Small Enterprise Finance Agency

# SMALL ENTERPRISE FINANCE AGENCY

# CORPORATE ANNUAL PERFORMANCE PLAN FOR 2024/25

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# ACCOUNTING AUTHORITY STATEMENT

I am honoured to present **sefa's** Annual Performance Plan (APP) for the 2024/25 financial year, as the final year of the five-year strategic plan spanning 2020-2025. At the time of submitting the APP, the legislation that provides for the merger of **sefa** and Co-operative Banks Development Agency (CBDA) into Small Enterprise Development Agency (Seda), has been tabled. Therefore, the current APP of **sefa** acts as a transitional plan, whilst we await the new APP of the envisaged new entity, Small Enterprise Development and Finance Agency (SEDFA).

As Chairperson of the Board, I am pleased to report that, amidst daunting global and domestic economic challenges, **sefa** has steadfastly pursued its core mission of fostering job creation and economic expansion through comprehensive financial and non-financial assistance to small, medium, and micro enterprises (SMMEs) and co-operatives.

Our strategic initiatives harmonise with the National Integrated Small Enterprise Development (NISED) Masterplan, strategically designed to accelerate the growth and development of small enterprises. Collaborating with stakeholders from business, labour, and civil society, the NISED Masterplan provides a roadmap for coordinated efforts across government and society to bolster SMME performance.

Aligned with the mandates of a development finance institution (DFI), **sefa**'s endeavours encompass catalysing industry participation, bridging funding gaps, supporting governmental policies, and furnishing risk funding encompassing grants, subsidies, and loans. Our focus remains on rectifying market deficiencies in SMME finance provision, fostering sustainable enterprises, and prioritising sectors like services, manufacturing, primary agriculture, construction, mining services and processing, and green industries for funding. Specific focus will be given to supporting the Professional Services Sector to address the challenge of unemployed graduates. This involves providing them with the necessary entrepreneurial skills and finance to start their own businesses. It requires a collaborative effort with Small Enterprise Development Agency (Seda).

Key initiatives for the upcoming year include:

1) Accelerating Township Rural and Entrepreneurship Programme (TREP) disbursements through a revamped approach, leveraging diverse lending channels (microfinance, direct, and wholesale), and incentivising private sector involvement to reach township and rural enterprises effectively.
2) Enhancing developmental targets with targeted interventions for designated groups such as youth-owned, women-owned, township-based, and persons with disabilities (PWDs).
3) Managing lending costs by reducing interest rates for micro-entrepreneurs.
4) Mitigating impairments through improved loan monitoring, collections, and data-driven decision-making.
5) Strengthening partnerships to expand private sector engagement and bolster small business access to finance.
6) Augmenting organisational capacities by refining processes, enhancing personnel capabilities, and optimising systems.
7) Elevating brand visibility and marketing efforts to amplify **sefa**'s presence in the marketplace.
8) Continuing efforts to enhance the **sefa** property portfolio.

We remain steadfast in our commitment to nurturing sustainable SMMEs, fostering job creation, and advancing economic inclusivity, particularly for women, youth, and PWDs. By executing the strategies presented in this annual performance plan, we aim to make a tangible difference in the SMME and co-operative sector, thereby contributing significantly to the nation's economic advancement.

In conclusion, I extend gratitude to **sefa**'s shareholder for their unwavering support in shaping the organisation's trajectory. I commend the management team and all **sefa** personnel for their dedicated efforts in building a high-performing institution. The **sefa** Board (the Board) wholeheartedly endorses this annual performance plan as the compass guiding **sefa**'s endeavours for the 2024/25 financial year, with full confidence in the management and staff's capacity to execute it effectively.

I thank you.

**Mr K.T. Bonakele**

**Chairperson of the Board**

# STATEMENT BY THE ACCOUNTING OFFICER

In line with the Department of Planning Monitoring and Evaluation (DPME) Revised Framework for Strategic Plans and Annual Performance Plans (2019) and the requirements of the Public Finance Management Act, the Board has diligently led the comprehensive process to develop this annual performance plan for the 2024/25 financial year, marking the culmination of our five-year strategic planning period.

A Cabinet resolution has been made regarding the merger of **sefa**, Seda, and the Co-operative Banks Development Agency (CBDA), with a target implementation date of April 2025. Until formal promulgation, each entity is expected to produce and report against its individual strategic and annual performance plan. Should promulgation of the Small Enterprise Development Finance Act occur early in 2024/25, the October adjustment process, or a special Treasury dispensation, may allow for tabling of a revised 2024/25 Corporate Annual Performance Plan for the new merged entity. **sefa** will be ready to deal with this as the processes for developing the strategy, organisational structure, financial model, and related processes are underway.

Our Strategic Plan for 2020-2025, informed by a thorough analysis of **sefa**'s previous performance (2014-2019), reflects our vision to become the premier catalyst for sustainable SMMEs and co-operative enterprises through financial empowerment. Aligned with the National Development Plan, our five-year strategic plan underscores our commitment to providing simplified access to finance for SMMEs and co-operatives across South Africa.

In pursuit of this vision, we persist in offering innovative funding facilities and credit guarantees, fostering client sustainability through post-investment support and capacity building, promoting financial inclusion and wealth creation via partnerships and innovative product development, and leveraging strategic assets to ensure sustainability and broaden support to beneficiaries.

In accordance with International Financial Reporting Standards (IFRS), management is obligated to assess the entity's ability to continue as a going concern during the preparation of its financial statements. Forecasts indicate that both the **sefa** group and the company will remain solvent for the next 12 months, maintaining solvency ratios greater than 1.1. Additionally, the company's cash balances are expected to remain positive, ensuring the ability to meet various financial obligations into the foreseeable future.

However, **sefa** has experienced challenges due to the moratorium on hiring managers and staff on a permanent basis during the ongoing merger process. Short-term contracts have resulted in uncertainty, critical resignations, and difficulties in recruiting skilled staff. High vacancy rates have hindered operational efficiency and the effective rollout of key programmes like TREP, impacting the development of a quality loan book. To address these challenges, options such as outsourcing key functions as an interim intervention and seeking secondments from peer DFIs are being explored.

Despite our challenges, the management team, supported by the Board, remains dedicated to realising our vision for SMMEs. We believe that by executing the strategies outlined in this annual performance plan, we can make a substantial impact in the SMME and co-operative sector, thereby contributing to the overall economic growth of the country.

The 2024/25 Corporate Annual Performance Plan remains centred on achieving our outcomes of:

1) Improved access to finance for SMMEs and co-operatives.
2) Enhanced service delivery and stakeholder satisfaction.

3) Financial sustainability of the organisation.
4) Leveraging of strategic assets and capital raising.
5) Strong governance and fostering a high-performance organisation.

I extend my gratitude to the Minister and the Director-General for their invaluable policy direction, guidance, and support. I also express sincere appreciation to the Board for their unwavering support and sage advice.

In conclusion, on behalf of the management team, I reaffirm our commitment to lead **sefa** to the best of our ability, as we endeavour to realise the priorities, outcomes, and outputs outlined in this plan.

**Mr M. Matshamba**

**Chief Executive Officer**

# OFFICIAL SIGN-OFF

It is hereby certified that this 2024/25 Corporate Annual Performance Plan:

1) Was developed by the management team of the Small Enterprise Finance Agency, under the guidance of the Board of Directors.
2) Takes into account all the relevant policies, legislation, and other mandates for which the Small Enterprise Finance Agency is responsible.
3) Accurately reflects the outputs and targets which the Small Enterprise Finance Agency will endeavour to achieve over the 2024/25 financial year.

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|---|---|---|
| Xolani Meva — Digitally signed by Xolani Meva Date: 2024.02.29 11:23:47 +02'00' | | Tsakani Chauke — Digitally signed by Tsakani Chauke Date: 2024.02.29 12:09:49 +02'00' |
| **Mr X. Meva**<br>**Acting Executive Manager: Direct Lending**<br>**Date:** 29 Feb 2024 | **Mr L. Makupula**<br>**Executive Manager: Wholesale Lending**<br>**Date:** 29/02/24 | **Mr T. Chauke**<br>**Acting Executive Manager: PIM and Workout**<br>**Date:** 29/02/2024 |
| Nokonwaba Shwala — Digitally signed by Nokonwaba Shwala DN: cn=Nokonwaba Shwala, o=SEFA, ou=HCM, email=nokonwabas@sefa.org.za, c=ZA Date: 2024.02.29 12:20:10 +02'00' | | |
| **Ms N. Shwala**<br>**Executive Manager: HCM, Marketing and Facilities**<br>**Date:** 29 Feb 2024 | **Ms C. Williams**<br>**Acting Chief Financial Officer**<br>**Date:** 29/02/2024 | **Mr A. Dirks**<br>**Head of Strategy, Planning and Reporting**<br>**Date:** 29 Feb 2024 |

Mxolisi D Matshamba — Digitally signed by Mxolisi D Matshamba Date: 2024.02.29 13:24:10 +02'00'

**Mr M. Matshamba**
**Chief Executive Officer**
**Date:** 29/02/2024

**APPROVED BY:**

**Mr K.T. Bonakele** — **28 February 2024**

**Chairperson of the Board (Accounting Authority)** — **Date**

**Honourable S. Ndabeni-Abrahams, MP** — 04 April 2024

**Minister for Small Business Development (Executive Authority)** — **Date**

# ABBREVIATIONS

| | |
|---|---|
| AfCFTA | African Continental Free Trade Agreement |
| AfDB | African Development Bank |
| BANKSETA | Banking Sector Education and Training Authority |
| B-BBEE | Broad-Based Black Economic Empowerment |
| BBEE | Black Economic Empowerment |
| BoJ | Bank of Jamaica |
| BRICS | Brazil, Russia, India, China and South Africa |
| CBDA | Co-operative Banks Development Agency |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| COP27 | 27th United Nations Climate Change Conference of the Parties |
| COP28 | 28th United Nations Climate Change Conference of the Parties |
| COVID-19 | Novel Coronavirus Disease 2019 |
| CPI | Consumer Price Inflation |
| CTFL | Clothing, Textiles, Footwear, and Leather |
| DBSA | Development Bank of South Africa |
| DL | Direct Lending |
| DPME | Department of Planning, Monitoring and Evaluation |
| DSBD | Department of Small Business Development |
| EAP | Energy Action Plan |
| ECL | Expected Credit Loss |
| ECM | Enterprise Content Management |
| EEI | Employee Engagement Index |
| ERRP | Economic Reconstruction and Recovery Plan |
| ESD | Enterprise and Supplier Development |
| ESG | Environmental, Social and Governance |
| EU | European Union |
| Excl. | Excluding |
| Exco | Executive Committee |
| Executive Authority | Minister for Small Business Development |
| Fintech | Financial Technology |

| | |
|---|---|
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GGDA | Gauteng Growth and Development Agency |
| GPS | Global Positioning System |
| HCM | Human Capital Management |
| ICT | Information and Communication Technology |
| IDC | Industrial Development Corporation of South Africa Limited |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| Incl. | Including |
| ISO | International Organization for Standardization |
| IT | Information Technology |
| KBP | Khula Business Premises |
| KCG | Khula Credit Guarantee |
| M&E | Monitoring and Evaluation |
| MIS | Management Information System |
| MOI | Memorandum of Incorporation |
| MOU | Memorandum of Understanding |
| MTEF | Medium Term Expenditure Framework |
| MTSF | Medium Term Strategic Framework |
| MW | Megawatt |
| N/A | Not Applicable |
| NISED | National Integrated Small Enterprise Development Masterplan |
| PAR | Portfolio at Risk |
| PDI | Previously Disadvantaged Individual |
| PESTEL | Political, Economic, Sociological, Technological, Environmental, and Legislative |
| PFMA | Public Finance Management Act |
| PIM | Post-Investment Monitoring |
| PIMWR | Post-Investment Monitoring, Workout and Restructuring |
| PMI | Purchasing Manufacturers Index |
| PWC | Pricewaterhouse Coopers |
| PWD(s) | Persons With Disability/ies |

| | |
|---|---|
| Q | Quarter |
| SARB | South African Reserve Bank |
| SBD | Small Business Development |
| Seda | Small Enterprise Development Agency |
| SEDFA | Small Enterprise Development Finance Agency |
| **sefa** | Small Enterprise Finance Agency |
| **sefa**LAS | Small Enterprise Finance Agency - Loan Administration System |
| SEMSP | Small Enterprise Manufacturing Support Programme |
| SME | Small and Medium-sized Enterprise |
| SMME | Small, Medium, and Micro Enterprise |
| SOC | State-owned Company |
| SONA | State of the Nation Address |
| SSSP | Spaza-Shop Support Programme |
| SWOT | Strengths, Weaknesses, Opportunities, Threats |
| The Board | **sefa** Board |
| The Constitution | Constitution of the Republic of South Africa, 1996 |
| The dtic | Department of Trade, Industry and Competition |
| The Minister | The Minister of Small Business Development |
| TREP | Township Rural and Entrepreneurship Programme |
| UNISA | University of South Africa |
| US/USA | United States of America |
| VAT | Value-Added Tax |
| WL | Wholesale Lending |

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# PURPOSE OF THE CORPORATE ANNUAL PERFORMANCE PLAN

The Small Enterprise Finance Agency (**sefa**), as a subsidiary of the Industrial Development Corporation of South Africa Limited (IDC) is classified as a Schedule 2 public entity in terms of the Public Finance Management Act (No. 1 of 1999) (PFMA). Section 52 of the PFMA and Treasury Regulation 29.1 require that a Schedule 2 public entity and its subsidiaries must submit a corporate plan in the prescribed format. Further, in order to better align its planning and reporting with the Executive Authority and the sister agency's reporting to the Department of Small Business Development (DSBD), the **sefa** corporate annual performance plan is developed in line with the requirements of the DPME Revised Framework for Strategic Plans and Annual Performance Plans (2019).

This 2024/25 Corporate Annual Performance Plan has been compiled and is being submitted in compliance with the abovementioned regulations and in alignment with the **sefa** 2020-2025 Corporate Strategic Plan, as the final year (year five) of the strategy plan period.

While this corporate annual performance plan carries forward the strategy and performance commitments reflected in the 2020-2025 Strategic Plan, it recognises that 2024/25 is a transitional year between the sixth and seventh administrations and so considers emerging strategic imperatives that **sefa** is considering that will inform the development of the new corporate strategy for the 2025-2030 planning period. The new corporate strategy will be finalised once the Medium-Term Development Plan for 2024-2029 has been published post the National Elections in 2024.

The purpose of this corporate annual performance plan is, therefore, to reflect on progress to date in delivering on **sefa**'s stated priorities, to respond to emerging environmental factors affecting the future strategic direction, and to present the **sefa** performance and financial plan for the period of 1 April 2024 to 31 March 2025, towards the conclusion of the impact and outcomes defined in the 2020-2025 Corporate Strategic Plan.

# PART A: OUR MANDATE

## 1. UPDATES TO LEGISLATIVE AND POLICY MANDATES

### 1.1. Updated Legislative Mandates

There are no updates to the legislative mandates presented in the revised 2020-2025 Strategic Plan, which reflects the following:

1) The provisions of the Constitution of the Republic of South Africa, 1996 (the Constitution):

   Along with the Bill of Rights, the Constitution 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.

2) Legislation defining the **sefa** mandate:

   a) The Industrial Development Corporation Act (No. 22 of 1940), as amended, in terms of which **sefa** is established as a subsidiary of the IDC, as a DFI with a primary object to contribute towards job creation and economic growth by providing financial and non-financial support to SMMEs and co-operatives.

   b) The Companies Act (No. 71 of 2008), as amended, in terms of which the **sefa** Memorandum of Incorporation (MOI) is lodged as a state-owned company with limited liability (SOC Limited).

   c) In accordance with Section 3(d) of the Industrial Development Corporation Act and with its MOI, **sefa**'s business and funding activities are aligned to the key activities of a DFI, namely:

      - Playing a catalytic role to attract other industry players.
      - Funding gaps in the market.
      - Support government policies in multiple industries; and
      - Risk funding that combines both grants, subsidies, and loans aimed at the development of entrepreneurs and addressing market failures.

   d) The Public Finance Management Act (No. 1 of 1999, as amended), in terms of which, as a subsidiary of the IDC, **sefa** is listed as a Schedule 2 national enterprise, accountable to the Minister for Small Business Development (the Minister) and to Parliament. All prescripts and regulations arising from the PFMA are applicable to its governance and operations.

3) Legislation informing the delivery of the core mandate:

   a) Various legislation pertaining to the delivery of **sefa**'s operations, including the Businesses Act (No. 71 of 1991).

   b) Various legislation pertaining to the governance and control environment and institutional arrangements.

To ensure compliance, **sefa** conducts a regular review of the legislative and regulatory environment and is cognisant of the following developments:

1) The **National Small Enterprise Amendment Bill, 2023**, seeks to amend the National Small Enterprise Act, 1996 (Act No. 102 of 1996) to provide for the establishment and registration, in terms of the Companies Act, 2008 (Act No. 71 of 2008), of the Small Enterprise Development Finance Agency (SEDFA) and the subsequent disestablishment of the **sefa**, the CBDA, and the Seda; and to provide for the establishment of the Office of the Small Enterprise Ombud Service. The bill further seeks to enable the Minister to declare certain practices in relation to small enterprises to be prohibited as unfair trading practices and to make regulations with regard thereto.

   The establishment of the SEDFA gives effect to a Cabinet decision to enable and provide for integrated government support (both financial and non-financial) to small enterprises, which are defined as including co-operatives. In addition, the inclusion of the roles and functions of the identified three entities into SEDFA contributes to the Cabinet-endorsed rationalisation of the number of public entities.

The bill has been submitted to Parliament and is currently undergoing the public consultation process. It is envisaged that the bill will be passed by the end of the 2023/24 financial year and that the establishment of the SEDFA will take effect in the 2024/25 financial year.

2) Government Shareholder Management Bill, 2021, as superseded by the **National State Enterprises Bill, 2023**, which seeks to establish the State Asset Management SOC Limited and to consolidate the state's shareholdings in state enterprises, and to provide for the powers of the Shareholder on behalf of the state.

3) The **Public Procurement Bill, 2023**, which proposes to repeal the Preferential Procurement Policy Framework Act (No. 5 of 2000) and aims to provide for procurement that is developmental in nature; ensures value for money in the use of public funds; aspires to expand the productive base of the economy; supports innovation and investment; and achieves economy, efficiency, and maximum competition. It further seeks to create a single regulatory framework for public procurement to eliminate fragmented procurement prescripts.

4) With the aim of aligning the regulations with the Constitutional Court judgement of 30 May 2022, on 4 November 2022, the Minister of Finance gazetted the new **Preferential Procurement Regulations** under the Preferential Procurement Policy Framework Act (No. 5 of 2000). **sefa**'s Supply Chain Management Policy must align with the new regulations.

## 1.2. Updated Policy Mandates

The following policy mandates reflected in the 2020-2025 Strategic Plan remain relevant:

## Figure 1: sefa policy mandates

**National Policy Directing the Focus of sefa**

- **National Development Plan, Vision 2030 (NDP) –** seeking to eliminate poverty and sharply reduce inequality and unemployment by 2030. The NDP recognises tourism as one of the main drivers of employment and economic growth.
- **Revised Medium Term Strategic Framework 2019-2024 (MTSF) –** giving effect to the electoral mandate and framed around seven national priorities for the period to 2024. **sefa** contributes to 2 MTSF Priorities:
  - Priority 1: A capable, ethical, and developmental state - functional, efficient and integrated government.
  - Priority 2: Economic transformation and job creation - strengthen finance to SMMEs and co-operatives; increase in the number of competitive small businesses with the focus on township economies and rural development; Increased economic participation, ownership and access to resources and opportunities by women, youth and persons with disabilities.
- **National Spatial Development Framework, 2050 –** under the theme: "Moving South Africa forward towards the desired Spatial Future", the national Spatial Development Framework proposes five National Spatial Action Areas, which require urgent, focused, and integrated national spatial infrastructure investment and spending; and concerted and sustained intergovernmental collaboration, including the alignment of plans, budgets and departmental plans in and between the spheres of government.

