificant, they send the erroneous signal to the National Treasury that an annual budget of +-R2.5 billion is acceptable to service a sector that actually has a financing shortfall of more than R300 billion. Because of this repeated underspending, the Portfolio Committee has not directed any of its recommendations to implore the Minister of Finance for surplus monies in its BRRR reports. Virements were reported by the Department in all four programmes. The virements were carried out in compliance with Section 43 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), or PFMA, and were reported to the National Treasury (NT).

5.1 Annual expenditure for Programme One

The Administration branch or programme one is divided into four sub-programmes: the Ministry, the Director General's Office, Corporate Services, and Financial Management. The total spending under programme one was R110 million compared to the final appropriation of R118 million. This constitutes 93 percent of the programme's budget. The unit spent R8 million less than the programme's budget, or 7 percent less. In comparison to the previous year's expenditure, the programme dispensed R99 million, or 99 percent of its final allocation of R101 million, resulting in an R1.8 million under-expenditure, somewhat less than the R8 million incurred throughout the period under consideration. The largest portion of underspending came from Compensation of Employees, which contributed R5.1 million due to vacant posts while Capital Expenditure contributed R2.7 million. As expected, the cost drivers on expenditure under programme one are the Compensation of Employees at R70 million, as well as Goods and Services to the tune of R37 million.

Table 4: Expenditure Estimates - Programme 1

Subprogramme	Final Appropriation R'000	Actual Expenditure R'000	Over/Under Expenditure R'000
Ministry	34 924	32 191	2 733
Office of the Director General	31 041	29 567	1 474
Corporate Services	31 793	29 722	2 071
Financial Management	19 918	18 138	1 780
TOTAL	**117 676**	**109 619**	**8 057**

Source: DSBD Annual Report 2022/23

5.2 Annual expenditure for Programme Two

Sector and Market Development is split into four sub-programme, namely, Sector and Market Development Management, Business Information and Knowledge Management, Ease of Doing Business and Access to Market Support. The annual spending for programme two was R117 million, compared to the final appropriation of R121 million. This expenditure equates to 97 percent. The programme incurred an under-expenditure of R4 million or 3 percent of the appropriation. This is undoubtedly an improvement over the previous cycle disbursement of R90 million or 85 percent against the final allocation of R107 million, which resulted in an R16.7 million or 16 percent under-expenditure. Compensation of Employees underspent by R3.5 million due to vacancies and Goods and Services contributed R467 million, the majority of which was spent on travel and sustenance.

Table 5: Expenditure Estimates - Programme 2

Subprogramme	Final Appropriation R'000	Actual Expenditure R'000	Over/Under Expenditure R'000
Sector and Market Development Management	310	1	310
Business Information and Knowledge Management	16 686	16 248	438
Ease of Doing Business	11 022	8 786	2 236
Access to Market Support	92 652	91 610	1 042
TOTAL	**120 670**	**116 644**	**4 026**

Source: DSBD Annual Report 2021/22

The main cost drivers on expenditure for programme two are transfer payments of R73 million to the Product Market instrument, Compensation of Employees at R229 million, Goods and Services at R17 million and Capital Assets at R4.8 million. Employee compensation underspent by R3.5 million due to vacancies, while Goods and Services contributed R467 million, the majority of which was spent on travel and sustenance.

5.3 Annual expenditure for Programme Three

The Development Finance – programme three annual expenditure was R1.315 billion or 99.8 percent of the final authorisation of R1.318 billion, resulting in an R3.2 million or 0.2 percent under expenditure. Employee compensation contributed R2.6 million to the underspend due to vacancies. The Craft Customised Sector Programme contributed R313 thousand, while the Cooperative Development Support Programme underperformed by R158 thousand. The primary cost drivers of the Programme's expenditure are transfers and subsidies at R1.282 billion, employee compensation at R31 million, and goods and services at R1.9 million.

Table 6: Expenditure Estimates - Programme 3

Subprogramme	Final Appropriation R'000	Actual Expenditure R'000	Over/Under Expenditure R'000
Development Finance Management	414	-	414
Model Funding Collaboration	10 526	9 061	1 465
Blended Finance	1 295 922	1 294 916	1 006

Business Viability	11 622	11 309	313
TOTAL	**1 318 484**	**1 315 286**	**3 198**

Source: DSBD Annual Report 2022/23

5.4 Annual expenditure for Programme Four

Enterprise Development has three sub-programmes, namely, Enterprise Development Management, Enterprise and Supplier Development as well as SMME Competitiveness. Annual expenditure for programme four was R972 million or 99.6 percent of the total allocation of R976 million, resulting in an R3.7 million or 0.4 percent under expenditure. Employee compensation contributed R3.2 million to the underspend owing to unfilled vacant posts. The primary cost drivers for the programme are transfers and subsidies to the tune of R915 million, Goods and Services at R36 million, and Employee Compensation R21 million.

