



small business  
development

Department  
Small Business Development  
REPUBLIC OF SOUTH AFRICA

# 2020-2025 STRATEGIC PLAN (REVISED)





## small business development

**Department**  
Small Business Development  
**REPUBLIC OF SOUTH AFRICA**

## EXECUTIVE AUTHORITY STATEMENT

I hereby re-table the Department of Small Business Development (DSBD) 2020-25 Strategic Plan and its first year implementation plan through the 2020/21 Annual Performance Plan (APP) that have been revised in response to the coronavirus (COVID-19) pandemic. The revised planning documents are aligned to the 2019-24 Medium Term Strategic Framework (MTSF) and the 2020 special adjustments budget. These planning documents present a real shift in the delivery model of the Department as the focus on key thematic areas that the Department has been focusing on in delivering the business development services, as well as creating a conducive business environment for small businesses, Co-operatives and informal businesses during the challenging period of the COVID-19 pandemic.

On 15 March 2020, President Cyril Ramaphosa declared a National State of Disaster in response to the COVID-19 pandemic and announced a range of measures to contain the coronavirus. Following the declaration of the National State of Disaster, the President announced a lockdown period for 21 days, starting from midnight of 26 March 2020, which was extended at the end of the 21 days. The lockdown brought to a halt most business and economic activities, with the exception of those approved as essential services providers.

When the President concluded his speech on 15 March 2020, he said, ***“It is true that we are facing a grave emergency. But if we act together, if we act now, and if we act decisively, we will overcome it.”*** Many of the small businesses, Co-operatives and informal businesses were faced with tremendous time during the lockdown period and the Department had to shift from doing business as usual and ensure that our SMMEs and Co-operatives are assisted to stay afloat during and post the lockdown period. We had to heed the President's call of working together, acting now and decisively. We worked together as a Small Business Portfolio, the Department and its two entities, small enterprise finance agency (**sefa**) and Small enterprise development agency (Seda), forming an Economic Recovery Task Team with its sole purpose to ensure that SMMEs and Co-operatives receive the assistance they need with the urgency with which it should be provided.

This sixth administration is a period of implementation, which will catalyse South Africa on a faster trajectory to tackle the triple challenges of poverty, inequality

and unemployment. We have come a long way since the proclamation of our Department in July 2014. The establishment of this Department signalled a commitment by the government to set the country on a path which will catalyse South Africa on a faster trajectory to defeating its triple challenges as highlighted in the National Development Plan (NDP) and the 25 Year Review Report.

In response to the COVID-19 pandemic and the special adjustment budget, the Department has developed and introduced several interventions to support SMMEs and Co-operatives affected by the COVID-19 pandemic. The interventions include the Business Growth and Resilience Facility; SMME Relief Finance Scheme and **sefa**-Debt Restructuring Facility; Automotive Aftermarkets Support Scheme; Small Scale Bakeries and Confectioneries Business Support Scheme; Small Scale and Micro Clothing, Textile and Leather Business Support Scheme; Spaza Shop Support Programme, amongst others.

It is important to emphasise that these interventions are perfectly aligned to the Township and Rural Entrepreneurship Programme (TREP) which was approved by Cabinet on 4 March 2020. Therefore, the pandemic has assisted the department to accelerate the implementation of this Cabinet approved intervention which calls for dedicated support to enterprises that are based in the marginalised areas i.e. township and rural areas thereby ensuring that the majority of the people are included in the mainstream economy. The majority of these interventions are funded through the instrument that was established to support the implementation of TREP, which is the Township Entrepreneurship Fund.

**The Business Growth and Resilience Facility:** The Business Growth and Resilience Facility is targeted at SMMEs who locally manufacture or supply hygiene and medical products that are in demand in order to curb and manage the spread of the corona virus. These are products such as sanitisers, detergents and tissue paper. This facility will offer working capital, stock, bridging finance, order finance and equipment finance. The funding amount will be based on the funding needs of the actual business.

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**SMME Relief Finance Scheme:** The SMME Relief Finance Scheme provides soft-loan funding for existing businesses in distress due to the COVID-19 pandemic, to ensure that they don't go under and are able to cover operational costs. This Scheme was established on 1 April 2020.

**sefa-Debt Restructuring Facility:** The **sefa**-Debt Restructuring Facility is geared towards **sefa**-funded SMMEs that are negatively affected by the pandemic. A payment moratorium / holiday is given to the qualifying SMMEs for a period of up to six months, in efforts to reduce the instalment burden of loan obligations on the affected SMMEs. These SMMEs are required to illustrate the direct linkage of their business distress to the pandemic.

**Automotive Aftermarkets Support Scheme:** The objective of the Scheme is to support motor body repairers (panel beaters) to operate accredited small/independent panel beaters (motor body repairers) centres and other mechanics to operate authorised services centres. The context of this scheme is that South Africa had a total of 12, 027, 860 cars registered in 2017 and about 30% of these cars were insured and/or still under warranty, whereas almost 70% were not insured and/or not under warranty. However, in 2017, there were just over 1800 accredited service providers in the market for motor body repairers and services and these excluded majority of mechanics and motor body repairers in the townships and villages.

**Bakeries and Confectioneries Business Support Scheme:** The Scheme is aimed at supporting small scale bakeries and confectioneries operating as micro or informal businesses with assistance to purchase business equipment and provision of working capital. It is a stepped-up access to market through off-take agreements, such as spazas on the DSBD Spaza Support Scheme; and access to bulk buying facility for raw materials through participating wholesalers.

**Clothing, Textile and Leather Support Scheme:** The Scheme is aimed at supporting small scale, micro and informal businesses in the clothing and textile industry to:

- Seize opportunities in the sector availed by the COVID-19 pandemic such as production of personal protective equipment (PPE) in the COVID-19 response value chains and beyond;
- Participate in the rebuilding and restructuring of the clothing and textile sector as necessitated by the emergence of the new world order; and
- Improve the quality and competitiveness of small scale clothing and textile enterprises for both domestic supply and export market.

**Spaza Shop Support Programme:** The objectives of the Spaza Shop Support Programme is to formalise the informal businesses of micro-enterprises, facilitate the banking of the unbanked Spazas and also to build a reliable database for future government planning and support.

The qualifying criteria for the Facility and the Schemes is that the entities must be 100% South African owned, 70% of their employees must be South African, and the entities must be registered and be compliant with South African Revenue Services (SARS). In the instance that an SMME is not compliant, they will be assisted with the compliance process before their applications can be considered.

Over and above the interventions already mentioned, which are tailor made as a response to the COVID-19 pandemic, the Department will continue to implement the priorities of the sixth administration that are reflected in the 2019-2024 MTSF towards the achievement of the NDP's Five-Year Implementation Plan, and the Monitoring Framework for the NDP Five-Year Implementation Plan. In this regard, the Department will contribute to Priority 2: Economic Transformation and Job Creation and the related sub-outcomes and interventions, as follows:

### **PRIORITY 2: Economic Transformation and Job Creation:**

- Upscale and expand support to small businesses;
- Creating more jobs;
- Inclusive economic growth;
- Re-industrialisation of the economy and emergence of globally competitive sectors;
- Increased access to and uptake of ICT;

## EXECUTIVE AUTHORITY STATEMENT

- Competitive and accessible markets through reduced share of dominant firms in priority sectors; and
- Mainstreaming of Youth, Women, and Persons with Disabilities with minimum 40% target for Women, 30% for Youth and 7% for Persons with Disabilities in the SMMEs and Co-operatives Sector.

We have worked tirelessly in pursuit of the vision of a transformed and inclusive economy driven by sustainable, innovative SMMEs and Co-operatives sector. Small businesses have been identified as crucial drivers of economic activity for they are the providers of goods and services. However, government also recognises that small businesses are faced with various challenges, including lack of business experience, inadequate infrastructure and limited access to finance, amongst others. As a result, the Department will deploy several interventions to support sustainable SMMEs and Co-operatives that will contribute meaningfully to the economy over the medium-term. Most of these interventions will prioritise young people, women and persons with disabilities, especially those that are from historically disadvantaged township and rural areas.

This is particularly important given the high rate of unemployment for young people in South Africa. Furthermore, most women continue to face economic exclusion, resulting in high levels of poverty, inequality and unemployment. This requires a concerted effort from government to overcome barriers to gender equality and women's empowerment in order to effect economic and social transformation. This also aligns with the National Development Plan's economic transformation agenda on broadening opportunities for all South Africans, but particularly for the historically disadvantaged.

The Department has developed the SMME Support Plan for the 2019 – 2024 period, which is in line with the sixth administration priorities. The Plan consists of several key deliverables or targets that will be implemented and coordinated as follows:

**Women-owned businesses registered on International platform:** The Department plans to register at least 50 000 women entrepreneurs on the international platform by 2025.

**SMME Expansion or Scale-Up:** This initiative coordinates efforts to support small and medium enterprises to scale-up or expand their businesses and survive beyond their first five years through access to working capital and markets for goods and services.

**Township and Rural Entrepreneurship Programme:** A dedicated programme to transform and integrate opportunities in townships and rural areas into productive business ventures. The focus is to create platforms which provide the business support infrastructure and regulatory environment that enables entrepreneurs to thrive. The COVID-19 pandemic pushed us to accelerate the development of the sub-programmes to implement this intervention. All the COVID-19 informal business support programmes mentioned above are aimed at supporting informal businesses with compliance support, business skills development, business infrastructure and technical support.

**Incubation and Digital Hubs:** These are business and technology incubation centres that offer business and technology management skills. This business support and platforms are offered for a minimum of three years. The incubation can either be in-house or remote. Enterprises that have completed an incubation programme must have at least: (a) More than doubled annual turnover; (b) Product or services having more than one market; and (c) Business must be making a profit.

**Co-operatives:** The initiative is aimed at supporting Co-operatives as enterprises that are income and profit-generating that contribute to economic growth and employment creation. The driving ethos is that Co-operatives are enterprises or businesses and must be supported to become sustainable and competitive.

**SMME Products:** An initiative to coordinate and direct the buy local campaign to be impactful by targeting a minimum number of enterprises that should benefit from the initiative. The intention is to set a minimum number of enterprises that must benefit from the Buy Local drive.

## EXECUTIVE AUTHORITY STATEMENT

Government is committed to give greater support to the SMMEs and Co-operatives sector. In enabling the SMMEs and Co-operatives, we are prioritising the improvement of the regulatory and legal environment. The marginalised areas (townships and rural areas) need more resources owing to their structure and geographic location. Small businesses ordinarily require access to information, economic infrastructure, access to markets and skills irrespective of where they are located. Government and the private sector have always found it easier and less costly to provide support to enterprises based in urban areas resulting in an uneven growth of enterprises based in urban areas versus those that are based in marginalised areas. The state will have to lead in investing significant resources in these areas in an integrated fashion to stand a chance of crowding in private sector investment. The District Development Model (DDM) is designed to also bring together other social partners to support the development of the Districts and these platforms are critical in enabling the Department to deliver on its targets.

The government took the right decision of developing masterplans for certain key priority sectors and the masterplans are expected to bring together all sector stakeholders to ensure all-round buy-in and support for the sectors. The Department is entrusted with developing the Creative Industries Masterplan and National Small Enterprise Masterplan. These masterplans will display meaningful integration of small businesses so that they can also partake in accessing opportunities and dedicated support measures. The integration of small businesses must be realised at a value chain level and not just as providing services to the sector. This will enable the country to have competitive SMMEs and Co-operatives that are involved in the mainstream economy and at the core of economic and sector participation.

Cabinet took a decision to either repurpose, consolidate or abolish some State Owned Enterprises (SOEs). The main objective of this exercise was to ensure that SOEs occupy their critical role of supporting government to implement economic development and transformation imperatives. Affecting our department was the decision to establish one entity to ensure integrated provision of business development support as articulated in the National Development Plan. The entities that were identified were Seda, **sefa** and National Empowerment Fund (NEF) for possible consolidation. The exercise of developing a business case has started initially with Seda and **sefa** whilst discussions are ongoing with NEF also coming on board.

We are encouraging each and every entrepreneur to remain calm and practice responsible behaviour to contain the spread of the COVID-19 pandemic. I would like to thank South Africans from all walks of life, including the SMME and Co-operatives ecosystem, and entrepreneurs whom since my appointment have offered valuable suggestions and support as we start this journey. I endorse the revised Strategic Plan and the revised Annual Performance Plan and confirm that these are consistent with economic recovery interventions aimed at responding to the sixth administration priorities and the COVID-19 pandemic.



**MS. KHUMBUDZO NTSHAVHENI, MP**

**MINISTER OF SMALL BUSINESS DEVELOPMENT**

## ACCOUNTING OFFICER STATEMENT

The revised 2020-25 Strategic Plan and the revised 2020/21 Annual Performance Plan encompass the implementation of the sixth administration priorities and the economic recovery interventions in response to the COVID-19 pandemic. These Plans take into consideration the negative economic outlook resulting from the COVID-19 outbreak and high levels of unemployment, especially youth unemployment, and the increase in the demand for public services.

The mandate of the Department of Small Business Development is to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small businesses and co-operatives, and ensure an enabling legislative and policy environment to support their growth and sustainability. The realisation of this mandate will lead to a transformed and inclusive economy driven by sustainable and innovative small businesses.

The plan takes guidance from the 2019-24 MTSF priorities, economic recovery measures developed and introduced to respond to the COVID-19 pandemic, the 2020 Special Adjustments Budget, Human Rights implications of the COVID-19 as suggested by the UN and adapted to the South African context, Gender Responsive Planning, Budgeting, Monitoring and Evaluation Framework, an overview of the Department's focus and key accomplishments during the previous planning period and the Department's strategic focus for the next planning period.

In the previous planning period, the work on reducing regulatory burdens and a conducive legislative and the policy environment for SMMEs and Co-operatives entailed continuing to assist municipalities to roll out the Red Tape Reduction Programme (RTRP). The Department undertook assessments on the effectiveness of the RTRP in the selected municipalities and red tape municipal action plans were concluded. A key new assignment which the Department undertook in the previous planning period was the revision of Schedule 1 of the National Small Business Act, which was gazetted on 15 March 2019. The Department will ensure that the amendments to the National Small Enterprise Act are finalised and implemented, which amongst other things is expected to

facilitate the establishment of the Small Enterprise Ombud Service as a key focus during the sixth administration.

One of the strategic objectives assigned to the Department was to ensure an integrated approach to planning, monitoring and evaluation of the Co-operatives sector to inform policy decision making and to that end, the Department convened Co-operatives forums to ensure a shared and common vision and priorities across the Co-operatives sector. The Department supported municipalities to integrate Co-operatives development into their Integrated Development Plans (IDPs) as they have a major impact on the economic development of the broader community. As a National State function with no concurrent jurisdiction with any multi-level jurisdiction, the Department needed to establish Inter-Governmental Relations (IGR) Forums to promote policy coherence in the SMMEs and Co-operatives sector to drive enterprise development.

In response to the COVID-19 pandemic, the Department in partnership with its entities, developed responsive interventions that will continue to be implemented together with the 2019-24 MTSF priorities during the 2020/21 financial year. The interventions include the Business Growth and Resilience Facility; SMME Relief Finance Scheme and sefa-Debt Restructuring Facility; Automotive Aftermarkets Support Scheme; Small Scale Bakeries and Confectioneries Business Support Scheme; Small Scale and Micro Clothing, Textile and Leather Business Support Scheme; Spaza Shop Support Programme, amongst others. The SMME South Africa platform was created in partnership with Telkom SA, and will serve as a gateway for SMMEs to apply for both financial and non-financial support, access information about business opportunities and market access support during the pandemic, and beyond.