**Foundational Policy Informing the Work of sefa**

- National Strategy on the Development and Promotion of Small Business in South Africa (1995)
- Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)
- National Industrial Policy Framework (2007) and industrial policy action plans
- Framework on Gender-Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing
- White Paper on an Integrated National Disability Strategy

**Sector-based Policy Informing the Work of sefa**

- Co-operatives Development Policy (2004)
- Integrated Strategy on the Development and Promotion of Co-operatives (2012)
- National Informal Business Upliftment Strategy (2013)
- Micro-economic Reform Strategy (2002)
- Youth Enterprise Development Strategy (2014)
- DTIC master sector plans

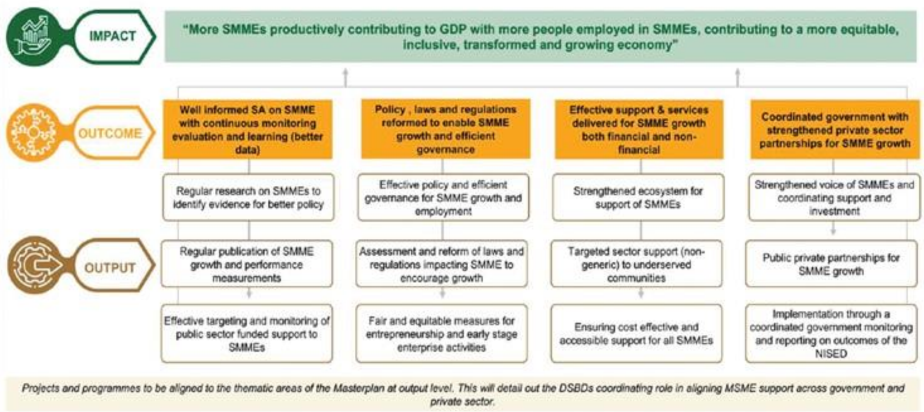
Additional policy frameworks have informed the development of this corporate annual performance plan and the priorities for 2024/25, namely:

| Informing Policy or Strategy | Key Planning Considerations and Interventions |
|---|---|
| **Economic Reconstruction and Recovery Plan (ERRP) (2020)** | Post the COVID-19 pandemic, the ERRP seeks to create jobs primarily through aggressive infrastructure investment and mass employment programmes; reindustrialise the economy by focusing on growing small businesses; accelerate economic reforms to unlock investment and growth, fight crime and corruption; and improve the capability of the state.<br>**A key enabler of the ERRP is strengthened support to SMMEs, co-operatives, and start-ups.**<br>▪ Reviewing and integrating government support for formal and informal SMMEs, start-ups, and co-operatives, including removing red tape and reducing timeframes to improve the ease of doing business.<br>▪ Designing more appropriate financing products, such as microfinance, gap products and blended financing, including for emerging farmers.<br>▪ Support to SMMEs to participate in localisation opportunities. |

| Informing Policy or Strategy | Key Planning Considerations and Interventions |
|---|---|
| **Alignment to the State of the Nation Address (SONA), February 2023 and February 2024** | President Cyril Ramaphosa, in his 2023 SONA, said, "*We are not presenting new plans, nor are we outlining here the full programme of government; rather, we are concentrating on those issues that concern South Africans the most: loadshedding, unemployment, poverty and the rising cost of living, and crime and corruption".*<br>In his 2024 SONA the President stated, *"We will continue to position our economy to grow and compete in a fast-changing world, to support small businesses, to give young people economic opportunities, and to provide social protection to the vulnerable".*<br>**sefa supports the DSBD in responding to SONA, in terms of:**<br>▪ Assisting SMMEs to mitigate production losses due to loadshedding.<br>▪ Supporting SMMEs to create jobs and alleviate unemployment. A focus area of this annual plan is to support unemployed graduates in professional services to engage in entrepreneurial activities.<br>▪ Contributing to the DSBD's efforts to reduce red tape and improve the ease of doing business.<br>▪ Women, youth, and PWD empowerment.<br>▪ Improving governance and accountability. |
| **2024/25 Budget Prioritisation Framework** | The Annual Budget Prioritisation Framework continues to build on the stabilisation, recovery, and reconstruction efforts adopted through the ERRP in 2020/21.<br>Over the 2024/25 medium term, the fiscal stance is to achieve fiscal sustainability by reducing the budget deficit and stabilising the debt-to-GDP ratio. The focus is to identify savings within existing baselines, while protecting frontline service delivery. Additional allocations to a programme will need to be funded through reductions in another programme or through reprioritisation, either within the department or entity, or from other department or entity budgets.<br>Budgets have not been prioritised for implementation of the DSBD Game Changer Programme, thus limiting the extent to which **sefa** is able to implement its game changer contribution. |
| **Minister/Sector Priorities for the Small Business Development Portfolio** | **sefa direct contribution to the Minister and sector priorities:**<br>▪ Accelerate implementation of the TREP.<br>▪ Implementation of the Youth Challenge Fund.<br>▪ Continue to implement the Localisation Policy Framework and Implementation Programme on SMMEs and Co-operatives.<br>▪ Facilitate an increase in the number of competitive small businesses with a focus on township and rural economies.<br>▪ Implement the NISED Strategic Framework.<br>▪ Mobilise resources to implement game changers programmes.<br>▪ Prioritise women, youth, and PWD procurement to ensure a minimum 40% target for women, 30% for youth, and 7% for PWDs. |

<table>
<tr><th>Informing Policy or Strategy</th><th>Key Planning Considerations and Interventions</th></tr>
<tr><td>NISED Strategic Framework (2022)</td><td>
A key focus of the NISED Strategic Framework is to align programme areas of work across different role-players in government and the Private Sector in order to coordinate and drive SMME growth and performance. In partnership with business, labour, and civil society, the NISED Strategic Framework presents a coordination tool and repository of the action steps to be taken by numerous actors by and within government and the whole of society.

The impact envisaged by NISED will be realised through four outcomes and 12 outputs, reflected in the strategy map below.



</td></tr>
<tr><td>Financial Inclusion Policy Framework for South Africa, titled: "An Inclusive Financial Sector for All", November 2023</td><td>
In the past decade, South Africa has made positive strides in financial inclusion, with over 81% of adults having bank accounts. Despite this progress, challenges persist, including low economic growth and unemployment, limiting access to basic financial services. Issues, such as low savings rates, limited uptake of non-banking products, inadequate use of bank accounts, underdeveloped payment options, and high remittance costs, contribute to the complexities. SMMEs face barriers due to information asymmetry.

To address these challenges, the Financial Inclusion Policy aims to deepen financial inclusion for individuals and households, extend access for SMMEs, and diversify the provider and distribution base for financial services.

National Treasury plans to collaborate with regulators, civil society, government departments, the Private Sector, and other agencies to develop an Implementation Strategy and Action Plan, along with a Financial Inclusion Monitoring and Evaluation Framework to ensure the successful implementation of financial inclusion initiatives and establish a central repository for monitoring and tracking progress.
</td></tr>
<tr><td>Energy Action Plan (EAP), July 2022</td><td>
The EAP is South Africa's plan to end load shedding and achieve energy security. It outlines a bold set of objectives and actions aimed at fixing Eskom and adding as much new generation capacity as possible, as quickly as possible, to close the gap in electricity supply.

- EAP objective 2 relates to enabling and accelerating private investment in generation capacity. There are opportunities for SMMEs to collaborate with larger businesses as part of their supplier development programmes.
</td></tr>
</table>

| Informing Policy or Strategy | Key Planning Considerations and Interventions |
|---|---|
| | ▪ EAP objective 4 relates to the introduction of special incentives for businesses and households to install solar and a revised bounce-back loan scheme to help small businesses go solar and sell any surplus power back to the grid in certain areas. |
| **Science, Technology, and Innovation Decadal Plan, 2022** | The Science, Technology, and Innovation Decadal Plan is a comprehensive strategic framework designed to guide the country's advancement in science, technology, and innovation over a ten-year period. Developed by the Department of Science and Innovation, the plan outlines key objectives and priorities aimed at leveraging scientific research, technological advancements, and innovation to address societal challenges, foster economic growth, and enhance competitiveness on a global scale.<br>In collaboration with Seda and other partners, **sefa** aims to benefit small enterprises in the science, technology, and innovation space, and to prioritise funding to qualifying business ventures, including enterprises supported through the Seda New Economy Programme and incubation hubs. |
| **Africa Continental Free Trade Agreement (AfCFTA)** | As a flagship project of African Union Agenda 2063, South Africa is a party to the AfCFTA, which was effective from 1 January 2021.<br>While, in terms of its Credit Risk Policy, **sefa** is restricted from cross-border lending, it is aware of the immense opportunities that the AfCFTA presents for South African SMMEs. Through its support and business development offerings and its close working relations with Seda in supporting access to markets, the opportunities of the AfCFTA will be leveraged.<br>Further, **sefa** will actively explore opportunities to work with the Department of Trade, Industry and Competition (the dtic), through, for example, the Export Readiness Programme. |

# 2. UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES INFORMING THE PLAN

Certain key institutional policies and strategies inform and guide **sefa**'s work and core operations and have been considered in the development of this corporate annual performance plan.

## 2.1. Revised Credit and Investment Risk Policy

The revised **sefa** Credit and Investment Risk Policy provides a framework for achieving risk asset quality consistent with **sefa**'s standards and risk tolerance level. It aims to provide guidance for the informed and knowledgeable acceptance of tolerable risk in exchange for appropriate rewards and developmental returns. It is aimed at the adoption of best credit granting standards that will ensure that the risks inherent in **sefa**'s credit exposures are within acceptable levels, by instituting sound credit standards across the entire credit and investment value chain.

Whilst the principle of the revised policy is to ensure stronger and robust credit and investment risk culture for the purposes of maintaining sound credit granting standards, it also provides in-depth guidance on:

1) Minimum standards and policies to be applied in the granting of credit.
2) Appropriate methodology for identification, assessment, quantification, and monitoring of transactions.
3) Key principles for managing and reducing impairments, the risk rating metrics, and the expected returns.
4) Measuring, rating, and classification of credit exposures, as well as the risk pricing guidelines for **sefa**'s products and services.
5) Credit losses that may arise at borrower and portfolio level based on exposure at default and the management of concentration risk.
6) Approaches to identify and administer clients under financial distress; and
7) Standards for reporting of credit exposures and portfolio management.

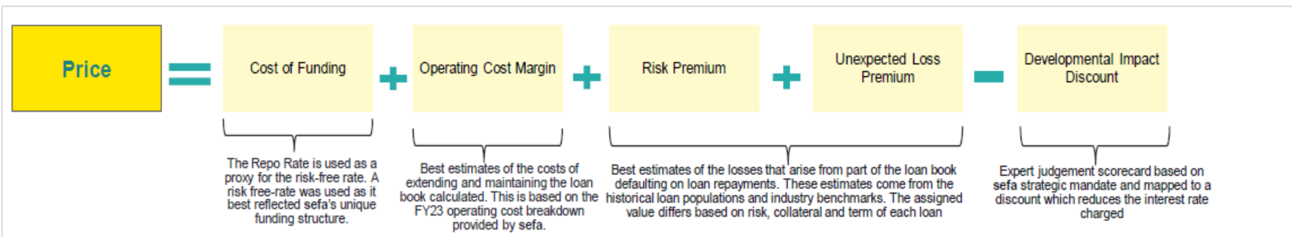
## 2.2. sefa Loan Pricing Methodology

**sefa**'s loan pricing strategy and methodology seeks to balance sustainability and development impact. It plays a crucial role in managing the organisation's financial health and supporting its mission. By carefully setting prices, **sefa** aims to achieve both financial sustainability and positive development outcomes:

1) Cost-Plus Approach: The existing **sefa** pricing model follows a cost-plus pricing approach, which is widely used across various industries. This method ensures that **sefa** covers its costs, including borrowing expenses, fixed and variable operational costs, and loan impairment provisions.
2) Development Discount: Recognising the importance of development impact, the pricing model incorporates a development discount. This discount accounts for desirable characteristics in prospective clients, such as job creation and historical redress.
3) Flexible Pricing: **sefa**'s approach to determining the final transaction price is designed to be flexible. It considers the cost of doing business while balancing the development mandate. In other words, it reflects the necessary costs minus the development-oriented goals.
4) Hurdle Rate Calculation: **sefa** derives its hurdle rate—a minimum acceptable rate of return—based on this methodology and framework.

Additionally, **sefa** charges initiation fees on its loan transactions. These fees, categorised as non-interest income, help cover the costs associated with due diligence during loan origination. While initiation fees contribute to revenue, they remain a relatively small component of **sefa**'s overall income mix.

**Figure 2: sefa pricing methodology and framework**



Given the challenges faced in recent years regarding the funding of the developmental risk of **sefa's** target market, coupled with the DSBD's prescribed interest rates for TREP that are significantly below the hurdle rate required to sustainably provide funding services, it is imperative to conduct a thorough review of the Credit Risk and Investment Risk Policy, and pricing methodology in the upcoming planning period.

Rising impairment rates, the need to optimise the value generated from loan disbursements, and government's fiscal constraints will need to be considered in the policy review as **sefa** seeks new and innovative ways of servicing the financial needs of SMMEs in a sustainable manner. This is a crucial consideration for the merger with Seda and CBDA.

## 2.3. Alignment to Priorities from the Minister's Performance Agreement and Sector Game Changers

In aligning with the priorities from the Medium-Term Strategic Framework (MTSF), the Minister's Delivery Agreement, and the Small Business Sector Strategy, the following priority areas inform the focus of this annual performance plan for 2024/25:

1) Continue the focus on the MTSF target of 100,000 competitive small businesses and co-operatives supported by 2024. Report on the support provided to SMMEs with a breakdown on the type of support provided per sector, demographic profile, size, historical disadvantaged individual, etc.
2) Accelerate implementation of the TREP in collaboration with the Department of Cooperative Governance and Traditional Affairs, **the dtic**, National Treasury, provincial economic development departments, and selected municipalities.
3) Input to, and implement, the Township Economy Revitalisation Policy and the implementation plan.
4) Implement the SMMEs and Co-operatives Funding Policy to ensure improvement in access to finance for SMMEs and co-operatives.
5) Implement interventions that prioritise women, youth and PWDs, and ensure the national procurement targets of 40% for women, 30% for youth, and 7% for PWDs are met.
6) Over the next year, align with the amended National Small Enterprise Act that will enable the merger.
7) Mobilise resources to implement the Game Changers Programme, defined as follows:

| SBD Game Changer | DSBD Focus | sefa Response |
|---|---|---|
| **GC1: New economy start-ups** | National Entrepreneurship Strategy development currently underway.<br>The strategy is expected to create synergy among the different policy and strategy initiatives in the country, as well as identify and address gaps in various policies, further providing guidance in creating an enabling environment for the development of entrepreneurship and start-ups. | Support Seda's New Economy Programme through technology start-up funding. |

| SBD Game Changer | DSBD Focus | sefa Response |
|---|---|---|
| | At the heart of the strategy is to create more enabling support needed to network and synergise the fragmented activities performed by development partners and other actors; and is aimed at retaining innovation and technological capabilities in South Africa.<br><br>Stakeholders include National Treasury and the Department of Science and Innovation to create an enabling environment for these kinds of start-ups. | |
| **GC2: Township and rural economic development** | DSBD intends to engage the Private Sector to raise awareness regarding their support towards the development and growth of township and rural enterprises.<br><br>These engagements would be informed by the working relations between DSBD and the dtic in strengthening the Broad-Based Black Economic Empowerment (B-BBEE) Policy and its Codes of Good Practice.<br><br>It is envisaged that the concept of the Enterprise Supplier Development (ESD) Fund would be revisited, so that Private Sector ESD funds could be used to leverage government incentive schemes, such as the TREP and other schemes aimed at enhancing the capacity of township and rural enterprises. | Leverage the MTEF TREP allocation to support township and rural based enterprises with innovative programme design instruments. |
| **GC3: Refuelled Incubator/ Accelerator Programme** | The Incubation and Digital Hub Support Programme is committed to building an ecosystem of enhanced sector-focused support service centres to produce high-performance entrepreneurs.<br><br>Collaborate with likeminded stakeholders in the incubation space using differentiated incubation models and approaches; and to partner with private to public/public to public; and review, harmonise, and subsequently package an integrated support package for offer to small businesses.<br><br>This is done through the integration of models to benefit the end user through enhanced services and products, allowing beneficiaries to experience an integrated | Support Seda's Incubator Programme through funding. |

| SBD Game Changer | DSBD Focus | sefa Response |
|---|---|---|
| | approach in the delivery of small business support enabling enhanced learning, varied streams and options, and access to post-incubation support.<br><br>Access and implementation of hybrid incubation support services that offer a combined improved service and a portfolio of financial and non-financial support will be prioritised as an added value to increase access and inclusivity. | |
| **GC4: Recapitalised SMME funding package** | The DSBD to implement the SMMEs and Co-operatives Funding Policy to accelerate the achievement of the objectives of Game Changer 4.<br><br>This game changer is going to be achieved by introducing targeted funding instruments, linked to the business development lifecycle, including the Microfinance Intermediary Programme.<br><br>DSBD will focus on implementing the recommendations of the World Bank diagnostic review pertaining to Khula Credit Guarantee (KCG), to address identified shortcomings with a view to:<br><br>1) Make the guarantee more responsive.<br>2) Raise more capital.<br>3) Remove access to finance barriers in the form of collateral requirements; and<br>4) Make SMMEs lending more attractive by mitigating the credit risk through KCG.<br><br>DSBD will continue to lobby National Treasury to recapitalise KCG, given that, so far, government has not invested in KCG and the past performance of KCG has shown that it is possible to leverage funding for SMMEs through a well-crafted credit guarantee scheme. | ▪ Recapitalise KCG as a funding mechanism to link to ESD initiatives for Black entrepreneurs and aimed at leveraging funding from the Banking Sector.<br>▪ Develop a network of microfinance intermediaries that can deliver microfinance to informal and micro enterprises. The Microfinance Intermediary Programme will build an information technology (IT) platform that provides the operating framework for microfinance institutions and a platform through which micro entrepreneurs can access bulk buying opportunities.<br>▪ Scale up **sefa**'s Direct Lending Programme. This will expand enterprise credit to businesses that do not qualify for commercial funding. These programmes would include:<br>1) Purchase order funding,<br>2) Bridging finance facilities, especially in construction and infrastructure projects,<br>3) Franchising,<br>4) Asset finance facilities.<br>▪ Pre-investment and post-investment support (through working with Seda and other incubators and accelerators) will decrease impairment risks. |

| SBD Game Changer | DSBD Focus | sefa Response |
|---|---|---|
| | | ▪ Enhance the **sefa** blended finance – the combination of loan and grant for high-risk early-stage entrepreneurs. |
| **GC5: Supplier Development Partnership Programme** | The department intends to scale up the supplier development initiative through raising awareness of the Localisation Policy.<br>The intention of this engagement is to work on the revision of the B-BBEE Policy, so that DSBD can have oversight of the ESD element and monitor the Private Sector's compliance with its obligations.<br>This will ensure that big business contributes to the development of SMMEs by integrating SMMEs in their supply and value chains and targeting township and rural enterprises. | Major corporates will be engaged through the Public Private Partnership Platform, which has been established to partner with and leverage ESD funds and programmes. |

## 2.4. Enhanced Collaboration Pending Amalgamation of the Entities

As reflected in the 2020-2025 Strategic Plan, the roles and functions of the DSBD and its implementing agencies, Seda and **sefa**, are broadly summarised as follows:

| Role of National Department (DSBD) | Role of DSBD Agencies (Seda, sefa) |
|---|---|
| ▪ Provide direction and leadership to the Small Business and Co-operatives Sector broadly and across all three spheres of government.<br>▪ Provide oversight and governance of entities. | ▪ Implement the delegated mandate from DSBD and develop and rollout implementation-level policy and protocols. |
| ▪ 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.<br>▪ Develop and implement sector-wide databases and monitoring and evaluation tools. | ▪ Programme-level research that informs targeted programme design and packaging for a holistic sector view.<br>▪ Monitoring and evaluation at programme implementation level, to inform refinements to programmes. |
| ▪ Plan, coordinate, and mobilise resources for the implementation and delivery of small enterprises' development projects, programmes, and services. | ▪ Implementation of well-conceptualised and targeted programmes aligned to the overall sector policy stance and sectoral indicators. |

| Role of National Department (DSBD) | Role of DSBD Agencies (Seda, sefa) |
|---|---|
| ▪ Strengthen accountability, partnerships, and communication with sector stakeholders, communities and key role-players, both nationally and internationally. | ▪ Ensure a coordinated regional and provincial presence to support implementation.<br>▪ Development and management of partnerships and communication in support of the delivery mandate. |

To improve uptake on programmes offered by **sefa**, Seda's Pre-investment Support Unit must be aligned to facilitate and provide high-quality and bankable business plans, access to markets, and industry accreditations, among other interventions, to SMMEs and co-operatives. This collaboration will ensure a consistent quality pipeline to **sefa**.