Table 7: Expenditure Estimates - Programme 4

Subprogramme	Final Appropriation R'000	Actual Expenditure R'000	Over/Under Expenditure R'000
Enterprise Development Management	533	288	245
Enterprise and Supplier Development	928 037	926 565	1 472
SMME Competitiveness	47 489	45 519	1 970
TOTAL	**976 059**	**972 371**	**3 688**

Source: DSBD Annual Report 2022/23

5.5 Report of the Auditor-General of South Africa

The Department kept its clean audit result. However, the AG identified a material finding on the Department's claimed performance, which management later remedied. The Sefa audit result has declined from a clean audit to an unqualified audit result with compliance findings. The reported non-compliance concerns the submission of financial statements that did not meet the requirements of the mandated financial reporting structure. This was due to disclosure inaccuracies such as the valuation of insurance technical reserves in KCG and the calculation of expected credit loss. In addition, AG discovered another substantial non-compliance finding on asset management involving intercompany loans issued without a specific resolution.

Seda's results remain unchanged from the previous cycle, with an unqualified audit outcome and material findings. The AG identified material findings on the usefulness of the following indicators: the number of SMMEs and co-operatives contacted through awareness sessions, the number of township and rural enterprises assisted, and the implementation of the Ecosystem Development Plan. The reliability findings on the indicators for the number of township and rural enterprises assisted, as well as the number of new incubation centres formed, were also discovered to have been inaccurately reported. However, the Committee was told that this was an improvement over the previous year, when performance data was disclaimed due to a lack of a methodology for collating data for reporting.

6. REVIEW OF THE DEPARTMENTAL ENTITIES

6.1 Small Enterprise Development Agency

Small Enterprise Development Agency is one of two institutions reporting to the Department of Small Business Development, with a mandate to provide non-financial assistance to small businesses. The agency's performance data is published in accordance with the approved Annual Performance Plan 2022/23, in which Seda committed to achieving 22 indicators at the output level, down from 30 in the previous cycle. The agency achieved 19 of the 22 targets, resulting in an 86 percent performance achievement. Seda underachieved on three indicators: the number of new Seda access points, the number of SMMEs and co-operatives assisted through the Technology Transfer Assistance (TTA) Programme, and the implementation of the Ecosystem Development Plan. The actual expenditure for the period under review was R954 million, causing an underspending of R647 thousand or 0.07 percent from the budget of R955 million. When adopting its budget vote report on 4 May 2022, the Committee voiced concern that Seda had to apply zero-based budgeting due to belt-tightening measures presently being imposed across the public sector. According to the Committee, such a step contradicts the agency's and the Department's objective of producing 9.9 million jobs by 2030. As a result, spending fell by 19 percent in the previous year's cycle compared to the fiscal year 2021/22.

6.1.1 Non-Financial Performance

There are three main programmes in the Seda Annual Performance Plan (APP) presented to Parliament in 2022, namely, programme one is Township, Rural and Informal Business, programme two is Business Competittiveness and Viability programme whereas programme three is Administration. The sections below provide detailed support offered under each programme and its contribution to the institutional outcome -:

A. Programme One: Township, Rural and Informal Businesses

The purpose of Programme 1 is to support rural, township based enterprises and informal businesses to ensure that they are competitive and contribute meaningfully. All the outputs measures are structured to provide indication whether the outcome goal of increasing the entrepreneurship awareness, growth and sustainability of township and rural-based SMMEs and Co-operatives and the integration and co-ordinated ecosystem to support SMMEs and Cooperatives will be achieved over the strategic period. During the period consideration, Seda reported 68 117 number of SMMEs and Co-operatives reached through entrepreneurship awareness and 21 802 number of Township and Rural businesses supported. Two of the noteworthy areas of underachievement on programme one were the number of new Seda access points, of which the agency only reached half and only 6 percent on the Ecosystem Development. There are plans to improve these targets in the new fiscal year by finalising access points through contracts with recognised partners. Table 8 below provides an illustrative summary of achievements under programme one.