Furthermore, the Department has developed an SMME Support Plan, which clearly indicates how many small enterprises should be supported per District if the country is to achieve an inclusive economic growth that addresses spatial disparities. The SMME Support Plan will be implemented in partnership with various departments, provinces and municipalities. The plan also assists the

Department to plan the distribution of resources and interventions in a way that redresses the imbalances of the past where there was always a bias towards urban areas leaving the township and rural areas behind.

More than 5 000 informal business were supported through the Informal Micro-Enterprise Development Programme (IMEDP) during the previous medium-term planning period. During the 2019-24 Medium Term planning period, the Department intends to support informal businesses through various interventions including township and rural enterprises.

The Department will continue to administer a set of incentive programs that are targeting a wide range of micro, small and medium enterprises in line with the approved DSBD Business Delivery Model. The Department will ensure that there is broader participation in the mainstream economy by small businesses and Co-operatives owned by individuals from historically disadvantaged communities including, Women, Youth and Persons with Disabilities.

The Department will also continue to invest in improving its administration, systems, processes and capacities to provide an efficient and effective service. The values of equity and equality will continue to be entrenched to ensure that the dignity of the people of this country is respected and restored at all times through our efforts.

I wish to extend my sincere appreciation to the Minister, Ms Khumbudzo Ntshavheni, and Deputy Minister, Ms Rosemary Capa, for their leadership and guidance to the Department, the Departmental entities and the broader SMMEs and Co-operatives sector and stakeholders for their ongoing engagement and support, especially during the testing time of COVID-19 pandemic. Lastly, I commit the Department staff to serve with the utmost respect, resolute and professional mannerism in providing public services to our society.



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**MR LINDOKUHLE MKHUMANE**  
**ACTING DIRECTOR-GENERAL**



## OFFICIAL SIGN-OFF

It is hereby certified that this Revised Strategic Plan:

- Was developed by the management of the Department of Small Business Development, under the guidance of the Honourable Minister of Small Business Development, Ms. K. Ntshavheni;
- Takes into account all the relevant policies, legislation and other mandates for which the Department of Small Business Development is responsible;
- Accurately reflects the Impacts, Outcomes and Outputs, which the Department of Small Business Development will endeavour to achieve over the 2020-25 period.

### RECOMMENDED BY:



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**Ms. S.M. Oosterwyk**  
**CHIEF FINANCIAL OFFICER**



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**Ms. Z. Mavundla**  
**OFFICIAL RESPONSIBLE FOR PLANNING**



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**Mr. L. Mkhumane**  
**ACCOUNTING OFFICER**

### APPROVED BY:



**Ms. K. Ntshavheni, MP**  
**MINISTER: SMALL BUSINESS DEVELOPMENT**

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## Acronyms and Abbreviations

ADG	Acting Director-General
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
B-BBEE	Broad-based Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
CDA	Co-operatives Development Agency
CFO	Chief Financial Officer
CIS	Co-operatives Incentive Scheme
DFIs	Development Finance Institutions
DG	Director-General
DDG	Deputy Director-General
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DSBD	Department of Small Business Development
ENE	Estimate of National Expenditure
EXCO	Executive Committee
GTAC	Government Technical Advisory Centre
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IT	Information Technology
IGR	Inter-Governmental Relations
IMEDP	Informal Micro Enterprise Development Programme
LED	Local Economic Development
LM	Local Municipality
MOA/ U	Memorandum of Agreement/ Understanding

MP	Member of Parliament
MPSA	Minister of Public Service and Administration
MTSF	Medium Term Strategic Framework
NDP	National Development Plan, Vision 2030
NIBUS	National Informal Business Upliftment Strategy
NRF	National Research Foundation
NT	National Treasury
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
PPPs	Public Private Partnerships
PWD	People With Disability
RDP	Reconstruction Development Programme
RTRP	Red Tape Reduction Programme
SBD	Small Business Development
SDIP	Service Delivery Improvement Plan
Seda	Small Enterprise Development Agency
<b>sefa</b>	Small Enterprise Finance Agency
SEIF	Shared Economic Infrastructure Facility
SETA	Sector Education and Training Authority
SITA	State Information Technology Agency
SMMEs	Small, Medium and Micro Enterprises
SMS	Senior Management Service
SONA	State of the Nation Address
the dtic	Department of Trade Industry and Competition
TREP	Township and Rural Entrepreneurship Programme
WEO	World Economic Outlook



# PART A:

## OUR MANDATE

## 1. CONSTITUTIONAL MANDATE

The Constitution is the supreme law of the Republic of South Africa. Along with the Bill of Rights, it forms the legal foundation of a democratic South Africa and set out the rights and duties of its citizens and also defines the structure of government. All laws of the country must be consistent with the Constitution and it further requires that all spheres of government to work together to address poverty, underdevelopment, marginalisation of individuals and communities and other legacies of apartheid and discrimination. In this light, all government institutions, entities and municipalities ultimately derive their mandate from the Constitution.

The Department of Small Business Development (DSBD) and its public entities derive their primary mandate from the Constitution of the Republic of South Africa, Act 108 of 1996, and in particular<sup>1</sup>:

1. **Section 22 – enshrines freedom of trade, occupation and profession:** “Every citizen has the right to choose their trade, occupation or profession freely. The practice of a trade, occupation or profession may be regulated by law”.
2. **Section 217 – which requires that:**
  - a. *When an organ of state contracts for goods and services, it must do so in accordance with a system which is fair equitable, transparent, competitive and cost effective;*
  - a. *It does not prevent the organs of state from implementing a procurement policy providing for the protection or advancement or persons or categories of persons disadvantaged by unfair discrimination.*

Fully aligned to and arising from the Constitution, the 1995 White Paper<sup>2</sup> identified the need for a systematic national framework within which the different policies and programmes at national, regional and local level could be coordinated, towards the creation of an enabling environment for small enterprises. Given such an enabling environment, it was expected that the millions of Small, Micro and Medium Enterprises (SMMEs) and Co-operatives will themselves accept, responsibility for the operation, growth and progress of their enterprise. Therefore, policies need to be in tune informed

<sup>1</sup>Republic of South Africa. (1996). *The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*. Pretoria. Government Printer.

<sup>2</sup> Republic of South Africa. (1995). *White Paper on a National Strategy for the Development and Promotion of Small Business in South Africa; Parliament, 20 March 1995.*

by the evidence based research approach with national, regional as well as sectoral developments, taking into account differences between sectors like manufacturing, tourism or construction, as well as differences between the categories of SMMEs.

## 2. LEGISLATIVE AND POLICY MANDATES

The following is the legislative and policy mandates that the DSBD is directly responsible for implementing, managing or overseeing:

Legislation and Policy	Mandate and Primary Outputs
National Small Enterprise Act 1996, (No.102 of 1996), as amended.	To develop, support and promote small enterprises to ensure their growth and sustainability.  Seda provides non-financial business development and support services for small enterprises, in partnership with other role-players in the small business development environment.
Section 3 (d) of the Industrial Development Corporation Act, No.22 of 1940 (IDC Act).	To provide access to finance to Survivalist, Micro, Small and Medium businesses throughout South Africa.  <b>sefa</b> supports the development of sustainable SMMEs through the provision of finance.
Co-operatives Development Act, 2005 (No. 14 of 2005), as amended	To provide for the formation and registration of Co-operatives; the establishment of a Co-operatives Advisory Board; the winding up of Co-operatives; the repeal of Act 91 of 1981; and matters connected therewith.
Co-operatives Policy (2004)	To create an enabling environment for Co-operative enterprises which reduces the disparities between urban and rural businesses and is conducive to entrepreneurship.  Promote the development of economically sustainable Co-operatives that will significantly contribute to the country's economic growth.

Legislation and Policy	Mandate and Primary Outputs
	<p>To increase the number and variety of economic enterprises operating in the formal economy.</p> <p>To increase the competitiveness of the Co-operative sector so that it is better able to take advantage of opportunities emerging in national, African and international markets.</p> <p>To encourage persons and groups who subscribe to the values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises and to register Co-operatives in terms of this Act.</p> <p>To enable such Co-operative enterprises to register and acquire a legal status separate from their members.</p> <p>To promote greater participation by black persons, especially those in rural areas, women, and persons with disability and youth in the formation of and management of Co-operatives.</p> <p>To establish a legislative framework that will preserve the Co-operative as a distinct legal entity.</p> <p>To facilitate the provision of support programmes that target Co-operatives, specifically those that create employment or benefit disadvantaged groups.</p>
Co-operative Amendment Act, No 6 of 2013.	To provide for the establishment, composition and functions of the Co-operatives Tribunal; to ensure compliance with the principles of intergovernmental relations; to provide for intergovernmental relations within the Co-operatives sector; and to provide for the substitution of the long title and the Preamble.

In addition to the aforementioned acts, the DSBD is further mandated by acts not administered by the DSBD, including amongst others:

Name of Act	Consideration
Public Finance Management Act, 1999 (No. 1 of 1999), as amended.	To regulate financial management in the national and provincial governments and to ensure that the government resources are managed efficiently, effectively, economically and ethically.
Preferential Procurement Policy Framework Act, 2000 (No. 5 of 2000), as amended.	To ensure that government's preferential procurement procedures are aligned with the aims of the Broad-Based Black Economic Empowerment Act, 2003 and the associated Codes of Good Practice.  The revised regulations were promulgated in 2017 and is also focusing on the implementation of 30% of the public procurement.
Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003), as amended.	Establishes a legislative framework for the promotion of black economic empowerment; and empowers the Minister to issue Codes of Good Practice and publish Transformation Charters, establish the Black Economic Empowerment Advisory Council; and to provide for matters connected therewith.
Companies Act, 2008 (No. 71 of 2008), as amended.	Regulates the incorporation, registration, organisation and management of companies, including the fiduciary and "due care" duties and responsibilities of "directors" of a company.
National Credit Act, 2005 (No. 34 of 2005), as amended.	Aims to facilitate access to credit for all, while introducing measures to prevent over-indebtedness or the extension of credit to the vulnerable.
Consumer Protection Act, 2008 (No. 68 of 2008), as amended	Aims to protect consumers against unfair business practices, giving them greater recourse against companies that supply them with goods and services.

Name of Act	Consideration
Financial Advisory and Intermediary Services Act, 2002 (No.37 of 2002), as amended.	Regulates the activities of all financial service providers who give advice or provide intermediary services to clients as regards certain financial products. The Act requires that such providers be licensed, and that professional conduct be controlled through a code of conduct and specific enforcement measures.
Protection of Personal Information Act, 2013 (No. 4 of 2013), as amended.	Promotes the protection of personal information by public and private bodies.

### 3. INSTITUTIONAL POLICIES AND STRATEGIES OVER THE FIVE YEAR PLANNING PERIOD

The policy and strategy mandates informing the strategic posture and intent of the Small Business Development Portfolio are broadly summarised as follows:

Informing Policy/Strategy	Key Considerations
The National Development Plan, Vision 2030 (2012)	<p>The National Development Plan (NDP) envisions an economy that provides full employment by 2030 and serves the needs of all South Africans from different racial, social and economic backgrounds. As such, the economy will be more inclusive, grow faster, eliminate poverty and reduce inequality.</p> <p>The Department and its entities play a major and direct role in coordinating and influencing the implementation of Chapters 3 and 6 of the NDP; which respectively, deal with the economy and employment, and inclusive rural development and growth.</p>

Informing Policy/Strategy	Key Considerations
The Medium Term Strategic Framework (2019 – 2024)	<p>The Medium Term Strategic Framework (MTSF) defined as the combination of an NDP Five Year Implementation Plan for the Priorities outlined in the Election Mandate and an Integrated Monitoring Framework.</p> <p>With regard to the set seven priorities identified in the MTSF, the DSBD has a primary/lead role in relation to Priority 2: Economic Transformation and Job Creation and their related sub-outcomes and interventions, as follows:</p> <p><b>PRIORITY 2: Economic Transformation and Job Creation:</b></p> <ul style="list-style-type: none"> <li>• Upscale and expand support to small businesses;</li> <li>• Creating more jobs.</li> <li>• Inclusive economic growth.</li> <li>• Re-industrialisation of the economy and emergence of globally co with disabilities in the SMMEs and Co-operatives Sector.</li> <li>• Increased access to and uptake of ICT.</li> <li>• Competitive and accessible markets through reduced share of dominant firms in priority sectors.</li> <li>• Mainstreaming of Youth, Women, and Persons with Disabilities with minimum 40% target for Women, 30% for Youth and 7% for Persons with Disabilities in the SMMEs and Co-operatives Sector.</li> </ul>

Informing Policy/Strategy	Key Considerations
The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)	<p>Covers the entire continuum of needed support from pre-start up and start-up support measures to growing enterprises and enterprises in distress. It focuses on the following three strategic areas with aligned actions, as follows:</p> <ol style="list-style-type: none"> <li>1. Increase supply for financial and non-financial support services - Collaborative approaches to streamline resources from the public sector and crowding in private sector resources;</li> <li>2. Creating demand for small enterprise products and services - New policy directives, public sector procurement strategy and B-BBEE codes of good practice as a lever for increased demand; and</li> <li>3. Reduce small enterprise regulatory constraints - Enabling environment, establish a regulatory impact assessment framework and business environment monitoring mechanism.</li> </ol>
The Integrated Strategy on the Development and Promotion of Co-operatives (2012)	<p>Seeks to support the ongoing profiling of the Co-operatives, communication outreach, improving access to Co-operatives support, information, research and strengthening advocacy on Co-operatives by delivering effective service and monitoring impact.</p> <p>The strategy further introduces key Co-operatives development and support programmes, under 4 strategic pillars, namely:</p> <ol style="list-style-type: none"> <li>1. To increase the supply of non-financial support services to Co-operatives;</li> <li>2. To create demand for Co-operative enterprises products and services;</li> <li>3. To improve sustainability of Co-operatives;</li> <li>4. To increase the supply of financial support services to Co-operatives.</li> </ol> <p>These strategic pillars will be underpinned by efforts aimed at improving the availability of quality business information and knowledge through expanded research, communication outreach, education and training, and monitoring.</p>

Informing Policy/Strategy	Key Considerations
The National Informal Business Upliftment Strategy (NIBUS) and Implementation Framework (2014 and 2015)	<p>Adopted by Cabinet in 2014, is aimed at supporting the enterprising poor in the informal business sector and facilitating their participation in the mainstream economy through various policy and programmatic interventions.</p> <p>Particular focus on the four Implementation Thrusts that may inform other areas of DSBD work and focus:</p> <ol style="list-style-type: none"> <li>1. Enhance the quality of enterprise development, promotion and capacity building products and services.</li> <li>2. Strengthen the policy and regulatory environment to support an integrated and coordinated approach to informal business upliftment.</li> <li>3. Build the skills, capacity, systems and processes to drive an integrated and coordinated approach to informal business upliftment.</li> <li>4. Strengthened national, regional and international partnerships to support and promote the NIBUS development agenda.</li> </ol>



South Africa is also guided and bound by its multi-lateral and international commitments to the UN, AU and other multi-lateral organisations.