To enhance business support services to SMMEs and co-operatives, **sefa** and Seda will implement a collaborative partnership that will result in relevant and structured mentorship, coaching, turnaround strategies, and training to SMMEs.

To this end and to further enhance integration and collaboration in support of sustainable SMMEs and co-operatives, a Cabinet resolution on the merger of **sefa**, Seda, and the CBDA has been taken, with a target date of April 2024. However, it is understood that, until formal promulgation, each entity would still be required to produce and report against its own strategic and annual performance plan.

Irrespective of the timelines for the merger, the focus of collaboration between **sefa** and Seda is as follows:

| | Seda | sefa |
|---|---|---|
| **Pre-investment support** | ▪ Facilitate applications for funding through the common funding template (business plans).<br>▪ Client assessments.<br>▪ Provide all business development support interventions.<br>▪ Compile quality applications that focus on **sefa** defined programmes, sectors, and target groups. | ▪ Conduct financial, technical, and legal due diligence on funding applications (business plans) forwarded by Seda, and approval and legal contracting. |
| **Post-investment (monitoring) support** | For TREP and SMME relief:<br>▪ Assist **sefa**-funded clients with mentorship, coaching, and business performance diagnoses.<br>▪ Assess clients' operating requirements and provide industry and standards certification.<br>▪ Provide market access facilitation to **sefa**-funded clients for growth and to distressed businesses; and | ▪ **sefa** will focus on debtor management, including collections, rescheduling loan instalments, restructures, proactive portfolio management and monitoring, including analysis of management accounts, financial statements, stock, business operations, client visits, and advice duties.<br>▪ Seda reports from various service providers will be utilised to assist **sefa** to effectively monitor the |

| | Seda | sefa |
|---|---|---|
| | ▪ Provide occupation and health, and technical training, to **sefa**-funded clients. | existing investments. The turnaround reports, based on detailed diagnoses of distressed entities, will help **sefa** to effectively manage turnaround of the distressed entities and debt restructures.<br>▪ Access to market efforts by Seda helps to strengthen repayment capability of **sefa** clients. Additional markets bring income stability to **sefa** clients, thus improving business cashflows. |
| **Funding programmes (TREP, Youth Challenge Fund, etc.)** | Pre-funding support (business registration, training and capacity building, business plan development). | Application due-diligence and adjudication, legal contracting, and disbursement. |
| **Strategic partnerships (priority groups)** | Provide business development support services to partners in the ecosystem, targeting, among others, entrepreneurs with disabilities, youth entrepreneurs, and women entrepreneurs. | Provide funding support (access to finance) to SMMEs and co-operatives, and to businesses that graduate from Seda's interventions. |
| **Marketing and business development** | Joint marketing and outreach campaigns, co-locations in municipalities. | |
| **Monitoring and evaluation, and research** | An integrated Planning, Monitoring and Evaluation Framework, and strengthened SMME and Co-operatives Sector research and knowledge hub.<br>Strategic partnerships with higher education institutions and research partners. | |
| **Systems** | Shared information and application front-end, customer relationship management, business advisers' database, call centre (national SMME support line). | |

Although the above understanding is in place, challenges have been identified in terms of the referral system between the two entities – collaborative processes are needed to prepare, refer, process, and receive feedback on applications for funding through programmes, such as TREP, manufacturing, PWDs, Amavulandlela, among others.

To improve communication and streamline processes between the two agencies, each party has made the following pre-merger commitments:

| Commitment | Seda | sefa |
|---|---|---|
| **Seda officials to be trained on sefa programmes in order to provide pre-** | ▪ Coordinate and provide **sefa** with access to all branches and access | ▪ **sefa** has trained eight out of nine provinces on TREP application procedures. Additional pre- |

| Commitment | Seda | sefa |
|---|---|---|
| **investment support (e.g., TREP application processes)** | points, nationally, for training on the TREP application process.<br>▪ Finalise training of Seda officials by **sefa** to improve quality of applications. | investment training on access points will start in November 2023. |
| **Development and implementation the referral system** | ▪ Collaborate with **sefa** to build the pipeline of successful funding applications.<br>▪ Referral systems piloted in Seda, Mpumalanga Province (all branches).<br>▪ Monthly provincial meetings with **sefa** on status of referral applications.<br>▪ Status of referrals to be a Seda Exco agenda item, reported to Seda Board. | ▪ Collaborate with Seda to build the pipeline of successful funding applications.<br>▪ Referral system is being piloted in all Mpumalanga branches.<br>▪ Monthly provincial meetings with Seda on status of referral applications.<br>▪ Status of referrals to be a **sefa** Exco agenda item, reported to **sefa** Board. |
| **Communication and sharing of information between Seda and sefa** | ▪ Attend **sefa** strategic planning sessions and workshops.<br>▪ Senior Manager: Special Projects to focus on the programmes that are jointly implemented by Seda and **sefa**, for example, TREP, Youth Challenge Fund, and other special projects.<br>▪ Establish a clear channel to assist common clients that are in distress.<br>▪ To assist **sefa** clients with compliance and market access. | ▪ Attend Seda strategic planning sessions and workshops.<br>▪ **sefa**'s project managers for TREP and Youth Challenge Fund to be proactive and to work with Seda to manage the pipeline from Seda and provide responses timeously.<br>▪ Establish a clear channel to assist common clients that are in distress. **sefa** to provide Seda with a list of clients that are distressed due to lack of markets. |
| **Graduate Programme** | ▪ Due to limited budget to provide mentorship to micro and TREP businesses, Seda has committed to provide graduates to assist with post-investment monitoring for spaza shops and other TREP businesses. | ▪ The interventions will enable **sefa** to utilise Seda branches and graduates to monitor its clients and improve reporting. |
| **Co-location/office sharing** | ▪ Seda has a vast network and has committed to offer working space to **sefa**'s officials where possible.<br>▪ Sharing of access points and costs. | ▪ **sefa** will work with Seda to finalise the assessment of office space availability and commit resources.<br>▪ Sharing of access points and costs. |

Further, **sefa** and Seda will strengthen collaboration with the CBDA by ensuring they form part of the adjudication committee on the Seda Co-operatives Support Development Programme, and by aligning CBDA co-operatives' intermediaries to **sefa**'s wholesale lending channel.

# 3. UPDATES TO RELEVANT COURT RULINGS

There are no court judgements or rulings which have a bearing on the mandate and/or core operations of the **sefa**.

# PART B: OUR STRATEGIC FOCUS

## 4. VISION, MISSION, AND VALUES

In giving effect to the legislative and policy mandates outlined in Part A, the 2020-2025 Strategic Plan articulates **sefa**'s strategic focus, namely, its vision, mission, and institutional values, as follows:

| OUR VISION |
|---|
| To be the leading catalyst for the development of sustainable small, medium, and micro enterprises and co-operative enterprises through finance. |

**OUR MISSION**

To provide simple access to finance, efficiently and sustainably, for SMMEs and co-operatives throughout South Africa by:

- Offering innovative funding facilities and credit guarantees.
- Promoting client sustainability through pre- and post-investment support and capacity building.
- Promoting financial inclusion and wealth creation through partnerships and innovative product development.
- Leveraging strategic assets to ensure sustainability and broadening support to beneficiaries.

| OUR VALUES | |
|---|---|
| **Kuyasheshwa!** | ▪ We act with speed and urgency. |
| **Passion for development** | ▪ We have a solution-driven attitude and a commitment to serve. |
| **Integrity** | ▪ We deal with clients and stakeholders in an honest and ethical manner. |
| **Transparency** | ▪ We implement best practice on the dissemination and sharing of information with all stakeholders. |
| **Innovation** | ▪ We continuously seek new and better ways to serve our customers. |

## 5. KEY OPERATING PRINCIPLES

To deliver on its strategic focus, and in accordance with Section 3(d) of the Industrial Development Corporation Act and with its MOI, **sefa**'s business and funding activities are aligned to the key activities of a DFI, namely:

1) **sefa** aims to address market failure in the provision of finance to SMMEs and co-operatives.
2) **sefa**, in collaboration with Seda, have a core focus to support and fund sustainable businesses.

3) **sefa** aims to play a catalytic role to attract other industry players to support government policies in multiple industries.

4) **sefa** prioritises funding to qualifying business ventures within the following SMME sectors:

   a) Services (including retail, wholesale, tourism, transport logistics, professional, and information and communication technology (ICT)).

   b) Manufacturing (including agro processing).

   c) Primary agriculture.

   d) Construction.

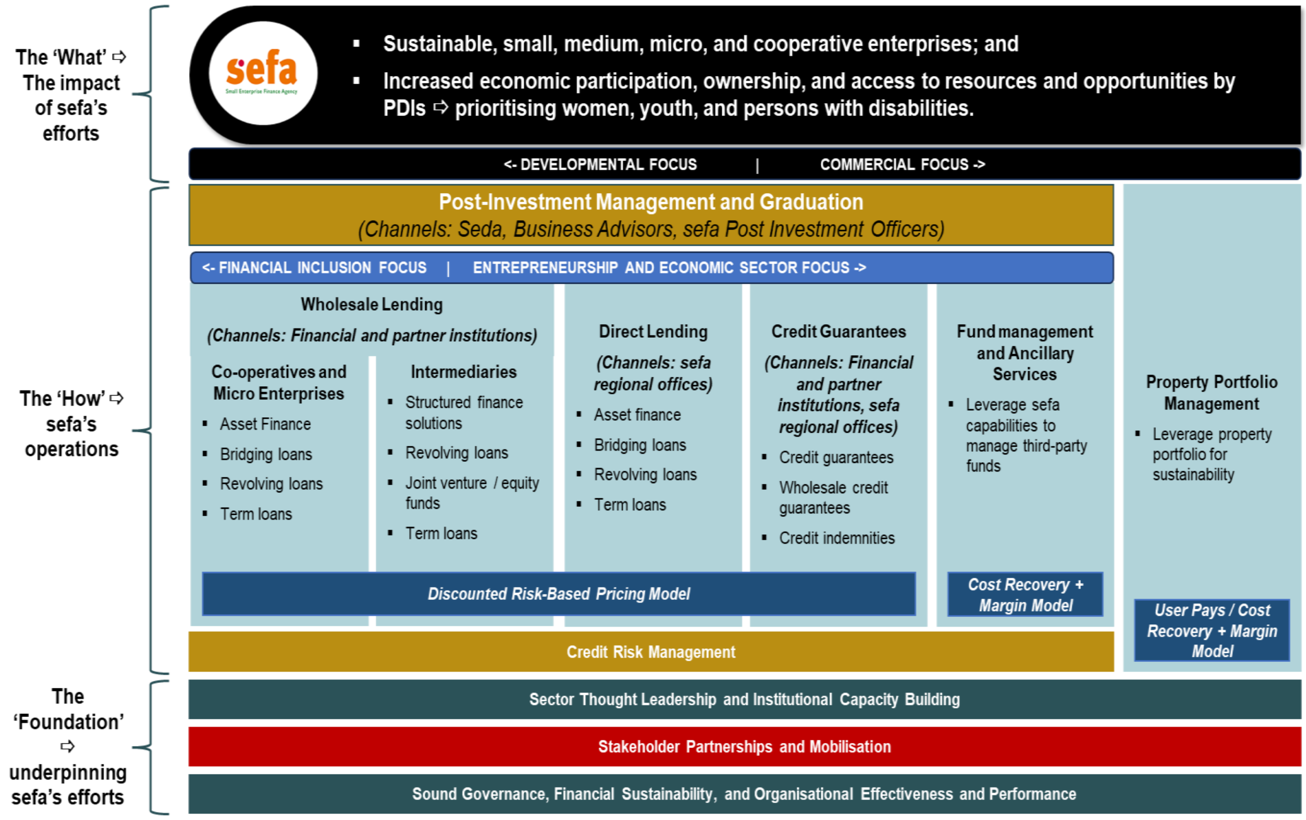
   e) Mining services and processing; and

   f) Green industries (renewable energy, waste and recycling management).

To give effect to its role as a DFI in line with the dual developmental and commercial mandate and towards its desired impact of **sustainable SMMEs; and increased job creation and economic participation, ownership, and access to resources and opportunities by previously disadvantaged individuals, prioritising women, youth, and PWDs.**

Core to the dual mandate is the recognition that **sefa** must increase both financial inclusion and entrepreneurial development, by supporting SMME segments ranging from necessity entrepreneurs to innovative SMMEs in start-up and growth phases of the business lifecycle. This dual mandate necessitates a multichannel approach that recognises the need for strategic partnerships and the crowding-in of private sector resources and skills. The **sefa** operating model is as follows:

**Figure 3: Revised sefa operating model**




The **CORE BUSINESS** of **sefa,** of providing efficient and sustainable access to finance for SMMEs and co-operatives throughout South Africa, is delivered through:

1) **WHOLESALE LENDING** products and services:

   a) To broaden financial inclusion and service, the **MICROFINANCING** needs of informal and survivalist micro enterprises, to complement available grants and financial incentives, to service their daily operational needs, and to grow their asset and income base over time.

   b) To provide **WHOLESALE FUNDING** to financial intermediaries and specialised funds that share **sefa**'s objective in increasing access to finance to SMMEs and including Economic Sector focused funds.

2) **DIRECT LENDING** products and services for SMMEs and co-operatives in the formal sector of the economy that require support for business start-ups or expansions through the provision of a variety of financial solutions.

3) **CREDIT GUARANTEE** products and services, delivered through KCG who holds the necessary licenses, as a risk sharing facility with partner financial institutions for the purpose of facilitating access to finance by SMMEs who lack acceptable collateral for the acquisition, establishment, or expansion of a business.

4) The effectiveness of the lending and credit guarantee business is based upon the application of a sound **CREDIT RISK MANAGEMENT** policy and analysis.

5) **POST INVESTMENT MONITORING** seeks to ensure that SMMEs and co-operatives successfully graduate from the financing product as sustainable enterprises, and thus are focused on providing non-financial support and advisory services, in addition to containing and reducing portfolio impairments and effectively managing portfolio collections.

The lending and credit business operates predominantly on a discounted risk-based pricing model.

Complementing the core business, as **VALUE-ADDING SERVICES:**

1) **sefa** is able to leverage its capability and competence in managing the disbursement and distribution of funds to beneficiaries, to offer a **SERVICE TO THIRD PARTY CUSTOMERS** to manage funds on their behalf. Importantly, any such service must contribute to **sefa** revenue generation by being fully cost recovering with an appropriate margin and must in no way undermine **sefa**'s core business operations or place its insurance or credit licenses at risk.

2) **sefa** is the custodian of a **PORTFOLIO OF INDUSTRIAL AND RETAIL PROPERTIES**, which will be leveraged as a strategic asset to support **sefa**'s sustainability. **sefa** will provide beneficiary SMMEs or co-operatives with access to well-managed and maintained industrial or commercial space by linking or cross-selling property rental to the lending or credit guarantee product. The property portfolio is managed on a user-pays or cost recovery model, with an appropriate margin.

Underpinning the **sefa** business operations, various support functions enable and enhance the effectiveness of the product and service offering:

1) **Stakeholder partnering and mobilisation** to mobilise capital and resources to broaden the reach of **sefa**'s mandate.

2) Providing **SMME and co-operatives finance sector intelligence** to support evidence-based policy choices and decision-making and supporting **effective engagement** with sector and government stakeholders.

3) Building and maintaining **sefa brand visibility and awareness and targeted messaging** through various media platforms, stakeholder engagements, and engagement activities.

4) Providing **governance assurance** through efficient, effective, and proactive internal controls and financial management; and legal, governance, enterprise risk, and compliance advisory and support services.

5) **Enhancing sefa's capacity and capability** through the efficient, effective, and proactive management and development of people and enabling systems, processes, and tools of trade.

## 6. UPDATED SITUATIONAL ANALYSIS

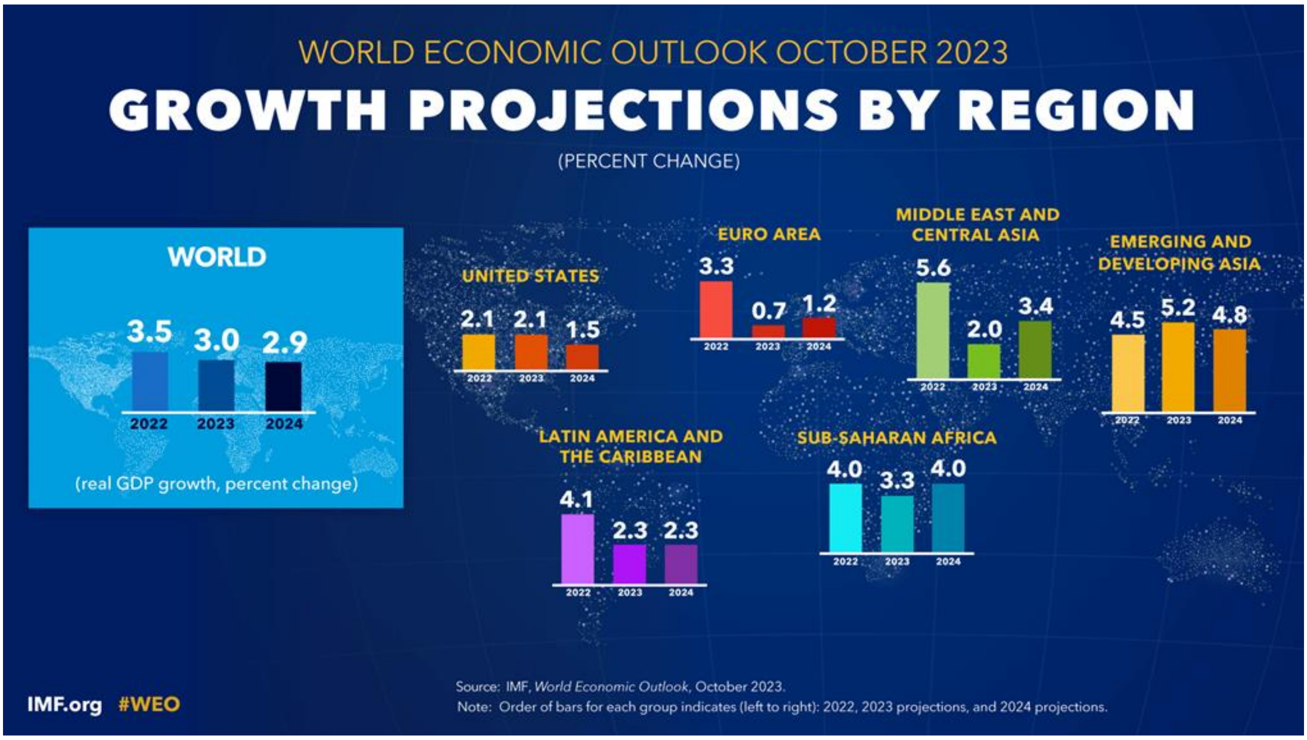
**sefa** executes its mandate and seeks to achieve its strategic intent in a complex environment, impacted by global, regional, and national events. In turn, the organisation requires the correct institutional environment to enable delivery of its strategic intent.