Table 8: Programme 1 – Key Milestones Achieved

Outcomes	Outputs	Output Indicator	Planned Targets 2022/23	Targets Achieved 2022/23	Reason for Variance
Increase growth and sustainability of township and rural based SMMEs and Co-operatives	Facilitate entrepreneurship awareness	Number of SMMEs and Cooperatives reached through entrepreneurship awareness sessions	20 000	68 117	Target exceeded due to more briefing and outreach sessions that took place.
	Facilitate townshipand rural- based SMMEs and Cooperatives	Number of township- and rural-based businesses supported	16 000	21 802	The leads were assisted with various interventions, such as business plans, promotional material, signage and facilitation of access to finance.
Integrated and coordinated ecosystem support for SMMEs and Cooperatives	Increase service access points	Number of new Incubation Centres established	11	11	The targeted number of incubation centres were established at the end of the fourth quarter.
		Number of new Seda access points	80	40	40 access points were signed by all parties which are in township and rural areas.
	Build an effective ecosystem	Ecosystem Development Plan implementation	40%	6%	The organisation will improve the monitoring and reporting of the implementation of the Ecosystem Plan.

Source: Seda Annual Report 2022/23

B. Programme Two: Business Competitiveness and Viability

The purpose of Programme 2 is to provide support to SMMEs and Co-operatives by providing them with necessary support to develop and enhance business production capacity and capabilities. This also includes improving their competitiveness in order to access local and international markets. There are two outcomes in this programme: increased localisation and market penetration by SMMEs and Co-operatives, and increased growth and sustainability of SMMEs and Co-operatives. Both these outcomes are supported by corresponding outputs, which are intended to track the implementation of the strategy over the MTEF period. According to Seda, programme two did really well. To name a few, 4 590 SMMEs and Co-operatives were exposed to local markets, 2 559 SMMEs and Cooperatives were supported to participate in international markets, 2 257 SMMEs and Cooperatives were assisted with productivity improvements, and 22 088 SMMEs and Cooperatives were supported with training, mentorship, and coaching.

Table 9: Programme 2 – Key Milestones Achieved

Outcomes	Outputs	Output Indicator	Planned Targets 2022/23	Targets Achieved 2022/23	Reason for Variance
Increase localisation and market penetration by SMMEs and Cooperatives	Facilitate access to local markets	Number of SMMEs and Cooperatives exposed to local markets	2 000	4 590	Access to local market interventions like mall activation, pop-up markets and enterprise and supplier development contributed to this performance.
	Facilitate access to international markets	Number of SMMEs and Cooperatives supported to participate in international markets	1 000	2 559	Seda was able to support a significant number of clients to participate in many tradeshows, export awareness and international trade webinars.
	SMMEs and Cooperatives supported to be competitive	Number of SMMEs and Cooperatives assisted through Incubation Programme	2 500	2 507	A targeted number of clients were enrolled into the Incubation Programme.
		Number of SMMEs and Cooperatives assisted with productivity improvement	2 000	2 257	The increase in performance was due to increased demand of productivity improvement training.
		Number of SMMEs and Cooperatives assisted through the TTA Programme	70	32	Under achievement due to budgetary constraints.
		Number of SMMEs and Cooperatives assisted with quality improvements	4 179	1 679	The organisation provided training focusing on Quality Management Systems and Hazard Analysis Critical Control Point (HACCP).
Increase growth and	Facilitate growth and	Number of SMMEs and	450	2 683	Several improvement assessments were

sustainability of SMMEs and Cooperatives	sustainability of SMMEs and Cooperatives	Cooperatives whose turnover has increased by 5% per annum			conducted; among these a number of businesses reported an increase in turnover.
		Number of jobs created	4 000	5 433	Several businesses created jobs, since the interventions offered focussed on large-scale and labour absorptive sectors.
		Number of jobs sustained	6 000	12 541	The high number of jobs sustained is a result of the number of interventions implemented with most businesses.
	Facilitate priority sector support	Number of SMMEs and Cooperatives supported in the priority sectors (Scale-Up/High Growth Potential)	100	187	Focus was on high end clients in the priority sectors with business development support.
		Number of SMMEs and Cooperatives supported with training, mentorship and coaching	20 000	22 088	Clients were assisted with business management skills, customer care, and sector specific training.

Source: Seda Annual Report 2022/23

On access to markets, Seda could not achieve its target of listing 1000 SMMEs and Co-operatives to wholesalers and retailers. According to the agency some of the intended beneficiaries for product listing required additional business development interventions before they could be listed by wholesalers and retailers. There are plans to engage more wholesalers and retailers to establish partnerships to enable supported clients to access their shelf space. Clients who are market-ready will be encouraged to register their products with those identified wholesalers and retailers.

