STRATEGIC Plan **2015-2019**

small business development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

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DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

STRATEGIC PLAN (Revised 2017)

for the fiscal years

2015 – 2019

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FOREWORD BY THE MINISTER

Ms. Lindiwe Zulu, MP

Minister of SMALL BUSINESS DEVELOPMENT

I have pleasure in presenting our revised Strategic Plan for the 2015 – 20120 period. I am confident that the key goals and priorities that government has identified have found expression in this plan. It presents a roadmap through which the Department seeks to address the felt needs of small businesses and co-operatives in South Africa.

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 democratic government to set the country on a path of radical socio-economic transformation in order to accelerate the nation's efforts to banish poverty, inequality and unemployment.

Since the proclamation of this department by the President in July 2014, we have worked tirelessly in pursuit of the goal of strengthening the SMME and co-operatives sector. We are pursuing this direction because we believe that SMME's and co-operatives can be the main drivers of economic growth, poverty irradiation and job creation. Across the globe, experience has shown that SMME's are the heartbeat of a stable, growing and better performing economies and a greater source of job creation, economic empowerment and transformation. Hence, we remain confident that SMME development will assist us to defeat the key social ills of our time, poverty, inequality and unemployment.

Among other things, this Strategic Plan reiterates a critical and crucial point – that the growth and development of Small, Medium and Micro Enterprises (SMME's) and Co-operatives rests on the collective shoulders of all partners, both within and outside the public sector. This is consistent with my firmly held view that, working alone, the Department will not be able to achieve the goals it has set for itself, nor meet the heightened and legitimate expectations of our people. The role of stakeholders and partnerships remain central. In this regard, the Strategic Plan articulates a simple message: when shared, the burden is lighter!

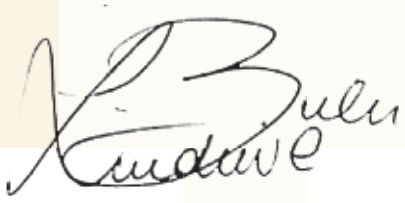
The National Development Plan envisages that by 2030, 90% of the 11 million jobs will be created through small to medium enterprises, supported by government. It is realised that government itself does not create jobs, but creates the enabling environment, and even this the Department cannot achieve 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.

During the State of the Nation Address in February 2015, the President announced a Nine-Point Plan which seeks to ignite growth and create jobs. We are leading the priority intervention which seeks to unlock the potential of SMME's, co-operatives, township and rural enterprises. In order to unlock the potential of SMME's and co-operatives, we have identified five critical areas that will drive the development and sustainability of the small business sector, namely, public sector procurement, building market access into private sector value chains, simplifying the policy and regulatory environment, access to finance, and support to township and rural economies.

We are keenly aware that if we are to sustain the growth and development of SMME's and co-operatives, we need to ensure a coordinated and integrated approach across all spheres of government. In this regard, our Department is focusing on strengthening its working relationships with provinces and municipalities.

Consistent with the action plan on radical economic transformation, we will focus on providing effective support to small businesses and to ease the regulatory and compliance burden on the part of small businesses, and to expand access to economic opportunities for historically excluded and vulnerable groups. The Department recognises that, in some instances, policies and compliance processes may have the unintended consequences of being a heavy burden that may constrain the growth and development of businesses.

As the political head of the Department, I endorse this Strategic Plan and confirm that it is consistent with the recently developed Portfolio Strategic Framework, which seeks to ensure that small businesses and co-operatives become the mainstay of our economy.



Ms. Lindiwe Zulu, MP

Minister of SMALL BUSINESS DEVELOPMENT

OFFICIAL SIGN-OFF

It is hereby confirmed that this Strategic Plan for the Department of Small Business Development:

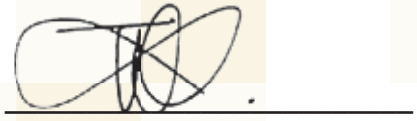
1) Was developed by the management of the Department of Small Business Development, under the guidance of Ms. L. Zulu, the Executive Authority;

2) Was prepared in line with the recently developed Small Business Development Portfolio Strategic Framework; and takes into account all the relevant legislation, policies and other mandates to which the Department of Small Business Development must respond; and

3) Accurately reflects the strategic goals and objectives which the Department of Small Business Development will endeavour to achieve over the Medium Term strategic Framework period 2015 – 2019.

This Strategic Plan Framework is hereby presented as the guiding document for the Department of Small Business Development for the period 2015 to 2019.

RECOMMENDED BY:

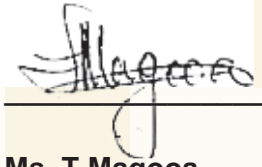


Ms. SM Oosterwyk

28 February 2018

Date

CHIEF FINANCIAL OFFICER

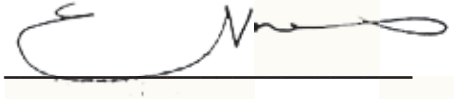


Ms. T Magooa

28 February 2018

Date

HEAD OFFICIAL RESPONSIBLE FOR PLANNING



Prof. E.V Vries

28 February 2018

Date

ACCOUNTING OFFICER

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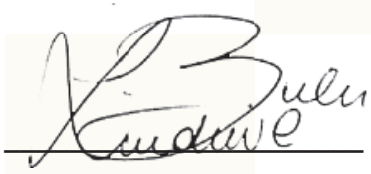

Ms. L. Zulu, MP

28 February 2018

Date

MINISTER: SMALL BUSINESS DEVELOPMENT

ABBREVIATIONS AND ACRONYMS

AG	Auditor-General of South Africa
APP	Annual Performance Plan
AU	African Union
BBBEE	Broad-Based Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
CDA	Co-operatives Development Agency
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS	Co-operatives Incentive Scheme
COGTA	Department of Co-operative Governance and Traditional Affairs
Co-ops	Co-operatives
DDG	Deputy Director-General
DG	Director-General
DHE	Department of Higher Education
DIRCO	Department of International Relations and Cooperative Governance
DPME	Department of Performance Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
DSBD	Department of Small Business Development
EDD	Economic Development Department
Exco	Executive Committee

FET	Further Education and Training
GCIS	Government Communications and Information Service
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IGR	Inter-Governmental Relations
ILO	International Labour Organisation
IMEDP	Informal and Micro Enterprise Development Programme
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
IR	International Relations
KPA	Key Performance Area
LED	Local Economic Development
M&E	Monitoring and Evaluation
MINMEC	Ministers and Members of Executive Council
MOA/U	Memorandum of Agreement/Understanding
MPAT	Management Performance Assessment Tool
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan, Vision 2030

NEPF	The National Evaluation Policy Framework
NGP	New Growth Path
NIBUS	National Informal Business Upliftment Strategy
NPC	National Planning Commission
NT	National Treasury
PAIA	Promotion of Access to Information Act
PFMA	Public Finance Management Act
R&D	Research and Development
SADC	South African Development Community
SALGA	South African Local Government Association
SDIP	Service Delivery Improvement Plan
SDL	Skills Development Levy
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SEIF	Shared Economic Infrastructure Facility
SETA	Sector Education and Training Authority
SMART	Specific, measureable, achievable, realistic and time bound
SMME's	Small, Medium and Micro Enterprises
SONA	State of the Nation Address
StatsSA	Statistics South Africa
the dti	Department of Trade and Industry

UN	United Nations
VAT	Value-Added Tax
WSP	Workplace Skills Plan
WTO	World Trade Organisation

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PART A

STRATEGIC OVERVIEW

PART A: STRATEGIC OVERVIEW

1. INTRODUCTION AND CONTEXT TO THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

Globally, Small, Medium and Micro Enterprises (SMME's) and Co-operatives are viewed as key drivers of growth and job creation and it has become clear that big business and the formal economy is not able to create sufficient employment. While the importance of large industrial, mining and other enterprises for the growth of the economy cannot be denied, there is ample evidence that the labour absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in big business and their role in technical and other innovation is vital. SMME's are key drivers of growth and job creation in better performing and more stable economies, where small businesses represent between 70% and 99% of the total business sector and employ between 60% and 85% of the total workforce[1].

In South Africa, however, the SMME and co-operatives' contribution to and participation in the South African economy is far below its potential, but has over the last few years grown and increased its contribution. According to the 2014 SMME Annual Review, while small businesses represent 98% of the total registered businesses in South Africa, they contribute only 49.4% to GDP and employ 63.76% of the total workforce[2].

This equated to a total of roughly 2.7 million formal and informal small businesses in South Africa in 2014, and suggests an average annual growth rate of 14.5% in the number of new small businesses (circa 74 396 new enterprises per annum) over the period 2005-2014. Of these, the number of informal businesses reached 1.5 million in 2014 - a decline from 2.3 million in 2001.

1 Worldbank, 2015. https://finances.worldbank.org/Other/MSME-Country-Indicators-2014/psn8-56xf/data
2 Worldbank, 2015. https://finances.worldbank.org/Other/MSME-Country-Indicators-2014/psn8-56xf/data

Outside of formalised SMME's, the informal economy is also a significant contributor to job and income generation, especially in developing economies, with many people seeking employment in situations where formal employment opportunities are scarce. The informal economy provides relief to millions of households as an alternative source of employment and livelihood, and can no longer be considered as a temporary phenomenon. Statistics South Africa (StatsSA - 2016) estimates that the informal sector has steadily contributed 5% to the GDP over the past decade and that the informal sector employs about 1.5 million people, which is 10% of the total workforce. The small business sector has the potential of playing even a more crucial role in tackling the country's development challenges of employment and economic growth[3].

In this context, the potential of SMME's and co-operatives in South Africa continues to gain prominence, and there has been a growing awareness of the significant role that SMME's and co-operatives can play in economic growth and transformation in South Africa; and that small businesses have a greater capacity to turn the economy around than big businesses, and play an important role as key drivers of economic growth and job creation.

The National Development Plan, Vision 2030 (2012) (NDP) ascribes a critical role to SMME's (including co-operatives) in contributing to the growth of the South African economy and towards eliminating inequality and reducing poverty. It views SMME's and co-operatives as economic empowerment vehicles for the historically disadvantaged, but recognises that the small business sector has previously been neglected during much of the period following the discovery of diamonds and gold, and the establishment of a modern, capitalist economy with almost exclusive white control.

In recognising that SMME and Co-operative enterprise development and promotion represents an important economic intervention for sustainable economic growth, job creation and innovation; so as to unlock the growth potential in South Africa and to address poverty and inequality, the NDP

3 Budgetary Review and Recommendation Report of the Portfolio Committee on Small Business Development, 16 October 2016

sets specific goals for the small business sector broadly (government, civil society and private sector together), specifically:

To enhance economic growth through SMME's as assessed through an increased contribution by the sector to GDP:

1) To enhance economic growth through SMME's as assessed through an increased contribution by the sector to GDP;

2) To create 90% of South Africa's 11 million needed jobs by 2030 through the SMME sector, and so contribute to reducing the unemployment rate to 6%; and

3) To reduce the cost of regulatory compliance and promote ease of doing business for SMME's; and ensure policy coherence through partnerships among key societal players, business and government.

However, it is recognised that in South Africa, the majority of SMME's are concentrated at the lower end of the enterprise development spectrum and face a number of challenges, including;

1) Lack of access to finance and poor profitability, which account for the main reasons for business discontinuance;

2) Inadequate collateral on the part of the entrepreneur, a lack of credit history, the inability to produce an acceptable business plan according to financial institutions, poor market research and the absence of a viable business idea;

3) Lack of access to vibrant markets, which become one of the fundamental requirements to accessing funding and mentorship at early stages. Notably, small businesses located in rural areas are at a disadvantage compared to their urban counterparts;

4) Restrictive labour laws, which are identified as a significant regulatory obstacle to business growth, particularly when it comes to hiring and firing staff;

5) Inadequate access to ICT and communication infrastructure, utilities and transport, land or space at affordable prices, which is instrumental to supporting new businesses;

6) Inadequate support for building R&D capacity among SMME's, which could help in transforming ideas into sustainable businesses; and

7) Lower levels of entrepreneurship and low skills level in enterprise, financial and business management by SMME's and co-operatives.

While addressing these challenges might seem a daunting task, government has already made significant strides in ensuring that SMME's are accorded their rightful space and voice within the South African economy.

In the 2014 State of the Nation Address, the President announced the establishment of the Ministry of Small Business Development, conceptualised as a voice dedicated to the cause of SMME's that must ensure the aspirations of SMME's are responded to.

This will be achieved by shaping the policy, legislative and regulatory environment in which small business exists alongside big business; and through identifying and responding to the challenges faced by small business by mobilising all spheres of government and the private sector to ensure that these challenges are decisively corrected. Small Enterprise Development is an important consideration, as it allows for the matching of technical support to available financial support. This will speed up the ability of SMME's to access markets and funding opportunities, as well as addressing the key area of understanding of the economy in which they function.

During the 2015 State of the Nation Address, the President further outlined the government-wide Nine-Point Plan (9PP) to propel the South African

economy onto a new growth trajectory, and emphasised the need for the economy to prioritise support to small businesses, co-operatives and informal businesses. The "unlocking the potential of SMME's, co-operatives, Township and Rural Enterprises" pillar of the 9PP outlines a framework for the sector to contribute to the country's economic development objectives by advocating for national, provincial and local government support to implement a number of interventions across all spheres of government.

In the 2016 State of the Nation Address, the President further highlighted the need for the country to empower SMME's and co-operatives to improve, among others, the success rate at start up stage and the provision of access to high quality and innovative business support that can dramatically improve the success rate of new ventures.

1.1 CONTEXT TO THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT REVISED STRATEGIC PLAN

The announcement of the establishment of the Ministry of Small Business Development in 2014 marked a turning point in the history of SMME's and co-operatives development in South Africa, demonstrating government's commitment to place SMME's and co-operatives at the centre of economic growth and job creation.

The mandate of the Department of Small Business Development (DSBD) and its entities collectively is defined as: "to support the radical transformation of the economy through the promotion and development of sustainable and competitive entrepreneurs, small businesses and co-operatives, that contribute to job creation and economic growth".

The Department of Small Business Development (DSBD) was thereafter established as a standalone national department, in accordance with the reorganisation of some national departments announced by the President in May 2014, following the National Elections. The context within which DSBD was conceptualised was largely informed by the fragmented nature and misalignment of support to the SMME and co-operatives sector. This was specifically in relation to government decisions on economic transformation, lack of specialised and focused support with limited resources, the high failure rate of SMME's and co-operatives and poor sector performance relative to peers in other developing countries. Furthermore, the dedicated department is mandated towards advancing the development of SMME's and co-operatives mainly for job creation, reducing poverty and inequalities; and with a specific focus on youth, women and people with disabilities[4], especially in rural areas and townships.

This re-organisation involved the carving out of legislation, programmes, units, divisions and agencies viz. the Small Enterprise Development Agency (SEDA) and Small Enterprise Finance Agency (SEFA), from the Departments of Trade and Industry and Economic Development respectively, to form the portfolio and the DSBD.

In 2015/16, the DSBD and its agencies undertook a programme review exercise, aimed at reviewing the migrated functions and identifying opportunities for enhanced integration, efficiencies and economies of scale in the operations of the Portfolio. Arising from this review, a revised DSBD Strategic Plan 2016/17–2020/21 was tabled in March 2016, alongside a SEDA Strategic Plan and a SEFA Corporate Plan for the period. On this basis, the three institutions continued with the process of drafting their 2017/18 Annual Performance Plans (APP's) aligned to these strategic documents as the second year of implementation of the Strategic Plans.

However, through the 2017/18 APP development process, on 23 November 2016, officials from the DSBD met colleagues from DPME/NT to receive feedback on the Draft 1 (August submission) APP.

In summary, the feedback received was that in its then (August Draft 1) form, the DSBD does not adequately respond to the Small Business Development (SBD) mandate and, in fact, reflects the DSBD "competing"

4 Portfolio Committee on Small Business Development, 2016/17 Budget Vote Report, 2016

with its entities in terms of programme/project implementation[5]. DPME/NT offered the DSBD an extension, to January 2017 to remedy this situation. However, this was not as simple as just revising the DSBD APP.

Full response to the DPME/NT feedback required the articulation of a portfolio level strategic framework, including collective indicators aligned in full to the MTSF and to which even the entities can align themselves. The entities should, therefore, be fully engaged in the process. This would also ensure that the shifts in the posture and delivery value chain of the DSBD does not mean that key implementation/delivery targets, which might be removed from the DSBD APP, do not fall through the cracks and are picked up by the implementation agents (entities).

The DSBD, SEDA and SEFA (the SBD Portfolio) therefore embarked on a process towards the development of an overarching and integrated Strategic Framework for the Portfolio, to which the Department and each of the entities could then align their own Strategic Plans and aligned Annual Performance Plans, which necessarily also includes an articulation of the SBD delivery value chain and roles and functions at Portfolio level, as well as defined Portfolio indicators and targets.

The process identified certain potential overlaps and duplications in functions, and the Framework speaks to the need for a reorientation and refocusing of DSBD and the possible migration of certain functions to the implementing entities (SEDA, SEFA). Therefore, 2017/18 is viewed as a transition year, during which certain reviews and assessments, including of the overall business architecture for financial and non-financial products and services, and engagements with NT and DPSA on budget programme and organisation design will occur. The view is that by April 2018 this transition process should be relatively progressed.

This revised Strategic Plan for the Department of Small Business Development (2016/17–2019/20) then articulates the contribution of the DSBD within the context of the Portfolio Strategic Framework and will inform the DSBD Annual Performance Plans for the period to the end of the current term, in 2019/20. This revised Strategic Plan should, therefore, be read in conjunction with the Portfolio Strategic Framework to 2019/20; as it outlines the high-level strategic framework of DSBD within the context of the SBD Portfolio and presents the DSBD specific strategic goals, strategic objectives and strategic objective targets to 2019/20.

In response to the Portfolio Strategic Framework and in developing this revised Strategic Plan for 2017/18–2019/20 (with 2016/17 as the baseline), the DSBD began by revisiting and confirming its high-level strategic posture – its statements of mandate, purpose (primary object), vision, mission and its institutional values.