## 6.1. External Environment Analysis

### 6.1.1. Global and Regional Socioeconomic Outlook

The World Bank has characterised the current state of the global economy as tumultuous, while the International Monetary Fund (IMF) predicts a sluggish worldwide recovery marked by growing regional divergences. According to the IMF's October 2023 World Economic Outlook, although there were indications of resilience earlier in 2023, the effects of policy measures aimed at curbing inflation are anticipated to dampen economic momentum in the future.

**Figure 4: Growth projections by region**




**Source: International Monetary Fund, October 2023**

Global growth is projected to decelerate to 3% in 2023 and 2.9% in 2024, from 3.5% in 2022, driven primarily by unfavourable factors in the United States of America (USA), Euro area, and China. There was hope that China’s lifting of COVID-19 restrictions would return the country to its role of stimulating global growth, but the bounce back turned out to be short lived, and the world’s second largest economy currently faces multiple significant threats. Emerging markets have a greater growth prospect, although off smaller economy bases.

Emerging economy currencies have taken losses against a stronger dollar, and investors have pulled back from risker emerging markets as the cost of debt has increased. Oil prices have gained sharply after the Organisation of the Petroleum Exporting Countries and its allies announced the extension of oil output cuts to the end of 2023. Deficit levels may further push up prices, worsening trade balances and further pushing up inflation. It will increase the cost of doing business and negatively affect key sectors, such as agriculture, manufacturing, and transportation.

> **"An expanded BRICS will represent a diverse group of nations with different political systems that share a common desire to have a more balanced global order."**
>
> ***President Cyril Ramaphosa***

Within BRICS, current members have voted to enlarge the bloc by six new members. Discussions on a BRICS reserve currency as a dollar alternative have surfaced but have not been seriously proposed by the group. The suggestion of settling trades in local currencies has been considered but poses complexities in implementation, requiring substantial time.

Drawing from insights in the World Economic Forum's 2024 Global Risks Report, the global socioeconomic landscape reflects multifaceted challenges and opportunities, notably:

1) **Geopolitical dynamics**: The world is marked by intricate geopolitical tensions, with heightened risks of state collapse, infrastructure disruptions, and potential conflicts between nations. Diplomatic resolutions are imperative to maintain peace and foster international cooperation, which are indispensable for sustaining economic growth and stability.

2) **Economic volatility**: The economic sphere grapples with a myriad of uncertainties, including a burgeoning cost of living crisis, rampant cybercrime, and geo-economic confrontations. Inflationary pressures persist amid concerns about financial market vulnerabilities, raising the spectre of contagion effects and economic instability.

3) **Environmental imperatives**: Environmental risks loom large on the horizon, encompassing widespread environmental damage, natural disasters, resource crises, biodiversity loss, and challenges in climate change adaptation and mitigation. These events disrupt supply chains, hamper agricultural production, and escalate costs, underscoring the urgent need for sustainable practices to safeguard long-term economic viability.

4) **Social dynamics**: The global socioeconomic landscape is shaped by significant involuntary human migration and the erosion of social cohesion and polarisation. Mass migrations strain social services, while polarisation disrupts political environments, impacting economic policies. Promoting inclusivity and social cohesion is essential to nurture socioeconomic stability.

5) **Technological shifts**: Rapid technological advancements, particularly in artificial intelligence, automation, and biotechnology, promise to redefine industries and labour markets. Preparing the workforce for these transformations and addressing the ethical and societal ramifications of technological progress are crucial for fostering long-term socioeconomic prosperity.

In navigating these multifaceted challenges, collaborative efforts at the global level, inclusive policymaking, and proactive measures to mitigate risks are indispensable for forging a resilient and prosperous future.

## AFRICA

Africa has shown resilience in the face of tough global conditions. The African Development Bank forecasts a 4% growth for 2023 and 4.3% for 2024. Notably, the IMF projects economic growth estimates for sub-Saharan Africa surpassing the global average by 1.2% in 2023 and 2.5% in 2024. While the continent's GDP is tracking higher than the global average, poverty, food security, regional conflicts, and political tensions in some African countries remain pressing challenges.

The global rise in food and energy prices sharply increased food insecurity in sub-Saharan Africa, with nearly 180 million people suffering acute food shortages in 2023, 35 million more than at the start of 2022.

Africa's average consumer price inflation is projected to increase from an estimated 14.2% in 2022 to 15.1% in 2023, before declining to 9.5% in 2024.

The tightening of worldwide financial conditions and the strengthening of the US dollar have increased what it costs African governments to service their dollar denominated debt. This heightens the risk of debt distress, particularly for nations facing significant fiscal constraints.

**According to the African Development Bank, climate action and green growth present the continent with a multi-trillion-dollar opportunity**

Africa possesses significant deposits of a number of mineral resources that are key to the global energy transition to a net zero carbon future, including bauxite, cobalt, graphite, lithium, manganese, and vanadium.

More than half of the countries on the continent have at least one of the critical metals or minerals needed for the energy transition. This should bestow the continent with a strategic advantage in the coming years. But Africa has a long history of failing to benefit from her own resources, primarily exporting raw materials with little or no local value addition, receiving around 10% of the total value chain of such minerals.

The continent needs to beat the curse of exportation without beneficiation and make increasing use of the multitude of opportunities afforded by the AfCFTA. Stronger intra-African trade and cooperation will make the continent less susceptible to the storms created in the rest of the global economy.

### 6.1.2. South African Socioeconomic Outlook

#### DEMOGRAPHIC OVERVIEW

Census 2022 reflects that the total South African population has grown to 62,027,503 in 2022, from 40,583,573 in 1996, representing a growth rate of 4.1%. Gauteng recorded the highest population (15,099,422) followed by KwaZulu-Natal (12,423,907), while Northern Cape (1,355,946), and Free State (2,964,412) reported the lowest population sizes among the provinces.

**Figure 5: Distribution of population by province and sex, 1996 to 2022**

| | | WC | EC | NC | FS | KZN | NW | GP | MP | LP | South Africa |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 2001 | **4,524,335** | **6,278,651** | **991,876** | **2,706,775** | **9,584,129** | **2,982,064** | **9,390,528** | **3,365,957** | **4,995,462** | **44,819,778** |
| | 2011 | **5,822,734** | **6,562,053** | **1,145,861** | **2,745,590** | **10,267,300** | **3,509,953** | **12,272,263** | **4,039,939** | **5,404,868** | **51,770,560** |
| | 2022 | **7,433,019** | **7,230,204** | **1,355,946** | **2,964,412** | **12,423,907** | **3,804,548** | **15,099,422** | **5,143,324** | **6,572,720** | **62,027,503** |
| Male | 2001 | 2,192,321 | 2,906,521 | 479,764 | 1,297,605 | 4,478,083 | 1,484,077 | 4,720,283 | 1,603,578 | 2,271,809 | 21,434,040 |
| | 2011 | 2,858,506 | 3,089,701 | 564,972 | 1,328,967 | 4,878,676 | 1,779,903 | 6,189,875 | 1,974,055 | 2,524,136 | 25,188,791 |
| | 2022 | 3,602,159 | 3,424,042 | 653,320 | 1,407,824 | 5,919,217 | 1,885,033 | 7,617,952 | 2,469,794 | 3,099,416 | 30,078,757 |
| Female | 2001 | 2,332,014 | 3,372,130 | 512,112 | 1,409,170 | 5,106,046 | 1,497,987 | 4,670,245 | 1,762,379 | 2,723,653 | 23,385,737 |
| | 2011 | 2,964,228 | 3,472,353 | 580,889 | 1,416,623 | 5,388,625 | 1,730,049 | 6,082,388 | 2,065,883 | 2,880,732 | 26,581,769 |
| | 2022 | 3,830,860 | 3,806,162 | 702,626 | 1,556,588 | 6,504,690 | 1,919,515 | 7,481,470 | 2,673,530 | 3,473,304 | 31,948,745 |

**Source: Statistics South Africa, Census 2022**

The female population was 31,948,745, while the male population was 30,078,757 in 2022. Gauteng is the only province where the proportion of females has been consistently below 50% since 1996. Limpopo

(52.8%) and Eastern Cape (52.6%) had the highest proportion of females, more than the other seven provinces and the national percentage (51.5%).

Those in the age group 0 to 4 years (9.4%), 25 to 29 years (9.2%), and 30 to 34 years (9%) had the highest proportions nationally, while those in the age groups 80 to 84 years and 85+ years were the lowest. Gauteng, Mpumalanga, and the Western Cape recorded the highest proportion among those in the youthful ages of 25 to 34 years at almost similar proportions, ranging between 8.7% and 10.5%.

The prevalence of disability among individuals aged 5 years and older was 6%, marking a slight decrease from 7.4% in Census 2011[1]. There is a higher prevalence of disability among females compared to males, a consistent pattern observed in both the 2011 and 2022 Censuses. Population group dynamics indicate a higher prevalence of disability among the White population, followed by the Indian/Asian population. Conversely, the Black African and Coloured populations experienced a decline in disability prevalence over the 2011–2022 period. The observed trend suggests a positive correlation between age and disability.

## MIGRATION

South Africa has always been a migration destination on the continent, and almost 2.5 million people were born outside of the country. The top five feeder countries remain unchanged from 2011: Zimbabwe, Mozambique, Lesotho, Malawi, and the United Kingdom. Understanding the dynamics of this migration can shed light on potential effects on local SMMEs and employment prospects within the country, and thus **sefa**'s approach to financing and collaborating with Seda and other ecosystem partners to grow local businesses to compete effectively in sectors with high levels of immigrant participation.

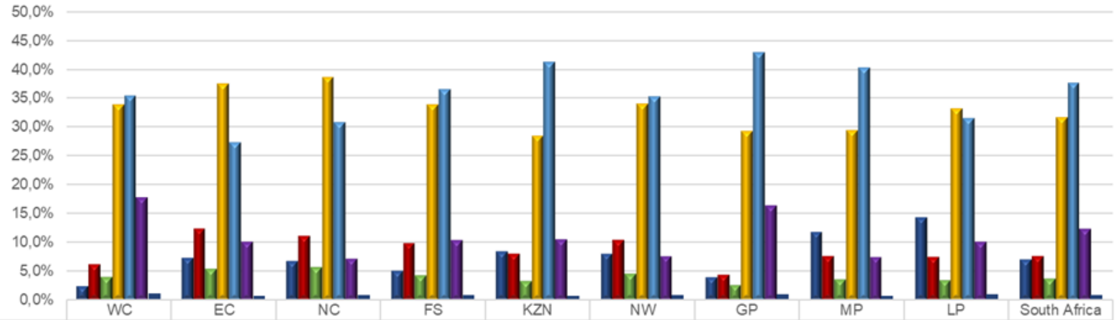
## EDUCATION

South Africa has intensified its measures to tackle school dropouts and increase completion of secondary schooling and has experienced an expansion in the completion of secondary schooling for previously disadvantaged population groups. However, race disparity in educational attainment intersects with other forms of disadvantage, including poverty and the urban-rural divide[2]. Census 2022 reflects the provincial distribution of persons aged 20 years and older by educational attainment.

[1] *Statistics South Africa Census 2022, 2023*

[2] *Statistics South Africa Census 2022, 2023*

**Figure 6: Percentage distribution for persons aged 20 years and older by educational attainment and province, 2022**




| | WC | EC | NC | FS | KZN | NW | GP | MP | LP | South Africa |
|---|---|---|---|---|---|---|---|---|---|---|
| No schooling | 2,3% | 7,2% | 6,6% | 5,0% | 8,3% | 7,9% | 3,9% | 11,7% | 14,1% | 6,9% |
| Some primary | 6,1% | 12,2% | 11,0% | 9,7% | 7,9% | 10,2% | 4,3% | 7,4% | 7,3% | 7,4% |
| Completed primary | 3,8% | 5,2% | 5,5% | 4,1% | 3,2% | 4,4% | 2,5% | 3,4% | 3,3% | 3,5% |
| Some secondary | 33,8% | 37,5% | 38,5% | 33,8% | 28,4% | 34,0% | 29,2% | 29,4% | 33,1% | 31,6% |
| Completed secondary | 35,4% | 27,2% | 30,7% | 36,5% | 41,2% | 35,2% | 42,9% | 40,2% | 31,5% | 37,6% |
| Post school | 17,6% | 10,0% | 7,1% | 10,2% | 10,4% | 7,5% | 16,2% | 7,3% | 9,9% | 12,2% |
| Other | 1,1% | 0,6% | 0,7% | 0,8% | 0,6% | 0,8% | 0,9% | 0,6% | 0,9% | 0,8% |

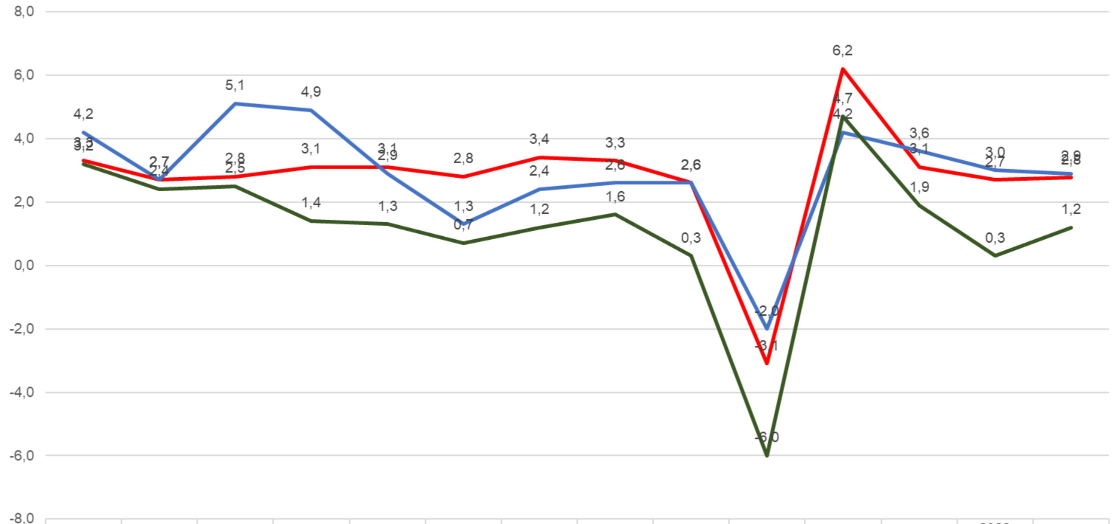
**Source: Statistics South Africa, Census 2022**

Mpumalanga and Limpopo had the highest percentage of persons with no schooling, above the national average of 6.9% (11.7% and 14.1% respectively). The lowest percentage of individuals with no schooling was found in Western Cape (2.3%), followed by Gauteng (3.9%). The majority of individuals aged 20 years and older in Gauteng, KwaZulu-Natal, and Mpumalanga had completed secondary education, which is also above the national average (42.9%, 41.2%, and 40.2% respectively). In Western Cape, close to 18% of individuals aged 20 years and older had achieved post-school education, followed by Gauteng (16.2%).

## ECONOMY

The figure below shows that, since 2011, South Africa's GDP growth rate has consistently lagged significantly behind that of the world and sub-Saharan Africa. The South African economic landscape is marred by low spending, sluggish production, and tepid fixed investment, all within the context of rising inflation, mounting interest rates, alarmingly high unemployment, increased poverty rates, social unrest, and operational bottlenecks across critical sectors. The factors engender low confidence among both consumers and businesses, which exacerbate the situation and contribute to a perception of uncertainty and stifled investment.

**Figure 7: GDP growth rates, 2011 to 2023**




| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 (Forecast) | AVERAGE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World (%) | 3,3 | 2,7 | 2,8 | 3,1 | 3,1 | 2,8 | 3,4 | 3,3 | 2,6 | -3,1 | 6,2 | 3,1 | 2,7 | 2,8 |
| Sub-Saharan Africa (%) | 4,2 | 2,7 | 5,1 | 4,9 | 2,9 | 1,3 | 2,4 | 2,6 | 2,6 | -2,0 | 4,2 | 3,6 | 3,0 | 2,9 |
| South Africa (%) | 3,2 | 2,4 | 2,5 | 1,4 | 1,3 | 0,7 | 1,2 | 1,6 | 0,3 | -6,0 | 4,7 | 1,9 | 0,3 | 1,2 |

**Data Source: World Bank, 2023**

The IMF is the most optimistic about South Africa's prospects, forecasting 1.8% growth for 2024 and 1.9% for 2025. The World Bank forecasts 1.3% growth for 2024 and 1.5% for 2025. The South African Reserve Bank (SARB) is more pessimistic, projecting 1.2% in 2024 and 1.3% in 2025. According to the World Bank, "persisting structural problems, such as high unemployment, crumbling transportation and power supply infrastructure, inefficiencies in state-owned enterprises, and slow implementation of reforms are expected to prevent a much-needed pickup in growth[3]".

## INFLATION

In contrast to numerous other economies, South Africa experienced a relatively gradual increase in its headline inflation rate, reaching a lower peak[4]. Nonetheless, the journey back to the target has precipitated a cost-of-living crisis for many consumers feeling the dual effect of high inflation and rising interest rates. Businesses too, especially small enterprises, have struggled to service their debt in sectors experiencing reduced expenditure. The inflation rate remains susceptible to fluctuations in both global and domestic supply and demand dynamics, and challenges such as electricity price hikes and logistical constraints persist, posing notable inflationary risks. Additionally, fuel and food price fluctuations continue to contribute to volatility.

Core inflation was 4.9% in 2023 and is forecast to improve to 4.6% in 2024 and 2025. Headline inflation was at the upper end of the inflation target range in 2023, at 6%. It is forecast to improve to 5% in 2024 and to sustainably revert to the midpoint of the target range by the second quarter of 2025.

[3] *World Bank. 2023. Global Economic Prospects, June 2023. Washington, DC: World Bank. doi:10.1596/978-1-4648-1951-3. License: Creative Commons Attribution CC BY 3.0 IGO*

[4] *Statement of the Monetary Policy Committee, Issued by Lesetja Kganyago, Governor of the South African Reserve Bank, 25 January 2024*

## NATIONAL DEBT

Government expenditure is growing faster than its revenue, resulting in continued borrowing. Whilst National Treasury committed to reducing government debt, total debt is likely to increase from R4.7 trillion in 2022/23 to R5.8 trillion by 2025/26. Mainly due to higher rates, interest alone increased by 19.3% to R98.2 billion. Debt servicing is already the third most expensive line item in the national budget.