Informing International Convention or Policy	Key Considerations
The UN Sustainable Development Goals (SDG) (2015)	<p>Adopted by the UN Assembly in 2015. Specifically, the following SDG's are relevant to the DSBD and SBD Portfolio:</p> <ul style="list-style-type: none"> <li>• Goal 5. Achieve gender equality and empower all women and girls.</li> <li>• Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</li> <li>• Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</li> </ul>
The AU Africa 2063 Agenda (AU 2063)	<p>Of particular relevance to the DSBD and the Portfolio are the following aspirations of the Agenda 2063:</p> <ul style="list-style-type: none"> <li>• Goal 1. A prosperous Africa based on inclusive growth and sustainable development.</li> <li>• Goal 6. An Africa where development is people-driven, unleashing the potential of its women and youth.</li> <li>• Goal 7: Africa as a strong, united and influential global player and partner.</li> </ul>
The ILO Recommendation 193 (R193) (2002)	<p>Seeks to promote the fullest participation in the economy and the social development of all people, while recognising that globalisation has created new challenges and opportunities for Co-operatives in terms of their ability to facilitate a more equitable distribution of the benefits of globalisation.</p> <p>In this context, R193 recognises the importance of Co-operatives in terms of job creation, mobilising resources, generating investment and their contribution to the economy.</p>

Informing International Convention or Policy	Key Considerations
The ILO Resolution 204 (R204) (2015)	<p>The critical focus is to facilitate the transition of the informal to formal economy and to offer guidance to member states on how to facilitate the transition.</p> <p>Specifically, R204 outlines three key objectives:</p> <ul style="list-style-type: none"> <li>• Facilitate the transition to formality.</li> <li>• Promote the creation of enterprises and decent jobs.</li> <li>• Prevent the informalisation of formal jobs.</li> </ul>
African Continental Free Trade Area Agreement	<p>It aims to achieve the following general objectives:</p> <ul style="list-style-type: none"> <li>• Deepen economic integration in Africa in accordance with Agenda 2063;</li> <li>• Create a continental customs union;</li> <li>• Liberalise intra-African trade;</li> <li>• Resolve the challenges of overlapping memberships in regional economic communities (RECs);</li> <li>• Enhance competitiveness;</li> <li>• Contribute to the movement of capital and natural persons and facilitating investment;</li> <li>• Promote sustainable and inclusive socio-economic development, gender equality and structural transformation; and</li> <li>• Promote industrialisation.</li> </ul>
Human Rights Implications of the COVID-19 pandemic suggested by the UN and adapted to the South African Context.	<p>Right to adequate food, water and sanitation:</p> <p>Ensure availability, accessibility, acceptability and quality of essential food items and safe drinking water and sanitation, including access to soap, despite the pandemic, lockdowns and other constraints, including the following indicators:</p> <ul style="list-style-type: none"> <li>• Number of businesses support during the COVID-19 pandemic to pay salaries of the workers.</li> </ul>

#### 4. RELEVANT COURT RULING

There are no court judgements which have a material and/or direct bearing on the mandate and/or core operations of the DSBD.



## **PART B:** OUR STRATEGIC FOCUS

## 5. AIM

To lead and coordinate an integrated approach to the promotion and development of entrepreneurship, Small, Micro and Medium Enterprises (SMMEs) and Co-operatives, and to ensure an enabling legislative and policy environment to support their growth and sustainability.

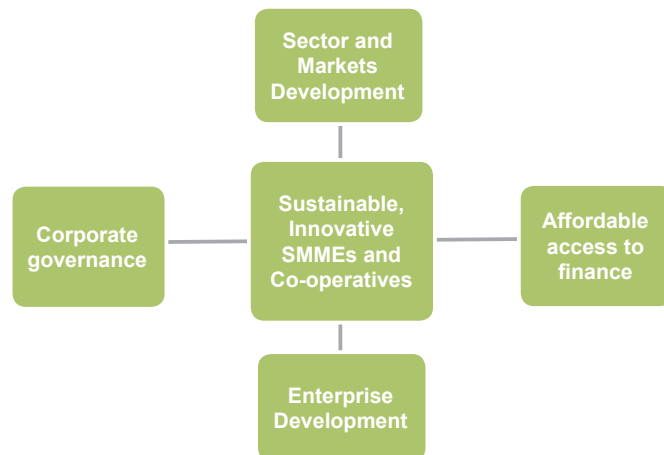
## 6. VISION

A transformed and inclusive economy driven by sustainable, innovative SMMEs and Co-operatives.

## 7. MISSION

The coordination, integration and mobilisation of efforts and resources towards the creation of an enabling environment for the growth and sustainability of SMMEs and Co-operatives.

In addition to the mission, the Department will prioritise the following strategic focus areas as depicted in the figure below.



## 8. VALUES

Shared Value	What it means in practice/Behavioural Indicators
<b>Innovation</b>	<p>Living this value means that we will seek to:</p> <ul style="list-style-type: none"> <li>Foster innovative ideas and solutions in order to deliver exceptional results; and</li> <li>Continuously seek new and better ways to serve our clients.</li> </ul>
<b>Integrity</b>	<p>Living this value means that we will seek to:</p> <ul style="list-style-type: none"> <li>Consistently honour our commitments;</li> <li>Uphold ethical and honest behaviour;</li> <li>Ensure open and transparent communication; and</li> <li>Behave with integrity in all our actions, always acting in the best interest of the organisation.</li> </ul>
<b>Professionalism</b>	<p>Living this value means that we will seek to:</p> <ul style="list-style-type: none"> <li>Serve with utmost respect, competence and professional mannerism;</li> <li>Display punctuality, reliability, dependability and a commitment to meet deadlines; and</li> <li>Co-operate with all role players</li> </ul>
<b>Customer Centric</b>	<p>Living this value means that we will seek to:</p> <ul style="list-style-type: none"> <li>Place customer service excellence at the centre of everything we do;</li> <li>Create a nurturing environment by partnering with our clients and employees, and in the way in which we care and support them;</li> <li>Always be available and accessible in providing public services to our society; and</li> <li>Understand customer needs and respond timeously, efficiently and effectively to customer queries and requests.</li> </ul>

Shared Value	What it means in practice/Behavioural Indicators
<b>Commitment</b>	<p>Living this value means that we will seek to:</p> <ul style="list-style-type: none"> <li>Do our best to get the work done;</li> <li>Be selfless, resolute, purposeful and steadfast;</li> <li>Be committed to efforts of job creation, alleviating poverty and reducing inequality; and</li> <li>Display a solution-driven attitude and commitment to serve.</li> </ul>
<b>Caring Organisation</b>	<p>Living this value means that we will:</p> <ul style="list-style-type: none"> <li>Invest in the growth and development of our staff members;</li> <li>Invest in the wellbeing of our staff member; and</li> <li>Create a learning organisation.</li> </ul>

## 9. SITUATIONAL ANALYSIS

Based on the Department delivery model, sixth administration priorities, and before developing the Strategic Plan, focus turned to conducting a detailed Situational Analysis, so as to ensure the Strategic Plan is both informed by and responsive to the external, internal and performance environments.

### 9.1. External Environment Analysis

#### 9.1.1. The Global Economic Environment

The latest World Economic Outlook (WEO) April 2020: The Great Lockdown Report, projected that due to the COVID-19 pandemic growth will be severely impacted across all the regions. Global growth is projected to contract by 3% in 2020. Assuming that the economic crisis will fade during the second half of 2020, global growth is projected to grow by 5.8% in 2021 as economic activities normalise, assisted by economic recovery measures. Currently, there is uncertainty around the global growth forecasts, however, the economic fallout depends on the response by the government interventions policies to the COVID-19 pandemic. Lockdown regulations governing the safety measures such as the school closure, centralised quarantine, travel restrictions and PPE provisions have proved to be effective in controlling the spread of the virus.

	Projections			Difference from January 2020 WEO update	
	2019	2020	2021	2020	2021
<b>Overview of the World Economic Outlook projections (WEO, April 2020)</b>					
<b>World Output</b>	2.9	-3.0	5.8	-6.3	2.4
<b>Advanced Economies</b>	1.7	-6.1	4.5	-7.7	2.9
United States	2.3	-5.9	4.7	-7.9	3.0
Euro Area (Germany, France, Italy and Spain)	1.2	-5.9	4.7	-7.9	3.0
Japan	0.7	-5.2	3.0	-5.9	2.7
United Kingdom	1.4	-6.5	4.0	-7.9	2.5
Canada	1.6	-6.2	4.2	-8.0	2.4
<b>Emerging Market and Developing Economies</b>	3.7	-1.0	6.6	-5.4	2.0
Emerging and Developing Asia	5.5	1.0	8.5	-4.8	2.6
Emerging and Developing Europe	2.1	-5.2	4.2	-7.8	1.7
Latin America and the Caribbean	0.1	-5.2	3.4	-6.8	1.1
Middle East and Central Asia	1.2	-2.8	4.0	-5.6	0.8
Sub-Saharan Africa	3.1	-1.6	4.1	-5.1	0.6
<b>South Africa</b>	0.2	-5.8	4.0	-6.6	0.3

Source: IMF, 2020 World Economic Outlook, IMF WEO Database

The emerging market and developing economies outlook growth is expected to decrease to negative 1% in 2020 and partial recovery is projected by 6.6% in 2021. The growth projection would increase if the pandemic and containment measures are maintained.

The WEO recommended that the emerging market and developing economies need to deal with the pandemic outbreak in two phases: a phase of containment and stabilisation, followed by the recovery phase. In both phases, public health and economic policies have crucial roles to play. Quarantines, lockdowns, and social distancing are all critical for slowing transmission, giving the health care system time to handle the surge in demand for its services and buying time for researchers to try to develop therapies and a vaccine. These measures can help avoid even more

severe and protracted slump inactivity and set the stage for economic recovery. Many emerging market and development economies such as China, Indonesia and South Africa have started providing economic recovery intention support to impacted sectors and workers.

### 9.1.2. The South African Economic Environment

South Africa faces a confluence of economic difficulties that compound the impact of the public health emergency. As it is, the South African Economy has entered a second technical recession since the first quarter of 2018 with real gross domestic product (GDP) contracting by a further 1.4% in the fourth quarter of 2019. The slowdown in economic activity in quarter four of 2019 was broad-based, with output contracting in all sectors – primary, secondary and tertiary. Gross domestic product slowed down further from 0.8% in 2018 to only 0.2% in 2019. This was the lowest growth rate since the economic contraction in 2009, following the global financial crisis. Estimates from the International Monetary Fund (IMF), the Reserve Bank and the Organisation for Economic Cooperation and Development suggest that economic growth in South Africa will contract by between 6% and 7% in 2020.

Real percentage growth	2019	2020	2021	2022
	Actual	Forecast		
Household consumption	1.0	1.1	1.3	1.6
Gross fixed-capital formation	-0.9	0.2	1.3	1.9
Exports	-2.5	2.3	2.6	2.8
Imports	-0.5	1.8	2.5	2.8
Real GDP growth	<b>0.2</b>	<b>0.9</b>	<b>1.3</b>	<b>1.6</b>
Consumer price index (CPI) inflation	4.1	4.5	4.6	4.6
Current account balance (% of GDP)	-3.4	-3.4	-3.5	-3.7

Source: National Treasury, Reserve Bank and Statistics South Africa

#### 9.1.2.1. The Global Investor Perception

In December 2019, Fitch's took a decision to affirm South Africa's long term foreign and local currency debt ratings at 'BB+' and maintain the negative outlook. South Africa's foreign and local credit ratings by Fitch remain one notch below investment grade.

According to Fitch, South Africa's ratings are constrained by low growth potential, high and rising government debt, large contingent liabilities as well as the risk of rising social tensions due to extremely high inequality. Nonetheless, the ratings remain supported by strong macroeconomic institutions, a favourable government debt structure and deep local capital markets. The negative outlook reflects uncertainty about the ability of the government to stabilise public debt over the medium term.

Government remains committed to the stabilisation and improvement of its fiscal position. The agency acknowledges government's plans to stabilise its finances in order to achieve a balanced primary budget. Further, government will continue to work hand-in-hand with unions to manage the growth of the public sector wage bill in order to reduce government's debt burden.

Continued collaboration between government, labour, business and civil society is essential in order to successfully implement all fiscal measures and growth-enhancing reforms.

#### 9.1.2.2. South African Investment Conference

South Africa hosted the second South African Investment Conference from 5 to 7 November 2019. The second Investment Conference provided a platform to showcase growth and investment prospects in an economy with vast potential and enormous resources. Investors had the opportunity to hear from – and engage with – government representatives on its progress towards political and economic renewal, strengthening the credibility of public institutions and unlocking the latent potential and the innovative spirit of South Africa's economy.

South Africa is open for business and is the most diversified African economy, with a host of unique comparative advantages and unique features as an investment destination and trade partner. Low confidence and growth have weighed heavily on private investment activity. Commitments from the Investment Summit will continue to be implemented in partnerships with the private sector, labour and civil society.

### 9.1.2.3. The Performance of Sectors and Industries

The latest available data from Statistics South Africa (StatsSA) on the Gross Domestic Product (GDP) of Quarter 4 2019, indicates that the South Africa's GDP decreased by 1,4% in the fourth quarter of 2019.

The transport, storage and communication industry decreased by 7,2% and contributed negative 0,6 of a percentage point to GDP growth. Decreased economic activity was reported for land and air transport, as well as transport support services. The trade, catering and accommodation industry decreased by 3,8% and contributed negative 0,5 of a percentage point to GDP growth. Decreased economic activity was reported for wholesale and motor trade and accommodation. The manufacturing industry decreased by 1,8% and contributed negative 0,2 of a percentage point to GDP growth.

The divisions that made the largest contributions to the decrease were motor vehicles, parts and accessories and other transport equipment; and wood and wood products, paper, publishing and printing. The construction industry decreased by 5,9% and contributed negative 0,2 of a percentage point to GDP growth. Decreases were reported for residential and non-residential buildings and construction works. The agriculture, forestry and fishing industry decreased by 7,6% and contributed negative 0,2 of a percentage point to GDP growth. The decreased was mainly due to a fall in the production of field crops and horticultural products.

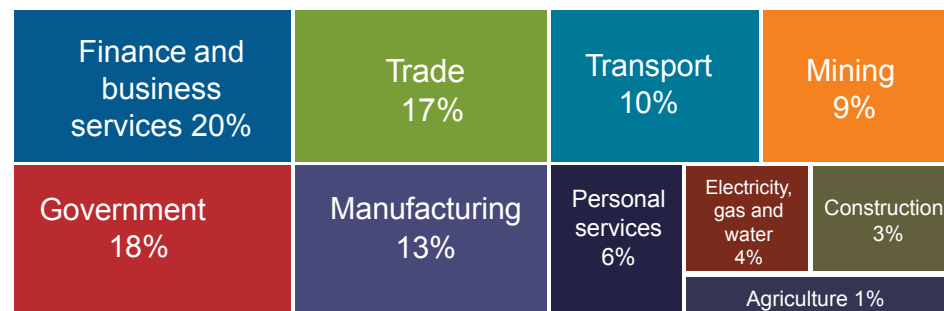
In contrast, finance, real estate and business services increased by 2,7% and contributed 0,6 of a percentage point to GDP growth. The mining and quarrying industry increased by 1,8% and contributed 0,1 of a percentage point to GDP growth. Increased production was reported for platinum group metals, iron ore and gold.

#### Sector contribution to GDP growth – Fourth Quarter 2019

The next figure illustrates the nominal contribution of each sector to the GDP in Q4 2019, overall led by the Trade. In rand terms, nominal GDP for the fourth quarter was estimated at R1.31 trillion up by R91 billion in Q3 2019.