2. AIM AND PURPOSE OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

In support of its mandate: **"to support the radical transformation of the economy through the promotion and development of sustainable and competitive entrepreneurs, small businesses and co-operatives, that contribute to job creation and economic growth"**; and arising from the legislative and policy mandates informing the focus and work of the SBD Portfolio, the Portfolio defines its collective aim as:

> To support the radical transformation of the economy through the promotion and development of sustainable and competitive entrepreneurs, small businesses and co-operatives, that contribute to job creation and economic growth.

The Mandate of the Department:

> To lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small businesses and co-operatives,

5 NT and DPME, Written Response to Draft One DSBD 2017/18 Annual Performance Plan, 8 December 2016

and ensure an enabling legislative and policy environment to support their growth and sustainability.

In response to the above mandate, the vision, mission and values are then formulated to provide overall direction and inspiration in meeting and exceeding the objectives of the mandate.

3. VISION OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

In support of its aim, the collective vision of the SBD Portfolio is:

> A vibrant culture of entrepreneurship and enterprise growth, where small businesses and co-operatives act as drivers of job creation and inclusive economic benefit.

In supporting this collective vision, the DSBD describes its vision as:

> A radically transformed economy through integrated and effective enterprise development and entrepreneurship promotion.

4. MISSION OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

In working towards the achievement of the above vision, the SBD Portfolio describes its collective mission as follows:

> Working together to enable, develop and accelerate entrepreneurship and the growth of sustainable and competitive small businesses and co-operatives.

In support of this collective mission, and in achieving its vision and delivering on its purpose, the DSBD defines its mission as:

> The coordination, integration and mobilisation of efforts and resources towards the creation of an enabling environment for the growth and sustainability of small businesses and co-operatives.

5. VALUES OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

The values and principles that underpin the DSBD's pursuit of its vision and mission are shared across the three entities and are predicated on the principles of Batho-Pele, as follows:

Shared Value	What it means in practice / Behavioural Indicators
Innovation	Living this value means that we will seek to: ▪ Display a commitment to being "radical" in what we do; ▪ Foster innovative ideas and solutions in order to deliver exceptional results; and ▪ Continuously seek new and better ways to serve our clients.

Shared Value	What it means in practice / Behavioural Indicators
Integrity	Living this value means that we will seek to: • Consistently honour our commitments; • Uphold ethical, honest behaviour; • Ensure open and transparent communication; and • Behave with integrity in all our actions, always acting in the best interest of the organisation.
Professionalism	Living this value means that we will seek to: • Serve with utmost respect, competence and professional mannerism; • Display punctuality, reliability, dependability and a commitment to meet deadlines; and • Co-operate with all role players.
Customer Centric	Living this value means that we will seek to: • Place customer service excellence at the centre of everything we do; • Create a nurturing environment by partnering with our clients and employees, and in the way in which we care and support them; • Always be available and accessible in providing public services to our society; and • Understand customer needs and respond timeously, efficiently and effectively to customer queries and requests.
Commitment	Living this value means that we will seek to: • Do what is needed to get the work done; • Be selfless, resolute, purposeful and steadfast; • Be committed to efforts of job creation, alleviating poverty and reducing inequality; and • Display a solution-driven attitude and commitment to serve.

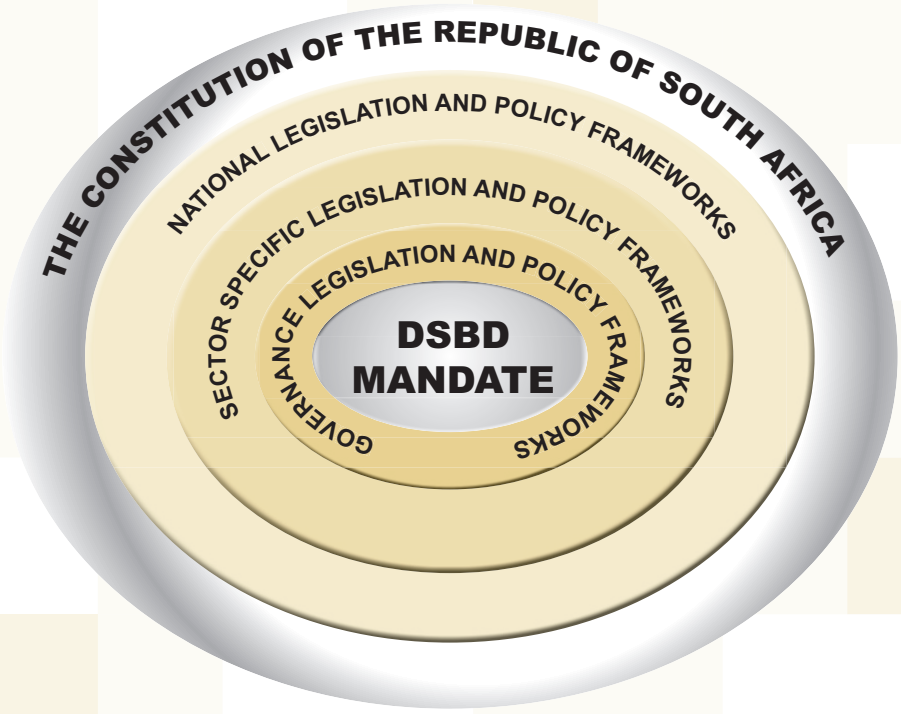
The defined values require targeted management intervention to ensure they are visible and "lived", and should be assessed as part of the performance management approach across the DSBD and its entities.

6. LEGISLATIVE AND OTHER MANDATES OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

The legislative mandate of the Small Business and Co-operatives Development portfolio seeks to ensure the radical transformation of the economy

through the promotion and development of sustainable and competitive entrepreneurs, small businesses and co-operatives, that contribute to job creation and economic growth.

The legislative, policy and strategy context of the SBD Portfolio and the Sector:



The above figure broadly illustrates the legislative, policy, and strategy context of the SBD Portfolio and the DSBD specifically, with the detail discussed below.

6.1 CONSTITUTIONAL MANDATE

The Constitution is the supreme law of the Republic of South Africa and, along with the Bill of Rights, forms the legal foundation of a democratic South Africa, sets out the rights and duties of its citizens and defines the structure of the government. All laws of the country must be consistent with the Constitution and it further requires that all spheres of government 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 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[6]:

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;

   b) 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[7] 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 hundreds of thousands of SMME's and co-operatives will themselves accept responsibility for the operation, growth and progress of their enterprise. Therefore, policies need to be in tune with national and regional as well as sectoral developments, taking into account differences between sectors like manufacturing, tourism or construction, as well as differences between categories of SMME's.

In addition to its overarching goal, the White Paper presented six objectives, as follows:

1) Facilitating greater equalisation of income, wealth and economic opportunities through broadening the footprint of the sector;

2) Creating long-term jobs through the sector as a real employer at multiple levels of the economy;

3) Stimulating economic growth through the contribution of the sector and widening its footprint;

4) Strengthening the cohesion between small enterprises through various structures and support mechanisms;

5) Levelling the playing fields between bigger and small business through access to market opportunities, technology transfer and innovation commercialisation; and

6) Enhancing the capacity of small business to comply with the demands facing South Africa's modernising economy and the challenges of increasing international competition.

In turn, the White Paper informed the development and alignment of various other legislation pertinent to the sector and, therefore, the SBD Portfolio, as is summarised below.

6.2 LEGISLATIVE MANDATES

Whereas the Constitution provides the establishment mandate for the DSBD and its entities, various national and sectoral legislation and regulatory frameworks give effect to how the constitutional mandate should be implemented, as follows:

6 Republic of South Africa. (1996). The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996). Pretoria. Government Printer.
7 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.

Name of Act	Consideration
National Small Enterprise Act, 1996 (No.102 of 1996), as amended	To provide for the establishment of the National Small Business Advisory Council and the Small Enterprise Development Agency; to provide guidelines for organs of state in order to promote small business in the Republic; and to provide for matters incidental thereto. The most important provisions relate to the definitions and small, medium and micro enterprises.
Public Finance Management Act, 1999 (No. 1 of 1999), as amended	To regulate financial management in the national and provincial governments and ensure that 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 will be promulgated in 2017 and inform the 2018/19 Annual Performance Plan.
Co-operatives Development Act, 2005 (No. 14 of 2005), as amended	Provides 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.
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.
Business Act, 1991 (No. 71 of 1991), as amended	Regulates the licensing and carrying on of businesses and shop hours and makes provision regarding the licensing and carrying on of businesses, and related matters.
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.
Co-operatives Banks Act, 2007 (No. 40 of 2007), as amended.	Provides for an appropriate regulatory framework and regulatory institutions for cooperative banks that protect members of cooperative banks, and related matters.
Skills Development Act, 1998 (No. 97 of 1998), as amended.	Aims to develop the skills of the South African workforce and to improve the quality of life of workers and their prospects of work; and to improve productivity in the workplace and the competitiveness of employers and to promote self-employment.
Industrial Development Corporation Act, 1940 (No. 22 of 1940), as amended	To foster the development of small and medium enterprises and co-operatives; to lend or advance money to any company or other person engaged in or proposing to establish or to expand or modernize any activity referred to in section 3, or, in the case of any such company, to acquire an interest in it or to provide or, by underwriting or otherwise, to assist in the subscription of capital for it; and to guarantee any undertaking given in relation to the financing of any company or other person.
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.

Name of Act	Consideration
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.
Financial Intelligence Centre Act, 2001 (No. 38 of 2001), as amended	Intends to combat money laundering activities in South Africa. It imposes duties to identify and verify clients and report suspicious transactions to the authority.
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.

Two Public Entities report to the Minister through defined governance arrangements, allowing some autonomy to fulfil their mandates. The Agencies serve as an extension of and assist the Department of Small Business Development in delivering its mandate, as follows:

6.2.1 SMALL BUSINESS DEVELOPMENT ENTITIES FOUNDING LEGISLATION AND PRIMARY OUTPUTS

Name of Institution	Founding Legislation	Mandate and Primary Outputs
Small Enterprise Development Agency **(SEDA)**	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.
Small Enterprise Finance Agency **(SEFA)**	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. SEFA supports the development of sustainable SMME's through the provision of finance.
In terms of the Co-operatives Development Act, 2005 (No. 14 of 2005), as amended, the Department is to establish and operationalise **the Co-operatives Development Agency (CDA); the Co-operatives Tribunal** and the **Co-operatives Advisory Council**, to enhance the sustainability and competitiveness of co-operatives. Due to the current fiscal environment and budget constraints, it is envisioned that the Co-operatives Development Agency (CDA) will be incubated in the Small Enterprise Development Agency until such time that the Department is able to fund the CDA as a standalone agency.		

In addition to the above, numerous legislation and regulations pertaining to the governance environment inform the operations and institutional arrangements of the Portfolio. The above mentioned legislation and regulations are, therefore, not exhaustive and it is recognised that the Portfolio must comply with all relevant national and provincial legislation, regulations and directives, as well as local by-laws applicable to its functions.

Where the relevant legislation prescribes what the DSBD and its entities must do, various policy frameworks and directives then serve to focus and prioritise the Portfolio's work and effort. In its strategic planning processes, it is then incumbent on the DSBD and its entities to examine this broader government policy and strategy environment and articulate its aligned response.

6.3 POLICY AND STRATEGY MANDATES

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 Industrial Policy Framework (NIPF) 2007 and the iterative Industrial Policy Action Plans (IPAP).	The National Industrial Policy Framework (NIPF) has a fundamental role to play in achieving South Africa's goals of accelerating GDP growth to over 6 percent, halving unemployment and poverty, and the further intensification of industrialisation towards a knowledge economy. The primary objective of the NIPF is to set out government's approach to the industrial development of the South African economy. Consequently, the NIPF sets out a vision for the industrial economy for both the short-medium and medium-long term as follows: 1) To facilitate diversification beyond our current reliance on traditional commodities and non-tradable services. This requires the promotion of increased value-addition per capita, characterised particularly by movement into non-traditional tradable goods and services that compete in export markets as well as against imports; 2) The long-term intensification of South Africa's industrialisation process and movement towards a knowledge economy; 3) The promotion of a more labour absorbing industrialisation path with a particular emphasis on tradable labour absorbing goods and services and economic linkages that catalyse employment creation; 4) The promotion of a broader-based industrialisation path characterised by greater levels of participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy; and 5) Contributing to industrial development on the African continent with a strong emphasis on building its productive capabilities.
The New Growth Path (2008)	The New Growth Path (NGP) is a broad framework that sets out a vision of creating five million jobs and reducing the country's unemployment level, one of the highest in emerging market countries in the world, from 25% to 15% over ten years to 2019. The SMME ethos of the NGP is similar to that of the later NDP, namely policy coherence through partnerships among key societal players, business and government.

Informing Policy / Strategy	Key Considerations
The National Development Plan, Vision 2030 (2012)	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. The Portfolio plays 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.
The Medium Term Strategic Framework (2014 – 2019, and future)	The Medium Term Strategic Framework (MTSF) is then conceptualised as a series of 5-year building blocks towards the realisation of the NDP 2030 Vision, with the current 2014-2019 MTSF as the first of three. With regard to the 14 Outcomes identified in the MTSF, the DSBD and the Portfolio has a primary/lead role in relation to two outcomes and their related sub-outcomes and key actions, as follows: **MTSF Outcome 4: Decent Employment through Inclusive Economic Growth:** 4.2.2: Measure and reduce delays and unnecessary red tape around authorisations and related issues that hinder or might foster investment and employment (in the SMME and Co-ops space). 4.3.1: Township and rural economies supported and report on the impact in terms of the number of business supported, value of the grant approved and geographic location of the supported businesses. 4.3.3: Programmes to ensure increased access to employment and entrepreneurship for black women and youth in the context of stronger support for emerging and smaller enterprises overall. 4.3.4: Provide coaching, incubation, intensive support and financing to sustain existing small businesses and co-operatives, as well as expand the sector. **MTSF Outcome 7: Vibrant, equitable, sustainable rural communities:** 7.6.1: Promote sustainable rural enterprises and industries in areas with economic development potential. It is noted that the Portfolio supports various other MTSF outcomes indirectly or in a secondary capacity, which work will continue. However, this does not impact directly on the mandate or strategic posture of the Portfolio.

Informing Policy / Strategy	Key Considerations
The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)	Covers the entire continuum of needed support from pre-start up and start-up assistance measures to growing enterprises and enterprises in distress. It focuses on three strategic areas with aligned actions, as follows: 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; 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; 3) Reduce small enterprise regulatory constraints - Enabling environment, establish a regulatory impact assessment framework and business environment monitoring mechanism.
The Integrated Strategy on the Development and Promotion of Co-operatives (2012)	Seeks to support the ongoing profiling of the co-operatives, communication outreach, improving access to co-operatives support and information, research, strengthening advocacy on co-operatives, delivering effective service and monitoring impact. The strategy further introduces key co-operatives development and support programmes, under 4 strategic pillars, namely: 1) To increase the supply of non -financial support services to co-operatives; 2) Creating demand for co-operative enterprises products and services; 3) To improve sustainability of co-operatives; 4) To increase the supply of financial support services to co-operatives. 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.
The National Informal Business Upliftment Strategy (NIBUS) and Implementation Framework (2014 and 2015)	Adopted by Cabinet in 2014 and 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. Particular focus on the four Implementation Thrusts that may inform other areas of DSBD work and focus: 1) Enhance the quality of enterprise development, promotion and capacity building products and services; 2) Strengthen the policy and regulatory environment to support an integrated and coordinated approach to informal business upliftment; 3) Build the skills, capacity, systems and processes to drive an integrated and coordinated approach to informal business upliftment; 4) Strengthened national, regional and international partnerships to support and promote the NIBUS development agenda.

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

Informing International Convention or Policy	Key Considerations
The UN Sustainable Development Goals (SDG) (2015)	Adopted by the UN Assembly in 2015. Specifically, the following SDG's are relevant to the DSBD and SBD Portfolio: • Goal 5. Achieve gender equality and empower all women and girls; • Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; • Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
The AU Africa 2063 Agenda (AU 2063)	Of particular relevance to the DSBD and the Portfolio are the following aspirations of the Agenda 2063: • Goal 1. A prosperous Africa based on inclusive growth and sustainable development; • Goal 6. An Africa where development is people-driven, unleashing the potential of its women and youth; • Goal 7: Africa as a strong, united and influential global player and partner.
The ILO Recommendation 193 (2002)	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. In this context, recognises the importance of co-operatives in terms of job creation, mobilising resources, generating investment and their contribution to the economy.
The ILO Resolution 204 (R204) (2015)	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. Specifically, R204 outlines three key objectives: 1) Facilitate the transition to formality; 2) Promote the creation of enterprises and decent jobs; 3) Prevent the informalisation of formal jobs.

With specific reference to the 2014–2019 MTSF and the Delivery Agreement of the Minister signed in 2014, certain engagements with the DPME (with the dti as lead) have taken place regarding amendments to the DSBD's alignment to and role arising from the MTSF.