C. Programme Three: Administration

The purpose of Programme 3 is to provide strategic leadership and support to core delivery to ensure successful implementation of the organisations strategy. This includes monitoring organisations performance, strategic alignment with the shareholders' expectations and capacitating the organisation to achieve its set objectives. Administration contains 83 percent of workers that scored 311 or above on the performance evaluation, 99 percent customer satisfaction, a 7.3 percent vacancy rate, and 4 priority systems that have been digitized.

Table 10: Programme 3 – Key Milestones Achieved

Outcomes	Outputs	Output Indicator	Planned Targets 2022/23	Targets Achieved 2022/23	Reason for Variance
An agile, innovative, excellent and customer-centric	Implement innovative ideas	Percentage of innovative ideas implemented	35%	40%	The organisation implemented 40% of the Project Plan.
	Entrench performance-	Percentage of staff who	60%	83%	Based on the performance evaluation

organisation	driven culture	performed at 311 and above in the performance evaluation recognised for excellence			scores, the organisation achieved the target set.
		Percentage of staff satisfaction	50%	51%	The majority of Seda employees are satisfied with their working conditions.
	Manage customer service	Percentage of customer satisfaction	80%	99%	The target was exceeded due to positive feedback from clients.
	Reduce vacancy rate	Percentage of vacancy rate	10%	7.3%	Continuous engagements and follow-ups made to accelerate the filling of approved critical vacant positions.
	Digitalise Seda services	Number of priority systems digitised	2	4	The following systems were implemented: Board Pack View, Client assessment and diagnostics, Declaration of outside interest and Performance reporting system

Source: Seda Annual Report 2022/23

6.1.2 Financial Performance

Seda's budget allocation has continued to fall in comparison to previous fiscal years. Financial resource restrictions caused by budget cuts during the Medium Term Expenditure Framework (MTEF) era hampered project implementation in some cases. This ultimately impaired some projects with great potential to assist the sector. For example, at the presentation of its annual report, the agency informed the Committee that the target for the TTA programme has been adjusted for the previous financial year to match available funding. The agency was allocated R955 million for the fiscal year 2022/23, down from R1.2 billion 2021/22 financial year. It successfully disbursed R954 million. Programs 1 and 2 received 79 percent of the funding and spent 77 percent of it. The year ended with a 23 percent under-expenditure, which contributed to underperformance. Programme 3 was allocated 17 percent of the total budget and spent 95 percent. Seda reported receiving more funding after National Treasury authorized the retention of R294 million in surplus funds for the 2019/20 fiscal year.

Table 11: Seda Budget Allocation and Expenditure

Seda Budget 2022/23			
Programme	**Budget R'000**	**Actual Expenditure R'000**	**Over/Under Expenditure R'000**
Township, rural and informal business	540 305	538 865	1 440
Business competitiveness and viability	218 927	220 960	(2 034)
Administration	195 972	194 730	1 241
TOTAL	**955 204**	**954 556**	**648**

Source: Seda Annual Report 2022/23

As with the previous cycle, the current year's audit outcome in relation to the predefined objectives continued to regress to an adverse opinion with findings because the majority of performance indicators were not measurable and dependable. The Auditor General repeatedly found that suitable systems and processes were not in place to enable consistent measurement and reliable reporting of performance against preset indicator definitions. The AG further highlighted constraints in performance information management that require management attention. Primarily, the AG pointed out, flaws stem from multiple levels of data gathering, consolidation, and validation. These findings, reflects a continuous drop in performance, which, according to the agency's own analysis, is due to the restriction on filling of vacant posts pending the merger's completion. Few performance indicators hint to an organisation beleaguered by uncertainty, with significant labour turnover rates. However, now that the National Small Enterprise Bill has been referred to Parliament, the agency is optimistic that amalgamation would provide much-needed stability in the future.

6.2 Small Enterprise Finance Agency

Sefa's business model provides financing and business support to small, micro, medium, and cooperative enterprises directly through its regional office network, as well as indirectly through intermediary financial institutions such as Retail Finance Intermediaries (RFIs), Microfinance Finance Institutions (MFIs), Funds and Joint Ventures (JVs). Furthermore, the agency manages a Credit Guarantee Scheme, that indemnifies banks and other financial institutions who give loans to small businesses against probable default. Sefa also manages Small Business Funds, which encourage and assist small business sector engagement in strategic value chains.

The agency is critical in the provision of credit to small firms, particularly start-ups and those without collateral or sound financial statements. As a DSBD agency, Sefa's programmes respond to the Department's strategic policy initiatives, such as those targeted at resolving historical inequalities. Some of these programmes are carried out in partnership with Seda, which is crucial in providing non-financial support, to provide a holistic approach to small business development. Sefa's role in the DSBD portfolio strategy is to increase financial inclusion in the small business sector and to create a sustainable funding environment that responds quickly to the requirements of small businesses.