1. Trade was up by R24 billion to R192 billion,
2. Finance was up by R4 billion to R228 billion,
3. Electricity, gas and water was down by R9 billion to R36 billion, and
4. Agriculture was down by R17 billion to R12 billion.

#### Which are the largest (and smallest) industries in South Africa?



Source: StatsSA – Gross Domestic Product, March 2020

The finance and business services is the largest contributor with the contribution of 20%, followed by Government at 18%, trade (17%), manufacturing at 13%, transport at 10%, mining at 9%, personal services at 6%, electricity at 4% and the least contributor being Agriculture at 1%.

#### In summary, the sector trend analysis reflects:

##### 1. Primary sector:

- **Agriculture:** Decreased production was reported for field crops and horticultural products.
- **Mining:** Increased production was reported for the platinum group metals, iron ore and gold.

##### 2. Secondary sector

- **Manufacturing:** Weak production reported for the automotive and wood and paper industry were the main drags on growth.
- **Electricity, gas and water:** A fall in both electricity distributed and water consumption pulled overall growth down by 4,0%.
- **Construction:** Declining activities were reported for residential buildings, non-residential buildings and construction works.

### 3. Tertiary sector

- **Trade:** A fall in activity was reported for wholesale trade, motor trade and accommodation services.
- **Transport:** Decreased activity in land transport, air transport and transport support services contributed to the fall.
- **Finance:** Financial intermediation and auxiliary activities contributed positively to growth.
- **Personal services:** Increased spending on health and recreational activities.
- **Government:** The fall was partly attributed to a decline in employment numbers in higher education institutions, national and provincial government.

In addition to the above, 2019-24 MTSF ascribes plans to create a conducive environment that enables national priority sectors to support industrialisation and localisation, that will lead to increased exports, employment, and youth- and women-owned SMME participation. The Department is entrusted with developing the **Creative Industries Masterplan and National Small Enterprise Masterplan (NSEMP)**. To grow South Africa's economy and expand its productive sectors, masterplans will need to be developed to refocus the South African industrial strategy as a central pillar of the country's economic recovery and will be key to growing the economy.

#### 9.1.2.4. SMMEs in South Africa

According to the Real Economy Bulletin publication of January 2019, Small business encompasses a wide range of enterprises, from self-employed people eking out a precarious survival selling by the road side to high-level professionals providing well-paid services to big business. In those numbers a quarter of formal small business were own-account enterprises, with no employees. Over half had between one and nine employees, and a fifth had between 10 and 49 employees. In contrast, some 80% of informal enterprises had no employees, and virtually none had more than four<sup>3</sup>.

<sup>4</sup>In 2010 the number of formal business reported in the labour market survey climbed from around 600 000 to 640 000 in 2017. The number of informal business grew from 1,3 million to 1,5 million in the same period. In the year up to the first quarter of 2019, the number of SMMEs grew by 4.4% against a backdrop where economy-wide employment contracted by 0.4%. As such, the SMME option has become a natural alternative for people struggling to find a job. However, a smaller cake is now divided

by ever more enterprises, as the combined turnover of SMEs stagnated despite inflation being above 4%. Of all employed people, 5.3% also employed others in Q1 2019, while 10.2% worked for themselves. Combined at 15.4% (or 2.55 million), this comprises the proxy measure for the number of SMMEs in South Africa.

#### Employment provided by SMMEs

The National Development Plan envisages that by 2030, 90% of the 11 million jobs will be created through small to medium enterprises, supported by government. It is realised that government itself does not create jobs, but creates the enabling environment, and even this the government cannot achieve alone. It requires a collective effort from the private sector, civil sector and the public sector. Partnerships with all critical stakeholders remain a fundamental prerequisite.

In the first quarter of 2019, the SMME sector provided employment to 10.8 million people in South Africa, which accounts for 66% of all jobs (16.5 million) in the country. Of these, only 2.55 million jobs were for the SMME owners themselves, while the balance of 8.3 million jobs (or 77%) were for their employees. The combined job creation of SMMEs (for others and the owners) was a staggering 2 million positions in this period, an increase of 22%. These numbers indicate a huge swing in the labour market from large employers to smaller ones, implying that large enterprises culled jobs at a high rate.

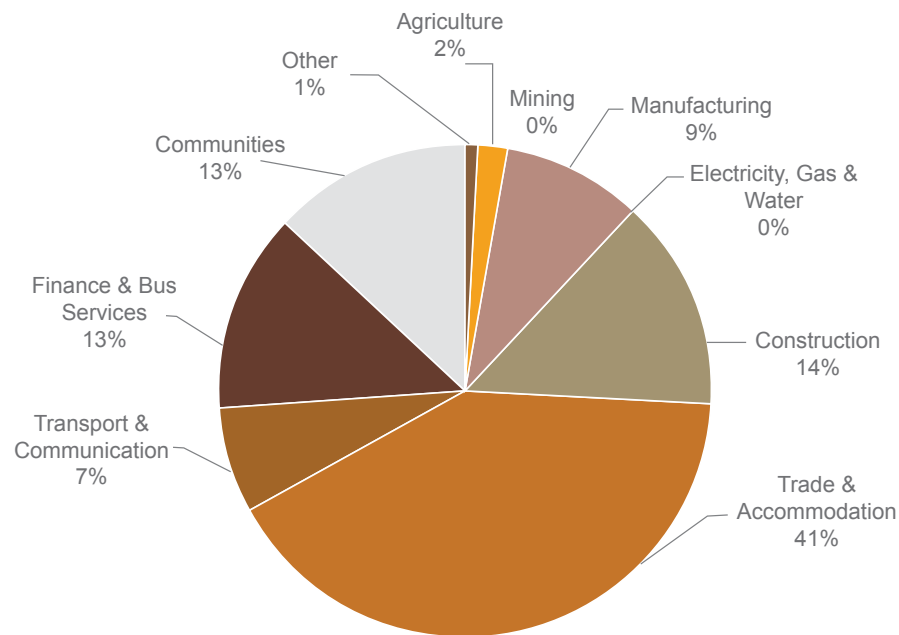
Closer inspection shows that the number of SMME employees (non-owners) grew by 29% over the year up to Q1 2019. The majority of SMME employment (61%) is located in the formal sector. Of all jobs provided to others by SMME owners, an estimated 38% is filled by female workers. This proportion was stable in the previous four quarters.

#### SMMEs by industry

In the year up to Q1 2019, there was an increase in the number of SMMEs active in only six of the ten main economic sectors. The trade and accommodation sector gained the most (accounting for close to 90% of the growth, i.e. 107 400 enterprises), followed by transport and communication (22%). The number of SMMEs also increased significantly in the construction, manufacturing, and financial and business services sectors. In contrast, the number of SMMEs in the community services sector declined sharply, as well as in agriculture.

<sup>3</sup>The Real Economy Bulletin Published: January 2019

<sup>4</sup>Seda Q1 2019 SMME report (August 2019)



Source: Seda Q1 2019 SMME report (August 2019)

#### 9.1.2.5. 2016/17 Annual Review of Small Businesses and Co-operatives: South Africa Findings

The Department conducted an Annual Review of Small Businesses and Co-operatives in South Africa, and it aims to contribute towards the promotion and development of small, medium and micro enterprises (SMMEs) as well as Co-operatives by building a better understanding of the complexities of the sector by reviewing and analysing available data as well as engaging SMMEs, Co-operatives, government departments and agencies and highlighting the challenges faced by SMMEs and Co-operatives in South Africa. The review places its emphasis on the development and improvement of the Small Enterprise Development ecosystem as a whole with the provision of the information that seeks to update the state of the sector.

The findings of the Annual Review allow for policy dialogue to stimulate even greater participation by all stakeholders in the design and implementation of future policy and programme interventions for the sector to create the optimal enabling ecosystem for the sector. The objective is to allow for evidence based research, policy and programme development.

The review determined that the challenges faced by SMMEs have been persistent over time, with lack of access to finances and premises, as well as burdensome regulations severely inhibiting SMME development. The review considered the SMME environment in a holistic manner, considering also the constraints and challenges faced by government entities mandated to support these enterprises. The finding is that these agencies remain disconnected, with poor systems and procedures and little leadership on a national scale. This reduces the positive impact of government programmes on SMMEs and results in inefficiencies in government programme development and implementation. The review recommends standardised systems and protocols to monitor government effectiveness and increase efficiency. Furthermore, it recommends the development of a standardised database to encourage collaboration and improve programme targeting. Finally, it recommends that assistance to SMMEs should be conceptualised as a part of a holistic business journey so as to improve the quality and relevance of assistance provided to SMMEs at each stage of the journey.



### 9.1.3. SWOT Analysis Informing the Strategic Plan

Considering the above macro environment, the DSBD identified the following key strengths/opportunities and weaknesses/threats. The Strategic Plan and Annual Performance Plan aim at leveraging the strengths and opportunities and ensuring an adequate response to mitigating the identified weaknesses and threats.

Strengths to be leveraged	Weaknesses to be mitigated
<ul style="list-style-type: none"> <li>▪ Sound government policies for the promotion of entrepreneurship and enterprise development, Co-operatives and informal businesses;</li> <li>▪ Sound governance framework (DSBD, Seda and <b>sefa</b>);</li> <li>▪ Unqualified audit outcomes, and entities clean audit outcomes;</li> <li>▪ Dedicated human resource capacity to a very specific mandate;</li> <li>▪ Solid retention strategy in place in Portfolio, low staff turnover;</li> <li>▪ Increasing body of market intelligence to guide decision-making;</li> <li>▪ Financial resources available for SMMEs and Co-operatives development across the spheres of government;</li> <li>▪ 30 day payments commitment by government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unavailability of baseline data of SMMEs and Co-operatives;</li> <li>▪ Fragmentation of interventions for SMMEs and Co-operatives (lack of coordination);</li> <li>▪ Inconsistent and varied implementation of policies;</li> <li>▪ Lack of citizen-centric approach to addressing sector needs;</li> <li>▪ Productivity deficiency;</li> <li>▪ Shortage of the specialised skills, (Development Finance and Economic Modelling)</li> <li>▪ Lack of integrated service delivery support (duplication of programmes across the DSBD, Seda and <b>sefa</b>);</li> <li>▪ Legacy practices – yet to demonstrate the value proposition of a separate DSBD, Seda and <b>sefa</b>;</li> </ul>

Opportunities to be leveraged	Threats to be mitigated
<ul style="list-style-type: none"> <li>• Strength in the mandate for SMME and Co-operatives development - willingness across the sector (within government and the private sector) to respond to effective leadership and coordination;</li> <li>• Support from the fiscus, political support, broad societal buy-in and international support;</li> <li>• Strategic public and private partnerships;</li> <li>• Innovative beneficiaries, willing and able to grasp opportunities given appropriate support;</li> <li>• Sound financial and non-financial instruments established – to promote and optimise access;</li> <li>• Availability of technology to strengthen the competitiveness of the sector – and to create access;</li> <li>• Public sector procurement – large purse to be leveraged, particularly for township and rural enterprises, and directed towards targeted groups;</li> <li>• Enterprise supplier development networks, channels and processes;</li> <li>• Better utilisation of the B-BBEE requirement and codes of good practice;</li> <li>• Mentorship, incubation and cadet programmes at provincial and local level.</li> </ul>	<ul style="list-style-type: none"> <li>• Differentiated sector definition of SMMEs and Co-operatives;</li> <li>• Restrictive regulatory environment (constraints), including out-dated legislation dating back to the Apartheid-era;</li> <li>• Segregation of the three spheres of government (non-unified approach);</li> <li>• Heavy reliance by small businesses on government grant.</li> <li>• Low level of early entrepreneurial activity;</li> <li>• High failure rate of start-ups;</li> <li>• Untransformed private sector lack of participating in the private sector by SMMEs;</li> <li>• Inappropriate logistical infrastructure to facilitate balanced spatial development;</li> <li>• Proliferation of the foreigners Macro and Micro businesses.</li> <li>• Depressed economic climate;</li> <li>• Low literacy and technical skills – the digital divide.</li> </ul>

#### 9.1.4. Women, Youth and Persons with Disabilities

Section 3.1.1 of the **Framework on Gender-Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing** states that *“Women’s participation, representation, voice and agency at all levels of society has improved since the inception of democracy. However, the prevalence of patriarchal norms, compounded by women’s economic and social exclusion, means that women remain subordinate and under-represented in many spheres of social life, including those related to decision-making at a political and governance level, as well as within important social institutions such as faith-based organisations. The country’s legislative framework and justice system continues to disadvantage most women, particularly those from vulnerable sectors. Women and girls continue to suffer from harmful practices and discrimination in relation to inheritance rights”*.

The **White Paper on an Integrated National Disability Strategy (INDS)** vision is “A society for all, one in which PWDs are actively involved in the process of transformation”. Informed by the United Nations Standard Rules for the Equalisation of Opportunities for PWDs and the Disability Rights Charter developed by Disabled People South Africa in consultation with other representatives organisations of PWDs.

The **Youth Policy 2015 – 2020**, suggested measures include industrial policy interventions to improve labour absorption in the economy; work exposure measures to provide young people with opportunities to gain on-the-job experience; linking young jobseekers to employers; interventions to support entrepreneurship; facilitating access to opportunities, business training and markets for youth-owned companies and Co-operatives; and improved public employment schemes. Inequality of opportunity will be reduced through the implementation of redress measures such as BBBEE and land reform, as well as through the radical economic transformation agenda driven by the Government.

The NDP prioritises the significant role of women, youth and people with disabilities in our society. The 2019-24 MTSF suggested that if these three groups are strong, our whole society will be strong. These are cross-cutting focus areas that the Department will be mainstreamed across projects, programmes and interventions.

## 9.2. Internal Environment Analysis

In support of its strategic posture and focus, the Department reflected on its institutional and governance arrangements, with the aim of ensuring that internal processes, systems and arrangements are further enhanced and that it continues to move from an internal focus (on compliance) to focus increasingly on outcomes and impact in the lives of its beneficiaries – informal businesses, SMMEs and Co-operatives.

### 9.2.1 Stakeholder Analysis Informing the Strategic Plan

The small business development portfolio places its stakeholders at the apex of its strategic thinking and resultant planning, and it is critical for the Department and its entities to effectively manage stakeholder relations and collaborative partnerships. These must address both stakeholders identified in terms of the DSBD, Seda and **sefa** mandates and others that may influence the achievement of the collective vision and mission; and must include an enhanced focus on sector research and intelligence. It must also include a focus on relations with aligned government functions, private sector partners and regional institutions and entities.

There is consensus that to achieve the desired state of a well-functioning and successful small business ecosystem, there is a need to leverage on what other government departments, agencies and the private sector at all levels are doing in the small business development space.