This Framework then seeks to align to the following revised understanding of the MTSF, for outcomes and sub-outcomes where the DSBD is delegated a primary/lead role:

MTSF Outcome	MTSF Sub-Outcome	MTSF Key Action	Revised MTSF Indicator 2019 Target	Original MTSF / Ministers Delivery Agreement (For reference)
Outcome 4: **Decent employment through inclusive growth.**	Sub-Outcome 3: Elimination of unnecessary regulatory burdens and lower price increases for key inputs fosters investment and employment.	3.2: Measure and reduce delays and unnecessary red tape around authorisations needed for provincial investments.	Number of municipalities implementing Red Tape Reduction Programme. • 278 by 2019 (needs to be revised post 2016 Municipal Demarcation).	Number of procedures analysed and re-engineered per annum: • 5 per annum. (Jointly shared with the dti)
	Sub-Outcome 5: Spatial imbalances in economic opportunities are addressed through and public employment schemes to provide relief for the unemployed and build community solidarity and agency.	5.2: Township and rural economies supported and report on the impact in terms of the number of business supported, value of the grant approved and geographic location of the supported businesses.	The total number of enterprises supported by the Department of Small Business Development are from Townships. • 50% by 2019. The total number of enterprises supported by the Department of Small Business Development are from rural areas. • 30% by 2019.	Increased share of metro production from townships: • 5% by 2019 (First year- township economies strategy piloted). (Supported by COGTA) Reduced cost and improved reliability and safety of commuter transport. (Not applicable)
	Sub-Outcome 8: Economic opportunities for historically excluded and vulnerable groups are expanded and the number of sustainable small business and co-operatives is improved markedly.	8.1: Programmes to ensure increased access to employment and entrepreneurship for black women and youth in the context of stronger support for emerging and smaller enterprises overall.	Measurable increase in supported black women enterprises. Measurable increase in supported youth owned enterprises. Measureable increase from 2014.	Measurable increase in youth in employment or education. Measurable increase in share of women in formal employment. (Economic Development, supported by DSBD)

MTSF Outcome	MTSF Sub-Outcome	MTSF Key Action	Revised MTSF Indicator 2019 Target	Original MTSF / Ministers Delivery Agreement (For reference)
Outcome 4: **Decent employment through inclusive growth.**	Sub-Outcome 8: Economic opportunities for historically excluded and vulnerable groups are expanded and the number of sustainable small business and co-operatives is improved markedly.	8.2: Provide coaching, incubation, intensive support and financing to sustain existing small businesses and co-operatives, as well as expand the sector.	Develop a business rescue strategy aimed at supporting SMME's and co-operatives in financial distress	Strategy and programmes to develop new small business and co-operatives to facilitate access to formal market: • Programmes implemented. (First year: Regulations on targeted procurement gazetted) % growth in the number registered small business and co-operatives: • 30% above 2014 level. (First year: SEFA and SEDA co-located in every province) % of new small business and still operating one year after support provided: • Development of systems to determine sustainability. • Annual incremental shift towards 30% above baseline. (First year: Report on progress of NIBUS)
			Number of small business and co-operatives supported by 2019: • 58,000 (IMEDP); • 1,570 (CIS); • 1,600 (Co-op training); • 5,000 (BBSDP); • 65 (Incubators); • 50 co-location points established through the National Co-location Programme.	
			Implementation of National Informal Business Upliftment Strategy: • 30 (SEIF).	
			Enter into transversal agreements with other government departments and state agencies by 2019: • 73 (MOU/ partnerships)	

MTSF Outcome	MTSF Sub-Outcome	MTSF Key Action	Revised MTSF Indicator 2019 Target	Original MTSF / Ministers Delivery Agreement (For reference)
Outcome 7: **Vibrant, equitable, sustainable rural communities.**	Sub-Outcome 6: Promote sustainable rural enterprises and industries in areas with economic development potential.	6.1: Promote sustainable rural enterprises and industries in areas with economic development potential.	Differentiated plans for economic development in targeted areas of economic potential in rural areas completed. • By 2019.	Same
			Reviewed and approved Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises. • By 2019.	Number of enterprises in rural district municipalities established: • Additional 60 formal enterprises per district municipality by March 2019 (with 27 vulnerable districts prioritised). • Additional 120 informal enterprises per district municipality by March 2019 (with 27 vulnerable districts prioritised). % of enterprises in rural district municipalities supported: • 100% of the existing enterprises by March 2019. Number of new industries in rural district municipalities established: • 5 per district municipality by March 2019. % of existing industries in rural district municipalities supported: • 100% by March 2019. Number of people employed in rural enterprises: 4140 by March 2019 – (1380 in formal; 2760 in informal enterprises). Number of people employed in rural industries: • 920 000 by 2019.
			A monitoring framework to monitor SMME's and co-operatives support, in terms of 30% public sector procurement programme developed. • By 2019.	
			Number of co-operatives supported through Co-operate Incentive Scheme (CIS) (rural). • No target.	
			Number of co-operatives supported through training (rural). • No target.	
			Number of small and medium enterprises supported through financial and non-financial support. • 30% of total are rural by 2019.	

6.4 PLANNED POLICY INITIATIVES

1) The Department will continue work towards the amendment of the National Small Enterprise Act (No. 102 of 1996) as amended, in order to update the Act to take into account latest shifts and trends in the global and national economic and small business environment, and best practice in terms of small business development approaches;

   - In the process of ensuring its alignment to the Act, the Department will seek to identify gaps, in partnership with industry, in pursuit of covering all aspects of required support to the small business sector.

2) The DSBD will continue the review the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, in order for the strategy to remain relevant and to accommodate recent economic activities and business cycles, and respond to identified trends and opportunities.

   - This will allow the Department to implement small business development programmes that are flexible and responsive to the economic and social needs of the society with the expectation of achieving radical economic transformation.

3) The DSBD will conduct a Midterm Review of the Co-operatives Strategy (2012-2022), which may result in a revision of the Strategy, and will inform the development of an integrated approach to co-operatives development.

4) The 2015 Public Sector Supply Chain Review confirmed that, in 2014/15, government spent over R500 billion on the procurement of goods and services, as well as construction works. If a portion of that money were to be directed to SMME's, it would make a significant contribution to the sustainability of the SMME sector.

   - Apart from supporting the amendment of the Preferential Procurement Act (led by National Treasury), DSBD will develop guidelines as well as a monitoring and reporting framework to guide departments as to their engagement with this important matter.

6.5 RELEVANT COURT RULINGS

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

This line of sight to broader legislation and policy frameworks then informs the reporting of the DSBD in terms of its contribution to service delivery and impact, and will aid in dialogue with its stakeholders regarding the legitimacy and authority of the DSBD to exercise its mandate and functions.

7. SITUATIONAL ANALYSIS INFORMING THE REVISED STRATEGIC PLAN

Based on the DSBD strategic posture described above, and before developing the Strategic Framework, focus turned to conducting a detailed Situational Analysis, so as to ensure the Strategic Framework is both informed by and responsive to the performance and organisational environment.

7.1 THE MACRO SOCIO-ECONOMIC OUTLOOK

The International Monetary Fund (IMF), in its World Economic Outlook (WEO) Report, July 2016, asserts that although global economic recovery continues, it is happening at an ever slowing and increasingly fragile pace - the 2016 global economic growth outlook has been revised downwards by 0.5% to 3.1%8, and for emerging economies downwards to 3.9%. The reasons cited include, among others, the knock-on effects of negative trends in major emerging economies such as South Africa, China, Brazil and India. The IMF expects South Africa's growth rate to remain low, occasioned by various internal and external factors.

According to the October 2016 MTBPS, while Q2 saw growth in RSA GDP of 3.3% (equating to an annual growth of 0.9% since 2015), the growth forecast remains low at 0.5% for 2016, increasing to 1.7% in 2017[9]. Towards 2020, following intense investment in transport, electricity and telecoms, constraints should ease and economic growth may reach around 3.4% (1.6% short of the NDP 2020 target of 5.0% - the rate required to significantly ease unemployment).

Having overcome the threat of a sovereign credit rating downgrade in 2016, the threat of a downgrade to "junk" status moving into 2017 remains; hardening the negative economic outlook over the medium term, with certain commentators prognosing a low growth environment for up to five years.

South Africa's low economic growth forecasts are underpinned by the following:

1) Lower global growth prospects means that South Africa cannot depend on global growth alone to catalyse domestic growth;

2) Consumption reduced due to job losses, tighter credit conditions and low business and investor confidence;

3) Investor confidence and private sector investment is weak, with sectors operating well below full capacity and experiencing low demand;

4) Government expenditure constrained by the need allocative efficiency, but coupled with higher than expected public sector wage agreements; and

5) Exports may be supported by gradually expanding global growth, particularly among South Africa's major trading partners such as Europe and the sub-Saharan African region.

At the same time, the RSA population has further grown to 55.6m (from 54.96m in 2015 – a 1.1% annual growth rate), with 36.2% youth (under the age of 34); but RSA is now one of a few developing countries experiencing an increase in the proportion of the population aged 60 and over[10].

Of the 55.6 million population, the working age population is 36,6m comprising[11]:

1) 15.5 m employed;

2) 5.6m unemployed; and

3) 15.4m not economically active.

Given the large number of work seekers who cannot enter the job market and who have poor skills profiles, and exacerbated by the low growth environment, there has been an increase in the (official) unemployment rate to 26.6% in Q2 2016 (from 25% in June 2015), with the largest declines in employment in the transport, utilities and manufacturing sectors[12].

8 International Monetary Fund, World Economic Outlook, July 2016
9 Parliament: Medium Term Budget Policy Statement, October 2016; and Statistics South Africa Q2 GDP, September 2016
10 Statistics South Africa, Community Survey, June 2016
11 Statistics South Africa Quarterly Labour Force Survey, Q2 2016, July 2016
12 Statistics South Africa Quarterly Labour Force Survey, Q2 2016, July 2016

The country's high rate of unemployment and increasing inequality call for bold and farsighted interventions. The people of South Africa cannot be condemned to permanent grant or welfare dependence. Furthermore, Government policies to boost employment are important, but cannot substitute for job creation in the private sector. Hence the critical importance of the upliftment of the economy broadly and the need to create pathways to formalisation in the informal economy.

The National Development Plan is the blueprint for addressing poverty, unemployment and inequality and sets an ambitious aim to treble the size of the economy by 2030, a daunting challenge given the above context. Meeting the NDP's growth target of 5.4% for the next 16 years would not only guarantee South Africa's material prosperity, but would be an elevating and inspiring narrative for the country – 'an optimistic new story', as the NDP phrases it.

Large potential lies in increasing the market share for South African services and manufacturing products in the rest of Africa, which has seen a rapid expansion in its markets. Main export opportunities include machinery and vehicles, although the share of agriculture product exports into Africa can also be increased. In addition, in the SADC region of over 300m people, while currently intra-SADC trade remains low, South Africa has an inherent advantage in terms of cross border trade, which is estimated to be worth approximately $17.6bn in 2015 (USAID research).

The need for a new game plan to transform the South African economy

The first half of the 21st century offers South Africa enormous economic opportunities. It also promises unprecedented challenges and risks, which will be driven by both external developments and internal dynamics. While South Africa is too small an economy on the global stage to affect the direction of the changes to come, understanding and anticipating the drivers of change internationally could make the difference between economic success and failure. The extent to which the deliberate policy choices and decisions put forward by the NDP are successful in anticipating the drivers of change both internationally and nationally will largely determine whether or not South Africa emerges in 2030 with a stronger economy and a more socially equitable society.

However, 22 years into democracy, the fragility of South Africa's economy still lies in the distorted pattern of ownership and economic exclusion created by apartheid policies. The effects of decades of racial exclusion are still evident in both employment levels and income differentials. The fault lines of these differentials are principally racially defined, but also include skill levels, gender and location. Consequently, South Africa has developed into one of the most unequal societies in the world, with very high levels of poverty, carrying all the attendant risks. In addition, the country has failed to reap a demographic dividend by harnessing the potential of a proportionately large cohort of working-age youth.

In transforming the economy, South Africa faces several challenges, some of them external, some of them as a result of history or geography, and some because of limited capacity. Even where they are external, South Africa can and must plan for them. Global economic development and the economic downturn, economic performance on the African continent, the rise of emerging markets, intensified global competition, technological change and climate change will greatly influence the context in which South Africa operates.

As the NDP makes clear, getting South Africa onto a high growth trajectory demands that the country fundamentally changes its game plan and places small businesses and co-operatives at the centre of the war against poverty, inequality and unemployment.

7.2 THE SMALL BUSINESS AND CO-OPERATIVES DEVELOPMENT ENVIRONMENT

The direct trade participation of SMME's in developing countries is not in

line with their importance at the domestic level. According to World Trade Organisation (WTO) calculations, and based on World Bank Enterprise Surveys covering over 25 000 SMME's in developing countries, direct exports represent just 7.6% of total sales of SMME's in the manufacturing sector, compared to 14.1% for large manufacturing enterprises. Among developing regions, Africa has the lowest export share at 3%, compared to 8.7% for developing Asia. Participation by SMME's in direct exports of services in developing countries is negligible, representing only 0.9% of total services sales, compared to 31.9% for large enterprises. SMME's in developed countries trade relatively little compared to larger firms, despite the fact that they make up the majority of exporters and importers.

The NDP ascribes a critical role to SMME's and co-operatives in contributing to the growth of the South African economy, eliminating inequality and reducing poverty. All over the world it has been recognised that the small business sector plays an important if not critical role in the economic and social development of a country. This also applies to South Africa, where the small business sector has previously been neglected during much of the century following the discovery of diamonds and gold, and the establishment of a modern, capitalist economy with almost exclusive white control.

While the importance of large industrial, mining and other enterprises for the growth of the economy cannot be denied, there is ample evidence that the labour absorptive capacity of the small business sector is high, the average capital cost per job created is usually lower than in big business and its role in technical and other innovation is vital.

Over the last decade, globally, it has become clear that big business and the formal economy is not able to create sufficient employment and that SMME's are key drivers of growth and job creation in better performing and more stable economies. This has been shown to be the case in Germany, India, Malaysia, the People's Republic of China and Taiwan amongst others, in which small businesses represent over 95% of total businesses and employ between 60% and 85% of the total workforce. On the other hand, the contribution and participation of small business in the South African economy is far below its potential. SMME's represent 98% of all businesses, but employ only 47% of the total workforce.

The table below reflects latest data in this regard:

Comparative analysis of the contribution of small businesses to the economy:

Economy	MSME Share of Nr. Of Enterprises	MSME % Value Added/ Contribution to GDP	MSME % of Total Employment
United Kingdom	99.00%	51.10%	48.95%
Canada	70.90%	27.00%	90.43%
Belgium	94.40%	61.80%	69.04%
Japan	70.40%	38.30%	6.42%
Singapore	99.33%	49.40%	67.74%
Mozambique	71.10%	28.50%	42.91%
Spain	99.00%	64.80%	74.85%
Netherlands	99.00%	64.70%	66.95%
Malta	99.00%	71.30%	80.03%
South Africa	98.00%	49.40%	63.76%

Source: https://finances.worldbank.org/Other/MSME-Country-Indicators-2014/psn8-56xf/data

In addition, outside of formalised SMME's, the informal economy is a significant contributor to job and income generation, especially in developing economies. With many people seeking employment in situations where formal employment opportunities are scarce, the informal economy provides relief to millions of households as an alternative source of employment and

livelihood. In this context, the informal economy can no longer be considered as a temporary phenomenon.

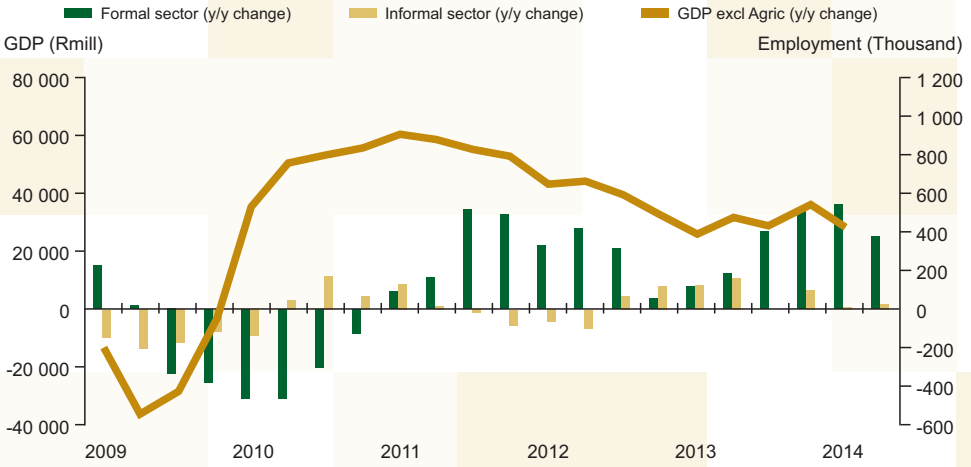
At the global level, in an attempt to address the decent work deficits that beset the informal economy, the ILO, at its 104th Session of the International Labour Conference in 2015, adopted the standard setting Recommendation 204 (R204), to facilitate the transition of the informal to formal economy and to offer guidance to member states on how to facilitate the transition. The ILO constituents in South Africa (both government and social partners) played a key role in the drafting of Recommendation 204, with the South African government leading the Africa group on the Informal Economy Committee.

In response, SADC Ministers and social partners responsible for employment and labour have made a commitment to promote decent work in the informal economy, through appropriate policy and programmatic interventions and through the exchange of good country practices as outlined in the SADC Decent Work Programme.

The contribution and participation of small business in the South African economy is far below its potential, but has over the last few years grown and increased its contribution. The 2014 SMME Annual Review soon to be published by the Department, estimates that in 2013 the country had roughly 2.7 million formal and informal small businesses combined, representing an estimated average annual growth rate of 14.5%, some 74 396 new enterprises per annum, from 2005- 2013. The number of informal businesses reached 1.5 million in 2013, after a decline from 2.3 million in 2001 (SESE, 2013).

As reflected in the figure below, although year-on-year changes in formal sector employment has been the main driver of real GDP in the post-recession period the informal sector remains an important source of jobs and thus household income for a large proportion of the population.

Year-on-year changes in Formal/Informal Sector Employment and GDP:



The StatsSA Quarterly Financial Statistics (QFS) released in March 2016 also paints an interesting picture of where small businesses are making a substantial contribution to economic activity. The report shows that the private sector generated a total of R2.1tn in turnover during the last quarter of 2015; with large businesses having contributed almost two-thirds (64%, R1.3tn) to this total, followed by small (27%, R569bn) and medium businesses (9%, R193bn).

Small and medium businesses command a significant share of business services, trade, personal services and construction. Small businesses were responsible for almost half of total turnover in the business services industry, compared with smaller contributions within the utilities industry.