6.2.1 Performance Highlights

Sefa committed in its 2022/23 annual corporate plan to continue implementing economic recovery programmes, as well as to manage Covid-19 relief programmes such as the SMME debt relief fund, the business growth/resilience facility introduced in the 2020/21 fiscal year, and the Bounce-back Support Scheme announced by National Treasury on 26 April 2022. The scheme's goals were to assist businesses harmed by the July 2021 civil unrest in KwaZulu-Natal and Gauteng, as well as floods in KwaZulu Natal, the Eastern Cape, and the Northern Cape. Over the medium term, transfers from the Department accounted for an estimated 64 percent or R1.8 billion of the agency's revenue, with the remainder earned through interest on loans and advances to clients, loan fees, and other fees. Table 12 below tracks the agency's performance on actual disbursements rather than approvals over a three-year period, a direct injection into the economy.

Table 12: Summary of Key Performance Highlights (Disbursements)

Disbursements (R'000)	31 March 2023	31 March 2022	31 March 2021
Wholesale SMME lending	78 195	137 546	80 414
Wholesale Micro Lending	177 300	216 002	95 532
Direct Lending	373 710	313 926	363 918
SBIF	60 847	88 068	97 092
Business Viability Programme	53 426	48 974	-
Economic Recovery Programme	387 444	771 532	464 411
Youth Challenge Fund	62 276	22 152	-
EU/ESD Fund	-	49 972	25 003
Total Disbursements	**1 193 198**	**1 1648 172**	**1 126 369**

Source: Sefa Annual Report (2022/23)

Despite South Africa's challenging macroeconomic conditions, Sefa has delivered a reasonable operating performance, confirming its commitment to being a catalyst for the development of sustainable SMMEs and co-operatives through funding. The agency approved loans of R1.7 billion during the fiscal year under review. This is somewhat less than the R2.5 billion loan approved during the 2021/22 financial year. However, the overall disbursement of R2.4 billion throughout the period under review is greater than the disbursement of R2.3 billion as at 31 March 2022. R2.09 billion of the R2.4 billion went to black-owned businesses, R928 million to women-owned businesses, R551 million to youth-owned enterprises, R953 million to rural towns and villages, and R37 million to entrepreneurs

living with disabilities. The agency intimates that the funding impacted 74 762 businesses and co-operatives that have created and sustained 104 547 jobs into the South African economy. The sluggish execution of the Township and Rural Entrepreneurship Programme (TREP) is principally to blame for the underperformance in terms of the number of SMMEs sponsored and jobs.
TREP encountered minimal personnel and high staff turnover issues throughout implementation, as well as low-quality applications. Furthermore, the slow absorption of money from microfinance intermediaries following Covid-19 was influenced by the uptake of programme funds in the Informal and Microfinance program. MFIs are struggling to recover in their loan books, in part due to significant impairments/bad loans and operational and financial sustainability issues. Because of deteriorating collection rates, overall impairments write-offs and bad debt provisions on loans and advances increased by a net amount of R594 million from the previous year. The agency is closely monitoring the impairment provision which has increased from R1.1 billion in 2022 to R1.7 in 2023.

7. OBSERVATIONS

As the Sixth Parliament and Administration draw to a close and the MTSF 2019-2024 approaches its conclusion, it is critical to reflect on the Department's and agencies' accomplishments and shortcomings during this tenure in order to identify the critical interventions required to ensure the sector's continuity and sustainability beyond this term. Having reflected on the annual reports and financial statements of the 2022/23 financial year of the Department, Seda and Sefa, the Portfolio Committee hereby record the following observations and recommendations for consideration by the Department: -

7.1 The Committee acknowledges and applauds the Portfolio's overall performance, particularly the Department in attaining two consecutive clean audit opinions. The Department received its first unqualified audit opinion with no significant findings, also known as a clean audit opinion, indicating that both the submitted Annual Financial Statements (AFS) and performance information were free of substantial misstatements. This audit opinion is an improvement over the audit opinion for the 2021/22 auditing period, when the Department received a clean audit opinion only on performance information, while the AFS were unqualified with findings. This is a notable achievement.

7.2 The Committee further notes agencies performance in this regard particularly Sefa that has regressed from a clean audit to an unqualified audit outcome with findings on compliance, as well as Seda outcomes that remained stagnant as it achieved an unqualified audit outcome with material findings on performance information. Agencies ascribe this performance to the uncertainty caused by the prospective merger. Meanwhile, the Industrial Development Corporation (IDC) announced that Sefa is one of its loss-making subsidiaries, having lost R120 million in the financial year under review. According to IDC, the loss is a 222 percent fall from a net profit of R98 million in 2021/22 due to large impairments, which have resulted in a decrease in lending activity.