The following table reflects key stakeholder considerations and possible programme responses identified in the planning discussions:

External Stakeholders		
Key Stakeholder Group	What does the stakeholder expect from us?	What focus is required from us to meet /exceed this expectation?
Beneficiaries - SMMEs and Co-operatives (formal and informal)	<ul style="list-style-type: none"> <li>Execute the DSBD, Seda and <b>sefa</b> mandate;</li> <li>Improved, efficient and effective services;</li> <li>Responsiveness and relevant programmes and services;</li> <li>Sound corporate governance.</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of the mandate;</li> <li>A simplified regulatory and policy regime;</li> <li>Effective and efficient programmes that respond to real needs;</li> <li>Resources and tools to link SMMEs to markets – databases/systems;</li> <li>Ensure reliability and dependability of services;</li> <li>Enhance accessibility and availability of services.</li> </ul>
National, Provincial and Local Departments	<ul style="list-style-type: none"> <li>Execute the Department's mandate;</li> <li>Influence how over R17 billion small enterprise development budget across government is coordinated and spent.</li> </ul>	<ul style="list-style-type: none"> <li>Articulate and communicate a compelling small business agenda;</li> <li>Lead evidence based legislative and regulatory review;</li> <li>Transversal Agreements with sister departments;</li> <li>Meaningful participation in relevant fora;</li> <li>Intellectual leadership to the sector and more broadly - guidance i.t.o. trends and indicators in the sector.</li> </ul>

External Stakeholders		
Key Stakeholder Group	What does the stakeholder expect from us?	What focus is required from us to meet /exceed this expectation?
Parliamentary and political oversight	<ul style="list-style-type: none"> <li>Execute the DSBD, Seda and <b>sefa</b> and mandate;</li> <li>Participate in broader planning structures and champion small business and Co-operatives agenda;</li> <li>Sound corporate governance;</li> <li>Return on Investment.</li> </ul>	<ul style="list-style-type: none"> <li>Implement an approach to reporting of cluster-wide and sectoral performance and impact;</li> <li>Collaboration and support for objectives of sister institutions;</li> <li>Sound and defensible performance reporting;</li> <li>Participate in broader planning structures and champion the SMME and Co-operatives agenda;</li> <li>Sound corporate governance.</li> </ul>
Academia and research institutions	Collaboration and joint research programmes.	<ul style="list-style-type: none"> <li>Proactively package and communicate opportunities for engagement and collaboration;</li> <li>Multi-year research agenda and programme.</li> </ul>
Targeted Groups	Ensure delivery on committed targets.	<ul style="list-style-type: none"> <li>Monitor and track sector-wide performance on committed targets and quotas.</li> </ul>
Broader communities and general public	A responsive and visible DSBD, Seda and <b>sefa</b> role-players, supporting broader community upliftment.	<ul style="list-style-type: none"> <li>Better communicate the successes and impact of DSBD, Seda and <b>sefa</b> programmes and involvement;</li> <li>Strengthen the petitions management processes and responsiveness to issues and commitments.</li> </ul>

External Stakeholders		
Key Stakeholder Group	What does the stakeholder expect from us?	What focus is required from us to meet /exceed this expectation?
Contractors, Suppliers, etc.	<ul style="list-style-type: none"> <li>Decisions to be made at agreed times;</li> <li>Adherence to terms of engagement;</li> <li>Payment for work done within 30 days of valid invoice.</li> </ul>	<ul style="list-style-type: none"> <li>Systems to ensure efficient and effective performance and compliance to the scope of work;</li> <li>Clearly defined procurement policies;</li> <li>Efficient supply chain processes – fair, transparent and effective;</li> <li>Focus on regional suppliers/ contractors development;</li> <li>Improve contract negotiation, management and reporting.</li> </ul>
ILO and socio-development organisations	<p>Alignment to ILO R204 and the decent work agenda.</p> <p>Alignment to ILO R190 and the importance of Co-operatives.</p>	<ul style="list-style-type: none"> <li>Upscale and ensure implementation of the resolutions from the Annual Informal Economy Summit;</li> <li>Ensure implementation of the NIBUS;</li> <li>Promote the full participation of Co-operatives in the economy and social development of all people, with a strong focus on human solidarity and a more equitable distribution of the benefits of globalisation.</li> </ul>
Partners and the private sector	Collaboration and opportunities for partnership.	<ul style="list-style-type: none"> <li>Strengthen points of interaction with partners and with the private sector.</li> </ul>

Internal Stakeholders		
Key stakeholder group	What does the stakeholder expect from us?	What focus is required from us to meet / exceed this expectation?
Staff	<p>A suitable working environment, resources to deliver on roles.</p> <p>Opportunities for personal and professional development.</p>	<ul style="list-style-type: none"> <li>Ensure a working environment which is conducive to achieve sectoral/organisational objectives;</li> <li>Provide opportunities for growth and development;</li> <li>Nurture a culture of recognition, communication and transparency;</li> <li>Implement and monitor the “living” of the Portfolio values;</li> <li>Investigate and realign the structures of DSBD, Seda and <b>sefa</b> in line with the portfolio/aligned organisational strategies.</li> </ul>

The above list is not exhaustive, comprehensive stakeholder management and communications strategy must be developed and implemented, including stakeholder segmentation, so as to aid the DSBD, Seda and **sefa** in integrating and targeting its initiatives and dealings with its stakeholders at all levels.

The Department has developed a Business Delivery Model (BDM) to enhance the value of its services. The Model will require adjustment to the DSBD Budget Programme Structure and organisational design, to ensuring that Programme One continues to focus on the Department’s administration while other programmes will be defined based on the BDM. Product and Market development for the SMMEs and Co-operatives sectors, as well as the Enterprise Development and Development Finance are the focal areas in the business model of the Department. In turn, the entities will ensure that they are appropriately aligned and orientated towards targeted programme implementation that is fully responsive to the BDM, MTSF and the policy stance and priorities of the sixth administration defined by the Government. This must include greater synergy and coherence, and a stronger interface between the entities, which is also highlighted to the BDM as depicted in the **figure below**.



**Figure: Business Delivery Model**

Furthermore, the Department has also embarked on a process to improve various internal policies, processes and systems to ensure that an enabling context is in place. The following sections highlight the Department's key actions with regards to its business improvement programme, as well as policies, processes, and systems.

**Reduction in fraud and corruption**

The Department has approved the Fraud Prevention and Whistle Blowing Policy and Implementation Plan. The objective of this intervention is to ensure that the Department enhances the implementation of the holistic Fraud Prevention and Whistle Blowing Policy with the emphasis being on the application of pro-active measures to enhance operational efficiency. During the revision of the Whistle Blowing Policy,

the Department considered fraud indicators which were highlighted by the Auditor-General of South Africa (AGSA) during the 2016/17 regulatory audit. The investigation was undertaken and necessary action was taken to deal with the findings of the investigations. During the MTEF period, the Department implemented an efficient and responsive fraud prevention plan to mitigate the occurrence of fraud and corruption.

**Service Delivery Improvement Programme (SDIP)**

Government has introduced a Service Delivery Improvement Programme to provide a mechanism for continuous, incremental improvement in service delivery that promotes efficiency and effectiveness. The Department has developed a three-year SDIP in order to continuously address the improvement of service delivery, in line with approved SDIP guidelines. It focusses on critical services within the Operational Plan of the Department that have been identified for special attention and improvement. The implementation of the approved SDIP incorporates revisions to operating procedures and processes that will enable the Department to be more responsive and efficient with clear lines of responsibility and accountability. The SDIP will be updated to align it with the revised Strategic Plan of the DSBD.

The Department has critical dependencies within the Operations Management Framework (OMF) that are still to be developed to support the implementation of the SDIP. The Service Delivery Model, Business Process Mapping of all services provided by the Department, Standard Operating Procedures (SOPs) and service standards have been prioritised and will be developed and implemented during the MTEF period.

**Change Management**

The aim of the Change Management Programme is to facilitate readiness and to support stakeholders during the operationalisation of the Department. Change Management is a by-product of the Turnaround Strategy and occurs in various areas in the Department. Thus, even though all employees inherently carry a responsibility in this regard, championing change (right from the top) is a key success factor. All identified Turnaround Strategy projects are change initiatives by nature. The main deliverables within the Change Management Strategy are as follows:

- The Department introduces and manages changes through different platforms and different means of communication. The Communication Strategy encapsulates Change Management as one of its key elements. Going forward, the Department will co-ordinate all Change Management interventions through various fora such as the Staff Assembly meeting, Management Committee (Manco), Executive Management Committee (EXCO), Minister engagements, DSBD Blitz and other medium of communication. Creating a platform for Executive Management to engage, communicate and become transformation leaders, as well as an appropriate communication strategy. In this regard, the Department will facilitate Service Excellence Orientation culture change workshops to enable the adoption of the culture in the working environment.
- Ensures that each and every employee, regardless of his or her level, takes ownership of the change and that change be embedded in what they do on a daily basis. It provides the tools and techniques of what to do differently, when executing their duties in line with the new vision of the Department and what it means to be and practice customer centric. The Department will therefore prepare individuals to work according to the new processes, where new business processes are designed. This will further enable the successful adoption of the new systems when these actions are implemented.
- Change Management in the Department will be driven and owned / sponsored by not only the leadership (ADG and EXCO), but is a responsibility of all SMS members as well - this in line with the Core Management Competence (CMC) for Change Management.

#### **Internal policies, processes and systems**

Various internal policies, processes and system improvements have been identified to improve the Department's performance and better manage its functions. Having formalised processes and procedures will increase efficiencies by ensuring that the Department is able to do more in less time. Having formal internal policies, processes and procedures in place will minimise the time spent overseeing the day-to-day running of the business. This will also improve the consistency of service delivery by the Department.

The following processes, systems and internal policies will be developed and implemented over the MTEF period:

#### **Departmental APP Reporting Dashboard tool**

The Department will implement an online APP reporting Dashboard Tool which is a comprehensive, integrated quality solution for organisational performance management. The tool will be used to automate performance information for virtual reporting, monitoring and evaluation of information. The tool will enable the Department to not only streamline its performance information, but also mainstream the management of performance information in line with legislative prescripts and related frameworks.

The solution provides integrated reporting from different source systems to effectively manage performance information. Once fully implemented throughout the Department, the solution will improve organisational effectiveness; create a central location to monitor the performance through reports and analysis of the data, perform various calculation, and drill down into detailed information to make well informed and insightful business decisions. It will also help to articulate strategy, set objectives, monitor performance and perform group analysis to support the Department's overall strategy.

Going forward, the tool will also include a functionality that will provide accurate, timely and fact-based risk management information to key stakeholders to facilitate decision-making and embed risk management in all operations, in accordance with the methodologies and best practices set by the Department.

#### **Implementation of the eDisclosure Framework**

In terms of the Public Sector Regulations (PSR) all Senior Management Service (SMS) employees, Middle Management Service (MMS) employees, certain Occupational Specific Dispensation (OSD) employees, and employees in Finance and Supply Chain are required to disclose their financial interest via the eDisclosure system. To further strengthen governance within the Department, officials in the BBDSF and CIS incentive schemes were also included within the eDisclosure framework. Furthermore, all departmental employees are required by law, and in terms of the departmental policy, to obtain approval from the Accounting Officer prior to conducting other remunerative work outside of the public service on an annual basis. The Department further requires the disclosures of interests at all meetings.

The Framework seeks to strengthen the processes for financial disclosure and interests of all applicable officials within the Department to manage conflicts of interests. By ensuring accurate disclosures, the Department will be able to demonstrate the integrity of its procurement processes by managing potential conflict of interests and collusion. The Framework identifies the officials who are required to comply with disclosure requirements, the requirements of disclosing and the timeframes for disclosure. It also provides the disclosure processes that officials need to follow in disclosing their private interests. Clear guidelines are provided for officials to declare gifts and donations received from service providers. In addition, the Framework outlines the processes to be followed when an official performs remunerative work outside the public service.

#### **The status of the institution regarding compliance with the BBBEE Act**

The Department is currently undergoing the BBBEE verification process. This is the first time that the verification is being undertaken. It has been a very steep learning curve for the Department and the process has highlighted areas that need to be streamlined. The BBBEE grading will be used as a baseline against which the Department will measure its improvement in the next five years.

#### **Strategic Planning, Monitoring and Reporting Framework**

The Department will develop and implement the Strategic Planning, Monitoring and Reporting Framework and Standard Operating Procedure (SOP). The Framework and SOP will outline the details of the Planning, Monitoring, Evaluation, Implementation and Reporting cycle at the Department, linking long-term planning with medium and short-term.

The framework will also be a tool of the Department to bring about and guide integrated Planning, Monitoring, Evaluation, Implementation and Reporting across programmes/Branches and its entities. It will set out a generic process for the medium and short-term Planning, Monitoring, Evaluation, Budgeting, Implementation and Reporting process. Furthermore, it is aimed at coordinating the performance and financial information reporting requirement of the Public Finance Management Act (PFMA), National Treasury Regulations, Department of Planning, Monitoring and Evaluation (DPME), Public Service Regulations, and Auditor-General of South Africa (AGSA) and take the King IV report into account.

#### **Implementation of the Communication Strategy**

Through the implementation of the Departmental Communication Strategy, the Department aims to keep its internal and external stakeholders informed of programmes and projects executed by the Department. It also aims to correct any negative perceptions about the Department through editorial letters, advertorials, outdoor advertisement, public engagement programmes and media engagements. The Department will review its communication implementation plan to better support Public Participation Programmes, targeted media engagements and editorial pieces to improve the profile of the Department and ensure that the policy agenda is effectively communicated. The Communication Strategy itself will also be reviewed to ensure that the Department and its entities have a footprint in all service delivery areas for Department to realise its gains and for its entities, to report in a proactive manner.

#### **Skills Development in the Department**

The Department has a responsibility of developing a skilled workforce as mandated by the MTSF. The function will galvanise efforts towards capacity building of critical and scarce skills in the Department. There is a function within the Department that is expected to assist in responding to the directive of the MTSF, by creating the necessary capacity. The Department is expected to address skills development in a manner that accelerates the advancement of black people and designated groups, with particular emphasis on internships, as well as technical and management training. This will ensure central coordination of capacity building interventions, therefore ensuring the accelerated creation of technical skills that will support the delivery of the Department mandate.

The Department conducted an online survey to track the available skills within the Department. The outcome of the in-depth verification of information and analysis indicates that the Department has critical and scarce skills. Current developmental initiatives are aligned to training request/requirements, however, more emphasis will be placed on technical training. During 2019-24 MTSF period, the Department will continue to conduct an in-depth analysis to address the shortage of skills and develop interventions to mitigate identified gaps.

## The oversight of Public Entities

The Seda and **sefa**, reports to the Department. The Department is therefore responsible to provide leadership to these entities as it pertains to political, strategic, administrative, financial, ethical and legal aspects. The oversight role exercised by the Department over public entities entails reviewing and monitoring quarterly performance reports in line with the set strategy, evaluating board or council effectiveness and ensuring adherence to legislative prescripts. The Agencies serve as an extension of and assist the DSBD in delivering its mandate: the Seda and **sefa**, responsible for non-financial and financial support services, respectively. Cabinet took a decision to consolidate entities (Seda, **sefa** and NEF) to ensure delivery of integrated business development service to small businesses and this will be implemented during this current term of the sixth administration.

In order to achieve a collective vision and mission, it is necessary to define the respective roles and functions of the DSBD and its entities, and to delineate the role of the Department as overall custodian of small enterprises and that of the entities as implementing agents. This appreciation of roles and functions will in turn inform the realisation of the Impact Statement and Outcomes discussed later.