Percentage share of employment costs

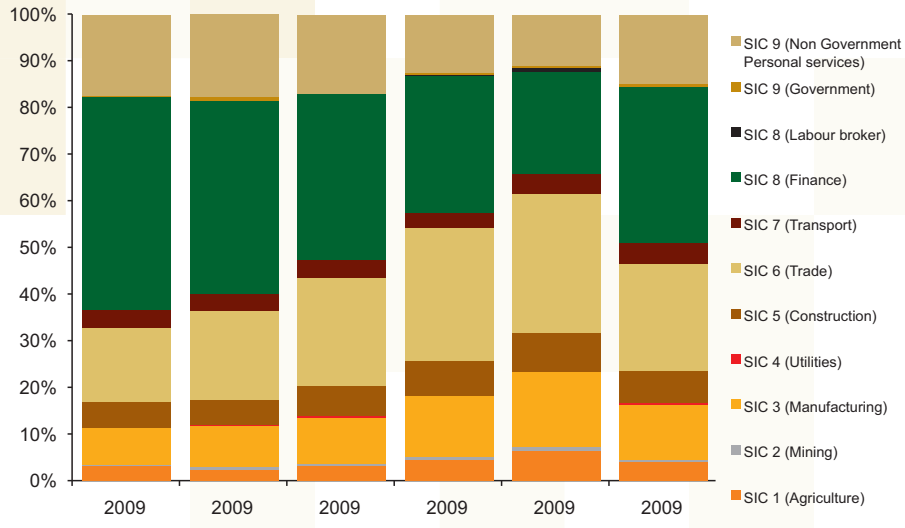
The report also illustrates what small, medium and large enterprises are spending in terms of employment costs, wherein small and medium enterprises contributed to 48% of the total employment costs for 2014. Small and medium enterprises are contributing to and incurring significant employment costs in construction (59%), trade (50%), business services (60%) and personal services (42%). Small and medium enterprises surprisingly contribute a higher percentage to manufacturing employment costs, at 48%, while only commanding a 31% share of the turnover in manufacturing.

Employment costs per sector by Enterprise size (Rm)							
Sector	**Small**	**%**	**Medium**	**%**	**Large**	**%**	**Total**
Mining and quarrying industry	2 797	8	1 530	4	30 490	88	34 817
Manufacturing industry	23 247	34	9 484	14	35 046	52	67 777
Electricity, gas and water supply industry	89	1	145	2	6 369	96	6 603
Construction industry	6 302	32	5 232	27	8 049	41	19 583
Trade	23 904	43	3 855	7	27 381	50	55 140
Financial, real estate and other Business services	35 192	50	6 840	10	28 647	41	70 679
Transport	4 022	15	911	3	22 256	82	27 189
Personal Services	3 915	33	1 091	9	6 744	57	11 750
All industries	**99 468**	**37**	**29 088**	**11**	**164 982**	**62**	**293 538**

Source: StatsSA Quarterly Financial Statistics (QFS December 2015), March 2016

The SARS 2015 Tax report also reflects the proportion of employers by industry and employer size for 2015, as reflected in the figure below. Overall, the highest proportion of employment by SMME's in 2015 occurred in the financial (34%), trade (23%) and personal services (15%) industries.

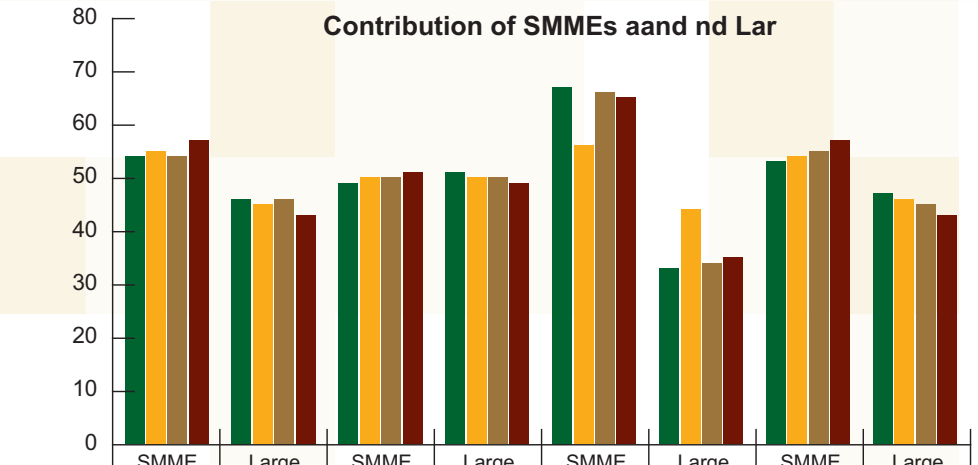
Proportion of employers by industry and employee numbers (2015 tax year):



Source: SARS 2015 Tax Report

Contribution of SMME's to Tax Revenue

The 2015 Tax Revenue Report shows an increase in the contribution of SMME's to tax revenue, as follows.



	SMME	Large	SMME	Large	SMME	Large	SMME	Large
	PAYE		Skills Development Levy		CIT Assessments		Domestic VAT	
2012/13	54%	46%	49%	51%	67%	33%	53%	47%
2012/13	55%	45%	50%	50%	56%	44%	54%	46%
2012/13	54%	46%	50%	50%	66%	34%	55%	45%
2012/13	57%	43%	51%	49%	65%	35%	57%	43%

Source: SARS 2015 Tax Revenue Report

As is reflected in the figure, for the four tax years between 2012/13 and 2015/16, the contribution of SMME's to tax revenue relative to that of large businesses has evolved as follows:

1) The contribution of SMME's to Pay-as-you-Earn (PAYE) has grown from 54% in 2012/13 to 57% in 2015/16;

2) The Skills Development Levy (SDL) (1% of the wage bill) paid by SMME's has increased from 49% in 2012/13 to 51% in 2015/16;

3) Corporate Income Tax (CIT) assessments dipped from the high of 67% in 2012/13 to 56% in 2013/14, but has since grown to 65% in 2015/16;

and

4) The contribution of SMME's to domestic Value-Added Tax (VAT) reflects an increasing proportion, from 53% in 2012/13 to 57% in 2015/16.

The above confirms the importance of SMME's (and co-operatives) to the revenue base and ultimately the fiscal health of the country.

Challenges faced by SMME's and Co-operatives

While SMME's and co-operatives have steadily grown their contribution to increasing employment, reducing poverty and contributing to economic growth, they still face many challenges. Compared to big business in South Africa and in other countries, small businesses face a wider range of constraints and problems and are less able to address the problems on their own, even in effectively functioning market economies.

The constraints relate, among others, to the legal and regulatory environment confronting SMME's, access to markets, finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, the quality of business infrastructure in poverty areas and, in some cases, the tax burden. In the South African context, the constraints have been particularly hard on entrepreneurs in rural areas and on women owned businesses.

Generally speaking, micro and survivalist enterprises are far more likely to face constraints linked to finance, market access and the acquisition of skills. On the other hand, some sectors like agriculture, construction and manufacturing present small enterprises with a particularly wide range of problems, thus preventing easy access to these sectors by new enterprises, or increasing the risk to those already operating. Even among medium-sized enterprises, problems like international competition, technology transfer and skills training can constitute major growth obstacles. These differences are of critical importance for the national support strategy. They not only stress the need for some degree of public sector involvement, but also underpin the need for explicit differentiation in the support framework.

In addition to sector-specific differences in constraints faced, the 1995 White Paper on Small Business Development highlighted the legacy of apartheid and how it constitutes an important factor in constraints faced by black-owned/controlled small enterprises. For decades, the majority of South Africans were deprived of viable business opportunities in the following ways:

1) Bantu Education restricted opportunities for the acquisition of technical and professional skills by black people;

2) There was total absence of entrepreneurial education or sensitising for young people in a way that could encourage them to enter business and display a culture of entrepreneurship;

3) Apartheid confined the majority of the African people to homeland areas, which were not only the poorest in terms of living standards and business opportunities, but also lacked a dynamic business environment;

4) Even outside the homelands, the system made it impossible for black would-be-entrepreneurs to participate in business apprenticeships and partnerships with more established (non-black-owned/controlled) enterprises;

5) Racially segregated residential areas, enforced through the Group Areas Act, not only uprooted millions from the places of residence and business, but also led to large capital losses and virtually destroyed the fabric of black small enterprises;

6) Segregation increased the distance between black residential and working areas, thereby increasing the cost and risk of conducting business;

7) The drastic curtailment of property ownership rights of blacks made it impossible for them to acquire assets that could serve as collateral for loan financing; it also excluded blacks from the long-running process of capital accrual and growth through rising property values and share prices; and

8) Apartheid left no real space for the business involvement of black women - marriage laws reduced women to unions with no contractual capacity. Even though marriage laws have changed, customary law remains intact and there are cultural, behavioural and attitudinal constraints which affect women's participation in business, particularly in rural areas. There are also restrictions in terms of access to land.

The NDP confirms the diagnosis made in the White Paper and, inter alia, identifies the following obstacles to SMME and co-operatives growth:

1) Distortions created by apartheid in ownership and access to land;

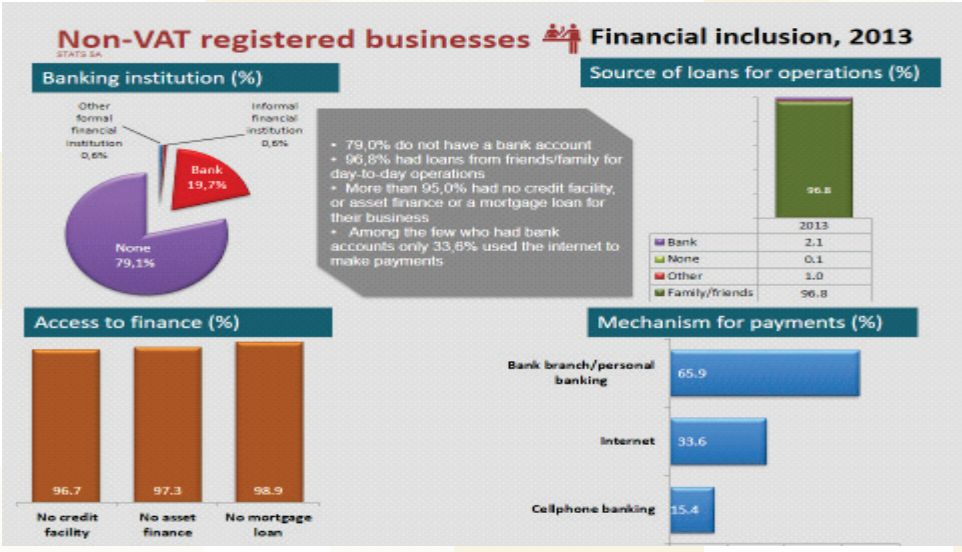
2) Capital and skills for the majority of the population;

3) Widespread crime;

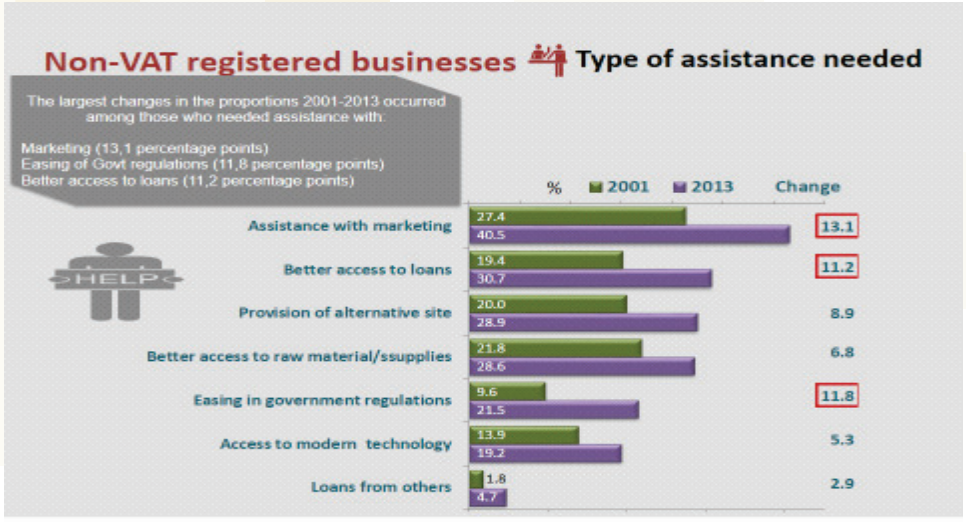
4) A policy environment that traditionally favours concentration and large corporations; and

5) A global trade environment that encourages and rewards economies of scale and scope in both production and distribution.

In addition to challenges faced by all SMME's and co-operatives, and even large businesses, the informal sector has additional challenges, outlined by the SES 2013 as follows:



As highlighted in the above figure, the challenges include legal and regulatory constraints, limited access to finance and financial services and limited access to markets, skills development, technology support and business infrastructure, especially in the informal economy and in rural and township areas. Thus, the following type of assistance is required by informal businesses:



The policy response to addressing the challenges faced by SMME's and co-operatives

In response to the problems arising from an economic environment that is hostile to SMME's and co-operatives, especially the informal sector, broadening participation and fostering inclusive growth towards an inclusive economy is one of the key development priorities of the South African government and its social partners.

In this context, developing a strong and growing SMME and co-operatives community (both formal and informal) is therefore a cornerstone of the NDP's vision. SMME's are expected to be central to South Africa's job creation efforts and in line with international trends, the NDP projects about 90% of jobs will be created through small and expanding enterprises by 2030.

Consequently, increasing interest and focus is being directed towards informal and formal SMME's, as well as co-operatives, as evidenced in the development and implementation of the Integrated Strategy for the Promotion of Entrepreneurship and Enterprise Development, the Co-operatives Development Strategy and the National Informal Business Upliftment Strategy (NIBUS).

Supporting the NDP, the Nine-Point Economic Plan to Ignite Economic Growth and Create Jobs (9-PP), announced by the President in the State of the Nation Address in February 2015 and further ratified by the August 2016 Cabinet Lekgotla[13], is aimed at stimulating the growth of the country's economy and to act as a catalyst for the realisation of the NDP and MTSF outcomes.

The 9-PP emphasises that government will intervene to **"unlock the potential of SMME's, co-operatives, township and rural enterprises"** in an effort to ensure that the goal of a radical economic transformation is achieved. This may require the introduction of new models of doing things, as the old way of addressing the concerns of these entities did not bring about the required results.

Collectively, the NDP and various strategies propose the follow key interventions for SMME's and co-operatives development:

1) Reduce administration cost to get started could help. Equity/seed funding gaps should be addressed and quality of business models and support are important;

2) Focus on entrepreneurs with the highest potential, and these are entrepreneurs who have previously started businesses successfully;

3) Creating strong markets for these businesses to buy and sell, and making it simple to start more businesses is critical. This group of

13 GCIS Statement on August 2016 Cabinet Lekgotla, 22 August 2016

entrepreneurs is a great target market for an incentive system;

4) Focusing on those entrepreneurs who have failed before. They find it difficult to start businesses again, as credit access and so on becomes challenging. The country needs a mechanism to address this;

5) Changing the one-size-fits-all support programmes of government;

6) Public Procurement:

- Make government procurement opportunities more accessible to small businesses, streamline tender processes, improve transparency and get rid of corruption;
- Public and private procurement: Leverage the Local Procurement Accord to promote stronger buyer–supplier relations and deeper localisation; and
- Implement commitments to 30 day payments to smaller suppliers.

7) Regulatory environment:

- Simplify the regulatory environment;
- Prepare a comprehensive regulatory review for small and medium-sized companies to assess whether special conditions are required;
- This includes regulations in relation to business registration, tax, labour and local government;
- Regulatory Impact Assessments to be carried out on new regulations;

8) Access to debt and equity finance:

- Examine a role for the state in easing access to finance by start-ups and emerging businesses;
- The government and the private sector should collaborate in creating financial instruments for small, medium and micro enterprises;
- A risk-sharing agreement should be created as start-ups are particularly in need of financial support and are at least able to access it;
- Explore the role of venture capital: Urgently consider measures to reform the mandates and operations of development finance institutions in line with initiatives already being undertaken, and upgrade the skills of those providing business advice and services;
- Build research capacity to address the paucity of data currently available on small businesses and scale up public communication on available opportunities;

9) Address the skills gaps:

- Provide training for school leavers and unemployed youth with a focus on skills development;
- The public sector should establish programmes run by well-trained ex-entrepreneurs, who have first-hand experience of the sector;
- Government should incentivise the private sector through tax breaks to set up mentoring programmes. Established small enterprises should be offered wage subsidies to take on apprentices and to offer youth placements;
- Provide skills development for students currently in school with a focus on grooming an entrepreneurial attitude. This should include reviewing the curriculum with a view to encouraging entrepreneurial thinking and creating the skills necessary for start-ups. The review should consider focusing education into technical and academic streams after Grade 8, and establishing vocational and technical training for students in Grades 9 and 11;

- Promote skills development for new sectors with a focus on high-technology skills advancement. This will include improving the Further Education and Training (FET) colleges to ensure that they are producing better quality;

10) Small-business support services:

- Action has already been taken to create a unified small business service delivery agency (through the establishment of the Department of Small Business Development, as well as SEDA and SEFA which predate the establishment of the Department);

- Public-private partnerships must be considered, where the private sector is incentivised to provide small businesses with support, with increased payment contingent on success; and

- Support and grow franchising associations and get involved in commercialising models of this nature. Franchising has been globally successful in reducing risk and failure rate.

Hence, through this Strategic Plan articulate a concerted effort and commitment to the implementation of policies that allow SMME's and co-operatives to thrive and grow; and to seek to address competitiveness and the sustainability of small businesses and co-operatives through training and development, access to finance, business skills development, commercialisation, market access and advancing localisation.

7.3 THE PERFORMANCE DELIVERY ENVIRONMENT

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 mandate 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.

7.3.1 STAKEHOLDER ANALYSIS INFORMING THE STRATEGIC PLAN

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 - SMME's and Co-operatives (formal and informal)	• Execute the SBD mandate; • Improved, efficient and effective services; • Responsiveness and relevant programmes and services; • Sound corporate governance.	• Delivery of the mandate; • A simplified regulatory and policy regime; • Effective and efficient programmes that respond to real needs; • Resources and tools to link SMME's to markets – databases/systems; • Ensure reliability and dependability of services; • Enhance accessibility and availability of services.
Sister Departments, and Provincial and Local Departments	• Execute the SBD mandate; • Influence how R15 billion SMME budget across government is coordinated and spent.	• Articulate and communicate a compelling small business agenda; • Lead evidence based legislative and regulatory review; • Transversal Agreements with sister departments; • Meaningful participation in relevant fora; • Intellectual leadership to the sector and more broadly - guidance i.t.o. trends and indicators in the sector.
Academia and research institutions	Collaboration and joint research programmes.	• Proactively package and communicate opportunities for engagement and collaboration; • Multi-year research agenda and programme.
Targeted Groups	Ensure delivery on committed targets.	• Monitor and track sector-wide performance on committed targets and quotas.
Broader communities and general public	A responsive and visible SBD portfolio of role-players, supporting broader community upliftment.	• Better communicate the successes and impact of SBD programmes and involvement; • Strengthen the petitions management processes and responsiveness to issues and commitments.
ILO and socio-development organisations	Alignment to ILO R204 and the decent work agenda. Alignment to ILO R190 and the importance of co-operatives	• Upscale and ensure implementation of the resolutions from the Annual Informal Economy Summit; • Ensure implementation of the NIBUS Strategy; • 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.
Partners and the private sector	Collaboration and opportunities for partnership.	• Strengthen points of interaction with partners and with the private sector.