7.3 The Department's performance on financial spending is improving, it utilised 99.3 percent of its final appropriation. Underspending was around R19 million, or 0.7 percent of the total budget. In percentage terms, the underspending is insignificant, and falls well within the target of less than 5 percent variance. This is commendable.

7.4 The Committee further observes that the majority of underspending on financial indicators is due to employee compensation as well as goods and services. All four programmes of the Department underutilised their funding allocations mostly as a result of unfilled funded posts.

7.5 Nonetheless, the expenditure is in contrast to the number of performance targets met, 14 out of 25, which saw the Department's performance fall from 60 percent in the fiscal year 2021/22 to 56 percent during the period under consideration. In the last BRRR cycle, the Committee observed a similar pattern wherein the overall performance on achieved targets had dropped from 85 percent in 2020/21 to 60 percent in 2021/22. It had then concluded that the trend warrants closer examination and corrective measure.

7.6 Meanwhile, the agencies are well within the target threshold of 10 percent. In the 2022/23 financial year, Seda and Sefa vacant positions were filled using fixed-term contracts to ensure that the merger process is not compromised. The annual targets for the vacancy rate, as outlined in the annual performance plans, were 10 percent and on average 7 percent vacancy rate management was achieved in 2022/23 financial year.

7.7 The Committee commends the Department for paying 100 percent of its invoices within the 30-day period as required by section 38(1)(f) of the Public Finance Management Act (PFMA), which calls for the Department's Accounting Officers to settle all contractual obligations and pay all money due, including intergovernmental claims, within the prescribed or agreed period. Regulation 8.2.3 of the Treasury Regulations stipulates that "unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, the date of settlement or court judgment".

7.8 The Committee is currently receiving a lot of complaints from small businesses many of which relates to non-payment or late payment of invoices for products and services rendered or delivered to the clients, mainly the state organs and big corporations. According to the National Treasury data published recently, the period from 1 July 2022 to 30 June 2023 reveals R76 billion in outstanding payments to creditors by municipalities. Section 65(2)(e) of the Local Government: Municipal Finance Management Act, 2003 (MFMA), requires the Accounting Officers/Municipal Managers to take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. An increase in outstanding creditors could indicate that municipalities are facing liquidity and cash issues and, as a result, are delaying payment of outstanding creditors, majority of whom are small enterprises.

7.9 It is noted that the Department was successful in finalising the organisational organogram, nonetheless, chose to place staff on the approved structure while continuing to operate on the interim structure until the conclusion of the 2022/23 financial year. The Department reported a vacancy rate of 10 percent, missing its vacancy rate target by 0.1 percent. However, this is an improvement compared to the previous year's 16.5 per cent vacancy rate. The Committee is optimistic that bringing the vacancy rate to lower levels will bring much-needed stability after years of operating under a start-up structure, which was largely responsible for the high vacancy rate at the senior management level.

7.10 While the moratorium on filling of vacancies was lifted in the current year, National Treasury has nevertheless, issued a guide on cost containment that might negatively affect the filling of vacancies by the Department. The Committee will monitor the Department's commitment of reducing vacancy rate to less than 10 percent.

7.11 On the area of policy and legislation the Committee notes that, even though the National Small Enterprise Amendment Bill was not achieved during the financial year under review, the Bill has since been introduced in Parliament during quarter one of 2023/24 financial year where it is currently being processed in accordance to Parliamentary processes. Other notable areas of progress are SMME and Funding policy which was gazetted for public comments in April 2023, so is the National Integrated Small Enterprise Development Strategic Framework where the Department embarked on consultations session with key role players in the small enterprise ecosystem to solicit inputs to the finalisation of the NISED Strategic Framework.

7.12 The amendment of the Business Act, however, remains a significant concern for the Committee due to its accountability in regulating township and rural enterprises. During the State of the Nation Address in February 2022, the President had this to say "we are reviewing the Business Act – alongside a broader review of legislation that affects SMMEs – to reduce the regulatory burden on informal businesses". While in response to the last BRRR cycle recommendations the Department had committed that "the Bill would be introduced to Parliament by the end of the second quarter of 2023/2024". This did not materialise. The Committee takes notice of the commitment in the 2023/24 annual performance plan that the Businesses Amendment Bill will only be taken through Parliamentary processes during the seventh Parliament, 2024/25.