**Table 1: Summary of South African Budget 2022/23 and 2023/24, ranked by 2023/24 value**

| # | Budget Item | 2022/23 | 2023/24 |
|---|---|---|---|
| 1 | Learning and Culture | R441.5 billion | R457.1 billion |
| 2 | Social Development | R364.4 billion | R378.5 billion |
| 3 | Debt Service Costs | R301.8 billion | R340.5 billion |
| 4 | Community Development | R236.3 billion | R259.7 billion |
| 5 | Health | R259 billion | R259.2 billion |
| 6 | Economic Development | R227.1 billion | R237.6 billion |
| 7 | Peace and Security | R220.7 billion | R227.3 billion |
| 8 | General Public Services | R69.2 billion | R73.6 billion |

**Source: National Treasury Budget Review, 2023**

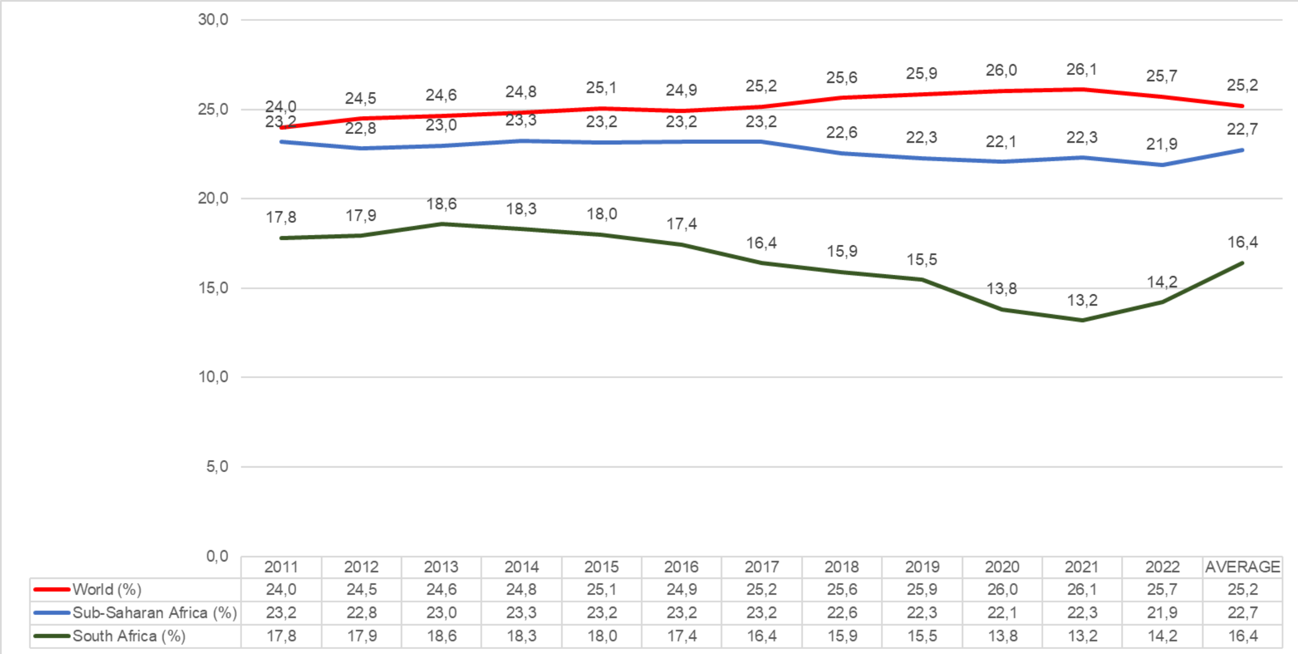
Ways will need to be found to decrease spending and increase revenue. There is a limit to how much more borrowing can be done without creating a fiscal crisis. The implication, however, is that entities, such as **sefa,** can expect continued reductions in budget allocations over the MTEF, as the National Treasury is pressured to contain public expenditure in an environment of low revenue growth.

For example, SARS reported that tax revenue from the mining sector alone was down by R22 billion in June 2023, and load shedding is projected to reduce tax collections for the 2023/24 financial year by R60 billion.

## INVESTMENT

When it comes to investment, confidence is key. One way in which confidence is practically expressed is through Gross Fixed Capital Formation (GFCF). South Africa’s GFCF, as a percentage of GDP, has consistently lagged the region over the period 2011 to 2023, and has declined from 17.8% in 2011 to 16.4% in 2022.

## Figure 8: Gross Fixed Capital Formation - percentage of GDP, 2011 to 2022



| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | AVERAGE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World (%) | 24,0 | 24,5 | 24,6 | 24,8 | 25,1 | 24,9 | 25,2 | 25,6 | 25,9 | 26,0 | 26,1 | 25,7 | 25,2 |
| Sub-Saharan Africa (%) | 23,2 | 22,8 | 23,0 | 23,3 | 23,2 | 23,2 | 23,2 | 22,6 | 22,3 | 22,1 | 22,3 | 21,9 | 22,7 |
| South Africa (%) | 17,8 | 17,9 | 18,6 | 18,3 | 18,0 | 17,4 | 16,4 | 15,9 | 15,5 | 13,8 | 13,2 | 14,2 | 16,4 |

**Data Source: World Bank**

Despite a projected increase in growth, several factors continue to hamper much needed spending on fixed investments, including:

1) Infrastructure related challenges – electricity supply, rail transportation, and port services.

2) Weak domestic demand and relatively subdued demand for South Africa's exports in key global markets – diminished commodity demand from China and potential challenges for manufactured exports in traditional markets like the European Union (EU) and the US.

3) Limited necessity for investments in new or expanded production capacity across various sectors.

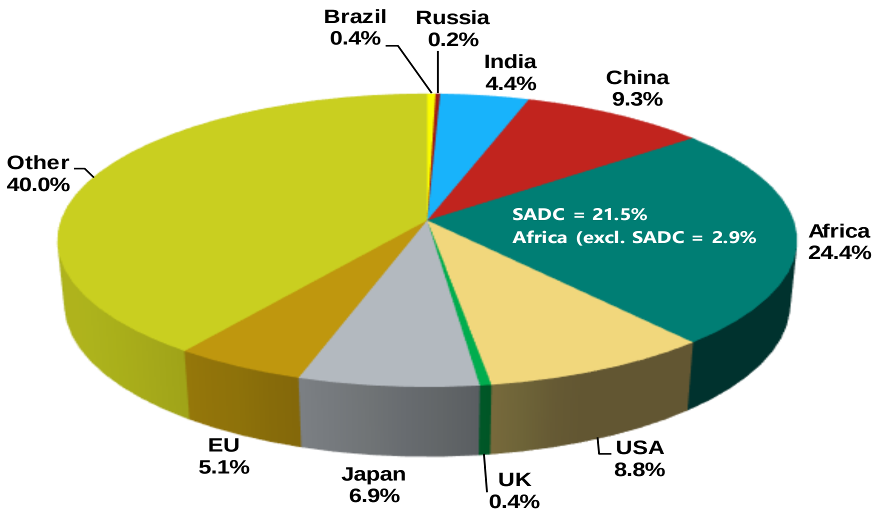
4) Slow implementation of critical policies essential for a well-functioning economy.

The majority of investment activities are expected to focus on maintenance and upgrading, while some companies will prioritise investments in alternative energy generation capacity to counter the impact of loadshedding on business and trading activities.

### EXPORTS

The figure below illustrates the leading global markets for South African merchandise exports. Of particular significance for **sefa** (and Seda), is the export of products to SADC countries, accounting for 21.5% of all exports.

**Figure 9: Leading global markets for South Africa merchandise exports, 2022**



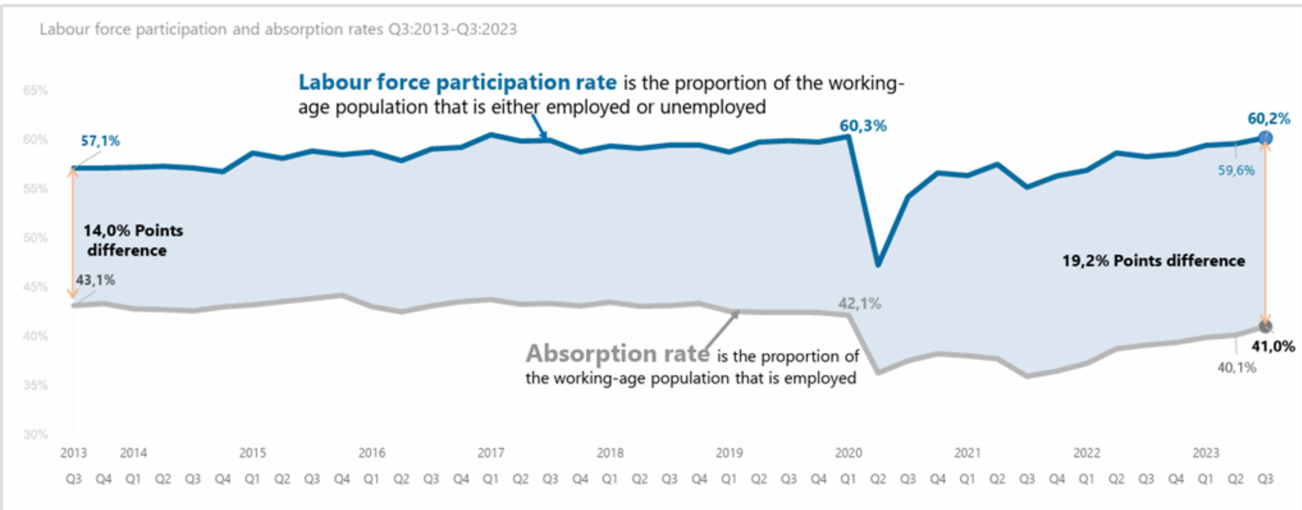

Source: IDC using South African Reserve Bank data

**sefa** needs to bring into focus opportunities for financing export-ready SMEs. Financing mechanisms should be more responsive to the needs and scale of the SMEs, extending beyond short-term commercial bank or microfinance lending to the provision of medium and long-term funding. This is especially crucial in partnership with entities such as Seda, which provides business support interventions, including enhanced technological readiness and export potential through the timely provision of information on market opportunities both at home and abroad.

## EMPLOYMENT

The South African economy's ability to create jobs for the country's working age population has deteriorated over the past 10 years. Whilst the labour participation rate has grown from 57.1% in 2013 to 60.2% in 2023, the labour absorption rate has worsened from 43.1% to 41% over the period.

**Figure 10: Labour force participation and absorption rates Q3:2013-Q3:2023**




Source: Statistics South Africa

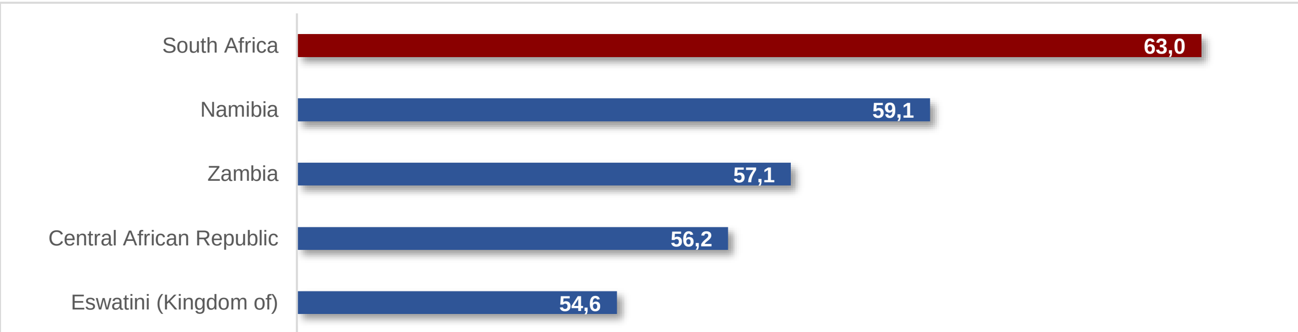
There were 4.9 million unemployed people in South Africa in Q3:2013. In Q3:2023, that number has grown to 7.8 million. The proportion of long term unemployed, or people who have not had work for longer than a year, has increased from 65.5% to 75.3% over the same period[5]. Unemployment among graduates dropped by a full percentage point between Q1:2023 and Q2:2023, from 10.6% to 8.5%. The correlation between lower levels of education and higher levels of unemployment is emphatic. This is why improving education outcomes has to be a permanent national priority.

Furthermore, in an economy with limited job opportunities for graduates, it becomes imperative to support graduates to become entrepreneurs/business owners rather than relying on either the public sector or private sector for employment. An emerging priority for **sefa** is to assist graduate doctors that are unable to find employment to start businesses. Not considering past years, this amounts to up to 825 medical doctors deemed to be unemployed at the beginning of January 2024[6].

## INEQUALITY AND POVERTY

The Gini coefficient measures income inequality in a country. The closer the index is to zero, the more equally distributed the income. The level of inequality in South Africa has not changed significantly over the past 20 years, with the country consistently sitting at the top of the index as the most unequal country in the world. Mass unemployment is a major hinderance to progress in this area. The top five most unequal countries in the world are all in Sub-Saharan Africa.

**Figure 11: Five most unequal countries, 2021 Gini index**




**Data Source: Statista[7]**

In South Africa, an individual who has R760 per month to spend on food is living below the food poverty line. The upper bound poverty line, defined as having just enough money for basic nutrition and a few other essentials like clothes, is R1,558 a month. The lower bound poverty line, where basic nutrition must be sacrificed in order to afford other essentials, is R1,058 per month[8]. According to the 2022 General Household Survey, approximately one fifth (19.6%) of households in the country considered their access to food as inadequate or severely inadequate[9].

A universal basic income grant has long been the policy of the ruling party, and the President believes the Social Relief of Distress Grant lays the foundation for its roll out. The President emphasised in his 2024 State of the Nation Address: "We will continue to position our economy to grow and compete in a fast-

[5] *Statistics South Africa, Quarterly Labour Force Survey Q3 2023*

[6] *https://www.gov.za/news/media-statements/minister-joe-phaahla-unemployed-medical-doctors-and-other-health*

[7] *https://www.statista.com/statistics/264627/ranking-of-the-20-countries-with-the-biggest-inequality-in-income-distribution/*

[8] *https://www.statista.com/statistics/1263737/national-poverty-line-in-south-africa/*

[9] *Statistics South Africa General Household Survey 2022*

changing world, to support small businesses, to give young people economic opportunities and to provide social protection to the vulnerable".

However, South Africa's sluggish economic growth is highly unlikely to create the 8 million or more decent paying jobs needed to reduce unemployment to manageable levels, and the 13.8 million South Africans living below the monthly food poverty line must be addressed. Although unaffordable under current fiscal conditions, a basic income grant may be something the country cannot afford *not* to do. **Sefa**'s influence may be brought to bear on the situation through a combined strategy of supporting survivalist businesses and financing high growth enterprises through the deployment of responsive products and services.

## CRIME AND CORRUPTION

High levels of crime and corruption continue to undermine development, compromise safety and stability, and impede the delivery of essential infrastructure and services. Aside from an exceptionally high rate of violent crimes like murder, hijacking, gender-based violence, and rape, South Africa also has to contend with mafia-style gangs shaking down infrastructure and property development projects using government quota policy as cover. According to the Global Organised Crime Index, out of the 193 countries indexed, South Africa ranks seventh in terms of prevalence of mafia-style criminal networks and organised crime syndicates, aided by embedded state actors[10]. Powerful criminal gangs undermine state interests and, ultimately, pose an existential threat to rule of law and legitimate government.

2021 saw serious civil unrest break out in KwaZulu-Natal and, in 2022, a war over transportation routes in the Eastern Cape resulted in passenger busses being set alight. That theme continued in 2023, when trucks were torched on the country's national roads and chaos descended on Port St Johns and Cape Town during periods of taxi operator related violence.

Increased incidents of looting and violence are likely unless levels of inequality and desperate poverty are reduced. Deep rooted criminal networks need to be weeded out and public institutions should be leading by example when it comes to establishing the moral tone of the nation.

## ENERGY

According to a report by the Minister of Electricity in September 2023, using SARB modelling, load shedding cost the country R300 billion in 2022. The cost of the record-setting blackouts in 2023 is much higher, estimated by SARB to have reduced economic growth by approximately 1.8 percentage points, with an estimated impact on the gross value added to the economy of R725 billion. In comparison, PWC estimates a much higher impact on GDP, up to five percentage points[11]. The impact could reach up to R1.6 trillion in lost economic activity in 2023[12]. The most seriously affected sectors are manufacturing, mining, agriculture, forestry, and fishing, as well as transport, storage, and communication.

The Minister of Electricity stated that Eskom's inability to meet electricity demand reliably is detrimental to the government's ability to help the poor. The United Nations Development Programme warns that this negatively affects social cohesion and stability and is a 'ticking time bomb' that could result in social unrest, especially considering South Africa's high unemployment rate among its youth. **sefa's** operating landscape is not immune to this threat.

[10] *https://www.defenceweb.co.za/featured/crime-index-shows-deterioration-in-south-africa-which-is-now-third-worst-affected-african-nation/#:~:text=South%20Africa's%20criminality%20score%20has,networks%20and%20organised%20crime%20syndicates*

*11 https://codera.co.za/estimates-of-the-cost-of-load-shedding-in-sa/, accessed 27 January 2024*

*12 https://dailyinvestor.com/energy/26780/load-shedding-to-cost-south-africa-r1-6-trillion-in-2023/, accessed 27 January 2024*

An Energy Action Plan has been established, aiming to achieve five outcomes[13]:

1) Fix Eskom and improve the availability of existing supply.
2) Enable private investment in new generation capacity.
3) Accelerate procurement of new capacity from renewables, gas, and battery storage.
4) Unleash investment in rooftop solar photovoltaic for businesses and households.
5) Transform the electricity sector to achieve energy security.

There have been some significant steps forward with regards to private generation in both the commercial and domestic space. Recent data indicates that the South African economy is becoming more resilient to the effects of loadshedding as the private sector reduces its reliance on Eskom. According to data from Eskom, installed solar capacity increased from 1,000 MW in March 2022 to approximately 4,400 MW in June 2023[14].

In the budget speech, the Finance Minister estimated that 2,500 MW of solar generation capacity would be installed in South Africa in 2023. The country already surpassed this in the first six months of the year, with over 4,000 MW of capacity registered.