Internal 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	• Execute the SBD mandate; • Participate in broader planning structures and champion small business and co-operatives agenda; • Sound corporate governance; • Return on Investment.	• Implement an approach to reporting of cluster–wide and sectoral performance and impact; • Collaboration and support for objectives of sister institutions; • Sound and defensible performance reporting; • Participate in broader planning structures and champion the SMME and co-operatives agenda; • Sound corporate governance.
Staff	A suitable working environment, resources to deliver on roles. Opportunities for personal and professional development.	• Ensure a working environment which is conducive to achieve sectoral/organisational objectives; • Provide opportunities for growth and development; • Nurture a culture of recognition, communication and transparency; • Implement and monitor the “living” of the Portfolio values; • Investigate and realign the structures of DSBD, SEDA and SEFA in line with the portfolio/aligned organisational strategies.
Contractors, Suppliers, etc.	• Decisions to be made at agreed times; • Adherence to terms of engagement; • Payment for work done within 30 days of valid invoice.	• Systems to ensure efficient and effective performance and compliance to the scope of work; • Clearly defined procurement policies; • Efficient supply chain processes – fair, transparent and effective; • Focus on regional suppliers/contractors development; • Improve contract negotiation, management and reporting.

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

7.3.2 SWOT ANALYSIS INFORMING THE STRATEGIC PLAN

Considering the above macro environment and stakeholder analysis, the DSBD identified the following key strengths/opportunities and weaknesses/ threats. The Strategic Plan then aims 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
• Sound government policies for the promotion of entrepreneurship and enterprise development, co-operatives and informal businesses; • Sound governance framework (DSBD, SEDA and SEFA); • Unqualified audit outcomes, and entities clean audit outcomes; • Dedicated human resource capacity to a very specific mandate; • Solid retention strategy in place in Portfolio, low staff turnover; • Increasing body of market intelligence to guide decision-making; • Financial resources available for SMME's and co-operatives development across the spheres of government; • 30 day payments commitment by government.	• Unavailability of baseline data of SMME's and co-operatives; • Fragmentation of interventions for SMME's and co-operatives (lack of coordination); • Inconsistent and varied implementation of policies; • Lack of citizen-centric approach to addressing sector needs; • Limited financial resources when considering individual departments and entities; • Productivity deficiency; • Lack of skills (unable to compete with private sector); • Lack of integrated service delivery support (duplication of programmes across the SBD portfolio); • Legacy practices – yet to demonstrate the value proposition of a separate SBD portfolio; • Shortage of skilled workforce with the requisite skills in small business, co-operatives and informal businesses development; • Uncoordinated enterprise development support.

Opportunities to be leveraged	Threats to be mitigated
• 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; • Support from the fiscus, political support, broad societal buy-in and international support; • Strategic public and private partnerships; • Innovative beneficiaries, willing and able to grasp opportunities given appropriate support; • Sound financial and non-financial instruments established – to promote and optimise access; • Availability of technology to strengthen the competitiveness of the sector – and to create access; • Public sector procurement – large purse to be leveraged, particularly for township and rural enterprises, and directed towards targeted groups; • Enterprise supplier development networks, channels and processes; • Better utilisation of the B-BBEE requirement under the Competitions Commission; • Access the Skills Fund through the Department of Higher Education; • Optimise relationships with SETA's for development of small business sector, including informal businesses; • Mentorship, incubation and cadet programmes at provincial and local level.	• Differentiated sector definition of SMME's and co-operatives; • Restrictive regulatory environment (constraints), including out-dated legislation dating back to the Apartheid era; • Segregation of the three spheres of government (non-unified approach); • Not developing entrepreneurs (creating grant dependent individuals); • Low level of early entrepreneurial activity; • High failure rate of start-ups (SMME's and co-operatives); • Untransformed private sector; • Inappropriate logistical infrastructure to facilitate balanced spatial development; • Foreigners encroaching on entrepreneurial space – need to ensure level, equitable playing field; • Depressed economic climate; • Complexities due to change in the political landscape, for example, at local government following the 2016 elections; • Low literacy and technical skills – the digital divide.

7.4 THE ORGANISATIONAL ENVIRONMENT

In support of the its strategic posture and focus, the DSBD 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 impact in the lives of its beneficiaries – informal businesses, SMME's and co-operatives.

The SBD Portfolio Institutional and Governance Arrangements:

Two Public Entities report to the Minister through defined governance arrangements, allowing some autonomy to fulfil their mandates. The Agencies serve as an extension of and assist the Department of Small Business Development in delivering its mandate: the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA), responsible for non-financial and financial business support services, respectively.

The Minister signs Shareholders Compacts with all the Chairpersons of Boards and these Compacts are monitored quarterly through the submission of quarterly reports by entities. These reports are appraised by the Department through an analysis process, and feedback is given to entities for possible interventions where necessary. Monitoring visits are scheduled quarterly with identified entities, especially where there are challenges that need urgent intervention.

The Department is still to establish coordinating structures such as CEO, CFO, Sector specific and Chairpersons Forums, through which the Executive Authority, Accounting Officer and senior management can engage with the entities to discuss issues that affect the implementation and delivery of entities mandates. To date, the Accounting Officer, CEO's and senior management engage quarterly - prior to and after the performance reporting to the Portfolio Committee. Decisions and resolutions arising from these engagements are monitored to ensure their implementation.

Towards the achievement of the 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, from that of the entities as implementing agents. This appreciation of roles and functions will in turn inform the Strategic Goals and Objectives discussed later.

High Level View of the Roles and Functions of the SBD Portfolio:

Role of National Department (DSBD)	Role of DSBD Entities (SEDA, SEFA)
Provide **DIRECTION and LEADERSHIP** to the small business and co-operatives sector broadly and across all three spheres of government: • Articulate and communicate a compelling small business development agenda. • Coordinate the enhanced integration of SMME's and co-operatives into the economy (mainstreaming). • Lead evidence based legislative and regulatory review and refinement. • Strengthen MINMEC and Technical MINMEC. • Strengthen Inter Departmental Forum – towards an Integrated Planning Framework for joint indicators and targets. • Establish policy mechanisms and frameworks for others to follow. • Develop and enforce guidelines and sectoral indicators to promote coherence. • Define an approach to influence IDP programmes. **OVERSIGHT** and **GOVERNANCE** of entities: • Ensure oversight and good governance of boards and institutions. • Strengthen integrated planning and streamlined reporting.	**IMPLEMENT** the **DELEGATED MANDATE** from DSBD: • Deliver on roles and functions as outlined in Shareholder Compact. • Ensure alignment of strategy, budget and implementation programmes. • Ensure sound governance and effectiveness of delegated functions. Develop and roll out **IMPLEMENTATION LEVEL POLICY** and **PROTOCOLS**: • Develop implementation level policy and protocols.

Role of National Department (DSBD)	Role of DSBD Entities (SEDA, SEFA)
RESEARCH, MONITORING and EVALUATION 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: • Institutionalise implementation of the Small Business Act – conduct impact assessments of regulations on SB sector. • Identify lucrative opportunities and design high level policy interventions. • Provide intellectual leadership to the sector and more broadly - guidance in terms of trends and indicators in the sector. • Package research to inform decisions on location and spread of services and service points. • Monitor and evaluate the impact of government support in the whole sector. • Identify, package and communicate best practices that might be further modelled – share learning. **DEVELOP and IMPLEMENT SECTOR WIDE DATABASES and M&E TOOLS:** • Ensure instruments and mechanisms are structured to be responsive, agile and adaptable.	**PROGRAMME LEVEL RESEARCH** that informs **TARGETED PROGRAMME DESIGN** and **PACKAGING**, which supports a holistic sector view: • Programme specific research and intelligence. • Targeted programme design and development. • Implementation level programme design and packaging/development. **MONITORING and EVALUATION AT PROGRAMME IMPLEMENTATION LEVEL**, to inform refinements to programmes: • Monitor and report on programme implementation. • Assess the impact and ongoing relevance of programmes.
PLAN, COORDINATE and MOBILISE RESOURCES for the implementation and delivery of small business and co-operatives development projects, programmes and services: • Propose policy at high level. • Engage partners for the piloting of programmes. • Coordinate implementation of programmes to support consistency. • Ensure coordinated systems and mechanisms to promote linkages and upliftment of SMME's/co-operatives (resources and tools to link SMME's to markets – databases/systems). • Identify mechanisms to tap into resources available in the small business space (public and private sector).	**IMPLEMENTATION of WELL CONCEPTUALISED AND TARGETED PROGRAMMES**, aligned to overall sector policy stance and sectoral indicators: • Adhere to and comply with National policy and standards for programme implementation. • Implement sectoral programmes and interventions. • Ensure effective and efficient implementation of programmes and services. • Streamline and simplify processes, and ensure increased access to services and online services.

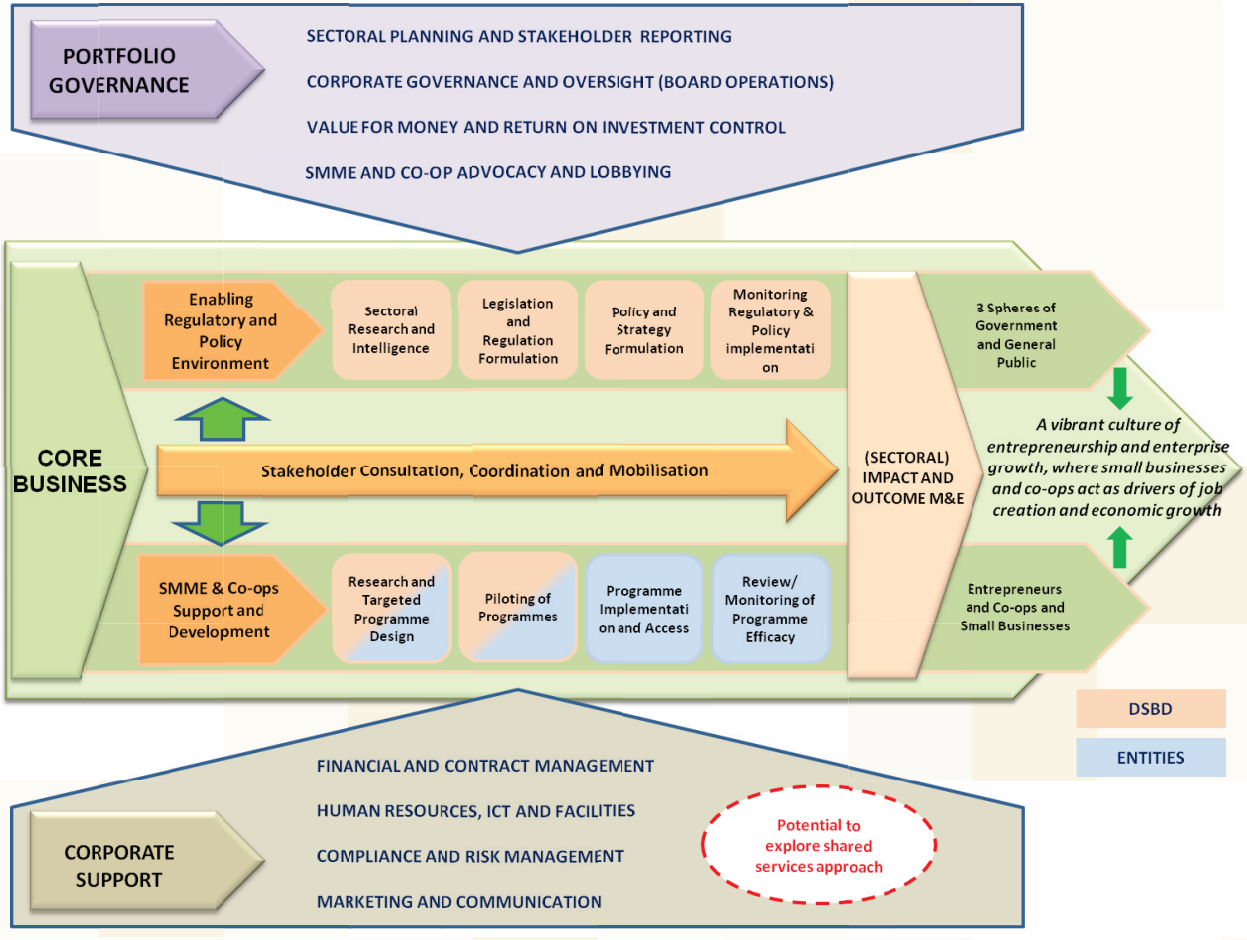
Role of National Department (DSBD)	Role of DSBD Entities (SEDA, SEFA)
Strengthen **ACCOUNTABILITY, PARTNERSHIPS and COMMUNICATION** with sector stakeholders, communities and key role-players in the sector, both nationally and internationally: • Enhance stakeholder consultation and engagement to inform the responsiveness and ensure the relevance of the agenda and programmes. • Support and enable the Executive Authority, and ensure alignment and delivery against mandate, priorities and commitments. • Secure Transversal Agreements with departments and other stakeholders - to influence, mobilise and monitor the application of available resources for SMME and co-operatives development. • Lead and strengthen IGR mechanisms and fora – improve coordination with national departments, agencies, provinces and municipalities.	Ensure a **COORDINATED REGIONAL/PROVINCIAL PRESENCE TO SUPPORT IMPLEMENTATION:** • Strengthen the governance arrangement between National agencies and the provincial offices – align a clear view on roles and integrated functions. • Strengthen engagement with local sphere where implementation occurs. **PARTNERSHIPS and COMMUNICATION** in support of delivery mandate.

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 1 is focused on DSBD administration; Programme 2 is strengthened to ensure a more sectoral view in terms of research, policy, M&E and related functions and that Programme 3 and 4 is more orientated to programme design and entity direction, and does not "compete" with the entities in terms of programme implementation.

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 defined by the Department. This must include greater synergy and coherence, and a stronger interface between the entities.

The DSBD and SBD Portfolio Value Chain and Services Delivery Model:

Building on the work done through the "transition process - delineation of roles" process conducted by the Department in May 2016, the above role and function considerations then inform an integrated SBD Portfolio value chain and delivery model, depicted below:



Orientated towards the attainment of the collective vision of **"a vibrant culture of entrepreneurship and enterprise growth, where small businesses and co-operatives act as drivers of job creation and inclusive economic benefit",** the "core business" of the Small Business (SMME's and Co-operatives) Development Portfolio is orientated on two distinct yet integrated levels, namely:

1) Ensuring an enabling regulatory and policy environment (where the beneficiaries are society broadly and the spheres of government, who benefit broadly from policy and regulatory certainty and coherence) – primarily driven by the Department, and where sector intelligence informs evidence based legislative and policy review and formulation and roll out, and implementation and relevance is monitored and reported.

2) Providing SMME and Co-operative support and development (where the primary beneficiaries are entrepreneurs, co-operatives and small businesses accessing support) – primarily driven by the implementation agencies, and where research informs targeted programme design and their effective and efficient piloting and implementation; and programme effectiveness and relevance is monitored, evaluated and reported.

3) The overall impact of both policy and aligned targeted support programmes is monitored, sectorally, to ensure progress towards the end goal.

The core business value chains are supported by a critical "spine" of **stakeholder consultation, coordination and their mobilisation**, where:

1) Stakeholder engagement and partnering is the foundation for both the establishment of an enabling environment, as well as the delivery of effective programmes and services, with a focus on the mobilisation of resources and capacity through partnerships that extend the reach and accessibility of programmes and services; and

2) At each stage of the value chain, different stakeholders and partners would be identified and engaged (e.g. academia, higher education = research, provinces/local government/chambers = programme implementation, etc.).

In turn, the core business of the Portfolio is supported by sound governance, corporate support and institutional arrangements focussed on ensuring:

1) Enhanced governance, oversight and public accountability and control of return on investment;

2) Lobbying and advocacy for issues pertaining to the sector through relevant forums and structures;

3) An optimally resourced, capacitated and sustainable Portfolio; and

4) A visible, credible and recognised Portfolio.

The above logic model then informs the crafting of the Strategic Goals (outcomes) of the DSBD, in response to its mandate and strategic intent.

Given the current constrained fiscal environment and the need to reduce the budget over the period of the MTEF, it is critical for the DSBD and its entities to identify opportunities to enhance the delivery of support provided, through better deployment of available capacity and through greater efficiencies and economies of scale. This will include a continued focus on unpacking the small business and co-operatives ecosystem that will have to be influenced and leveraged for the purpose of developing and growing SMME's and co-operatives; and on packaging DSBD, SEDA and SEFA offerings with the aim to present a single point of entry and support to SMME's and co-operatives.

In this regard, the process to develop this revised Strategic Plan (and the Portfolio Strategic Framework that informs it) identified certain potential overlaps and duplications in functions between DSBD, SEDA and SEFA; and the need for a reorientation and refocusing of DSBD and the possible migration of certain functions to the implementing entities is recognised.

The Transfer of certain DSBD Programmes to the Agencies and Strengthening Collaboration Between the Entities:

The purpose of transferring programmes from the Department of Small Business Development (DSBD) to its agencies is to create a clear delineation of responsibility between the Department and its agencies. Furthermore, to package the collective offerings to present a single point of entry for SMME's to minimise duplications that cause confusion to small businesses. The Department will focus primarily on legislation, policy, strategy, as well as monitoring and evaluation; while the agencies will focus on programme design and implementation.