## High Level View of the Roles and Functions of the Small Business Development (SBD) Portfolio.

Role of National Department (DSBD)	Role of DSBD Entities (Seda, sefa)
<p>Provide <b>DIRECTION and LEADERSHIP</b> to the small business and Co-operatives sector broadly and across all three spheres of government:</p> <ul style="list-style-type: none"> <li>▪ Articulate and communicate a compelling small business development agenda.</li> <li>▪ Coordinate the enhanced integration of SMMEs and Co-operatives into the economy (mainstreaming).</li> <li>▪ Lead evidence based legislative and regulatory review and refinement.</li> <li>▪ Strengthen MINMEC and Technical MINMEC.</li> <li>▪ Strengthen Inter Departmental Forum – towards an Integrated Planning Framework for joint indicators and targets.</li> <li>▪ Establish policy mechanisms and frameworks for others to follow.</li> <li>▪ Develop and enforce guidelines and sectoral indicators to promote coherence.</li> <li>▪ Define an approach to influence District based development model.</li> </ul> <p><b>OVERSIGHT and GOVERNANCE</b> of entities:</p> <ul style="list-style-type: none"> <li>▪ Ensure oversight and good governance of boards and institutions.</li> <li>▪ Strengthen integrated planning and streamlined reporting.</li> </ul>	<p><b>IMPLEMENT</b> the <b>DELEGATED MANDATE</b> from DSBD:</p> <ul style="list-style-type: none"> <li>▪ Deliver on roles and functions as outlined in Shareholder Compact.</li> <li>▪ Ensure alignment of strategy, budget and implementation programmes.</li> <li>▪ Ensure sound governance and effectiveness of delegated functions.</li> </ul> <p>Develop and roll out <b>IMPLEMENTATION LEVEL POLICY</b> and <b>PROTOCOLS</b>:</p> <ul style="list-style-type: none"> <li>▪ Develop implementation level policy and protocols.</li> </ul>



Role of National Department (DSBD)	Role of DSBD Entities (Seda, sefa)	Role of National Department (DSBD)	Role of DSBD Entities (Seda, sefa)
<p><b>RESEARCH, MONITORING and EVALUATION</b> of the impact of investments made in small business development and its contribution to economic growth and job creation, so as to inform evidence based decision making:</p> <ul style="list-style-type: none"> <li>▪ Institutionalise implementation of the Small Business Act – conduct impact assessments of regulations on SB sector.</li> <li>▪ Identify lucrative opportunities and design high level policy interventions.</li> <li>▪ Provide intellectual leadership to the sector and more broadly - guidance in terms of trends and indicators in the sector.</li> <li>▪ Package research to inform decisions on location and spread of services and service points.</li> <li>▪ Monitor and evaluate the impact of government support in the whole sector.</li> <li>▪ Identify, package and communicate best practices that might be further modelled – share learning.</li> </ul> <p><b>DEVELOP and IMPLEMENT SECTOR WIDE DATABASES and M&amp;E TOOLS:</b></p> <ul style="list-style-type: none"> <li>▪ Ensure instruments and mechanisms are structured to be responsive, agile and adaptable.</li> </ul>	<p><b>PROGRAMME LEVEL RESEARCH</b> that informs <b>TARGETED PROGRAMME DESIGN and PACKAGING</b>, which supports a holistic sector view:</p> <ul style="list-style-type: none"> <li>▪ Programme specific research and intelligence.</li> <li>▪ Targeted programme design and development.</li> <li>▪ Implementation level programme design and packaging/development.</li> </ul> <p><b>MONITORING and EVALUATION AT PROGRAMME IMPLEMENTATION LEVEL</b>, to inform refinements to programmes:</p> <ul style="list-style-type: none"> <li>▪ Monitor and report on programme implementation.</li> <li>▪ Assess the impact and ongoing relevance of programmes.</li> </ul>	<p><b>PLAN, COORDINATE and MOBILISE RESOURCES</b> for the implementation and delivery of small business and Co-operatives development projects, programmes and services:</p> <ul style="list-style-type: none"> <li>▪ Propose policy at high level.</li> <li>▪ Engage partners for the piloting of programmes.</li> <li>▪ Coordinate implementation of programmes to support consistency.</li> <li>▪ Ensure coordinated systems and mechanisms to promote linkages and upliftment of SMMEs/Co-operatives (resources and tools to link SMMEs to markets – databases/systems).</li> <li>▪ Identify mechanisms to tap into resources available in the small business space (public and private sector).</li> </ul>	<p><b>IMPLEMENTATION of WELL CONCEPTUALISED AND TARGETED PROGRAMMES</b>, aligned to overall sector policy stance and sectoral indicators:</p> <ul style="list-style-type: none"> <li>▪ Adhere to and comply with National policy and standards for programme implementation.</li> <li>▪ Implement sectoral programmes and interventions.</li> <li>▪ Ensure effective and efficient implementation of programmes and services.</li> <li>▪ Streamline and simplify processes, and ensure increased access to services and online services.</li> </ul>

Role of National Department (DSBD)	Role of DSBD Entities (Seda, sefa)
<p>Strengthen <b>ACCOUNTABILITY, PARTNERSHIPS and COMMUNICATION</b> with sector stakeholders, communities and key role-players in the sector, both nationally and internationally:</p> <ul style="list-style-type: none"> <li>▪ Enhance stakeholder consultation and engagement to inform the responsiveness and ensure the relevance of the agenda and programmes.</li> <li>▪ Support and enable the Executive Authority, and ensure alignment and delivery against mandate, priorities and commitments.</li> <li>▪ Secure Transversal Agreements with departments and other stakeholders - to influence, mobilise and monitor the application of available resources for SMME and Co-operatives development.</li> <li>▪ Lead and strengthen IGR mechanisms and fora – improve coordination with national departments, agencies, provinces and municipalities.</li> </ul>	<p>Ensure a <b>COORDINATED REGIONAL/ PROVINCIAL PRESENCE TO SUPPORT IMPLEMENTATION:</b></p> <ul style="list-style-type: none"> <li>• Strengthen the governance arrangement between National agencies and the provincial offices – align a clear view on roles and integrated functions.</li> <li>• Strengthen engagement with local sphere where implementation occurs.</li> </ul> <p><b>PARTNERSHIPS and COMMUNICATION</b> in support of delivery mandate.</p>

It is noted that this delineation of roles and functions will require adjustment to the DSBD Budget Programme structure and organisational design, to ensure that Programme One will be focused on DSBD administration. And other programmes will be defined based on the Business Delivery Model which include, Sector and Markets Development, Enterprise Development and Development Finance.

In turn, the entities must ensure that they are appropriately aligned and orientated towards targeted programme implementation that is fully responsive to the MTSF and the policy stance and priorities of the sixth administration defined by the government. This must include greater synergy and coherence, and a stronger interface between the entities.

### Capacity of the Department to deliver on the mandate

During the 2019/20 Planning cycle, the organisational structure and capacity requirements of the Department was found to be inadequate to deliver on the mandate. In order to effectively deliver on the new prioritise of the sixth administration priorities, as alluded above, the Department has developed a Business Delivery Model to enhance the value of its services. The Delivery Model will require an organisational structure of the Department to be refined. The latter process is aimed at streamlining the process and strengthen support in the delivery of services and in particular closing gaps in critical areas such as Development Finance and Economic Modelling in parallel. Furthermore, focus will be also at re-skilling staff in other important roles like Monitoring and Evaluation, amongst others.

### 9.3. Performance environment

The Department continues to demonstrate improvement in its financial and compliance audits which is evident in the Annual Report for the 2018/19 financial year. The Department managed to obtain an unqualified audit opinion, for the fourth consecutive year. The performance with regard to compliance with section 38(1)(f) of the PFMA of 1999, for the processing of payments within 30 days, has improved significantly. The Department managed to process 12 401 invoices to eligible creditors, amounting to R75 390 787.71 and 1 496 incentives payments amounting to R357 418 146.97 at an average of 10 days of receipt. None were paid after 30 days of receipt. In the 2020/21 financial year, the Department will continue to strive for full compliance with regard to the processing of payments within 30 days.

While improvements were reported across the Department, challenges were still experienced with the compiling of various policies and pieces of legislation and the management of performance information.

Taking cognisance of these audit outcomes and progress made by the Department towards its five-year strategic goals, the following strategic interventions, explained below, have been identified as the most significant areas requiring a response from the Department:

### **Departmental Information Communication Technology System Projects**

The 2019-24 MTSF emphasises the importance of modernising business processes in the public sector to ensure effective and efficient service provisioning to our people. The Department Information Communication Technology (ICT) system projects are defined in the Department ICT plan that was developed and implemented during the 2018/19 financial year. However, the projects were discontinued and deferred to the new financial year for implementation. The ICT system projects were carried over into the new financial year, as the Department was not affected by the reorganisation of the State. The Department developed and is in the process of implementing the SMME Database which will be rolled in 2020/21.

### **The National Small Enterprise Act**

The Department has experienced delays in the finalisation of key policies, most significantly, the amendment of the National Small Enterprise Act. The Department was supposed to finalise the legislative process during the 2018/19 financial year. However, the stakeholder engagements and the development of policy positions which will inform the amendment to the Act (such as Alternative Dispute Resolution and the Institutional arrangements) is underway. These additional areas will inform the amendments of the Bill. During the MTSF period, the department will undertake comprehensive amendments to the Act and implement and monitor the National Small Enterprise Act. Key areas that will be covered in the amendment bill will amongst others include the establishment of the Ombuds Office and Unfair business to business practices.

### **Bi-annual analysis of Government Wide Procurement Trend**

Bi-annual analysis of Government Wide Procurement Trend was conducted for six months and two months respectively. The Trend Analysis for December 2018 to March 2019 was not conducted. This was due to the lack of data given that the service provider contracted to National Treasury ended in November 2018. The Department has developed outcome indicator mechanisms to assess the percentage of government departments and entities complying with the 30% procurement directive.

### **Framework of standards for professionalisation of business advisory services**

The Department did not manage to develop a Draft framework of standards for professionalisation of business advisory services. Stakeholders agreed that there is a need to generate a Discussion Paper to document the status quo, options, processes and role players and to justify need for Business Advisory Services, identify legislation relevant to the Business Advisory Services, Services Standards Framework for South Africa.

The following controls will be put in place to ensure that the Business Advisory Standard is finalised:

- A multi-stakeholder Working Group comprising Seda, **sefa**, DSBD, European Union and Services SETA is meeting on a monthly basis to monitor the project performance (Processes leading to the development of the Standard for Business Advisory Services) .
- Currently DSBD, Seda and EU are in the process of developing a project plan or roadmap with clear timeframes and milestones to ensure that the project is completed within the 2019/20 financial year.

### **9.3.1 DSBD Performance Considerations**

#### **Summary of the Key Priorities Informing the revised 2020-25 Strategic Plan and revised 2020-21 Annual Performance Plan**

##### **9.3.1.1. Performance related matters**

1. Develop and introduce the COVID-19 pandemic outbreak intervention measures dedicated towards assisting informal and micro businesses.
2. Finalise and implement the Township Entrepreneurship Fund.
3. Create an enabling environment for SMMEs and Co-operatives to operate:
  - Finalise amendments to the National Small Enterprise Act to deal mainly with the establishment of the SME Ombuds Office, regulations/licensing of businesses owned by foreign nationals and unfair business to business practices.

4. Finalise and implement the localisation programme on SMMEs and Co-operatives.
5. Promote sustainability and growth of SMMEs and Co-operatives by designing and implementing Business Viability Facility
6. Sustain SMMEs and Co-operatives by linking them to markets through e-commerce platform.

#### 9.3.1.2. Administration related matters

1. Structure finalisation with Programme Changes (Sector and Market Development, Development Finance and Enterprise Development).
2. Business case for the new single Small Business Support Entity.

As part of the department's contribution to the MTSF Priority 2: Economic Transformation and Job Creation, the Department is expected to deliver on the following:

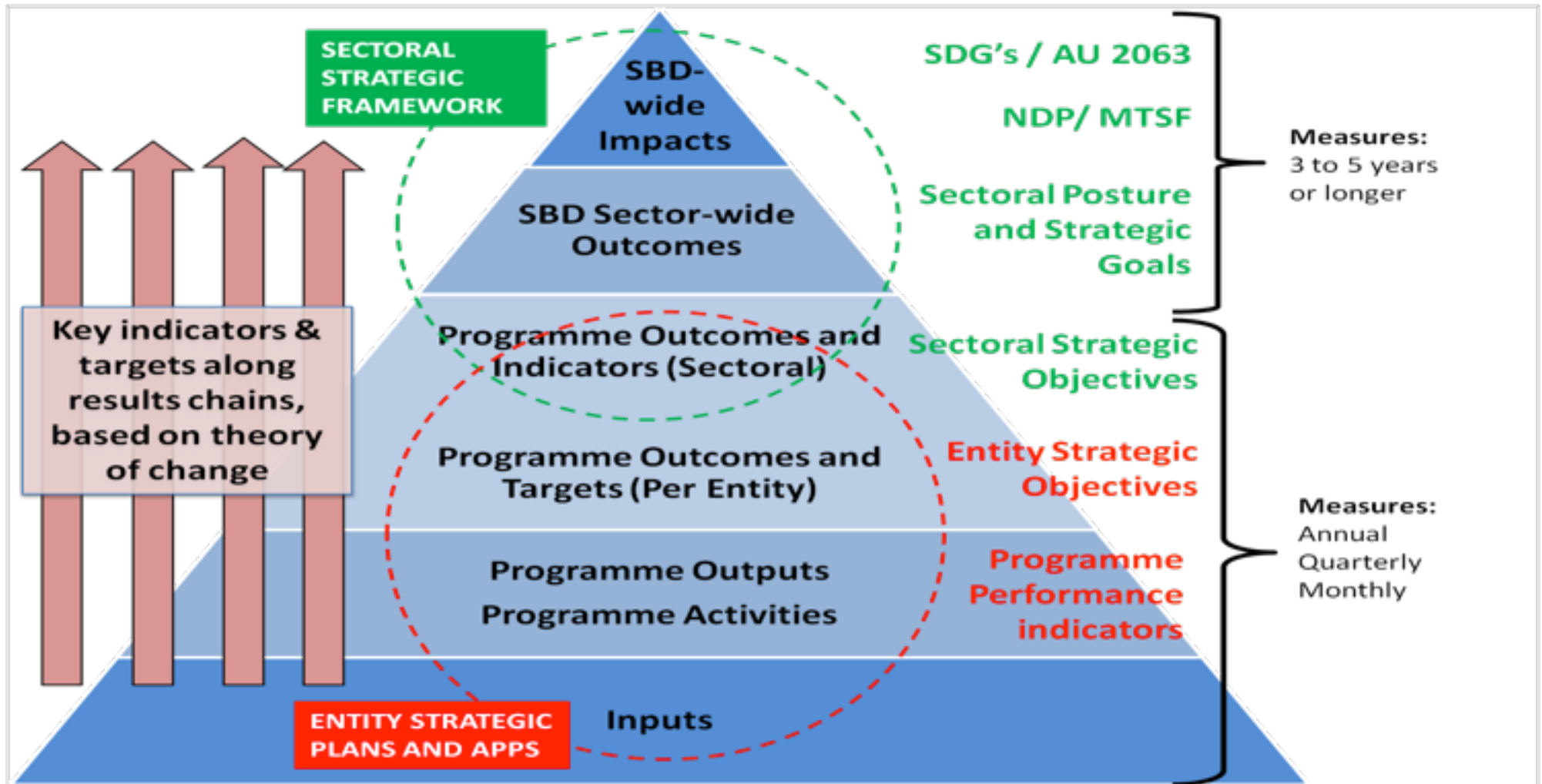
- **Grow small business contribution to GDP from 35% to 50% by 2024:** To achieve this target, the Department's plans are to upscale support to SMMEs and Co-operatives through the provision of blended finance instruments, the establishment of the Incubation centres and Digital Hubs just to mention but a few.
- **Percentage share on government spend increased for local firms:** the Department will monitor the implementation of government policy on the 30% public procurement programme for small businesses and Co-operatives and work towards developing a monitoring tool and trend analysis to track performance and compliance. Monitoring of the 30 days' payments is also on the radar and in the period under review, the Department together with Seda will revive the SMME payment hotline based on the outcomes from the trends analysis reports measures to ensure compliance and enforcement will be explored through the issuing of applicable Regulation/s under the National Small Enterprise Act, No. 102 of 1996, as amended.