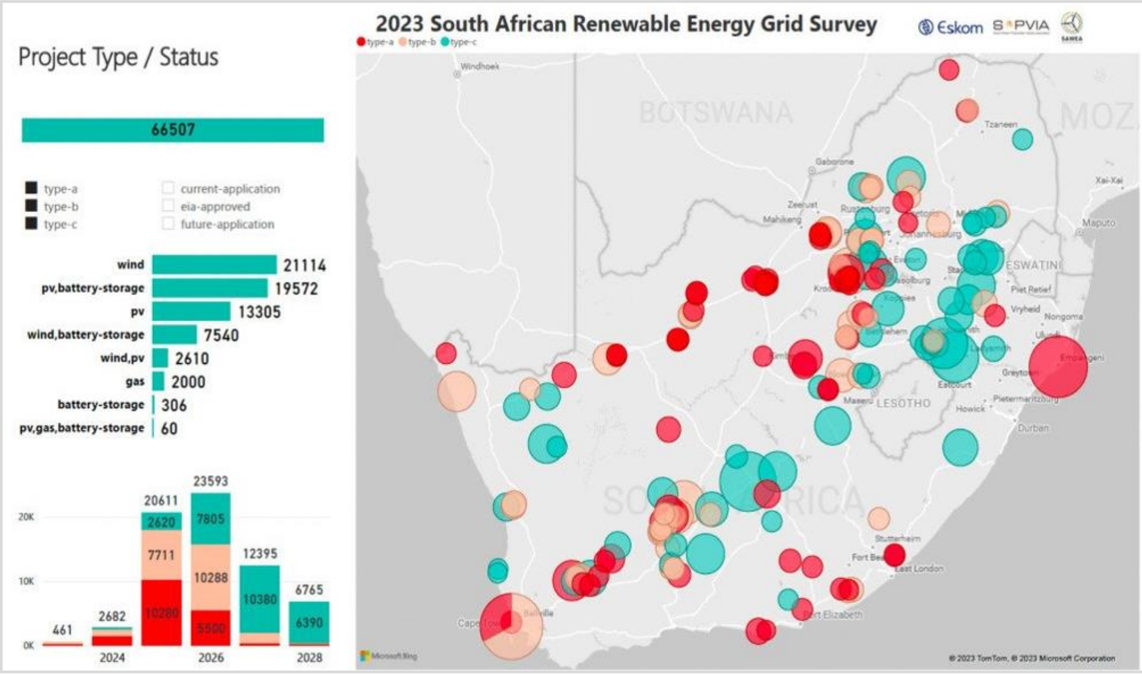
In terms of private generation, the Embedded Generation Task Team is assisting more than one hundred projects to clear regulatory hurdles and expedite construction. A survey conducted by Eskom, the South African Wind Energy Association, and the South African Photovoltaic Industry Association, found that 66GW of wind and solar projects are in development across the country[15].

[13] *EAP Update: Presidency Strategic Planning Session, Ministry in the Presidency for Electricity, Dr Kgosientsho Raokgopa,29 September 2023*

[14] *https://dailyinvestor.com/energy/26780/load-shedding-to-cost-south-africa-r1-6-trillion-in-2023/, accessed 27 January 2024*

[15] *EAP Update: Presidency Strategic Planning Session, Ministry in the Presidency for Electricity, Dr Kgosientsho Raokgopa,29 September 2023*

**Figure 12: South African renewable energy grid survey**




**Source: Energy Action Plan Update, September 2023**

Generation is only one part of the equation. In order to get the power from where it is generated to where it is needed, significant upgrades to the transmission network are required. Over the past ten years, between 2013 and 2022, 4,347 circuit kilometres were added to the grid. Over the next ten years, between 2023 and 2032, an additional 14,218 circuit kilometres are needed. That is 43% of the current total of just over 33,000, 325% more than was added the previous ten-year period[16].

The solar panel tax incentive and the Energy Bounce-Back Loan Scheme are helping to boost local generation through adoption of rooftop solar photovoltaics for commercial and residential use. 200,000 households installing a medium-sized solar system would reduce demand by 1,000MW, or one stage of loadshedding. Heating water accounts for 30% to 50% of household power consumption and drives peak demand, so solar geysers are also an area of focus. These present significant opportunities for SMME participation in the value chain of renewable energy projects and businesses.

## TRANSPORT AND LOGISTICS

Transnet, which controls the country's rail network and major seaports, went from posting a R5 billion profit in the 2022 financial year, to a R5.7 billion loss 2023. The Minerals Council, one of Transnet's key clients, estimates that inefficiencies at the state-owned entity may have cost the country R150 billion in lost sales in 2022.

Due to the growing inefficiencies of the rail network, road freight has increased 48% in the last ten years, with heavy goods vehicles making up as much as 34% of traffic on the N3. The current road/rail split stands at 87% to 13%. Coal miners have been particularly hard hit by the disintegration of the route from

[16] *Energy Action Plan Update: Presidency Strategic Planning Session, Ministry in the Presidency for Electricity, Dr Kgosientsho Raokgopa,29 September 2023.*

Mpumalanga to the Richard's Bay coal terminal. Lower coal prices make transporting it by road financially unattractive. Coal producers are in talks with labour unions to reduce jobs.

In addition to the issues with rail, the country's container ports are some of the worst functioning in the world. According to the United Nations Conference on Trade and Development, in the first half of 2023, the average waiting time for dry bulk carriers in South Africa was 146 hours, compared to 18 hours in France, 20 hours in Indonesia, and 22 hours in South Korea. Dry bulk carriers had less of a wait in Mozambique at 137 hours[17]. Inefficiencies at the ports hinder all import and export activities, which constitute up to 70% of the country's economic activity.

ArcelorMittal, South Africa's largest steel producer, posted a headline loss of R1.89 billion in the 2023 financial year, compared to a R2.61 billion profit the year before. Subsequently, the company announced plans to close its long steel business, potentially affecting the jobs of 3,500 direct employees and causing even greater downstream job losses for enterprises in the value chain of the steel/metals business. The company has deferred its closure pending a demonstration by Transnet that it can resolve its efficiency problems at the Durban port[18]. For SMMEs operating steel fabrication, logistics, and other related businesses, the implications of ArcelorMittal's potential closure are dire.

**CLIMATE CHANGE**

South Africa is one of the countries that ratified the United Nations Framework Convention on Climate Change, which was created to address the negative effects of climate change by stabilising greenhouse gas emissions. The most recent Conference of the Parties (COP28) was held in the United Arab Emirates where the first Global Stocktake assessed progress since adopting the Paris Agreement in 2015.

Compliance with environmental regulations can be challenging and expensive for small businesses for several reasons:

1) **Regulatory Requirements**: Small businesses are often subject to the same environmental regulations as larger corporations. Meeting these regulations may require significant investments in equipment, technology, and processes to ensure compliance.

2) **Limited Resources**: Small businesses typically have limited financial and human resources. Allocating funds and manpower to meet environmental standards can strain their overall capacity, making compliance more challenging.

3) **Technological Upgrades**: Achieving compliance often involves adopting new technologies and equipment that are environmentally friendly. The cost of upgrading or replacing existing machinery and processes can be a significant burden for small businesses.

4) **Consulting and Expertise**: Small businesses may lack in-house expertise on environmental regulations. Hiring consultants or experts to navigate complex environmental laws and regulations adds to the overall cost of compliance.

5) **Monitoring and Reporting**: Compliance requires ongoing monitoring of environmental impacts and regular reporting to regulatory bodies. This demands additional resources for data collection, analysis, and documentation.

*17https://www.moneyweb.co.za/news/economy/heres-what-needs-to-happen-after-the-night-of-long-knives-at-transnet/?bid=120_23729_8401658 (Accessed 16/10/2023)*

*18 https://www.reuters.com/markets/commodities/arcelormittal-south-africa-posts-full-year-loss-2024-02-08/*

6) **Penalties for Non-Compliance**: Small businesses may face fines and penalties for non-compliance with environmental regulations. These financial repercussions can be especially burdensome for businesses with limited budgets.

7) **Changing Regulations**: Environmental regulations can change over time, requiring businesses to adapt and invest in new compliance measures. Keeping up with evolving standards can be costly for small businesses.

8) **Waste Management**: Proper disposal and management of waste can be expensive. Small businesses may need to invest in waste reduction, recycling, or proper disposal methods to meet environmental standards.

9) **Permit Costs**: Acquiring permits for certain operations can be a costly and time-consuming process. Small businesses may need legal assistance and documentation to obtain the necessary permits for compliance.

10) **Risk Mitigation**: Small businesses may view environmental compliance as a risk mitigation strategy. While the upfront costs are high, avoiding compliance could lead to legal issues, damage to reputation, and potential shutdowns.

Despite these challenges, compliance is not optional, particularly for enterprises considering exports to European countries that apply a tax based on carbon emissions caused by the manufacturing process. Known as the Carbon Border Adjustment Mechanism, the tax aims to encourage more countries to write laws that reduce emissions, as well as to protect the competitiveness of compliant European manufacturers against rivals operating in 'dirtier' jurisdictions[19]. Initially the new tariff will hit industrial materials the hardest, but eventually most products and industries will be impacted.

### 6.1.3. PESTEL Summary

**sefa's** PESTEL analysis assists in recognising the headwinds and tailwinds in the macroenvironment. It helps identify factors influencing the opportunities and threats in the agency's SWOT analysis, as well as the strategic risks arising from external factors. This guidance facilitates the development of suitable mitigation strategies to address and navigate challenges effectively. By identifying key external factors, PESTEL analysis aids **sefa** in prioritising its strategic and annual planning efforts, along with related performance information and targets.

[19] https://www.barrons.com/articles/europe-carbon-tax-emissions-climate-policy-1653e360

## Figure 13: PESTEL Analysis – Factors Influencing Planning

| POLITICAL | ECONOMIC | SOCIAL | TECHNOLOGY | ENVIRONMENT | LEGAL |
|---|---|---|---|---|---|
| KEY MACRO-ENVIRONMENT FACTORS | | | | | |
| ▪ Rising geopolitical tensions and wars, with heightened risks to global supply chains and political polarisation.<br>▪ The globalisation project is experiencing fragmentation, with two groups forming around China and the US, and an expanding BRICS.<br>▪ The 2024 National Election may bring electioneering, deferrals of unpopular decisions, and delayed promulgation of key legislation (e.g. the SEDFA Act)<br>▪ Coalition arrangements may be prevalent at all levels of government post the 2024 election, bringing policy uncertainty.<br>▪ The seventh administration may usher in changes to the small enterprise's ecosystem, potentially stalling existing programs. | ▪ Global growth remains sluggish and is expected to persist in the medium-term.<br>▪ Inflation remains in the upper inflation threshold, influencing monetary policy, cost-of-living, debt-servicing, and **sefa's** revenue growth.<br>▪ SA business and investor confidence and SMME sustainability continues to be influenced by energy and water supply, logistics, safety and security, and crime and corruption.<br>▪ Downstream impact on SMMEs of potential closures of large industrial/ manufacturing businesses.<br>▪ Sourcing alternative financing mechanisms for SMMEs<br>▪ SADC export opportunities are prevalent for South African SMEs.<br>▪ **sefa** funding model and sustainability remains a concern due to fiscal constraints. | ▪ Persistent widespread inequality, poverty and unemployment in South Africa, spurring social unrest.<br>▪ Backlash from criminal networks from within and outside state institutions affecting the cost and risk of doing business.<br>▪ High unemployment levels among graduates in professional sectors, requiring a pivot towards entrepreneurship.<br>▪ Public education consistently yields substandard results, compromising employment and entrepreneurship.<br>▪ Tertiary education institutions do not focus on entrepreneurship as an alternative to formal employment.<br>▪ Social cohesion remains a formidable challenge to nation building. | ▪ Technological advancements in 4IR (AI) pose a threat to jobs across all economic sectors while presenting opportunities for innovative entrepreneurs.<br>▪ Digitalisation (automation) of administrative, organisational and management processes are facilitating greater service delivery efficiencies.<br>▪ Cyberattacks pose a constant, real threat.<br>▪ According to Census 2022, the percentage of households with access to the internet has grown from 35.2% in 2011 to 79% in 2022, but access in rural and peri-urban areas remains lower, reflecting the broader pattern of inequality in the country. | ▪ South Africa is among 198 countries that ratified the United Nations Convention on Climate Change, which has been in force since 1994.<br>▪ Ranking as the continent's largest carbon dioxide emitter and the twelfth globally, South Africa has committed to ambitious targets in its efforts to combat climate change, with substantial opportunities for SMMEs.<br>▪ Corporate investment decisions are increasingly being influenced by Just transition and ESG principles.<br>▪ AfDB highlights the immense opportunity, valued in trillions of dollars, for the continent in embracing climate action and fostering green growth.<br>▪ Global citizen mandates – significant focus is turning towards ESG and green financing. | ▪ Endorsement of AfCFTA enables extensive collaboration among African companies beyond borders.<br>▪ Labour legislation, such as the Basic Conditions of Employment Act, and minimum wages, have a large impact on SMMEs.<br>▪ Product compliance requirements are costly.<br>▪ The regulatory burden on SMMEs is onerous and expensive to comply with in terms of both money and time. |

## 6.2. Small, Medium, and Micro Enterprise Sector Analysis

The total number of SMME owners rose by over 154,000, marking a 6.1% year-on-year increase, and reaching a total of almost 2.7 million. The number of business owners has consistently surpassed pre-COVID levels since the third quarter of 2022. It remains uncertain whether the recent robust growth can be sustained in the future. The growth was primarily fuelled by employers, showing a yearly increase of 13.5%, while own-account workers saw a more modest rise of 2.3%. This upturn in SMME numbers coincided with a general increase in overall employment.

**Figure 14: Number of SMMEs**

| Indicator | 2022Q2 | | 2023Q1 | | 2023Q2 | | Quarterly change | | Yearly change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Distrib. | Number | Distrib. | Number | Distrib. | Number | % | Number | % |
| Employer | 853 917 | 5.4% | 988 939 | 6.0% | 968 834 | 5.8% | -20 105 | -2.0% | 114 917 | 13.5% |
| Own account worker | 1 681 321 | 10.7% | 1 717 677 | 10.5% | 1 720 584 | 10.4% | 2 907 | 0.2% | 39 263 | 2.3% |
| **SMME owners** | **2 535 238** | **16.1%** | **2 706 617** | **16.5%** | **2 689 418** | **16.2%** | **-17 198** | **-0.6%** | **154 180** | **6.1%** |
| Working for someone | 13 158 476 | 83.4% | 13 587 138 | 82.8% | 13 778 519 | 83.2% | 191 382 | 1.4% | 620 043 | 4.7% |
| Helping in household business | 90 628 | 0.6% | 117 609 | 0.7% | 100 175 | 0.6% | -17 434 | -14.8% | 9 547 | 10.5% |
| **Total employed** | **15 784 343** | **100.0%** | **16 411 363** | **100.0%** | **16 568 113** | **100.0%** | **156 750** | **1.0%** | **783 771** | **5.0%** |

**Source: SMME Quarterly Update, Second Quarter 2023**

**Gauteng remains the province with the highest share of SMMEs, at 37%.**

**This is consistent with Gauteng's 35% share of the total South African economy.**

In Q2 2023, approximately 37% of South African SMMEs were based in Gauteng, showing a decline from 39% the previous year. Concurrently, the number of SMMEs operating in North West decreased by almost 15%, leading to a drop in its share from 5.5% to 4.4%.

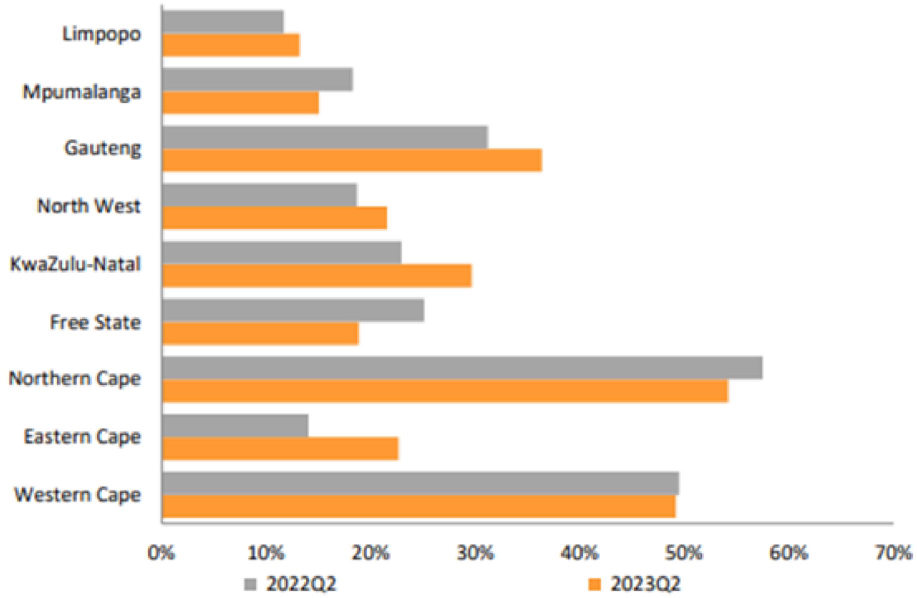
In contrast, the Western Cape experienced the highest increase in SMMEs among all provinces, with a gain of over 78,000 or 30%. This growth may be attributed to the province's significant tourism industry, marked by the reopening of numerous guesthouses, restaurants, and related businesses.

**The share of SMMEs operating in the formal sector has been stable at 30% in the last year, recovering from an all-time low of 26% at the start of 2022.**

In the year leading up to the second quarter of 2023, a notable rise in the proportion of formal sector SMMEs occurred in five out of the nine provinces. The formal sector share declined in Mpumalanga, the Free State, and the Northern Cape. The Western Cape witnessed a virtually unchanged share, with both formal and informal SMMEs increasing by approximately 30% during this period.

In the Western and Northern Cape, nearly half of all SMMEs operate within the formal sector, distinguishing these provinces from the rest of South Africa. Conversely, in Limpopo and Mpumalanga, about eight out of ten SMMEs operate within the informal sector.

**Figure 15: Formal SMMEs by province**




**Source: SMME Quarterly Update, *Second Quarter 2023***

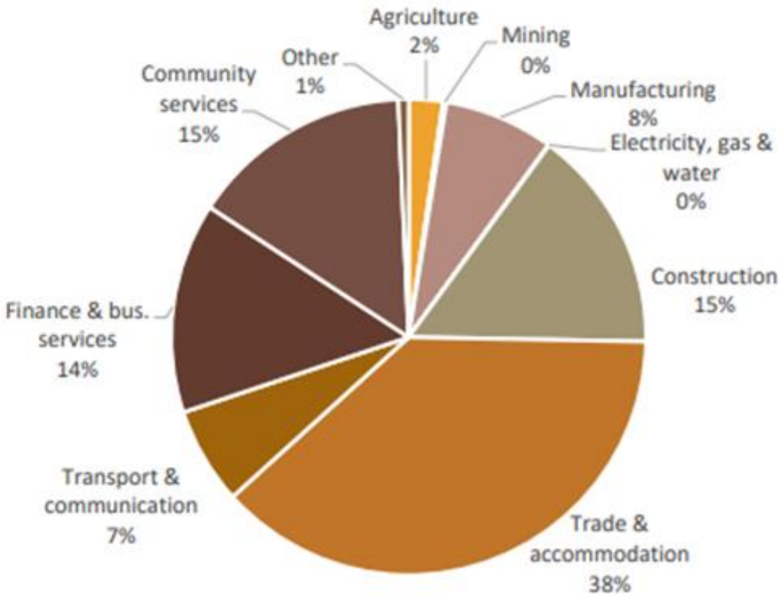
**More SMMEs are operating in the Services Sector.**

Consistent with the long-term trend, there was a rise in SMMEs operating in the tertiary sector of the economy in the past year, particularly in community services and business services sectors, which increased by around 65,000 and 35,000 respectively. The notable increase of 44,000 enterprises in construction is likely linked to investments in solar and wind electricity plants to address the challenges posed by the gradual decline of Eskom.

It is worth highlighting the higher count of SMMEs in the mining sector (6,252)[20], where significant capital investment is typically a barrier for small entrepreneurs. This increase could be attributed to the inclusion of illegal and informal miners in the survey sample.