It is proposed that the following DSBD programmes could be transferred:

1) Enterprise Incubation Programme (EIP) could be transferred to SEDA as the agency is already implementing an incubation programme. Given that SEDA has a similar programme, it would be appropriate for the Department to evaluate SEDA's existing programme to ensure that the desired outcomes will be achieved when these two programmes are integrated;

2) Black Business Supplier Development Programme (BBSDP) could be transferred to SEFA, and SEFA, together with the Department could consider redesigning the programme;

3) Cooperatives Incentive Scheme (CIS) could be transferred to the Cooperatives Development Agency (CDA). While the CDA is still in the process of being established, CIS could be implemented by SEDA. The CDA will be incubated under SEDA until all the agency establishment regulatory requirements have been met;

4) Shared Economic Infrastructure Facility (SEIF) could be transferred to SEDA; and

5) Informal and Micro Enterprise Development Programme (IMEDP) could be transferred to SEFA.

The transfer of the financial incentives to SEFA will help to diversify the organisation's financial support to small businesses and cooperatives, i.e. so that it does not only offer loans, but incentives as well; or a combination of the two, which would assist to reduce the current interest rates, which are perceived by many to be too high for a development finance institution.

The programmes will be transferred with their budgets. Some of the Department's personnel responsible for the implementation of the programmes will have to be approached to consider taking transfers and/or secondments to the agencies.

To this end, the Department will be left to focus on the important issues of reviewing and formulating legislation, policy and strategy for the promotion and development of small enterprises in the country, as well as monitoring and evaluation of governments financial and non-financial support interventions to the small business sector.

In turn, SEDA and SEFA have complementary mandates, as SEDA provides non-financial support while SEFA provides financial support. In an ideal situation, SEDA should support SEFA with all pre-investment support services, i.e. development and/or assessment of business plans from clients, as well as post-investment support services, i.e. mentorship support and monitoring of the performance of funded clients to ensure that SEFA is able to recuperate the loans disbursed.

Going forward, the two agencies must develop complementary systems that will ensure that SEFA does not utilise its resources to perform services that are supposed to be performed by SEDA and just focus on providing financial support and recouping of the loans, i.e. the business development support that SEFA is currently offering should ideally go to SEDA.

Currently, the agencies conduct their own self-evaluation and the reports that are forwarded to the Department are biased. The programme review initiative was not well thought out and it was too rushed, which is why there were no strong recommendations on the operations and programmes that are offered by the agencies. SEFA's impairment ratio is above 50%, which is very bad and the organisation attributes this to the lack of cession. This matter needs to be investigated further as the wholesale lending facility, where SEFA is not directly lending to small businesses, the performance is different, i.e. the impairment ration is lower. According SEFA's 2016/17 Q2 performance report, the collection rate of the Direct Lending Book is 43%. The collection rate for the Wholesale Lending Book appears higher, as the risk on the facility is 17% compared to the much higher 73% on the direct lending facility.

In the incubation programme, the feedback that the Department is receiving from SEDA is different from the feedback that the Department receives from external stakeholders, some of whom sit on the incubation management structure.

In view of the above, the Department has to lead a process of evaluating the performance of the two entities and possibly get an opinion on whether there is a need to combine them to ensure integrated support to small businesses and co-operatives.

The Department will thus need to be organised in a manner that will allow it to provide oversight over the performance of the financial and non-financial support Programmes offered by the agencies and government. The Department will determine policy and strategy objectives, and the agencies will be required to formulate programmes with clear targets and timeframes for the achievement of the objectives. The agencies will be required to report quarterly to the Department on the implementation of their programmes, based on the legislative, policy and strategy aims set by the Department.

It is recommended that a transitional team comprising of officials from the three institutions be established, and be led by an official from the Office of the Director-General of DSBD. The objectives of the transitional team will be to advise on a realistic timeline and proper operational processes that will need to be executed for the smooth transfer of programmes from the Department to the agencies.

A reasonable timeline should be set, bearing in mind that there may be issues of contention in respect of staff transfers and/or secondments between the three organisations.

2017/18 is, therefore, viewed as a transition year, during which certain reviews and assessments, including of the overall business architecture for financial and non-financial products and services, and engagements with NT and DPSA on budget programme and organisation design will occur. The view is that by April 2018, this transition process should be well progressed.

7.5 SUMMARY OF THE KEY PRIORITIES INFORMING THE STRATEGIC PLAN TO 2019/20

Based on the above, the key priority/focus areas informing the balanced strategy framework of the DSBD are as follows.

1) Under the theme of sector/market knowledge and intelligence, evidence based policy and decision making, monitoring and evaluation, and advocacy, the priority focus areas are to:

- **(MTSF)** - Develop the systems, processes and capabilities for continuous monitoring and evaluation (including central databases) across the sector. This includes:
    - Regular evidence based reporting on sector-wide performance in key MTSF areas (rural, township, targeted groups and access to procurement/set-asides).
- Drive a targeted, comprehensive research and development agenda;
- **(MTSF)** - Develop economic profiles to promote sustainable rural enterprises and industries in areas with economic development potential, off which to design, pilot and rollout support mechanisms;
- **(MTSF)** - Work with and support the different spheres of government in the reduction of red tape and ensure an enabling legislative and regulatory environment. This includes:
    - Identifying key provincial legislation affecting SMME's and co-operatives in different sectors of the economy.
    - Supporting efforts to reduce the time to register a business from

46 to 20 days.

- Establishment of a small business claims court and/or ombudsman.

- **(MTSF)** - Implement the National Database for SMME's and co-operatives for the SBD landscape;
- Advocate for a common definition for SMME's and co-operatives;
- Continue to garner political support to prioritise SMME and co-operatives as a key driver for the economy;
- Reinforce and lead interdepartmental cooperation and coordination; and
- Develop and implement cradle to grave supporting initiatives across the public sector.

2) Under the theme of core business – products and services delivered, the priority focus areas are to:

- Promote innovation through the packaging of enterprise development products and services provided to beneficiaries;
- Ignite a spirit of entrepreneurship;
- Raise the level of business acumen of small businesses and co-operatives, particularly in townships and rural areas, and ensure at least 40% of supported businesses survive beyond start-up phase;
- **(MTSF)** - Tailor make products and services to address the needs of beneficiaries at different stages of the enterprise development cycle;
- Build, upscale and maintain infrastructure (formal and informal);
- **(MTSF)** - Upscale NIBUS implementation and track its success in transitioning informal businesses to formality (SMME's and co-operatives);
- Mobilise resources from strategic partners through a highly responsive relationship management/partnering approach;
- Facilitate the provision of products and services outside of the state's capability (e.g. through trade and export agreements);
- **(MTSF)** - Ensure socio-economic impact is created through the products and services provided to beneficiaries in terms of:
  - Support to targeted groups (youth, women, people with disability, informal business, township and rural areas);
  - Improved participation in the mainstream economy;
  - Sustainable communities; and
  - Economic growth.

3) Under the theme of transformational impact, development outcomes, value for money and mobilisation of resources, the priority focus areas are to:

- Leverage financial and non-financial support from stakeholders through effective and responsive partnership development and maintenance;
- Strengthen the IGR system (horizontal and vertical) and the capacitation of LED functions in municipalities and traditional councils, and strengthen linkages with the dti, Treasury, DRDLR, DHE, COGTA, DAFF and EDD as vital sector partners;
- Strengthen business chambers to protect investments;
- Develop sector specific interventions that enable the sustainability

of enterprises by targeting industries identified in the APP's, IDP's and LED strategies (retail, services, agriculture, construction and maintenance, manufacturing) of provinces and municipalities;

- Crowd in other financial role-players/providers;
- **(MTSF)** - Develop a holistic/seamless support programme (one stop shop) for all types of businesses, for example, start up, survivalist, etc. This includes the rollout of a virtual incubation programme that can increase the entrepreneurial start up rate; and
- Drive efficiencies and economies of scale.

4) Under the theme of governance and compliance, effective and efficient processes and systems, funding and investment models, the priority focus areas are to:

- Ensure a sound and relevant policy framework, regularly revised and updated in line with changing environmental conditions;
- Ensure effective oversight of the Public Entities;
- Develop integrated business processes across the sector;
- Entrench strategic and institutional alignment to the Portfolio Strategic Framework;
- Ensure integrated reporting, monitoring and evaluation;
- Ensure effective risk management and control;
- Manage and control budgets – optimal spending and prioritised allocation; and
- Develop a system of effective financial management and internal controls.

5) Under the theme of professional, capable and innovative human capital and high performance, the priority focus areas are to:

- Improve the capacity and capability of business advisors - develop highly competent small business practitioners/technocrats through skills development programmes based on competency assessments;
- Promote an entrepreneurial culture within the SBD portfolio;
- Focus on mitigating bottlenecks to improve productivity and drive service delivery improvement;
- Implement workplace skills plan(s);
- Implement personal development plans;
- Develop project and programme management competencies; and
- Ensure cross-skilling and staff rotation within the portfolio (across institutions).

8. DESCRIPTION OF THE STRATEGIC PLANNING PROCESS

On 23 November 2016, officials from the DSBD met colleagues from Department of Planning Monitoring and Evaluation (DPME) and the National Treasury (NT) to receive feedback on the first Draft 2017/18 Annual Performance Plan (submitted in August 2016).

In summary, central to the feedback received was that in its then (August Draft 1) form, the DSBD does not adequately respond to the SBD mandate and in fact reflects the DSBD "competing" with its entities in terms of programme/project implementation[14]. DPME/NT offered the DSBD an extension, to January 2017, to remedy this situation. However, this was not as simple as just revising the DSBD APP.

14 NT and DPME, Written Response to Draft One DSBD 2017/18 Annual Performance Plan, 8 December 2016

Full response to the DPME/NT feedback required the articulation of a portfolio level strategic framework, including sectoral indicators aligned in full to the MTSF and to which even the entities can align themselves. The entities should therefore be fully engaged in the process. This would also ensure that the shifts in the posture and delivery value chain of the DSBD does not mean that key implementation/delivery targets, which might be removed from the DSBD APP, do not fall through the cracks and are picked up by the implementation agents (entities).

The DSBD, SEDA and SEFA (the Portfolio) therefore embarked on a process towards the development of an overarching and integrated Strategic Framework for the Portfolio, to which each of the three entities could then align their own Strategic Plans and aligned Annual Performance Plans, and which necessarily, also includes an articulation of the SBD delivery value chain and roles and functions at Portfolio level, as well as defined Portfolio indicators and targets.

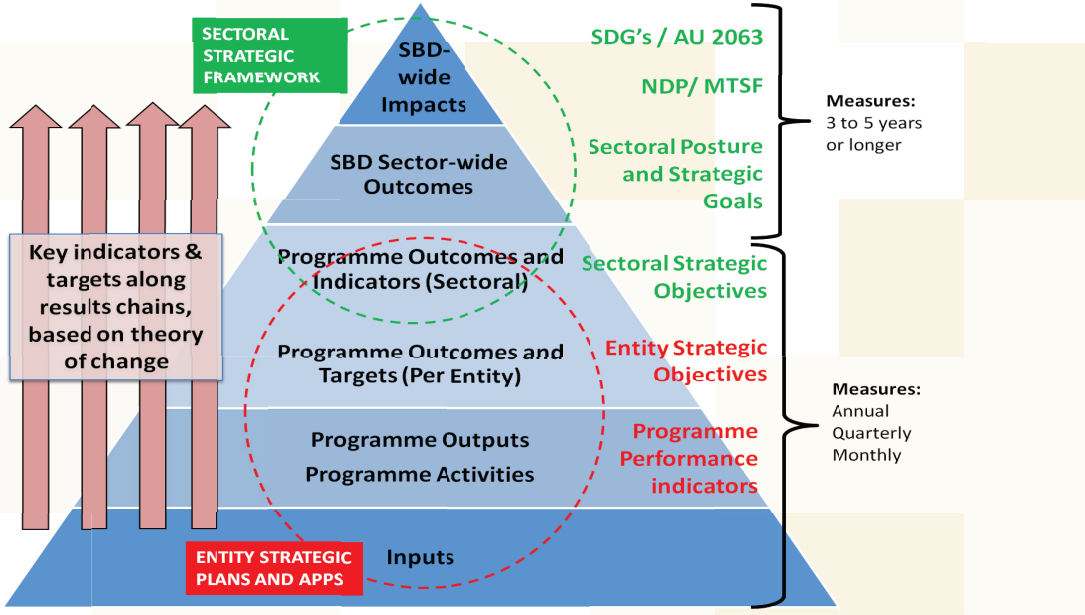
Note: It was discussed that into the future, and potentially for the 2018/19 planning cycle, a SECTORAL STRATEGIC PLAN and SECTORAL INDICATOR FRAMEWORK might be developed. The process to develop such would necessarily include sectoral stakeholders (e.g. provinces, COGTA, SALGA, business chambers and sectoral representatives), and enable a sectoral view and seek to ensure policy and planning coherence across the entire small business and co-operatives development value chain.

However, in this cycle, owing to time constraints, the process was restricted to the three entities and the arising Framework is therefore pitched as a “Portfolio Framework”.

Furthermore, the document is deliberately called a “Strategic Framework”, so as not to confuse it with the “Strategic Plans” which are requirements in terms of the NT Planning Framework, and will still be developed by each entity, focusing on the parts of the Portfolio Framework relevant to them specifically.

Based on the Theory of Change logic model and the key performance information concepts[15] 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 the Portfolio Strategic Framework is on the green highlighted areas, reflecting:

15 National Treasury, Framework for Strategic Plans and Annual Performance Plans, August 2010

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 2014-2019 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 is 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 development of the Portfolio Strategic Framework, and therefore this revised DSBD Strategic Plan, entailed:

1) An initial exploratory workshop (25 November 2016) with DSBD, SEDA and SEFA representatives to consider the DPME/NT feedback and agree on the approach to develop a Portfolio Strategic Framework;

2) Desk based review and development of a rough first draft Portfolio Strategic Framework, developed from a desk based integration of the current DSBD, SEDA and SEFA Strategic Plans, and identifying broad synergies and gaps;

3) A 2 day Strategic Review and Planning Workshop (14 – 15 December 2016) with DSBD, SEDA and SEFA representatives, to consider the draft Strategic Framework and refine, strengthen and build it towards a second draft;

4) Circulation of the second draft Portfolio Strategic Framework as a basis for each of the entities to conduct their own processes towards revising and aligning their Strategic Plans and APP's (January 2017);

5) A further planning working session (6 February 2017) with DSBD, SEDA and SEFA representatives to triangulate and test data arising from their respective strategic processes and finalise the Portfolio Strategic Framework; and

6) A two day Portfolio planning session (6 – 7 July 2017), which sought to take stock of progress to date in implementation of the Portfolio Strategic Framework and to kick-start the 2018/19 planning cycle.

The Portfolio (DSBD, SEDA and SEFA) were represented at various stages through the process by the following participants:

- The Minister and Deputy Minister of Small Business Development;
- The Chairpersons and Board members of SEDA and SEFA;
- The Director General of the Department of Small Business Development;
- Representatives from the IDC and NT;
- The CEO's and Senior Management from SEDA and SEFA; and

- Senior Management from the DSBD.

The outcome of the above process is then reflected in the form of a Portfolio Strategic Framework, intended to inform aligned Strategic Plans and APP's for each of the DSBD, SEDA and SEFA for the period ahead to 2019/20.

This revised Strategic Plan for the Department of Small Business Development (2015 - 2019) then articulates the contribution of the DSBD within the context of the Portfolio Strategic Framework, and will inform the DSBD Annual Performance Plans for the period to the end of the current term, in 2019/20.

This revised Strategic Plan should therefore be read in conjunction with the Portfolio Strategic Framework to 2019/20; as it outlines the high-level strategic framework of DSBD within the context of the SBD Portfolio and presents the DSBD specific strategic goals, strategic objectives and Strategic Objective targets to 2019/20.

9. STRATEGIC OUTCOME ORIENTED GOALS OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT AND THE SBD PORTFOLIO

In the context of the hierarchy of performance information utilised to construct this document (a "theory of change" logic model) and where the vision and mission describe the "longer term impact", the next level in the hierarchy is to describe "how this impact will be achieved" in the period to 2019/20, by defining strategic goals (outcomes) and thereafter, objectives and performance metrics for each.

Informed by balanced strategy logic in their framing, five (5) Strategic Goals have been defined and will require coordinated and integrated focus and effort by both the Department as well as the two Public Entities to attain them. In other words, the view is that these Strategic Goals will be adopted by the entities in their respective strategic plans.

The five (5) Strategic Goals are elaborated upon in the table below:

Strategic Outcome-Orientated Goal	Goal Statement	National Policy Alignment
1) Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.	The SBD Portfolio will drive policy and planning coherence, and an enabling ecosystem in the sector, by: • Providing direction and leadership to the sector broadly and across all 3 spheres of government. • Leading evidence based legislative, regulatory and policy review and refinement. • Developing and enforcing guidelines and sectoral indicators to promote coherence. • Enhancing stakeholder consultation and engagement – to secure social compacts and agreements with sector bodies to drive and enhance the SBD agenda. • Securing Transversal Agreements with departments - to influence, mobilise and monitor the application of available resources for SMME and co-operatives development. • Leading and strengthening IGR mechanisms and fora to improve coordination with national departments, agencies, provinces and municipalities.	**NDP and MTSF Sub-Outcomes:** 4.3.2: Measure and reduce delays and unnecessary red tape around authorisations needed for provincial investments. 7.6.1: Promote sustainable rural enterprises and industries in areas with economic development potential.

Strategic Outcome-Orientated Goal	Goal Statement	National Policy Alignment
2) Equitable access to responsive and targeted products and services that enable the growth and development of SMME's and co-operatives.	The SBD Portfolio will ensure equitable access to responsive and targeted products and services by: • Coordinating and integrating support services to small businesses and co-operatives, in particular in townships and rural areas. • Enhancing the accessibility to programmes and services that support the whole small business lifecycle. • Ensuring programmes and services benefit targeted groups. • Ensuring alignment of strategy, budget and implementation programmes. • Ensuring effective and efficient implementation of programmes and services. • Streamlining and simplifying support processes, and ensuring increased access to services and online services.	**NDP and MTSF Sub-Outcomes:** 4.5.2: Township and rural economies supported and report on the impact in terms of the number of business supported, value of the grant approved and geographic location of the supported businesses. 4.8.1: Programmes to ensure increased access to employment and entrepreneurship for black women and youth in the context of stronger support for emerging and smaller enterprises overall. 4.8.2: Provide coaching, incubation, intensive support and financing to sustain existing small businesses and co-operatives, as well as expand the sector. 7.6.1: Promote sustainable rural enterprises and industries in areas with economic development potential.
3) Sound governance and the optimal utilisation of available resources.	The SBD Portfolio will ensure sound governance, effectiveness and efficiency in its operations by: • Ensuring effective oversight and good governance of the Boards and institutions established to support the delivery of small business and co-operatives development functions and services. • Creating a stable public service organisation and integrated systems and processes, and ensuring the effective utilisation and leveraging of resources. • Reviewing and enhancing funding and investment models to ensure they are fit for purpose and responsive.	**NDP and MTSF Sub-Outcomes:** Secondary to Outcome 12: An efficient, effective and development-oriented public service.