- **Facilitate the increase in small businesses in historically concentrated economic sectors (township economies and rural development):** the Department will work with key departments such as the Department of Trade, Industry and Competition (the dtic) and the Competition Commission to open up entry for SMMEs in historically concentrated economic sectors. Consultative engagements with Sector Specific Captains of Industries and Business Associations will be undertaken to assess the effect and impact of legislation inhibiting the growth and sustainability of SMMEs key priority sectors such as agro-processing, gas and chemicals, tourism, automotive, steel, ICT and software as well as creative industries, etc.
- **Minimum 40% Target for Women, 30% for Youth and 7% for PWDs:** The Department will prioritise the significant role of Women, Youth and PWDs in the SMMEs and Co-operatives sector. The Department will increase participation of Youth, Women and PWDs in domestic and international market, by finalising the guidelines for mainstreaming of Youth, Women, and Persons with Disabilities and monitored the implementation with minimum 40% target for Women, 30% for Youth and 7% for PWDs.

#### 9.4. Description of the Strategic Planning Process

Based on the Theory of Change logic model and the key performance information concepts underpinning government's approach to strategic planning in South Africa, the following model was conceptualised to guide the development of the portfolio level strategic framework, through which DSBD, Seda and sefa are able to find alignment to a common results chain.

Conceptual Model: Theory of Change Logic Model



The focus of this Portfolio Strategic Framework is on the green highlighted areas, reflecting:

1. At the Apex, the level of impact, an alignment of the small business development portfolio to the long-range impacts of national and international policy frameworks, including, the recently adopted UN Sustainability Development Goals, the AU 2063 Agenda, the National Development Plan (2012) and aligned 2019-2024 MTSF.
2. The impact of the work of the small business development portfolio is reflected by a common Vision, Mission and Values for adoption by the three key portfolio role-players.
3. At the outcome/sectoral posture level, a set of outcome-oriented strategic goals for adoption by the portfolio role-players. The goals articulate what the portfolio intends to achieve over the period to 2030, with each role-player contributing based on its core mandate/ focus. As a joined-up portfolio, the aligned individual contributions, cumulatively, are aimed at the portfolio progressing towards its Vision and Mission.
4. The level below outcomes – outputs – are then the specific products and services (stated as strategic objectives) of the portfolio, supported by a set of sectoral indicators for adoption by all role-players. The combined contribution of the portfolio role-players to these indicators are aimed at achieving the strategic goals (outcomes).
5. The sections highlighted in red are the strategic plans and annual performance plans of the individual entities making up the portfolio, fully aligned to the portfolio strategic framework discussed above.

The process towards the revision of the Department of Small Business Development 2020-25 Strategic Plan and 2020/21 Annual Performance Plan:

- The Revised Framework for Strategic Plans and Annual Performance Plans provides a guideline to develop the Strategic Plan and Annual Performance Plan, setting out what the department intends to do in the upcoming financial year and during the MTEF period.
- The Department of Small Business Development tabled and published its 2020-25 Strategic Plan and 2020/21 Annual Performance Plan on 6 May 2020. On Friday, 22 May 2020, the Department of Planning, Monitoring and Evaluation (DPME) issued Circular 2 of 2020 to guide the revision and re-tabling of the 2020-25

Strategic Plan and 2020/21 Annual Performance Plan to incorporate departmental plans to address the COVID-19 pandemic and the special Adjustment Budget.

- The Revised Framework for Strategic Plans and Annual Performance Plans (2019), Chapter 3, section 3.3.4, and Chapter 4, section 4.4.4, allows the Executive Authority to revise and re-table Strategic Plan and Annual Performance Plan if there are significant changes to the policy, changes in the services delivery environment or the planning methodology. The current COVID-19 pandemic has contributed significantly to the changes in the operating environment of the department and these changes have also affected the service delivery environment.
- The Executive Management of the Department of Small Business Development, under the guidance of the Acting Director-General, had a meeting on 18 May 2020, 29 June 2020 and 02 July 2020, to discuss, review and update the 2020-25 Strategic Plan and 2020/21 Annual Performance Plan. On 7 July 2020, the Acting Director-General briefed the Minister and Deputy Minister of Small Business Development on the amendments that were made in the Strategic Plan and APP. This briefing session provided an opportunity for the Executive Authority to make inputs into the planning documents and also approve the amendments made.

Following the first meeting of the Executive Management, branches under the guidance of Acting Deputy Directors-General held sessions of further revising the two planning documents. These meetings resulted in the identification of changes to outcomes, outputs, output indicators and targets. In light of the above mentioned, certain Outcomes, Outputs, Output indicators, annual and quarterly targets in the 2020-25 Strategic Plan and 2020/21 Annual Performance Plan were revised and are set out in this revised 2020-25 Strategic Plan and revised 2020/21 Annual Performance Plan.

## 9.5. 2019-24 MTSF Priorities

### Alignment of Department's 2020-25 Strategic Plan and 2020/21 Annual Performance Plan with the NDP and 2019-24 MTSF

The DSBD has aligned its 2020-25 Strategic Plan outcomes towards the achievement of the NDP's Five-Year Implementation Plan, the Monitoring Framework for the NDP Five Year Implementation Plan that directly and indirectly affects it as follows:

### 9.5.1. Direct Links to the 2019-24 MTSF Priority

Departmental Impact Statement	Department Outcomes	MTSF 2019 - 2024 Targets Priority	
		Linkages to the NDP five-Year Implementation Plan	Linkages to the Monitoring Framework for the NDP five Year Implementation Plan
Sustainable SMMEs and Co-operatives contributing meaningfully to the economy.	1. Increased participation of SMMEs and Co-operatives in domestic and international markets.	<ul style="list-style-type: none"> <li>Localisation policy paper on SMMEs Development and adopted by 2021.</li> </ul>	
	2. Increased contribution of SMMEs and Co-operatives in Priority Sectors.	<ul style="list-style-type: none"> <li>All Masterplans developed by end of 2021 (Creative Industries Masterplan and Small Enterprise Development Masterplan)</li> <li>Minimum 40% target for Women, 30% for Youth and 7% for Persons with Disabilities.</li> </ul>	
	3. Scaled-Up support for SMMEs, Co-operatives, Village and Township Economies.	<ul style="list-style-type: none"> <li>270 incubation centres/digital hubs in townships and rural areas established.</li> </ul>	
	4. Expanded access to financial and non-financial support and implemented responsive programmes to new and existing SMMEs and Co-operatives.	<ul style="list-style-type: none"> <li>100 000 youth business start-ups per annum.</li> <li>Minimum targets as defined for women, youth and persons with disabilities.</li> <li>At least 50% of national and provincial DFI financing to SMMEs and Co-operatives.</li> <li>200 000 competitive small business and Co-operatives supported by 2024.</li> </ul>	

### 9.5.2. Indirect links to the 2019-24 MTSF Priority

In addition to the national outcomes mentioned above, the Department indirectly contributes to the following Government priorities in the MTSF as indicated in the table below:

MTSF outcome	MTSF Interventions	DSBD Description
1. Sustainable Land Reform.	Land acquired for redistribution, restitution and tenure reform. Land reform projects provided with post settlement support.	<ul style="list-style-type: none"> <li>The Department to support small scale farmers with business development support and with access to market by linking them with DSBD supported enterprises.</li> </ul>
2. Agrarian Transformation Agrarian Transformation and Effective regulatory framework of agricultural produce and exports.	Livestock handling and auction facilities mapped and established.	
	- Commodity organisations provide technical support, - NAMC to provide Marketing and Advisory services - ARC to provide Research and advisory services - Land Bank and other financial institutions to provide production loans and other financial services.	
	Agri-hubs and agro-processing facilities established.	
	Migrate cultivation of land to conservation agriculture methods. Review the inhibit standards on SAGAP and Global GAP to enable small holder farmers' participation in the domestic and global GAP. Governance and operational Review of the National Fresh Produce Markets, and Agency role in market access for small farm holders' participation.	
3. Functional, Efficient and Integrated Government.	Improve coordination between national, provincial and local government for an integrated approach to service delivery.	<ul style="list-style-type: none"> <li>The Department through its Coordination Structure will revolutionise the way the department together with its entities interact with local and provincial governments, the department will act towards improving the coherence, efficiency and effectiveness in the implementation of its programmes.</li> </ul>
4. Investing for accelerated inclusive growth.	Improve the ease of doing business.	<ul style="list-style-type: none"> <li>The Department through regulatory reforms and interventions will improve Ease of Doing Business Ratings in the targeted local government authorities.</li> </ul>



## 9.6. Alignment with the Human Rights Implications of COVID-19 suggested by the UN and adapted to the South African Context

Human rights issues	Indicators	Responsible Institution	DSBD Response
<p><b>Right to adequate food, water and sanitation</b></p> <p>Ensure availability, accessibility, acceptability and quality of essential food items and safe drinking water and sanitation, including access to soap, despite the pandemic, lockdowns and other constraints.</p>	<p>1. Number of businesses support during the COVID-19 pandemic in order to pay salaries of the workers.</p>	<p>DSBD and other relevant departments.</p>	<p>The Department in partnership with its entities has developed and implemented schemes dedicated towards assisting informal and micro businesses.</p>



## **PART C:** MEASURING OUR PERFORMANCE

## 10. INSTITUTIONAL PERFORMANCE INFORMATION

### 10.1. Measuring the Impact

Impact statement	Sustainable SMMEs and Co-operatives contributing meaningfully to the economy.
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### 10.2. Measuring Outcomes:

Outcome	Outcome Indicator	Baseline	Five year target
1. Increased participation of SMMEs and Co-operatives in domestic and international markets.	1.1. Percentage of government departments and entities complying with the 30% procurement directive of which a minimum target of 40% women, 30% youth and 7% for persons with disabilities.	Annual Trend analysis report on 30% public procurement spend directive for SMMEs and Co-operatives.	100% of government departments and entities complying with the 30% procurement directive of which a minimum target of 40% women, 30% youth and 7% for persons with disabilities.
	1.2. Number of designated products sourced from and produced locally by SMMEs and Co-operatives.	New indicator.	1000 of designated products sourced from and produced locally by SMMEs and Co-operatives.
	1.3. Approved localisation programme on SMMEs and Co-operatives.	Localisation programme developed.	Localisation programme on SMMEs and Co-operatives implemented and monitored
	1.4. Number of the Product markets for SMMEs and Co-operatives Implemented.	Four (4) Product markets roll out plan for SMMEs and Co-operatives developed.	20 Product Markets of the SMMEs and Co-operatives Implemented.
	1.5. Number of SMMEs and Co-operatives exposed to international market opportunities through e-commerce platform.	98 SMMEs and Co-operatives exposed to international market opportunities for 2018/19 financial year.	1 500 SMMEs and Co-operatives exposed to international market opportunities through e-commerce platform.
	1.6. Number of women owned-businesses registered on International platform.	New indicator	50 000 women-owned businesses registered on International platform.

Outcome	Outcome Indicator	Baseline	Five year target
2. Increased contribution of SMMEs and Co-operatives in Priority Sectors.	2.1. Maintain value added growth of the Creative Industries Sector at percentage.	4,11%	Maintain value added growth of the Creative Industries Sector at 4.11%
	2.2. Maintain Creative Industries exports at percentage.	4.07%	Maintain Creative Industries exports at 4.07%
	2.3. Maintain Creative Industries employment at percentage.	4.08%	Maintain Creative Industries employment at 4.08%
	2.4. Percentage increase in shared national turnover of SMMEs and Co-operatives participating in priority sectors.	46%	46% to 52% increase in shared national turnover of SMMEs and Co-operatives participating in priority sectors.
	2.5. Approved Small Enterprise Development Masterplan.	Integrated Strategy for Promotion of Entrepreneurship and Small Enterprises (ISPESE) and its Improvement Plan.	Small Enterprise Development Masterplan Implementation Monitored.
3. Scaled-Up and coordinated support for SMMEs, Co-operatives, Village and Township economies.	3.1 Number of Annual Impact assessment Reports on the performance evaluation of existing incubation centres and digital hubs prioritising Townships and Rural areas.	Four (4) incubation centres/digital hubs in townships and rural areas established.	Four (4) Annual Impact Assessment Reports on the performance evaluation of existing incubation centres and digital hubs prioritising Townships and Rural areas.
	3.2 Approved SMME Support Plan aligned with the District Development Model.	New Indicator.	SMME Support Plan aligned with the District Development Model implemented.
	3.3 Number of Annual Reports on the performance of the Small Enterprise Index.	Measurement Framework for the SMMEs index developed.	Five (5) Annual Reports on the performance of the Small Enterprise Index.
4. Expanded access to financial and non-financial support and implemented responsive programmes to new and existing SMMEs and Co-operatives.	4.1. Approved SMMEs and Co-operatives Funding Policy.	New Indicator.	SMMEs and Co-operatives Funding Policy Developed and Implemented. <i>(At least 50% of national and provincial DFI financing to SMMEs).</i>
	4.2. Number of youth business start-ups supported.	New Indicator.	200 000 youth business start-ups supported.
	4.3. Number of competitive SMMEs and Co-operatives supported.	New Indicator.	100 000 competitive small business and Co-operatives supported.
	4.4. Number of Township and Rural enterprises supported.	New Indicator.	100 000 Township and Rural enterprises supported.

Outcome	Outcome Indicator	Baseline	Five year target
5. Reduced regulatory burdens for Small Enterprises.	5.1 National Small Enterprise Act amended through the legislative process and Small Enterprise Ombud Service established.	<ul style="list-style-type: none"> <li>National Small Enterprise Act.</li> <li>Positions papers.</li> <li>Draft proclaimed Bill Enterprise Ombud service.</li> </ul>	<p>Implementation of the National Small Enterprise Act monitored.</p> <ul style="list-style-type: none"> <li>The Small Enterprise Ombud Service established and implementation monitored.</li> </ul>
	5.2 Approved action Plan on the Ease of Doing Business Ratings in the District Municipalities.	National Red Tape Reduction Strategy.	Action Plan on the Ease of Doing Business Ratings in the District Municipalities Monitored.
6. Improved Governance and Compliance.	6.1. Audited Annual Report.	<ul style="list-style-type: none"> <li>Average percentage spent (95.6%) over 4 years (2015/16 - 2018/19).</li> <li>Unqualified Audit Opinion.</li> <li>Valid creditors paid in under 20 days.</li> </ul>	<p>Maintain the baseline target of 95.6%.</p> <p>Unqualified Audit Opinion for both financial and non-financial performance data maintained.</p> <p>Maintain the baseline target of valid creditors paid in under 20 days.</p>
7. Improved, integrated and streamlined business processes and systems.	7.1. Produced SMMEs and Co-operatives database and business process designed.	Centralised Integrated SMME, Co-operatives, Entrepreneurs, Informal Business Database and Portal Designed and Implemented.	SMMEs and Co-operatives database business processes designed and implemented.

