**QUESTION FOR WRITTEN REPLY**

**NATIONAL ASSEMBLY**

**“2557. Mr M G P Lekota (Cope) to ask the Minister of Small Business Development:**

**(1) What are the circumstances that have resulted in the delay experienced by the Small Enterprise Development Agency (SEDA) in eThekwini Metropolitan Municipality in KwaZulu-Natal in receiving grant funding for the 2017-18 financial year, as a consequence of not having received funding from national coffers;**

**(2) what has been the delay in renewing the memorandum of understanding between the national SEDA and eThekwini Metropolitan Municipality;**

**(3) whether she intends to (a) intervene in this matter and/or (b) visit the centre to gain an understanding and an appreciation of the work being undertaken?”**

**NW2815E**

**REPLY:**

1. SEDA eThekwini is independent from SEDA and is a Non Profit Company with its own Board of Directors. As one of the funders of SEDA eThekwini, SEDA had a fixed term funding relationship with SEDA eThekwini which expired at the end of March 2017.

A Memorandum of Agreement (MoA) defined this relationship with reviews every three years. As it does with the network of business incubators it provides funding to, each periodic agreement is subject to review. Renewal of agreement should be based on a criteria as determined by conditions outlined by the MoA for the forthgoing period. Currently, a one year agreement is in place that will ensure the sustainability of funding for the 2017/18 financial year and will be guided by the decision on the eThekwini Board on the way forward. In cases where there is no new agreement concluded following a funding cycle that came to term and in line with PFMA requirements, SEDA cannot grant further funding to other organisations.

1. SEDA eThekwini, formally known as eThekwini Business Development Centre, is an entity of eThekwini Municipality. As SEDA needs to account for the allocation it disburses to SEDA eThekwini, the relationship with SEDA eThekwini is performance based and is also guided by other requirements in line with capacity to deliver and corporate governance best practice.

At least three months earlier to the expiry of the funding agreement in March 2017, SEDA National Office initiated a consultation process that entailed a discussion of a combination of key factors that needed actions or decisions by SEDA eThekwini. Conclusions on these were to form a basis that would allow SEDA to continue funding SEDA eThekwini under a new MOU that was going to be signed at the beginning of the new financial year in April 2017. Discussed institutional obligations and options also sought to demystify the use of SEDA’s name by SEDA eThekwini.

It was only in June 2017 that we received a response from the SEDA eThekwini Board, leading to a transitional arrangement by means of a one (1) year funding agreement which was signed by both parties on the 8th of August 2017. The agreement enables the flow of funds contributing towards provisions for continuation of operations particularly delivery of programmes and further outlines commitments between the two parties to support a process that will ensure timeous decisions and compliance arrangements to enable funding beyond the expiry of this new agreement.. Initial payments under this agreement were made on 22 August 2017.

1. The Minister is consulting internally on the matter with the Board of SEDA and has indeed communicated her intention to visit the centre.