Strategic Outcome-Orientated Goal	Goal Statement	National Policy Alignment
4) An enhanced contribution to socio-economic development outcomes by the sector.	The SBD Portfolio will enhance the sector's socio-economic contribution by: • Monitoring and evaluating the impact of investments made in small business development, and the sectors contribution to economic growth and job creation, so as to inform evidence based decision making. • Strengthening support to ensure the mainstreaming of the sector into the formal economy. • Strengthening support to the realisation of ILO decent work agenda. • Leveraging and mobilising financial and non-financial support from stakeholders through partnership development.	**NDP and MTSF Sub-Outcomes:** Outcome 4: Decent employment through inclusive growth. Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all. 4.5.2: Township and rural economies supported and report on the impact in terms of the number of business supported, value of the grant approved and geographic location of the supported businesses. 4.8.1: Programmes to ensure increased access to employment and entrepreneurship for black women and youth in the context of stronger support for emerging and smaller enterprises overall.
5) A professional and capacitated SBD Sector.	The SBD Portfolio will build a cadre of capable and skilled professionals in the sector, and among its own staff, by: • Actively building a cadre of transformed, capable and professional business advisors. • Strengthening engagement with the SETA's and skills development organisations operating in the sector. • Building human resource capacity, and promoting a culture of high performance. • Supporting efforts to promote an entrepreneurial culture across society.	**NDP and MTSF Sub-Outcomes:** Secondary to Outcome 5: A skilled and capable workforce to support an inclusive growth path.

Individually, each goal represents an aspiration that the SBD Portfolio seeks to achieve as it pursues its collective mission (aim). Collectively, the goals define the full range of the Portfolio's role and focus. Importantly, the attainment of each goal will require Portfolio specific focus, as well as support and collaboration by external stakeholders.

PART B

STRATEGIC OBJECTIVES

PART B: STRATEGIC OBJECTIVES

This section presents and discusses the Strategic Objectives identified to achieve the Strategic Goals described in the section above.

10. PROGRAMME STRATEGIC OBJECTIVES

The Strategic Objectives are related to and discussed within the context of the approved budget programme structure of the Department of Small Business Development. The following sections then discuss each of the four (4) Budget Programmes and their Strategic Objectives individually.

10.1 PROGRAMME 1: ADMINISTRATION

The programme is responsible for the provision of strategic leadership, management and support services to the Minister, Deputy Minister, Director General and the Department. This is to ensure the successful implementation of the Department's mandate through sustainable and integrated support services that are customer driven.

While supporting the delivery of all five Strategic Goals, the organisational effectiveness focus of the Administration Programme results in delivery against the following Strategic Goals and their aligned Strategic Objectives:

Goal 3: Sound governance and the optimal utilisation of available resources.

Strategic Objective 3.1: Compliance and good governance ensured.

Strategic Objective 3.3: Efficient, integrated and streamlined business processes and systems.

Goal 4: An enhanced contribution to socio-economic development outcomes by the sector.

Strategic Objective 4.4: Informed and empowered communities and a responsive department.

Goal 5: A professional and capacitated SBD Sector.

Strategic Objective 5.2: Strengthened human resource capability and a high performing organisation.

10.1.1 PROGRAMME 1: SUB-PROGRAMMES

The Administration Programme covers the work of the following sub-programmes:

1) **Ministry** – to provide for administrative and logistical support to the Minister and Deputy Minister, as well as support staff and make provision for their salaries;

2) **Departmental Management (Office of the DG)** – to provide policy and strategic direction for the Department, including enterprise-wide support services comprising of administrative support to the Director General, corporate planning and monitoring and evaluation;

3) **Corporate Services** – to provide enterprise-wide support services comprising of human resources, legal services, learning and development and transformation policy and coordination;

4) **Financial Management** – to ensure the efficient management of daily financial operations, processes and systems; and

5) **Communications and Marketing** – to provide communications, marketing and stakeholder management support to the Department.

10.1.2 PROGRAMME 1: STRATEGIC OBJECTIVES

The line-of-sight contribution of Programme 1 to the Strategic Goals is reflected in the programme level Strategic Objectives outlined in the table below:

Strategic Objective	Strategic Objective statement	Strategic Objective Baseline (2016/17)	Strategic Objective Target (By 2019/20)
Supporting Strategic Goal 3: Sound governance and the optimal utilisation of available resources.			
3.1 Compliance and good governance ensured.	DSBD External Audit outcome for previous financial year, for both financial and non-financial performance data.	Unqualified audit outcome for both financial and non-financial performance data for 2015/16.	Unqualified external audit opinion for both financial and non-financial performance data maintained.
3.3 Efficient, integrated and streamlined business processes and systems.	Implement sound and automated business solutions and systems for the Department.	Revised DSBD ICT Plan approved by EXCO.	5 ICT system projects defined in the DSBD ICT Plan implemented by 2019/20.
Supporting Strategic Goal 4: An enhanced contribution to socio-economic development outcomes by the sector.			
4.4 Informed and empowered communities and a responsive department.	A strategically aligned Communications and Stakeholder Relations Programme for the MTSF and assessment of progress in achieving the outcomes of the Programme.	New indicator.	3-year strategically aligned Communications and Stakeholder Relations Programme approved End of term assessment report on progress against the outcomes of the Programme produced in 2019.
Supporting Strategic Goal 5: A professional and capacitated SBD Sector.			
5.2 Strengthened human resource capability and a high performing organisation.	Improvement in the annual consolidated organisational performance rating.	New indicator.	80% achievement of 2018/19 non-financial performance, calculated in 2019/20.

The above strategic objectives and their targets will then inform the resource considerations, budget and MTEF projections outlined in the aligned Annual Performance Plans over the period.

10.1.3 PROGRAMME 1: RESOURCE CONSIDERATIONS

10.1.3.1 BUDGET ESTIMATES

Programme 1: Administration (R'000)	Audited outcome			Main appropriation	Medium-term expenditure estimate		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Ministry	22 376	29 898	29 691	33 102	29 176	30 729	32 924
Departmental Management	-	15 232	14 514	19 312	19 976	21 041	22 489
Corporate Services	-	21 317	33 456	46 956	51 178	56 220	60 295
Financial Management	-	-	14 929	15 186	17 541	19 275	19 901
Communications	-	-	6 335	7 058	6 858	7 183	7 607
Total	**22 376**	**66 447**	**98 925**	**121 614**	**124 729**	**134 448**	**143 216**
Economic classification							
Current payments	**21 264**	**63 479**	**96 022**	**115 840**	**119 135**	**128 674**	**137 149**
Compensation of employees	11 407	34 591	52 230	65 115	67 615	72 742	78 259
Goods and services	9 857	28 888	43 792	50 725	51 520	55 932	58 890
Transfers and subsidies	**-**	**-**	**25**	**-**	**-**	**-**	**-**
Households	-	-	25	-	-	-	-
Payments for capital assets	**1 112**	**2 968**	**2 878**	**5 774**	**5 594**	**5 774**	**6 067**
Transport equipment	1 080	-	-	3 000	-	-	-
Other machinery and equipment	32	2 951	2 850	2 774	5 594	5 774	6 067
Software and other intangible assets	-	17	-	-	-	-	-
Payments for Financial Assets	-	-	28	-	-	-	-
Total	**22 376**	**66 447**	**98 925**	**121 614**	**124 729**	**134 448**	**143 216**

In planning for the MTEF, Programme 1 considerations for budget allocations are as follows:

1) Programme 1 (Administration) has been allocated R402.3 million over the medium term.

2) The spending focus over the medium term for the Programme will be on the five sub-programmes namely Ministry, Departmental Management, Corporate Services, Financial Management and Communications.

3) Funds allocated to human capital amount to R218.6 million over the medium term whilst the operational requirements allocation amounts to R166.3 million.

4) The main cost drivers over MTEF besides human capital amount are in operations, wherein R58.7 million has been set aside for office accommodation, R34.2 million for travel and subsistence, and R27.1 million for the stabilisation of ICT support in the department.

10.1.4 PROGRAMME 1: RISK MANAGEMENT

The key risks that may affect the realisation of the Strategic Objectives stated for this programme are as follows:

Strategic Goal	Strategic Objective	Identified Risk	Mitigation needed
A professional and capacitated SBD Sector	Coordinated development of the skills pool across the sector	Inadequate skills base	1. Alignment of structure with strategy and Annual Performance Plan
			2. SLA with SITA to be in place as well as secured and independent network infrastructure, telephony and connectivity to SITA
			3. Coordinate compliance with Portfolio Strategic Framework
			4. Influence and assess the entities' planning and performance reports
Sound governance and the optimal utilisation of available resources	• Sound institutional governance and oversight of the Small Business Development Portfolio	Non- compliance with legislative prescripts and non-application of the good governance principles	1. Implementation of institutional governance and oversight function through Governance Forums
			2. Cross functional strategic planning for alignment of functions

The above risks will inform the rolling annual Risk Register and Risk Management Plans for the period, which will be reported on quarterly.

10.2 PROGRAMME 2: SECTOR POLICY AND RESEARCH

The programme is responsible to create an enabling environment for the development and growth of sustainable small businesses and co-operatives through commissioning research; the development and review of policy and legislation; the coordination and promotion of sound intergovernmental relationships; promoting the sector interests in the regional and global arena; and effective monitoring and evaluation of programmes to ensure the desired impact is achieved in contributing toward the creation of employment and economic growth.

The sector policy and research focus of Programme 2 results in delivery against the following Strategic Goals and their aligned Strategic Objectives:

Goal 1: Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.

Strategic Objective 1.1: Reduced regulatory burdens and a conducive legislative and policy environment for SMME's and co-operatives.

Strategic Objective 1.4: A comprehensive research agenda on key areas of support for SMME's and co-operatives implemented.

Strategic Objective 1.5: Strengthened efforts to place SMME's at the centre of the economic diplomacy agenda.

Goal 4: An enhanced contribution to socio-economic development outcomes by the sector.

Strategic Objective 4.1. Demonstrated progress towards sector-wide SMME's and co-operatives support achieving its intended socio-economic impact.

10.2.1 PROGRAMME 2: SUB-PROGRAMMES

The Sector Policy and Research Programme covers the work of the following sub-programmes:

1) **Research** - to provide research and knowledge management services to direct sector thought leadership and guide evidence based policy making and programme design;

2) **Policy and Legislation (which includes IGR and Coordination)** - to develop and review policies and legislation to create and promote sustainable growth opportunities for small businesses and co-operatives and to advance coordination and cooperation amongst the different spheres of government;

3) **International Relations and Trade Promotion** - to promote the sector's interests in the global space through negotiations and lobbying at different regional and international forums and the development of strategies and position papers; and

4) **Monitoring and Evaluation** - to provide monitoring and evaluation services to evaluate performance and identify factors that improve service delivery outcomes.

10.2.2 PROGRAMME 2: STRATEGIC OBJECTIVES

The line-of-sight contribution of Programme 2 to the Strategic Goals is reflected in the Programme level Strategic Objectives outlined in the table below:

Strategic Objective	Strategic Objective statement	Strategic Objective Baseline (2016/17)	Strategic Objective Target (By 2019/20)
Supporting Strategic Goal 1: Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.			
1.1 Reduced regulatory burdens and a conducive legislative and policy environment for SMME's and co-operatives.	SMME's and co-operatives red tape reduction procedures analysed and redesigned at National, Provincial and Local level.	New indicator	Cumulatively, 23 SMME's and co-operatives red tape reduction procedures analysed and redesigned over the period to 2019/20.
1.4 A comprehensive research agenda on key areas of support for SMME's and co-operatives implemented.	A strategically aligned multi-year Research Agenda, informing evidence-based policies and programmes, implemented.	Draft Research agenda informing sectoral research on SMME's and co-operatives and packaging of targeted support programmes developed.	Multi-year sectoral research Agenda implemented. (2017/18 – 2019/20). End of term report on thought leadership and research produced in 2019/20.
1.5 Strengthened efforts to place SMME's at the centre of the economic diplomacy agenda.	A strategically aligned Africa and Global International Relations Programme for the MTSF and assessment of progress in achieving the outcomes of the Programme.	New indicator	3-year strategically aligned Africa and Global International Relations Programme approved. End of term assessment report on progress against the outcomes of the Programme produced in 2019/20.
Supporting Strategic Goal 4: An enhanced contribution to socio-economic development outcomes by the sector.			
4.1 Demonstrated progress towards sector-wide SMME's and co-operatives support achieving its intended socio-economic impact.	Annual consolidated trend analysis of sector-wide socio-economic contribution and progress towards key MTSF indicators.	New indicator	3x annual consolidated trend analysis of sector-wide socio-economic contribution and progress towards key MTSF indicators.

The above strategic objectives and their targets will then inform the resource considerations, budget and MTEF projections outlined in the aligned Annual Performance Plans over the period.

10.2.3 PROGRAMME 2: RESOURCE CONSIDERATIONS

Programme 2 (R'000)	Audited outcome			Main appropriation	Medium-term expenditure estimate		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Research	-	-	-	-	7 521	7 628	8 493
Policy,and Legislation	11 707	11 692	13 644	7 229	4 852	4 947	4 940
Monitoring and Evaluation	-	-	-	6 657	2 887	3 166	3 326
International Relations	-	-	204	4 112	7 153	7 805	8 272
Total	**11 707**	**11 692**	**13 848**	**17 998**	**22 413**	**23 546**	**25 031**
Economic classification							
Current payments	**11 640**	**11 675**	**13 813**	**17 998**	**22 357**	**23 490**	**24 975**
Compensation of employees	9 783	9 908	10 252	10 799	10 779	10 819	11 627
Goods and services	1 857	1 767	3 561	7 199	11 578	12 671	13 348
Transfers and subsidies	**22**	**-**	**-**	**-**	**-**	**-**	**-**
Households	22	-	-	-	-	-	-
Payments for capital assets	**45**	**17**	**35**	**-**	**56**	**56**	**56**
Other machinery and equipment	45	17	35	-	56	56	56
Total	**11 707**	**11 692**	**13 848**	**17 998**	**22 413**	**23 546**	**25 031**

10.2.3.1 BUDGET ESTIMATES

In planning for the MTEF, Programme 2 considerations for budget allocations are as follows:

1) Programme 2 (Sector Policy and Research) has been allocated R70.9 million over the medium term.

2) The spending focus over the medium term for Sector Policy and Research will be on the four sub-programmes namely Research, Policy,and Legislation, Monitoring and Evaluation and International Relations.

3) Funds allocated to human capital amount to R33.2 million over the medium term whilst the operational requirements allocation amounts to R37.5 million over the medium.

4) The main cost driver besides human capital amount is in operations wherein R23.1 million has been budgeted to support the research programme and R9.6 million on travel and subsistence.

10.2.4 PROGRAMME 2: RISK MANAGEMENT

The key risks that may affect the realisation of the Strategic Objectives stated for this programme are as follows:

Strategic Goal	Strategic Objective	Identified Risk	Mitigation needed
1. Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.	1.1 Reduced regulatory burdens and a conducive legislative and policy environment for SMME's and co-operatives.	1. Resistance from affected stakeholders 2. Resource constraints	1. Strengthen partnerships with, entities, COGTA, SALGA and provincial stakeholders.
	1.2 Integrated approach to planning, monitoring and evaluation of the SMMEs and Co-operatives sector, to inform policy decision making.	1. Inability to promote coherent planning through legislation and policies. 2. Lack of cooperation by municipalities.	1. Strengthen partnerships with, entities, COGTA, SALGA and provincial stakeholders.
	1.3 A comprehensive research agenda on key areas of support for SMME's and co-operatives implemented.	1. Uncertainty on priority sectors to target. 2. Resource constraints.	1. Need both industry and sector prioritisation and approach. 2. Leverage partnerships in Research
2. Equitable access to responsive and targeted products and services that enable thegrowth and development of SMMEs and cooperatives	Oversight and co-ordination of the design and implementation of targeted non- financial support programme to support new and existing SMMEs and Co-operatives	Non-alignment of SMMEs and Co-operatives programmes with the Department's mandate	Strengthen Portfolio and sectorial integrated strategic planning approach and M&E and reporting systems.

The above risks will inform the rolling annual Risk Register and Risk Management Plans for the period, which will be reported on quarterly.

10.3 PROGRAMME 3: INTEGRATED CO-OPERATIVES DEVELOPMENT

The programme is responsible to create an enabling environment that facilitates the establishment, growth and development of co-operatives through the development and review of legislation and policy, the design, piloting and monitoring of the impact of support services and instruments; the championing of functional partnerships and cooperation agreements; and the advocacy and thought leadership in advancing economic growth, job creation and social cohesion.

The programme implementation focus of Programme 3 results in delivery against the following Strategic Goals and their aligned Strategic Objectives:

Goal 1: Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.

Strategic Objective 1.2. An integrated approach to planning, monitoring and evaluation of the Co-operatives Sector, to inform policy decision making.

Goal 2: Equitable access to responsive and targeted products and services that enable the growth and development of SMME's and co-operatives.

Strategic Objective 2.1. Oversight and coordination of the design and implementation of targeted financial and non-financial support programmes to support new and existing co-operatives.

Goal 4: An enhanced contribution to socio-economic development outcomes by the sector.

Strategic Objective 4.2. Sustainable partnerships to support the co-operatives development agenda.