7.13 The Committee records that when the Department appeared before it on 29 April 2022 to present its 2022/23 annual performance plan, it had directed that in all quarterly and annual reports, the Department and entities must disaggregate the type of enterprises assisted, and/or distinguish co-operatives, informal traders, spaza shop owners from typical small enterprises registered under the Companies Act. This guidance was for the Department and agencies to execute with immediate effect. However, in the annual reports under consideration, the Portfolio continues to put emphasis on the number of "competitive SMMEs and Co-operatives supported" without providing the Committee with a thorough breakdown as asked.

7.14 The Committee believes that this type of reporting methodology conceals the narrow and asymmetric distribution of resources between small enterprises, which are mostly private businesses registered under the Companies, and social enterprises registered under the Co-operatives Act, and informal traders registered under the Municipal By-laws. Furthermore, aggregating beneficiaries in terms of the provinces rather than regions or district municipalities does not provide a clear picture of how resources are distributed equitably among regions. Sefa has begun to perform a terrific job in this area.

7.15 Furthermore, while in 2021/22 financial year the target was to support Co-operatives to the value of R89 million, where the Department managed to provide support to the value of R13 million or 15 percent of the planned target, the target in the year under review is on the number of enterprises rather than value of support. The Department's target was to support 200 co-operatives financially and/or non-financially. Instead, it supported 321 co-operatives, exceeding its target by 121. However, the Committee has no idea what kind of assistance was provided to the co-operatives or where they are located. It also has no way of monitoring the effectiveness of the Department's Co-operatives Development Support Programme (CDSP), the Department's flagship programme designed to assist Co-operative enterprises.

7.16 One of the Department's five-year target is to increase participation of SMMEs and Co-operatives in domestic and international markets. The Department had set itself a target of 1000 products in its five-year plan. While for the 2022/23 financial year it committed to ensuring that 250 products produced by SMMEs and Co-operatives are linked to domestic market. For the period under consideration the Department reports that the target was exceeded by 31 products, slightly less from 288 attained in 2021/22 period.

7.17 The Committee commended the Department for beginning the process of establishing the Small Business Advisory Body in accordance with the Act's requirements in its 2022/23 annual performance plan. Since the fifth Parliament, the Committee has been making this suggestion because it firmly believes that the Department requires an experienced, impartial, and external view on problems relevant to small business development. Regrettably, no action has been taken to fulfil this commitment. Instead, the same promise is included in the current 2023/24 APP, but there are no stated timeframes for when the Advisory Body appointment process will begin. The Committee further acknowledges that the recently tabled National Small Enterprise Amendment Bill is making provision for the Advisory Body to submit its performance report to the Minister. The Committee is adamant, however, that the proposed amendment does not prevent the Minister from proceeding with the appointment of the Advisory panel.

7.18 The Committee takes note of the fact that on 17 January 2023, the Department announced that it was immediately working on an energy relief package for the small, medium, informal, and micro sectors in partnership with its agencies and various stakeholders within and outside government. The contents of the package, as well as the requirements and avenues for applying for relief, were to be revealed almost straightaway. Not much headway has been made in this regard.

7.19 In March 2023, the Committee conducted an oversight visit in the North West province where a number of concerns were raised concerning governance issues such as loan origination, lack of monitoring financial intermediaries and their performance, and high interest rates charged by intermediaries that were not in accordance with the National Credit Act (NCA). Sefa has established an action plan in response to the Committee's findings. The Committee will monitor the action plan and ensure that its recommendations are incorporated in the 2024/25 annual performance plan.

7.20 The Committee learnt and welcomes the report that Sefa hired or placed in its database a panel of 27 forensic companies to conduct various investigations in the agency. Accordingly, four cases have since been referred to law enforcement authorities specifically the commercial crime unit. The Committee fully supports the Board's no-nonsense approach to tackling corruption.

8. RECOMMENDATIONS

Informed by its deliberations, the Portfolio Committee recommends that the Minister of Small Business Development take steps to implement the following resolutions –

8.1 In the financial year 2022/23, the DSBD was unable to meet 44 percent of its APP targets. Vacancies in critical job categories were identified as the primary cause of underperformance. To halt or reverse the trend, the Department must expedite its recruitment efforts to fill vacant posts as practically as possible. The Committee will review quarterly reports to track how far this indicator is achieved. Ideally, and given the approval of the organisational structure, the Committee would like to see the Department maintaining a vacancy rate of less than five percent.