### 10.3. Explanation of Planned Performance over the Five-Year Planning Period

#### Improved Governance And Compliance Outcome:

- The Department is committed to improving on the highest standards of governance and compliance as a central principle for contribution to the **MTSF 2019-2024 Priority 1: A Capable, Ethical and Developmental State**. The Governance Framework that articulates how the Department will apply the corporate governance principles, is guided by the PFMA of 1999, especially in accordance with Sections 38 to 44, the King IV Report on Corporate Governance, National Treasury Guidelines and other local and international best practices on governance to provide outcome-based corporate governance, and instil an ethical culture across the Department. The Department's performance concerning compliance with section 38(1)(f) of the PFMA of 1999, for the processing of payments within 30 days, has improved in 2018/19 when the Department recorded 100% payments to eligible creditors were processed on average of 10 days and the current baseline is 20 days. The Department during the five-year planning period will maintain the baseline target of valid creditors paid in under 20 days.
- The AGSA is the only institution that, by law, has to audit and report on how the government is spending the South African taxpayers' money. The AGSA annually produces audit reports on all government departments, public entities, municipalities and public institutions. In the past four years (2015/16 – 2018/19), the Department managed to obtain an unqualified audit opinion. During the MTSF planning period, the Department will maintain the baseline of an unqualified Audit Opinion for both financial and non-financial performance data to contribute to the functional, efficient and integrated government of the Monitoring Framework for the NDP Five-year Implementation Plan.

#### Improved Integrated and Streamlined Business Processes and Systems Outcome:

- To contribute to the 2019-24 MTSF outcome of the Functional, Efficient and Integrated Government, the Department will modernise its business processes by developing and implementing the SMME Database. The introduction of the National SMME database will enable the country to know how many SMMEs and Co-operatives exist in the country, their geographical location, sectors they are involved in, as well as how many people are employed by each entity. This will enable the country to design appropriate support measures and base its intervention on credible information. In the same platform there will be links to various business development support services so that registered SMMEs and Co-operatives are able to access support at a minimal cost and in record time.

#### Increased Participation of SMMEs and Co-operatives in Domestic and International Markets Outcome:

- One of the challenges that hinder the development and growth of small enterprises is the lack of access to markets. Across the globe, governments work towards enabling the environment to create business opportunities for small enterprises. The South African government has set itself a minimum threshold of procuring 30% of goods and services from small enterprises with a bias towards those based in townships and villages. It is envisaged that the government Departments and State-Owned Entities (SOEs) will continue to support the growth and sustainability of small enterprises through procuring a minimum of 30% of goods and services from these enterprises. In addition to this directive, it is envisaged that specific categories of products will be designated to be sourced from small enterprises, especially products manufactured locally. This move will also enhance government's commitment to buy locally produced goods. Given the importance of the small business sector to the South African economy, the development of a localisation programme for small enterprises will be prioritised during 2020/21 financial year.

- Through increased participation of SMMEs and Co-operatives in domestic and international markets outcome, the Department will intensify its commitment to provide the required infrastructure that would create marketplaces where small enterprises trade their products. An overarching plan is to make a call to all District Municipalities to work with the Department in establishing product markets in cities, towns, townships and villages. The product markets will provide affordable, safe and modernised spaces where small enterprises meet the buyers of their products. Furthermore, it is important to ensure that the products manufactured by small enterprises are of acceptable and required standard, complying with health and safety requirements. In this regard, it is envisaged that the accessibility and affordability of infrastructure where products are tested, certified and improved would be made available to township and rural enterprises. Enhanced products that comply with both domestic and international standards will provide an opportunity for small enterprises to access markets beyond their communities including exposure to international markets. Internationally the department will enhance its efforts in assisting SMMEs and Co-operatives to get their products in the international markets. Partnerships with organisations like the International Trade Centre through its SheTrades Platform will enhance the Department's effort to assist women-owned enterprises to get a better understanding of international markets for export purposes. The recently concluded Africa Continental Free Trade Area Agreement gives local SMMEs and Co-operatives a perfect opportunity to exploit export opportunities in the continent.
- The NDP prioritises the significant role of **Women, Youth and Persons with Disabilities** in our society. If these three groups are strong, our whole society will be strong. The Department will continue to maintain the current baseline for female members at an SMS level and the targets of having persons with disability employed in the Department. Furthermore, 2019-24 MTSF set a minimum 40% target for women, 30% for youth and 7% for persons with disabilities. The Department and its entities will prioritise the significant role of women, youth and persons with disabilities in the SMMEs and Co-operatives sector by ensuring that in all its interventions the resources are distributed according to the MTSF targets. The Department will increase participation of women, youth and persons with disabilities in the domestic and international market, by finalising the guidelines

for mainstreaming of Women, Youth and persons with disabilities and monitor the implementation with minimum 40% target for women, 30% for youth and 7% for persons with disabilities for both entities as well.

#### **Scaled-Up and coordinated support for SMMEs, Co-operatives, Village and Township Economies Outcome:**

- In the next five years, through Seda, the Department will increase the number of incubation centres or digital hubs to 270 by 2024. These incubators will nurture new and existing small enterprises by providing them with relevant business support pertaining to the running of a business. The digital hubs will ensure that innovators and pioneers are able to access technology to develop their ideas/products for the market. The implementation of these initiatives will lead to the establishment of new and productive enterprises, growth, sustainability and competitiveness of existing enterprises that contribute meaningfully to the economy and the reduction of poverty and inequality. The programme intends to fund these initiatives within the current baseline allocation, reprioritisation of funds from non-priority programmes and where possible through additional funding.
- In alignment with the District Development Model, the Department has developed an SMME Support Plan which clearly indicates how many small enterprises should be supported per District if the country is to achieve an inclusive economic growth that addresses spatial disparities. This plan will be implemented in partnership with various departments, provinces and municipalities. The plan also assists the Department to plan the distribution of resources and interventions in a way that redresses the imbalances of the past where there was always a sense of bias towards urban areas, leaving the township and rural areas behind. The support will be in the form of business development support as well as economic infrastructure support which includes incubation/digital hubs as well as industrial parks and product markets. Of significance, this SMME Support Plan will be accompanied by resources that will ensure that this plan is executed efficiently through the Township Entrepreneurship Fund that was made available from 1 April 2020.

**Expanded access to financial and non-financial support and implemented responsive programmes to new and existing SMMEs and Co-operatives Outcome:**

- Over the Medium Term Strategic Framework (MTSF), 2019-2024, the Department will create an enabling environment for the promotion, development and growth of sustainable small enterprises through the design, implementation and monitoring of business support interventions as well as advocating for functional public-private partnerships. The Department contributes to government priority number two: Economic Transformation and Job Creation. It also supports the realisation of the NDP's goals of transforming the economy to make it more inclusive and creation of 90% of the 11 million jobs targeted in the 2030 NDP. To achieve these goals, the Department aims to increase the number of competitive small enterprises by intensifying support to small enterprises to navigate the start-up phase through to the growth phase and ensure that growth ready enterprises are able to scale-up. A target of 100 000 competitive enterprises has been set for 2024. Support interventions will also focus on enterprises owned by women, youth and persons with disabilities that operate in marginalised areas such as townships and villages.
- The Department plans to develop and implement the Creative Industries Masterplan and National Small Enterprise Masterplan, which will serve as blueprints for the country to advance inclusive economic growth and create jobs through SMMEs and Co-operatives. The Masterplans when implemented will assist the country to ensure that SMMEs and Co-operatives increase their contribution to the GDP from the current 35% to 50% within a period of five years. There will also be an appropriate integration of SMMEs and Co-operatives across all Masterplans that are currently being developed as part of the Reimagined Industrial Policy.
- To direct support to competitive SMMEs and Co-operatives that will contribute meaningfully to the economy over the medium-term, the Department is putting in place measures to improve access to finance for SMMEs and Co-operatives through the SMME and Co-operatives Funding Policy. The Department will develop and finalise the SMME Funding Policy during 2020/21 financial year. The Department will also ensure that we increase the number of available financial instruments by getting a buy-in from the commercial banks for Credit Guarantee Scheme which traditionally has not enjoyed their support.
- The Department through its DFI Programme, will continue to administer a set of incentive programs that are targeting a wide range of micro, small and medium enterprises in line with the approved DSBD Business Delivery Model. The incentives schemes are meant to stimulate and facilitate the development of sustainable, competitive enterprises through the efficient provision of effective and accessible incentive measures that support national priorities sectors. The programme will ensure that there is broader participation in the mainstream economy by small businesses and Co-operatives owned by individuals from historically disadvantaged communities including the women, youth and persons with disabilities. In the current 2019-24 MTSF the different incentives programs will be utilised to leverage and strengthen the relationship with stakeholders and customers by providing them with a quality service and as well building a solid business case for future support from the State.
- During the current MTSF period the Department will upscale its implementation of the Blended Finance Model which was introduced during the latter part of 2019/20 financial year. This type of funding ensures that businesses are cushioned against high levels of gearing, especially during the early stages of their establishment by offering a combination of a loan and a grant.



## 10.4. Explanation of the Enablers to Achieve the Five-Year Targets

### Buy-in on the SMME Support Plan by the State and its social partners

- The resources required to support the number of enterprises in marginalised areas in particular are significant and cannot come from the Department and its entities alone. The marginalised areas (township and rural areas) need more resources due to the way they are structured and their geographic location. The small businesses ordinarily require access to information, economic infrastructure, access to markets and skills irrespective of where they are located. Government and the private sector have always found it easier and less costly to provide support to enterprises based in urban areas resulting in uneven growth of enterprises based in urban areas versus those that are based in marginalised areas. The state will have to lead in investing significant resources in these areas in an integrated fashion to stand a chance of crowding in private sector investment. The District Development Model is designed to bring together other social partners to support the development of the Districts and the Forums are critical in enabling the Department to deliver on its targets.

### Integration of SMMEs and Co-operatives in the Sectoral Masterplans

- Government took the right decision of developing masterplans for certain key priority sectors which are expected to bring together all sector stakeholders to ensure all-round buy-in and support for these sectors. The masterplans must display meaningful integration of small businesses so that they can also partake in accessing opportunities and dedicated support measures. The integration of small businesses must be realised at a value chain level and not just as providing services to the sector. This will enable the country to have competitive SMMEs and Co-operatives that are involved in the mainstream economy and at the core of economic and sector participation.

### Implementation of Public Procurement Policy

- The pronouncement was made in 2014 but the implementation of minimum of 30% procurement from SMMEs and Co-operatives has not been successful. This could be attributed to the fact that there was no legislation to support this policy. Quick finalisation and proclamation of the Bill will assist in enforcing the implementation of the policy pronouncement as officials will be held accountable should they fail to execute. The implementation of Public Procurement will result in real development of market access opportunities for SMMEs and Co-operatives through the public spend.

### Capacity Building

- Most of the staff in the Department are not specialists in the areas that they are required to function in. The fact that their job functions, responsibilities and focus have changed regularly in the last three (3) years has not really provided a stable environment for skills acquisition. A key enabler towards five-year targets will be security of tenure in positions occupied, a skills audit in the Department and capacity building in specialist areas, like Monitoring and Evaluation, Red Tape Reduction, Legislative Writing, Policy Development, Statistical Analysis, Research, Design and Methodology. These are specialised skills and frequent changes to these work areas affect the provision of the most needed intelligence and learnings that guide the core business support areas.

## 10.5. Key Risks

The Department fully understands its statutory obligations in respect of risk management. To that end, the Department will continue to enhance the risk management culture as contemplated in section 38(1) (a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended. The Department is guided by the Public Sector Risk Management Framework, 2008, which aims to support institutions to improve and sustain their performance by enhancing their systems of risk management.

Outcome	Key Risk	Risk Mitigation
1. Improved Governance and Compliance.	1.1. Non-compliance with legislative prescripts.	1.1.1. Compile the compliance universe register. 1.1.2. Implement, monitor, correct and report. 1.1.3. Procurement in line with existing SCM prescripts. E.g. Local content, sourcing three quotations for legal services and contract management.
	1.2. Inadequate organisational structure.	1.2.1. Finalise the review of the organisational structure. 1.2.2. Placement of employees on the structure. 1.2.3. Capacitate the HRD Unit. 1.2.4. Fill vacancies. 1.2.5. HRD Strategy. 1.2.6. Change Management Policy and Tracking Tool. 1.2.7. DSBD specific skills survey guideline, process and tool.
	1.3. Lack of business continuity management plan.	1.3.1. Develop the Business Continuity Management Framework.
2. Increased participation of SMMEs and Co-operatives in domestic and international markets.	2.1. Limited access by SMMEs and Co-operatives to opportunities and barriers to participate in priority sectors.	2.1.1. Upscale readiness programme in partnerships with industry stakeholders to assist SMMEs and Cooperatives to meet domestic, regional and international standards. 2.1.2. Upscale red-tape reduction interventions. 2.1.3. Strengthen collaboration with the Competition Commission & DTIC to tackle Anti-competitive behaviours and market barriers. 2.1.4. Strengthen collaboration with National Treasury on the procurement of goods and services from SMMEs and Co-operatives
3. Reduced regulatory burdens for Small Enterprises.	3.1. Failure to implement policies and regulations aimed at reducing regulatory burdens for small enterprises.	3.1.1. Amendment of National Small Enterprise Act. 3.1.2. Implementation of ease of doing business programme. 3.1.3. Implementation of the Red Tape reduction strategy and guidelines.

Outcome	Key Risk	Risk Mitigation
4. Expanded access to finance and non-financial support and implemented responsive programmes to new and existing SMMEs and Co-operatives.	4.1. Duplication of efforts with other government programmes.	4.1.1. Strengthen partnerships with the relevant government Departments, Public Entities and Development Finance Institutions (DFIs)..
	4.2. Lack of collaboration with role players in the SMME ecosystem for enterprise development programmes.	4.2.1. Engage with role players in the SMME ecosystem to identify possible collaboration areas and available support instruments
	4.3. Lack of access to Finance for SMMEs and Co-operatives.	4.3.1. Formulation of the SMME funding policy. 4.3.2. Establish fast-tracking processes for accessing finance for SMMEs and Co-operatives who have secured domestic, regional and/or global orders.
	4.4. Failure to formulate programmes that address the needs of SMMEs and Co-operatives.	4.4.1. Monitor and evaluate the targeted support programmes to ensure that they are relevant and respond to the needs of the beneficiaries (SMMEs and Co-operatives).

## 10.6. Public Entities

Currently the department has two entities (Seda and **sefa**) reporting to it but a Cabinet decision has been taken to consolidate them, including the National Empowerment Fund. During the 2020/21 financial year, the Department will work on finalising the process of having one entity that will offer both financial and non-financial support to small enterprises, increasing efficiencies for the benefit of SMMEs and Co-operatives.

Name of Public Entity	Mandate	Outcomes	Current Annual Budget (R'000.00)
Small Enterprise Development Agency (Seda).	To provide non-financial business development and support services for small enterprises, in partnership with other role players in the small business development environment.	<ul style="list-style-type: none"> <li>• Improved service access for SMMEs.</li> <li>• Increased in turnover for SMMEs.</li> <li>• Increased number of people employed by the small enterprises.</li> <li>• Improved operational excellence.</li> </ul>	<b>R859 140</b>
Small Enterprise Finance Agency ( <b>sefa</b> ).	To support the development of sustainable SMMEs through the provision of finance.	<ul style="list-style-type: none"> <li>• Ensure <b>sefa</b> is a high impact, high performance DFI that is responsive to government's macroeconomic policies, specifically the DSBD MTSF plan.</li> <li>• Align <b>sefa</b>'s organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy.</li> <li>• Develop the <b>sefa</b> brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models.</li> <li>• Improve <b>sefa</b>'s sustainability, operational effectiveness, efficiencies and service delivery by streamlining business processes and deploying technology solutions.</li> </ul>	<b>R246 908</b>



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