10.3.1 PROGRAMME 3: SUB-PROGRAMMES

The Integrated Co-operatives Development Programme covers the work of the following sub-programmes:

1) Co-operatives Development - to manage and facilitate the creation of new co-operatives and the growth of existing co-operatives through clustering and value chain approaches;

2) Co-operatives Programme Design and Support – to review existing programmes and design new ones based on the review outcomes and change in the co-operatives development landscape and economic conditions; and

3) Supplier Development and Market Access Support - to manage strategic partnerships with the private sector, state-owned entities and public sector, with the aim of developing co-operatives to become suppliers of goods and services; and facilitate readiness to access market opportunities.

10.3.2 PROGRAMME 3: STRATEGIC OBJECTIVES

The line-of-sight contribution of Programme 3 to the Strategic Goals is reflected in the Programme level Strategic Objectives outlined in the table below:

Strategic Objective	Strategic Objective statement	Strategic Objective Baseline (2016/17)	Strategic Objective Target (By 2019/20)
Supporting Strategic Goal 1: Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.			
1.2 An integrated approach to planning, monitoring and evaluation of the Co-operatives Sector, to inform policy decision making.	Enhanced support, coordination and enabling of sustainable and competitive co-operatives through the promulgation and implementation of the Co-operatives Development Act and aligned Strategy.	New indicator.	Implementation Action Plan for the Co-operatives Development Act and aligned Co-operatives Development Strategy.
Supporting Strategic Goal 2: Equitable access to responsive and targeted products and services that enable the growth and development of SMME's and co-operatives.			
2.1 Oversight and coordination of the design and implementation of targeted financial and non-financial support programmes to support new and existing co-operatives.	End-of-term programme assessment on progress against MTSF targets in terms of the DSBD and Entity co-operatives financial and non-financial support programmes.	New indicator.	Consolidated end-of-term programme assessment on progress against MTSF targets in terms of the DSBD and Entity co-operatives financial and non-financial support programmes.
Supporting Strategic Goal 4: An enhanced contribution to socio-economic development outcomes by the sector.			
4.2 Sustainable partnerships to support the co-operatives development agenda.	Cumulative Rand Value of resources leveraged through partnerships with sector stakeholders.	New indicator.	R15m of resources leveraged through partnerships with sector stakeholders by 2019/20.

The above strategic objectives and their targets will then inform the resource considerations, budget and MTEF projections outlined in the aligned Annual Performance Plans over the period.

10.3.3 PROGRAMME 3: RESOURCE CONSIDERATIONS

10.3.3.1 BUDGET ESTIMATES

Programme 3 (R'000)	Audited outcome			Main appropriation	Medium-term expenditure estimate		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Cooperatives Development	3 393	3 949	6 847	7 976	10 728	11 871	12 667
Cooperatives Programme Design and Support	85 428	85 778	76 136	90 545	94 406	99 709	105 426
Supplier Development and Market Access Support	-	-	9 585	8 278	5 900	6 163	6 581
Total	**88 821**	**89 727**	**92 568**	**106 799**	**111 034**	**117 743**	**124 674**
Economic classification							
Current payments	**13 821**	**14 696**	**28 689**	**28 049**	**27 682**	**29 724**	**31 815**
Compensation of employees	11 647	13 375	23 554	22 546	19 768	21 544	23 170
Goods and services	2 174	1 321	5 135	5 503	7 914	8 180	8 645
Transfers and subsidies	**75 000**	**75 019**	**63 879**	**78 750**	**83 318**	**87 984**	**92 823**
Public Corporations	75 000	75 000	63 879	78 750	83 318	87 984	92 823
Households	-	19	-	-	-	-	-
Payments for capital assets	**-**	**12**	**-**	**-**	**34**	**35**	**36**
Other machinery and equipment	-	12	-	-	34	35	36
Total	**88 821**	**89 727**	**92 568**	**106 799**	**111 034**	**117 743**	**124 674**

In planning for the MTEF, Programme 3 (which focused on both co-operatives and SMME support) has been split into two budget Programmes.

Considerations for budget allocations, for Programme 3, are as follows:

1) In Programme 3 (Intergrated Cooperatives Development) has been allocated R353.3 million over the medium term and R111 million for the 2018/19

financial year.

2) The spending focus over the medium term for the Intergrated Cooperatives Development Programme will be on the three sub-programmes namely Cooperatives Development, Cooperatives Programme Design and Support and Supplier Development and Market Access Support.

3) The main cost driver for the programme is transfers amounting to R264 million (75%) over the medium term. Funds allocated to human capital amount to R64.5 million (18.2%) over the medium terms whilst operational requirements are allocated R24.7 million.

4) The focus over the medium term will be on provision of financial and non-financial support to cooperatives by the department and the departmental entities.

10.3.4 PROGRAMME 3: RISK MANAGEMENT

The key risks that may affect the realisation of the Strategic Objectives stated for this programme are as follows:

Strategic Goal	Strategic Objective	Associated Risk	Mitigation needed
1. Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.	1.2 An integrated approach to planning, monitoring and evaluation of the Co-operatives Sector, to inform policy decision making.	Unavailability of stakeholders and lack of programme implementation.	Strengthen Portfolio strategic planning approach and M&E and reporting systems.
2. Equitable access to responsive and targeted products and services that enable the growth and development of SMME's and co-operatives.	2.1 Oversight and coordination of the design and implementation of targeted financial and non-financial support programmes to support new and existing co-operatives.	1. Lack of change management. 2. Possible disruption of service delivery.	Strengthen Portfolio strategic planning approach and M&E and reporting systems.
3: An enhanced contribution to socio-economic development outcomes by the sector.	4.2 Sustainable partnerships to support the co-operatives development agenda.	1. Non-committal of potential investors and institutions. 2. Delayed availability of funds, reneging on commitments.	1. Strengthen partnering engagements. 2. Leverage Economic Cluster Forums and Cabinet.

The above risks will inform the rolling annual Risk Register and Risk Management Plans for the period, which will be reported on quarterly.

10.4 PROGRAMME 4: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP

The programme is responsible to create an enabling environment for the development and growth of sustainable small businesses through the development and review of legislation and policy; the design, piloting and monitoring of the impact of support services and instruments; the promotion of local economic development and entrepreneurship; championing functional partnerships; and advocacy and thought leadership in advancing economic growth and job creation.

The programme implementation focus of Programme 4 results in delivery against the following Strategic Goals and their aligned Strategic Objectives:

Goal 1: Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.

Strategic Objective 1.3. An integrated approach to planning, monitoring and evaluation of the SMME's development sector, to inform policy decision making.

Goal 2: Equitable access to responsive and targeted products and services that enable the growth and development of SMME's and co-operatives.

Strategic Objective 2.2. Oversight and coordination of the design and implementation of targeted financial and non-financial support programmes to support new and existing SMME's.

Goal 3: Sound governance and the optimal utilisation of available resources.

Strategic Objective 3.2. Sound institutional governance and oversight of the SBD Portfolio entities.

Goal 4: An enhanced contribution to socio-economic development outcomes by the sector.

Strategic Objective 4.3. Sustainable partnerships to support the SMME development agenda.

Goal 5: A professional and capacitated SBD Sector.

Strategic Objective 5.1. Coordinated development of the skills pool across the sector.

10.4.1 PROGRAMME 4: SUB-PROGRAMMES

The Enterprise Development and Entrepreneurship Programme covers the work of the following sub-programmes:

1) **Enterprise and Suppler Development** - to manage and facilitate the establishment of new and productive enterprises as well as the sustainability and growth of existing enterprises;

2) **SMME Programme Design and Support** – to review existing programmes and design new ones based on the review outcomes and change in the SMME development landscape and economic conditions; and

3) **SMME Competitiveness** - to manage and facilitate strategic partnerships that seek to enhance the work of the Department on the provision of market access for SMME's in the supply value chains of corporations, State Owned Enterprises and government departments. To further work with municipalities through their Development Plans to develop, enhance and implement the enterprise development programmes toward improved Local Economic Development.

4) **Entrepreneurship** – to provide leadership and oversight on the conceptualisation, design and implementation of the entrepreneurship

development framework, instruments and programmes in support of enterprise development.

10.4.2 PROGRAMME 4: STRATEGIC OBJECTIVES

The line-of-sight contribution of Programme 3 to the Strategic Goals is reflected in the Programme level Strategic Objectives outlined in the table below:

Strategic Objective	Strategic Objective statement	Strategic Objective Baseline (2016/17)	Strategic Objective Target (By 2019/20)
Supporting Strategic Goal 1: Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.			
1.3 An integrated approach to planning, monitoring and evaluation of the SMME sector, to inform policy decision making.	Enhanced support, coordination and enabling of sustainable and competitive SMME's through the Revised Strategy on the Promotion of Entrepreneurship and Small Enterprises, based on the Outcome of the Evaluation.	New indicator.	Revised Strategy on the Promotion of Entrepreneurship and Small Enterprises, submitted for Cabinet approval in 2019/20.
Supporting Strategic Goal 2: Equitable access to responsive and targeted products and services that enable the growth and development of SMME's and co-operatives.			
2.2 Oversight and coordination of the design and implementation of targeted financial and non-financial support programmes to support new and existing SMME's.	End-of-term programme assessment on progress against MTSF targets in terms of the DSBD and Entity SMME financial and non-financial support programmes.	New indicator.	Consolidated end-of-term programme assessment on progress against MTSF targets in terms of the DSBD and Entity SMME financial and non-financial support programmes, conducted in 2019/20.
Supporting Strategic Goal 3: Sound governance and the optimal utilisation of available resources.			
3.2 Sound institutional governance and oversight of the Small Business Development Portfolio.	Sound governance and oversight of the Portfolio by conducting performance evaluations of Public Entities against the strategic intent reflected in the Shareholder Compacts.	New indicator.	Consolidated Analysis for the MTSF term (2015-20) on the performance of SBD Public Entities against signed Shareholder Compacts, tabled to EXCO in Q4 2019/20.
Supporting Strategic Goal 4: An enhanced contribution to socio-economic development outcomes by the sector.			
4.3 Sustainable partnerships to support the SMME development agenda.	Cumulative Rand Value of resources leveraged through partnerships with sector stakeholders.	R30m leveraged through partnerships with sector stakeholders.	Total of R45m of resources leveraged through partnerships with sector stakeholders by 2019/20.

Strategic Objective	Strategic Objective statement	Strategic Objective Baseline (2016/17)	Strategic Objective Target (By 2019/20)
Supporting Strategic Goal 5: A professional and capacitated SBD Sector.			
5.1 Coordinated development of the skills pool across the sector.	DSBD to work with the sector towards the development of a framework of standards for professionalisation of Business Advisory services.	New Indicator.	Finalisation of framework of standards for professionalisation of Business Advisory Services by 2019/20

The above strategic objectives and their targets will then inform the resource considerations, budget and MTEF projections outlined in the aligned Annual Performance Plans over the period.

10.4.3 PROGRAMME 4: RESOURCE CONSIDERATIONS

10.4.3.1 BUDGET ESTIMATES

Programme 4 (R'000)	Audited outcome			Main appropriation	Medium-term expenditure estimate		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Enterprise Development and Supplier Development	681 234	652 836	675 944	794 152	787 078	835 959	875 434
SMMEs Programme Design and Support	288 729	235 635	282 540	268 545	290 968	1 307 266	1 379 581
SMME Competitiveness	32 669	42 555	12 816	91 023	89 427	91 141	103 487
Entrepreneurship	-	-	20 400	75 539	62 804	64 349	68 028
Enterprise Development and Supplier Development	**1 002 632**	**931 026**	**991 700**	**1 229 259**	**1 230 277**	**2 298 715**	**2 426 530**
Economic classification							
Current payments	**54 158**	**47 603**	**40 136**	**41 863**	**51 893**	**54 343**	**58 361**
Compensation of employees	40 916	35 259	27 986	33 992	42 648	46 703	50 241
Goods and services	13 242	12 344	12 150	7 871	9 245	7 640	8 120
Transfers and subsidies	**948 020**	**883 230**	**951 492**	**1 187 396**	**1 178 280**	**2 244 263**	**2 368 056**

Programme 4 (R'000)	Audited outcome			Main appropriation	Medium-term expenditure estimate		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Departmental agencies and accounts	644 398	622 835	652 914	767 301	769 452	815 861	854 167
Public Corporations	287 302	243 625	298 409	420 095	408 828	1 428 402	1 513 889
Non-profit institutions	16 320	16 726	100	-	-	-	-
Households	-	44	69	-	-	-	-
Payments for capital assets	**454**	**193**	**72**	**-**	**104**	**109**	**113**
Other machinery and equipment	454	193	72	-	104	109	113
Total	**1 002 632**	**931 026**	**991 700**	**1 229 259**	**1 230 277**	**2 298 715**	**2 426 530**

In planning for the MTEF, Programme 3 (which focused on both co-operatives and SMME support) has been split into two budget Programmes. New Programme 4 considerations for budget allocations are as follows:

1) Programme 4 (Enterprise Development and Entrepreneurship) has been allocated R5.9 billion over the medium term.

2) The spending focus over the medium term for the Enterprise Development and Entrepreneurship Programme will be on the four sub-programmes namely Enterprise Development and Supplier Development, SMMEs Programme Design and Support, SMME Competitiveness and Entrepreneurship.

3) The main cost driver for the programme is transfers amounting to R5.8 billion (97.2%) over the medium term. Funds allocated to human capital amount to R139.5 million (2.3%) over the medium terms whilst operational requirements have been allocated R25 million.

4) The focus over the medium term will be on provision of financial and non-financial business support by the Department and the departmental entities.

10.4.4 PROGRAMME 4: RISK MANAGEMENT

The key risks that may affect the realisation of the Strategic Objectives stated for this programme are as follows:

Strategic Goal	Strategic Objective	Associated Risk	Mitigation needed
1. Policy and planning coherence in the sector, that promotes an enabling ecosystem for SMME's and co-operatives.	1.3 An integrated approach to planning, monitoring and evaluation of the SMME's development sector, to inform policy decision making.	Unavailability of stakeholders and lack of programme implementation.	Strengthen Portfolio strategic planning approach and M&E and reporting systems.
2. Equitable access to responsive and targeted products and services that enable the growth and development of SMME's and co-operatives.	2.2 Oversight and coordination of the design and implementation of targeted financial and non-financial support programmes to support new and existing SMME's.	1. Lack of change management. 2. Possible disruption of service delivery.	Strengthen Portfolio strategic planning approach and M&E and reporting systems.
3. Sound governance and the optimal utilisation of available resources.	3.2 Sound institutional governance and oversight of the SBD Portfolio entities.	Non-compliance with PFMA requirements.	Strengthen Portfolio strategic planning approach and M&E and reporting systems.
4. An enhanced contribution to socio-economic development outcomes by the sector.	4.3 Sustainable partnerships to support the SMME development agenda.	1. Non-committal of potential investors and institutions. 2. Delayed availability of funds, reneging on commitments.	1. Strengthen partnering engagements. 2. Leverage Economic Cluster Forums and Cabinet.
5. A professional and capacitated SBD Sector.	5.1 Coordinated development of the skills pool across the sector.	1. Non-committal of potential investors and institutions. 2. Resource constraints.	1. Strengthen partnering engagements. 2. Leverage Economic Cluster Forums and Cabinet.

The above risks will inform the rolling annual Risk Register and Risk Management Plans for the period, which will be reported on quarterly.

PART C

LINKS TO OTHER PLANS

PART C: LINKS TO OTHER PLANS

11. LINKS TO THE LONG-TERM INFRASTRUCTURE AND OTHER CAPITAL PLANS

Not applicable to the Department of Small Business Development.

12. CONDITIONAL GRANTS

Not applicable to the Department of Small Business Development.

13. PUBLIC ENTITIES

Two Public Entities report to the Minister through defined governance arrangements, allowing some autonomy to fulfil their mandates. The Agencies serve as an extension of and assist the Department of Small Business Development in delivering its mandate: the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA), responsible for non-financial and financial business support services, respectively.

Public Entities reporting to the Minister Small Business Development

Name of Public Entity	Enabling Legislation	Mandate and Purpose	Monitoring and Evaluation	Transfer to Public Entity (R'000.00)	
				2016/17	2017/18
Small Enterprise Development Agency **(SEDA)**	National Small Enterprise Act 1996, (No.102 of 1996), as amended.	SEDA provides non-financial business development and support services for small enterprises, in partnership with other role players in the small business development environment. The mission of SEDA is to develop, support and promote small enterprises to ensure their growth and sustainability.	Performance evaluation is undertaken on a quarterly basis.	R 633 814	R 735 701
Small Enterprise Finance Agency **(SEFA)**	Section 3 (d) of the Industrial Development Corporation Act, No. 22 of 1940 (IDC Act).	SEFA supports the development of sustainable SMME's through the provision of finance. The mission of SEFA is to provide access to finance to Survivalist, Micro, Small and Medium businesses throughout South Africa.	Performance evaluation is undertaken on a quarterly basis.	N/A	N/A

In terms of the Co-operatives Development Act, 2005 (No. 14 of 2005), as amended, the Department is to establish and operationalise **the Co-operatives Development Agency (CDA); the Co-operatives Tribunal and the Co-operatives Advisory Council**, to enhance the sustainability and competitiveness of co-operatives.

Due to the current fiscal environment and budget constraints, the Co-operatives Development Agency (CDA) will be incubated in the Small Enterprise Development Agency until such time that the Department is able to fund the CDA as a standalone agency.

14. MONITORING OF DSBD PUBLIC ENTITIES

The Minister signs Shareholders Compacts with all the Chairpersons of Boards and these Compacts are monitored quarterly through the submission of quarterly reports by entities. These reports are appraised by the Department through an analysis process, and feedback is given to entities for possible interventions where necessary. Monitoring visits are scheduled quarterly with identified entities, especially where there are challenges that need urgent intervention.

The Department is still to establish coordinating structures such as CEO, CFO, Sector specific and Chairpersons Forums, through which the Executive Authority, Accounting Officer and senior management can engage with the entities to discuss issues that affect the implementation and delivery of entities mandates.

To date, the Accounting Officer, CEOs and senior management engage quarterly - prior to and after the performance reporting to the Portfolio Committee. Decisions and resolutions arising from these engagements are monitored to ensure their implementation.

15. PUBLIC-PRIVATE PARTNERSHIPS

Not applicable to the Department of Small Business Development at this stage.

16. MATERIALITY FRAMEWORK

In terms of Treasury Regulations, it is hereby stated that the Department of Small Business Development has a Materiality Framework in place.

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