8.2 The SMME and Co-operatives Funding Policy must be expedited and completed by 31 March 2023. Since the financial year 2020/21, this target has been included in the Department's annual performance plans. As at 31 March 2022 the policy had only been approved by the Minister and Cabinet and later gazetted for public comments. It will be damaging to good governance if the Committee accepts or examines the annual performance plan (2024/25) with this target still being incomplete.

8.3 As noted in the AG report, the portfolio has achieved 67 percent of its targets over the MTSF period, implying 33 percent non-achievement of MTSF targets. The Executive authority should monitor and ensure that the remaining targets are accomplished within the current MTSF period.

8.4 To arrest further decline in audit findings of the agencies, the Department must move quickly to monitor and assist agencies to implement Auditor General recommendations. The Accounting Authorities/Board of Directors must be held accountable for improving controls for proper record keeping and ensuring that complete, relevant, and accurate information is accessible and available to support performance data. Management should respond to the AG's requests with the requisite urgency in addressing identified risks and improving internal controls, which will improve audit outcomes for both the Department and entities. The Committee will maintain regular contact with the Auditor General's office in line with oversight accountability.

8.5 Following its oversight visit to the North West province, the Committee emphasized the importance of the Sefa Board to consider amendments to the policy guidelines to include a condition for MFIs and RFIs to be licensed by both the National Credit Regulator and the Financial Sector Conduct Authority (FSCA) as authorised Financial Services Providers (FSP). The NCR licensing process is defective in that it focuses solely on the entity or corporation as a legal person, whereas the FSCA approach encompasses both the firm and the individual behind the company. The majority of NCR-licensed companies are led by directors who do not meet the criterion of 'fit and proper'. Licensing is an important component of the regulatory system and helps to oversee the value chain. The Board must endeavour to achieve this recommendation before the agency tables its 2024/25 annual performance plan.

8.6 Sefa has to keep a closer eye on MFIs and RFIs to ensure that they are following the government's mandate of making finance available to all small enterprises and ensure equitable spread. The Committee will now examine Sefa's quarterly reports to see if the operations of MFIs and RFIs are closely supervised. Sefa's products and services should not compete with those of MFIs and RFIs. They should also not operate against the government's goal of making low-cost development credit available.

8.7 The Department seems to have turned the corner on the performance of co-operatives. According to the annual performance plan, 321 co-operatives were supported during the financial year under review, exceeding the target by 121. As part of its role in exercising oversight on the programmes of the Department e.g. Co-operatives Sector Development Programme, the Committee would appreciate it if the consolidated list of supported co-operatives could be shared with the Committee by 30 November 2023.

8.8 As per above request, in order to adequately discharge its responsibility of overseeing the Departmental programmes, the Committee would appreciate being provided with a list of 281 items manufactured by SMMEs and Co-operatives that were linked to the domestic market by the conclusion of quarter three of the current financial year.

8.9 The Minister should ensure that the appointment of an Advisory Board is carried out in accordance with the commitments made in the subsequent annual performance plans for 2022 and 2023. The next quarterly report must include a timeline for when this will be accomplished.

8.10 Concerning the energy relief initiative announced by the Minister in January 2023, the Committee should be briefed on the progress made thus far, before the end of the third quarter.

8.11 Lifestyle audits are an essential management technique for preventing, detecting fraud and corruption in public service. They also contribute to ensuring that the lives of state employees are commensurate with their remuneration. In April 2021, the government established and approved mandatory guidelines for all audits of public officials in national and provincial departments, as well as state-owned enterprises. In its next quarterly report to Parliament, the Department must specify when it expects to commence this process. On the forensic investigations conducted by Sefa during the course of the 2022/23 financial yare, the Board must brief the Committee of the results of the forensic audit before end of the current financial year.

8.12 To support the President’s aspirations to eliminate red tape, the Committee is once again calling for the establishment of a Parliamentary Ad hoc Committee that will interface with the red tape reduction team at the Presidency under the guidance and leadership of Mr. Nkosi.

8.13 The late and/or non-payment of invoices has a major negative impact on the financial health of suppliers, who are frequently forced to borrow money in order to stay afloat financially and satisfy their contractual responsibilities with the state entities. Despite the fact the Department has done well in terms of paying its creditors within 30 days, achieving 100 percent during the year under review, its approach however, is internally focused or inward-looking. As the guardian of small business growth, the Department must establish an indicator for implementation in collaboration with National Treasury to track delinquent invoices. Where state organs are failing to pay uncontested invoices within 30 days, Sefa must be on standby to pick up the tab through cession arrangements. This indicator must be included in the upcoming MTSF and APPs.

Unless otherwise indicated, responses to the above recommendations should be submitted to the National Assembly not later than three months after the adoption of this report by the National Assembly.

Report to be considered.