[20] *SMME Quarterly Update, Second Quarter 2023*

**Figure 16: SMMEs by industry**



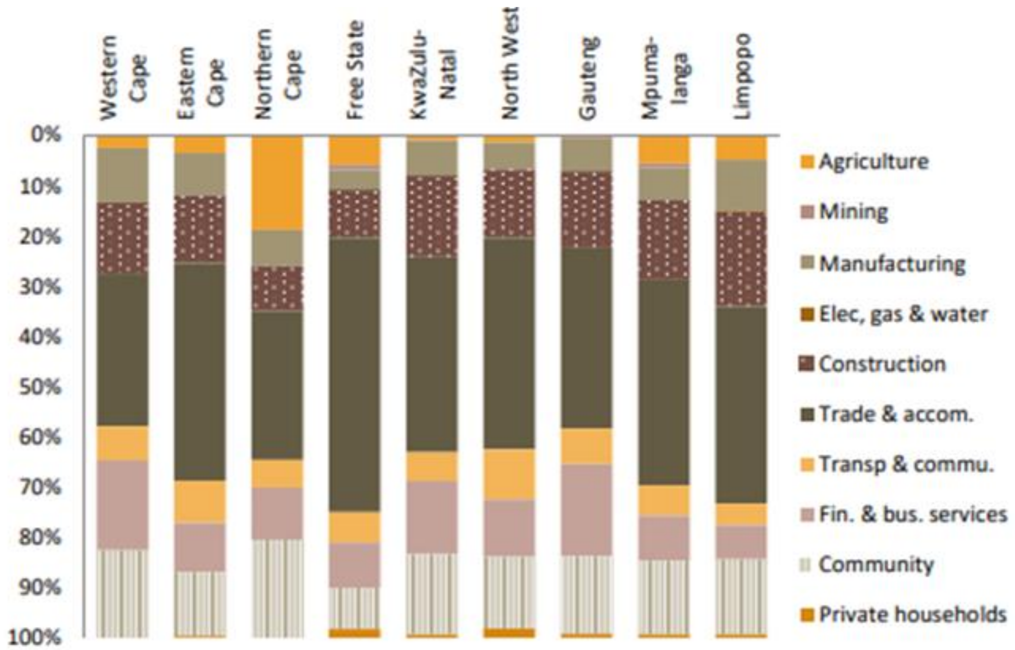

**Source: SMME Quarterly Update, *Second Quarter 2023***

**High concentrations of SMMEs in the trade and accommodation sector tend to mean higher ratios of informal businesses in a province, as the sector includes many businesses that have a low barrier to entry, like spaza shops. Entrepreneurs running these types of micro enterprises may not recognise the benefit of formal registration.**

Over half of the SMMEs in the Western Cape are formally registered, and the province exhibits a comparatively lower presence of SMMEs in the trade and accommodation sector. Notably, it hosts a higher-than-average number of small enterprises engaged in the finance and business services sector.

The Northern Cape stands out with the highest proportion of SMMEs involved in the agricultural sector, while Mpumalanga leads in the percentage of SMMEs operating within the community sector. In terms of the mining sector, only Gauteng and the Northern Cape have SMMEs. However, the legality of these businesses might be questionable.

**Figure 1: SMMEs by industry and province**

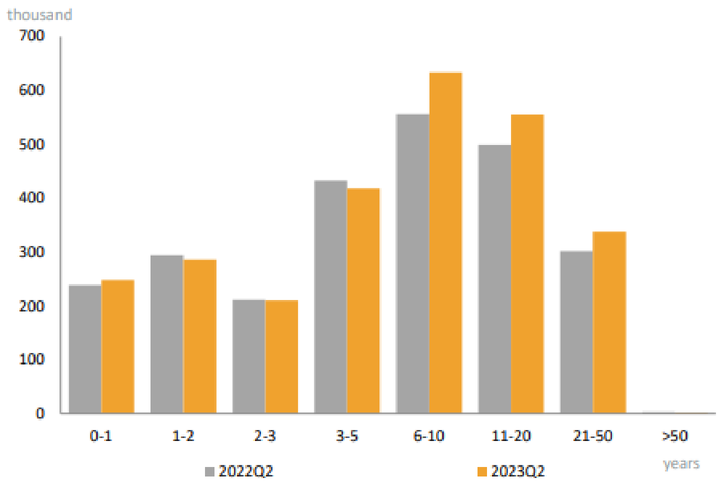



**Source: SMME Quarterly Update, *Second Quarter 2023***

During the year leading up to the second quarter of 2023, the notable rise in the number of SMMEs was primarily observed among businesses that had been operational for six years or more. Consequently, the average age of SMMEs experienced an increase from 10.2 years to 10.6 years within the same timeframe. This growth surpasses the typical progression of age, suggesting that numerous older enterprises, previously dormant, have now been reactivated.

The reopening of guesthouses and restaurants corresponds with the surge in formal sector businesses, indicating a positive correlation between the revival of the tourism sector and the increased activity in SMMEs.

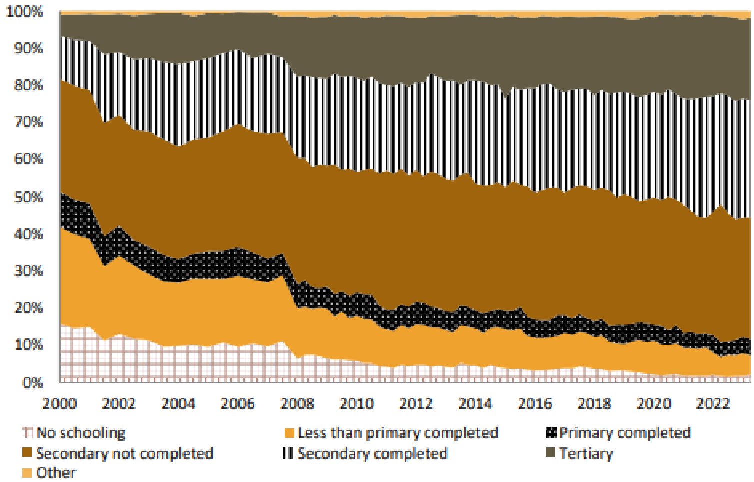
**Figure 2: Enterprise age of SMMEs**




**Source: SMME Quarterly Update, Second Quarter 2023**

Entrepreneurs are becoming more educated over time. The positive trend in the educational attainment of SMME owners continued through the year leading up to the second quarter of 2023. The percentage of owners who completed secondary school rose from 29.7% to 31.5%, while those with tertiary education increased from 20.8% to 22.2%. Conversely, the proportion of owners who did not complete secondary school decreased from 37.2% to 32.8%. This shift may be attributed to a broader, long-term demographic trend indicating improved literacy rates. The improvement in educational attainment coincided with more SMMEs operating in the formal sector.

**Figure 19: SMME owners by education group**




**Source: SMME Quarterly Update, Second Quarter 2023**

In the second quarter of 2023, a quarter (25%) SMME owners were engaged in elementary occupations, slightly lower than the previous year's figure of 26%. Notably, the share of clerks saw a significant increase from 0.8% to 2.4% during the same period. On a positive note, the proportion of professionals grew from 4.8% to 6%, reflecting a 32% increase in their numbers, equivalent to just over 39,000 individuals. While a positive trend, the relatively low number of graduate professionals finding employment or engaging in entrepreneurial activities remains a concern. This is a key area of intervention, jointly, for **sefa** and Seda.

There is also cause for concern with the substantial decline in the count of skilled agricultural and fishery workers, potentially including commercial farmers. This category experienced a significant drop of almost 40%, falling from just above 43,000 to 26,000.

**Manufacturing, ICT, and tourism and hospitality have been identified by Seda as growth areas for SMMEs. sefa has further identified agro-processing and professional services as key priority sectors in the upcoming planning period.**

**Key challenges facing South African SMMEs include:**

1) Limited access to low and medium cost funding is constraining business growth.
2) Access to the right markets to sell products.
3) Lack of clear market access strategies.
4) Founders and owners struggle to empower staff to lead and drive the business.

5) Developing team skills and capabilities and empowering leadership.

6) Liquidity and cash flow management are limited.

7) Difficulty leveraging technology to reach new customers or provide a distinctive value proposition.

8) Balancing the drive for efficiency with the push for sales.

9) Access to the right support to enable growth.

**Government sees itself as a key player in the SMME ecosystem, both as a general enabler of SMME growth, and through the delivery of targeted support to high-growth businesses.**

Seda developed the **District Ecosystem Facilitation (Model**, aligned to the government's **District Development Model.** The rollout of the District Ecosystem Facilitation Model was delayed by COVID-19 in 2020, and in the 2021/22 financial year challenges arose from the fact that different provinces were rolling out the District Development Model differently. This called for Seda to step back and review its approach to the rollout of the model to achieve better collaboration with district municipalities and other public and private stakeholders.

The key elements of the model are as follows:

1) ESD at district level will be anchored to the sectors that are competitive, and they will be the key drivers of partnerships with the Private Sector and the various SETAs

2) Practitioner capacity building and professionalisation of Business Advisory Standards.

3) Information management.

The three elements above will be positioned to improve support to SMMEs on one hand and the initiatives of the districts on the other.

The **Private Sector** has several levers it could pull on to support SMME growth – especially those with high potential. Banks and financial institutions have already started a significant number of initiatives to support SMMEs.

Corporations, in a broader context, have the potential to empower SMMEs by concentrating on extended supplier development strategies aimed at fostering long-term scale and competitiveness. Five key elements for Private Sector entities to incorporate into their supplier development procedures cater to the business requirements of the corporations themselves, but also contribute to the viability and sustainability of their SMME partners:

1) Develop clear selection criteria for suppliers upfront by defining the categories in which to develop suppliers. This could be based on ownership structure, business performance, or other criteria.

2) Assess the capability gaps that exist within suppliers up-front and develop plans to help them close these.

3) Build funding and capability requirements into the contract to create sustainability.

4) Simplify contractual terms and conditions and required paperwork for SMMEs that often do not have dedicated commercial teams.

5) Establish regular check-ins and course correction sessions throughout the lifecycle of the relationship with suppliers.

### 6.2.1. Overview of Recent Developments, Opportunities, and Risks in Select Sectors

#### MINING AND METALS: MINING

***Recent Developments***

Mining output has seen a marginal improvement since Q4 2022, following a prolonged decline from Q2 2021. The recent upturn in performance, despite challenges like weaker prices, increased loadshedding, and logistical issues, could be attributed to enhanced embedded electricity generation capacity.

In Q2 2023, the Mining Sector's output increased by 2.6% compared to Q4 2022. However, it remained 8% lower than pre-COVID-19 levels, with gold (-9%), iron ore (-20.8%), and nickel (-29.2%) being the worst-performing commodities.

The gold sector has negatively impacted overall employment, with anticipated job losses in Platinum Group Metals (PGMs). Mining exports, in nominal values, declined due to significantly weaker commodity prices, especially in iron ore and coal, while volumes faced pressure from logistical constraints.

***Investment Opportunities***

The evolving energy crisis is expected to accelerate the global transition to clean energy. The World Bank projects a significant 200% growth in global demand for critical/strategic minerals by 2050. This underscores the need for a substantial increase in global production capacity, particularly for minerals like copper, which is abundantly available in the regional copper belt.

South Africa's resource portfolio includes minerals, such as Platinum Group Metals, chromite, manganese, nickel, vanadium, iron ore, fluorspar, rare earth elements, and graphite in Zimbabwe. The country's plans for wind and solar energy infrastructure, as well as initiatives related to new energy vehicles and green hydrogen venture capital development, highlight the importance of long-term capital allocation strategies for minerals like copper, nickel, manganese, platinum, and steel/chromium.

Global demand is expected to rise for minerals used in infrastructure development in advanced economies for replacement and upgrades, as well as in specific emerging markets for new infrastructure. Additionally, there is an anticipated increase in demand to enhance military defence capacity globally.

***Key Risks***

Various global risk factors pose challenges, including the spectre of stagflation, an energy market crisis fuelled by the Russia-Ukraine conflict, decelerating economic growth, and the impact of COVID-19-induced hard lockdowns in China.

The suboptimal performance of South Africa's economic infrastructure remains a persistent constraint on export-oriented mining operations. Additionally, there is a notable lack of adequate investment in exploration in South Africa, a critical factor for supporting the growth of mining output, particularly as it is predominantly driven by junior mining companies.

Furthermore, the EU's carbon reforms and the potential introduction of a carbon border tax on imports pose a risk to market access. Navigating these challenges will require strategic planning and adaptability within the Mining Sector.

## MINING AND METALS: METALS

### *Recent Developments*

The output of the basic and fabricated metals sector has faced limitations due to subdued investment activity over several years, despite a reported improvement in growth of 7.2% year-on-year in Q2 2023. As of that time the sector's output remained 2.8% below its pre-pandemic level, with iron and steel 18.3% under, and non-ferrous metals 6.8% into negative territory.

By Q2 2023, the sector has experienced a decline in employment, losing approximately 21,000 jobs (13.5%) compared to Q4 2019. Despite these challenges, exports from the sector have performed well, growing by 16.1% year-on-year in the first half of 2023, with key export destinations including Africa, the EU, and China.

### *Investment Opportunities*

Adverse geopolitical events, particularly China and Russia's dominance in global basic and fabricated metals supply, have prompted a revaluation of capital investment decisions to diversify supply chains.

ESG-induced production restraint in China’s basic steel and fabricated metals industries present a strategic opportunity for South Africa's metals industries. This aligns with the potential benefits of the AfCFTA and the infrastructure investment pipeline in the sub-Saharan Africa region, encompassing transport, logistics, electricity generation, and water.

The improved profitability in the upstream steel industry supports the strategic proposition of directing capital investment toward developing green steel capacity. The expected gradual recovery in infrastructure investment in South Africa, driven by enhanced collaboration between the public and Private Sectors and an emphasis on local sourcing, coupled with increased private capital expenditure, bodes well for the metals sector.

### *Key Risks*

The South African basic steel and metals industries are primarily focused on domestic markets, and subdued local demand is anticipated in the short to medium term. The sector heavily depends on supportive industrial policy instruments.

However, fiscal austerity measures and financial constraints within state-owned enterprises are restricting spending on economic and social infrastructure. There are concerns about execution risks in economic infrastructure projects.

Additionally, the sector faces energy supply risks, with over 70% of production costs influenced by energy inputs, both directly and indirectly.

## INFRASTRUCTURE

### *Recent Developments*

Infrastructure development continues to play a crucial role in South Africa's economic recovery and growth prospects. However, Public Sector capital expenditure has been on a decline since 2016, reaching 4.2% of GDP in 2022, significantly below the National Development Plan's (NDP) target of 10% of GDP.

The first phase of the National Infrastructure Plan 2050 is concentrated on four strategic sectors: energy, water, digital infrastructure, and freight transport, including rail, ports, and border posts. Viable projects are being identified and developed through entities like the Bureau for Infrastructure (BFI), Development Bank of Southern Africa (DBSA), and Infrastructure SA.

The Infrastructure Fund is instrumental in catalysing and structuring blended finance projects. An accelerated approval process for projects below R1 billion has been established following the recently concluded Public Private Partnership Review by the National Treasury.

### *Investment Opportunities*

South Africa is allocating R903 billion for Public Sector infrastructure spending over the next three years, extending until 2025/26. The emphasis is on investments in transport, energy, and water to enhance capacity and efficiency. This includes crucial investment in bulk water infrastructure and water treatment throughout the forecast period.

The strategic development and support of well-structured public private partnerships will play a pivotal role in driving and securing the implementation of economic infrastructure projects. This encompasses areas with Transnet prioritising key projects (such as ports and logistics), as well as water and electricity infrastructure.

| Investment Area | 2022/23 | Medium-Term Estimates (R billion) | | |
|---|---|---|---|---|
| | R billion | 2023/24 | 2024/25 | 2025/26 |
| Transport and logistics | 90,8 | 97,5 | 119,9 | 133,7 |
| Energy | 38,7 | 39,8 | 51,1 | 67,0 |
| Water and sanitation | 36,1 | 40,8 | 44,9 | 46,9 |
| Other economic services | 23,5 | 22,7 | 21,2 | 21,2 |
| Education | 21,4 | 18,0 | 21,7 | 20,8 |
| Human settlements | 14,3 | 14,9 | 15,1 | 15,8 |
| Health | 14,2 | 14,1 | 14,0 | 14,6 |
| **Total** | 255,2 | 263,6 | 303,2 | 336,3 |
| % change on previous year | | 3,3 | 15,0 | 10,9 |

**Source: National Treasury and IDC calculations**

Opportunities for Private Sector involvement are anticipated in container port terminals, third-party access to the freight rail network, and the development and maintenance of water infrastructure. High-demand spectrum allocations are expected to expedite digital migration, bringing significant efficiency gains for operators and creating investment prospects for infrastructure upgrades and services in the ICT Sector. Additionally, opportunities linked to the widespread deployment of fibre networks to meet the demands of 5G technology are likely to emerge.

***Key Risks***

Infrastructure projects are facing delays attributed to inefficiencies, limited implementation capacity, and financial constraints within the Public Sector. Additionally, the slow pace of reform in the regulatory environment for public private partnerships and limited investor appetite contribute to insufficient Private Sector participation in infrastructure financing and operations.

## ENERGY

***Recent Developments***

Recent measures have been introduced to bring about a more open and competitive electricity market. These include the unbundling of Eskom and leasing its land to independent power producers and the fast-tracking of the Electricity Amendment Bill, which aims to permit multiple generators, both public and private, with eased regulatory requirements.

Bid Window 6 allocation has been increased, allowing IPPs to sell excess power, removing license thresholds, and encouraging household and commercial and industrial rooftop solar through feed-in tariffs and tax incentives. Municipalities are now permitted to independently procure power and efforts are underway to develop the Integrated Resource Plan for 2023.

***Investment Opportunities***

In recent developments, there has been a consideration for larger-scale projects or an increased number of projects per bid window round in the Electricity Sector. This opens the possibility for the selection of some higher-cost projects, signalling a growing demand for storage solutions. Existing independent power producers are experiencing an improved financial return, leading to surplus capacity procurement. Despite reduced local content requirements, there is an increased demand potential for local producers. Projects situated in proximity to existing power stations, possibly on Eskom land, can benefit from the existing connection and transmission infrastructure. Additionally, there is a focus on utilising decommissioned power stations for renewable energy projects. Tax incentives are being offered for commercial, industrial, and residential rooftop solar systems, contributing to significant demand potential for local producers.

***Key Risks***

The Electricity Sector is facing challenges, including delays in policy development and implementation. There is an ongoing reliance on the rollout of state-owned grid capacity, and there is a rising competition for skilled personnel. Off-take agreements with municipalities are becoming more prominent, necessitating engagements to formulate feed-in policies. Moreover, there is a trend of relaxing localisation requirements in the sector.

## MACHINERY, EQUIPMENT, AND ELECTRONICS

### *Recent Developments*

In Q2 2023, the overall output in the sector showed robust growth of 5.9% year-on-year, primarily driven by domestic demand. Notably, television, radio, and communication apparatus, along with electrical machinery, experienced the highest growth rates at 15.4% and 11.2%, respectively. In contrast, professional equipment had the slowest growth rate at 0.4%. The steady increase in fixed investment played a role in supporting the demand for machinery and equipment.

However, household spending, particularly on luxury items, was constrained, resulting in a 5.2% decline in the consumption of luxury goods during Q2 2023 compared to the same period the previous year.

Despite the sector's solid output growth, overall employment in Q2 2023 was only 0.9% higher than in Q2 2022. Job losses were observed in non-electrical machinery, household appliances, and office and accounting machinery.

### *Investment Opportunities*

The sector is expected to experience a gradual increase in fixed investment activity, driven by the phased implementation of the infrastructure development Programme over the medium to long term. This upswing is anticipated to boost the demand for machinery and equipment.

Efforts to enhance the implementation and monitoring of localisation initiatives, including the Mining Charter and product designations, are poised to benefit the sector, particularly in the realm of special purpose machinery, such as pumps and valves.

The sector may also benefit from the relatively high commodity prices, which are favourable for spending in the Mining Sector, both in terms of capital expenditure and operational expenses related to machinery and equipment, both locally and internationally.

The growth of renewable energy, especially wind-powered projects, creates opportunities for manufacturing critical components like gearboxes, transformers, and rotor hubs. Additionally, there may be procurement opportunities in the Public Sector for instruments like smart meters and water instruments, as well as controls equipment.

### *Key Risks*

The household spending outlook is dimmed by inflationary pressures and increasing interest rates, negatively impacting sub-sectors involved in the production of household appliances, televisions, radios, and communication devices. The electronics industry faces challenges due to persistent semiconductor shortages.

Technological advancements are a prominent trend in the mining machinery and equipment market, posing a threat to South African companies as they may lose market share.

Public Sector finances constraints are affecting infrastructure spending. Additionally, inadequate enforcement of product designations by the government and state-owned companies contributes to the challenges faced by the sector.

## AUTOMOTIVE AND TRANSPORT EQUIPMENT

### *Recent Developments*

The sector experienced a robust recovery as foreign markets rebounded, and domestic supply constraints eased. Although the sector declined in 2023 Q1, it bounced back in 2023 Q2, registering a substantial 13.1% year-on-year output growth.

Motor vehicles and parts saw benefits from strong pent-up demand in Europe after semiconductor shortages, coupled with improvements in domestic supply as production capacity recovered from flood damage in KZN. However, domestic new car vehicle sales contracted due to decreased demand caused by higher interest rates.

The output of other transport equipment sharply decreased due to multiple problems faced by Transnet. Despite this, buoyant European demand supported motor vehicle exports, particularly light commercial vehicles, which increased by 17.4% in the first half of 2023 year-on-year, driving overall industry exports higher, despite a contraction in car exports.

The sector experienced a notable increase in jobs, particularly in the motor vehicles sub-sector. In Q2 2023, total employment was 14.5% higher year-on-year.

### *Investment Opportunities*

The anticipated gradual increase in investment in South Africa, along with sustained export demand, is expected to continue supporting overall demand for commercial vehicles and the respective suppliers of components and parts. The expected finalisation of the electric vehicles policy and support measures provides opportunities for investment in key parts, such as batteries and electric motors, and the consolidation of components manufacturers.

The fast growth in demand for electric vehicles presents both investment opportunities and external threats to market share for vehicles, components, and parts. Opportunities arising from evolving technologies, including data analytics, advanced robotics, artificial intelligence, and annual performance plan development, are expected in the broader sector and supplier industries.

World demand and technological advances are likely to drive export-oriented boatbuilding. Additionally, investments by Transnet and in the Mining Sector, along with state financial support for passenger rail, are anticipated to boost demand for railway equipment.

### *Key Risks*

The weaker outlook for the South African economy and the impact of higher interest rates may dampen demand for new vehicles in the short to medium term. Geopolitical conflicts and higher interest rates on a global scale could also affect the overall recovery and demand for motor vehicles.

Impending European bans on the sales of new fossil fuel motor vehicles could have a significant negative impact on exports of internal combustion engine vehicles and related parts, such as catalytic converters. The increasing average age of cars in mature markets is another factor influencing the industry.

The Transnet turnaround plans taking a long time to take effect are depressing demand for railway equipment. Additionally, high inflation on a global scale is undermining demand for boat building, as it is perceived as a discretionary purchase.

## CHEMICALS, MEDICAL PRODUCTS, AND INDUSTRIAL MINERALS

### *Recent Developments*

The broader chemicals sector faced challenges, primarily driven by adverse developments in the petroleum products subsector. Output in several chemicals subsectors remained below pre-pandemic levels, particularly in petroleum products, which saw a significant decline of 38%. However, there was improvement as a refinery restarted operations in 2023.

While production volumes for the sector increased marginally by 0.1% year-on-year in Q1 2023, this improvement was attributed to better production levels in the petroleum and plastics sectors. Unfortunately, total employment across the sector declined by 1.1% over the year to Q2 2023, reaching a level 5.5% lower than in Q4 2019.

The weaker global economic environment had a negative impact on export earnings in the chemicals sector, with exports declining by 0.9% year-on-year in the first half of 2023.

### *Investment Opportunities*

The chemicals industry in South Africa may experience positive growth prospects, driven by the agricultural and mining sectors both locally and regionally. This includes potential benefits for products, such as fertilizers, pesticides, animal health products in agriculture, as well as explosives and other chemicals used in mining. Disruptions in world fertilizer markets due to the military conflict in Ukraine and sanctions on Russia present both threats and opportunities for the industry.

A gradual recovery in household spending is expected to support reasonably sturdy demand for personal care and household cleaning products. Additionally, investment spending could contribute to increased demand for industrial minerals and related products in the medium to long term.

Opportunities are also aligned with the growing focus on green hydrogen ventures, as well as in the production of green ammonia and methanol.

### *Key Risks*

ESG-related considerations are influencing the long-term sustainability of specific chemical segments. The overall outlook for the South African economy, with potential impacts on consumer and business spending as well as investment activity, is expected to affect the demand for chemicals and related products. The permanent closure of refining capacity in South Africa could have negative repercussions on downstream chemical industries. Global disruptions in input supply, particularly in areas like fertilizers, pose risks to the industry. Additionally, financial constraints are affecting Public Sector spending on healthcare.

## TEXTILES AND WOOD PRODUCTS

### *Recent Developments*

In the first half of 2023, output in the Clothing, Textiles, Footwear, and Leather (CTFL) Sector contracted by 0.9% year-on-year, with all subsectors declining except for footwear, which grew by 9.4%. The wood and wood products sector has recovered to pre-COVID-19 levels, with a 6.6% year-on-year increase in output. Both the CTFL and wood products sectors are negatively impacted by high interest rates, leading to a decline in sales.

The broader CTFL Sector experienced a further decline in employment by 4.7% year-on-year in Q2 2023, with all sub-sectors shedding jobs except textiles, which saw a 2.4% increase. Exports of CTFL products and wood and wood products increased sharply, while furniture exports fell moderately by 0.6% year-on-year during the same period.

***Investment Opportunities***

The implementation of the Rural Clothing, Textiles, Footwear, and Leather (R-CTFL) Master Plan creates investment opportunities to boost the market for local CTFL producers through increased local procurement by retailers. There are prospects for investment in modernising plant and equipment, as well as increasing capacity in the CTFL Sector, particularly in the textiles segment.

Export opportunities are emerging in niche CTFL products, both regionally (further facilitated by AfCFTA) and in other global markets. In the Wood Products Sector, opportunities exist as household demand for DIY furniture gradually recovers, and the Mining Sector's maintenance and activity increase. Expanding fruit export markets and constrained paper imports into South Africa provide favourable market dynamics for packaging paper.

***Key Risks***

The CTFL Sector, particularly textiles and clothing, faces a serious threat from increased import penetration, as does the furniture industry. The challenging operating environment, weak demand conditions, and inadequate off-take from large domestic retailers continue to negatively impact CTFL activities. Challenges related to access to, quality, and pricing of yarn (raw material) are particularly pronounced in the textiles segment.

The CTFL Sector's competitiveness is weakened by low investment and outdated technology along the value chain. Outdated processing technologies in the sawmilling segment contribute to challenges in the wood and wood products industry. Persistent weakness in construction activity prolongs distress in this sector. Additionally, increased planting of other agricultural produce, such as avocados and macadamia nuts on forestry land further reduces the plantation area.

## AGRO PROCESSING AND AGRICULTURE

***Recent Developments***

The agriculture sector demonstrated strong growth, expanding by 8.2% year-on-year in the first half of 2023, driven by favourable production conditions for various field crops, especially summer crops, and horticulture. Despite challenges like power cuts, the food sector recorded growth of 3.6% year-on-year during the same period. However, the beverages sector experienced negative growth of -2.3% year-on-year.

Employment in the primary sector increased by 2.4% in 2023 Q2, reaching approximately 894,400 workers, approaching the previous peak of 920,000 workers in late 2016. Investment spending in the primary sector rose in 2022 and continued in the first half of 2023, reflecting a shift toward more capital-intensive production methods.

Agricultural exports grew by 17.1% year-on-year to R64.8 billion in the first half of 2023, benefiting from the weakening rand against the dollar, particularly supporting fruit and vegetable exports. However, the sector faces ongoing challenges, including the recent outbreak of bird flu, which has resulted in the death or culling of more than 20% of chickens in recent weeks.

### *Investment Opportunities*

The implementation of masterplans, including those for agriculture and agro-processing, poultry, and the sugar industries, is expected to be advantageous for the agriculture sector, fostering long-term inclusive growth and addressing barriers that hinder its development. The AfCFTA presents opportunities for the sector to expand into new markets beyond traditional ones like the EU.

There are also opportunities to rejuvenate smallholder farms, reform state farms, and utilise underused farmlands that are currently inactive due to maintenance issues and the allocation of water rights. Further value addition and the formulation of new products, such as jams, fresh-cut fruit for convenience, de-shelling of nuts, juice concentrates, and edible oil extraction, offer prospects for growth.

The enduring crises in specific global agricultural and food markets emphasise the importance of diversifying product sources, positioning South Africa as a strong contender in this context.

### *Key Risks*

The agriculture sector faces various challenges that could impact its growth:

1) **Rising Protectionism**: Increased protectionist measures in export markets, particularly in the EU, where changes in regulations on plant safety for citrus have been implemented.
2) **Loadshedding**: Persistent loadshedding poses risks to irrigation and agri-processing activities.
3) **Exogenous Shocks**: Ongoing disease outbreaks, such as foot-and-mouth and bird flu, represent external shocks that can disrupt agricultural activities.
4) **Weather Risks**: The potential occurrence of El Niño in the 2023/24 season poses a risk, although the expected impact is considered mild.
5) **High Input Prices**: The persistent high prices of critical inputs, including fertilisers, agro-chemicals, feed, and diesel, add cost pressures to the sector.
6) **Infrastructure Challenges**: Bottlenecks and efficiency challenges in ports and rail infrastructure negatively impact exports, hindering the smooth flow of agricultural goods.
7) **Global Supply Chain Disruptions**: Disruptions to global supply chains can affect the movement of agricultural products, leading to delays and uncertainties in trade.

## SERVICE SECTORS: TOURISM

### *Recent Developments*

There is a noticeable shift in the job market, with more people embracing flexible work arrangements, such as part-time roles, freelancing, and adaptable schedules.

In the tourism sector, a positive trend is observed. Overseas tourism has experienced a substantial increase of 54.8% in the first three quarters of 2023 compared to the same period in 2022. Despite this growth, international tourist numbers are still 21% below the pre-pandemic levels of 2019.

Furthermore, the income from tourism accommodations has seen a significant uptick of 21.7% year-on-year in Q2 2023, indicating a continued recovery in the sector. Employment in the tourism industry has also grown by 9.5% year-on-year in Q2 2023, suggesting potential for further expansion, considering it remains 14.6% below pre-COVID-19 levels.

In light of these trends, there is ongoing development of a tourism master plan. The plan aims to boost domestic tourism, increase international arrivals, and explore regional tourism opportunities.

### *Investment Opportunities*

Efforts are underway to attract Foreign Direct Investment (FDI) by encouraging international businesses to invest in the hospitality segment. This involves creating opportunities for public private partnerships across various domains, including adventure activities, retail, restaurants, and accommodation.

Additionally, there is a focus on investment in passenger transport infrastructure, covering areas like aircraft and cruise ships. Green investments are gaining prominence, particularly in initiatives, such as solar projects and retrofit schemes aimed at enhancing energy efficiency within the sector.

Another important aspect is the increasing integration of local communities and marginalised groups into the tourism industry, fostering inclusivity and broadening the benefits of tourism across diverse populations.

### *Key Risks*

South Africa faces challenges related to rising levels of crime and social unrest, primarily stemming from underlying socio-economic factors and the perceived inefficiency of the national security sector. Xenophobia and xenophobic attacks further contribute to undermining the confidence of foreign travellers.

Moreover, the tourism industry is impacted by increasing costs in transport, retail, and financial services. Strenuous visa requirements, which come with a high cost and considerable inconvenience, also pose barriers to attracting international visitors.

Furthermore, there is a noted absence of significant Private Sector initiatives in providing training programmes focused on marketing, business skills, and the specific service requirements within the tourism sector. Addressing these issues is crucial for sustaining and enhancing the tourism environment in South Africa.

## SERVICES

### *Recent Developments*

The Broad Services Sector in South Africa has experienced a robust rebound since the easing of lockdown measures. By 2023 Q2, the level of real GDP had surpassed pre-pandemic levels, registering a 3.4% increase.

Finance and business services led the way in the recovery, exhibiting a strong comeback. In contrast, the transport and communication as well as trade and catering sectors continue to face challenges in their recovery.

Notably, businesses in the Services Sector are increasingly leveraging data and advanced AI, fostering competitiveness. Many service organisations are embracing hybrid work models for substantial segments of their workforce.

Additionally, there is a growing integration between systems, marketing creativity, and media buying players. The adoption of cloud services has also seen a notable uptick since the onset of the pandemic in 2020.

***Investment Opportunities***

The telecommunication infrastructure in South Africa has been instrumental in enabling digital transmission, particularly in the realm of mobile communication at local destinations. Moreover, there is a notable surge in technology solutions tailored for various purposes:

1) **Hospitality and Enterprise Management Software**: The industry is witnessing a rise in sophisticated software solutions designed for managing hospitality services and enterprise operations.

2) **Artificial Intelligence and Analytics**: The integration of artificial intelligence and analytics is becoming more prevalent, enhancing efficiency and decision making processes in the sector.

3) **Tours and Activities Management**: Technology solutions are being developed to streamline the management of tours and activities, providing both businesses and tourists with improved experiences.

4) **Payment and Connectivity**: Advancements in payment systems and connectivity solutions are contributing to smoother transactions and interactions within the tourism and hospitality landscape.

5) **Smart Luggage**: Innovations in smart luggage are emerging, offering travellers enhanced features and connectivity options for a more convenient travel experience.

6) **Ride-Hailing and Carpooling**: The sector is witnessing the growth of technology enabled ride-hailing and carpooling services, providing convenient transportation solutions for both locals and visitors.

7) **Professional Services**: As not all graduates in professional services such as medicine and dentistry are able to secure employment in the public or private sector, support is needed for these individuals to develop their entrepreneurial skills to start up professional services businesses.

This technological evolution reflects the industry's commitment to leveraging digital solutions for improved service delivery, management, and overall customer experience.

***Key Risks***

The South African Services Sector faces several challenges related to technology and cybersecurity:

1) **Skills Shortage**: There is a shortage of skills and relevant qualifications, particularly in areas, such as software development, cloud architecture, and cybersecurity, hindering the effective implementation and management of digital technologies.

2) **Technical Failures**: Technical issues, such as software bugs, computer crashes, or complete failures of computer components, pose operational risks and can disrupt service delivery.

3) **Cybercrime and Credit Card Fraud**: The increasing prevalence of cybercrime and credit card fraud poses a significant threat to both travellers and accommodation providers, impacting the security of financial transactions and personal information.

4) **Infrastructure Failures**: Infrastructure-related challenges, including the loss of internet connections, can lead to service interruptions and affect the seamless operation of digital systems.

5) **Physical Threats to IT Resources**: Physical threats, such as unauthorised physical access or damage to IT resources like servers, pose risks to the integrity and security of digital infrastructure.

Addressing these challenges requires a concerted effort to enhance skills development, implement robust cybersecurity measures, and invest in resilient and redundant technology infrastructure to ensure the stability and security of the Services Sector.

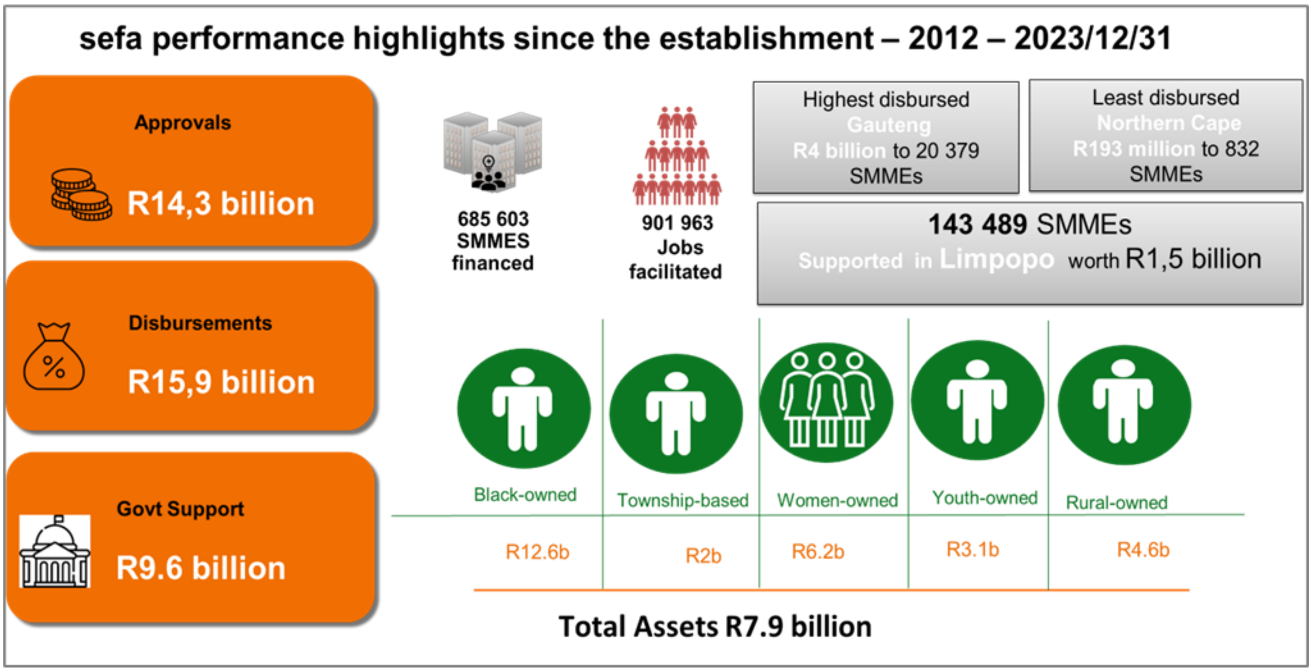
The external environment and SMME sector analysis above provides context to the next section, which reflects on **sefa**’s internal environment, together informing the priorities and focus of the 2024/25 Corporate Annual Performance Plan.

## 6.3. Internal Environment Analysis

### 6.3.1. Reflection on Loan Book Performance

A snapshot of **sefa**’s performance since its establishment in 2012 is as follows:

**Figure 20: sefa performance highlights, 2012 – 2023/12/31**




Specifically, headline trends for the period 2019/20 to Q3 2023/24 are as follows:

**Figure 21: sefa loan book performance, 2019/20 – Q3 2023/24**


**Disbursement to Enterprises based in Rural Areas - sefa** provides funding to SMMEs and Co-operatives in rural areas via its Informal and Microfinance Programme. The Informal and Microfinance Programme uses the Grameen Group Lending Methodology and primarily targeted at women entrepreneurs.

The overall Portfolio at Risk increased from 55.7% in Q1 to 58.7% in Q2 2023/24 (against the target of 45%). The growth in the PAR is because of poor trading conditions, which impact on the cash flow position of **sefa**'s funded clients and their ability to honour their payment obligations. This has resulted in businesses struggling to keep up with their monthly **sefa** repayments and hence an increase in arrears.

To manage the increase in the PAR, **sefa** is proactively implementing soft restructuring of loan agreements which includes deferred payments, full restructuring of facilities, and write-off of the legacy book.

Looking ahead, **sefa** will intervene with tailored strategies to support struggling clients i.e., proactive workout and restructuring, reduced monthly payments based on clients' cashflows. There will be a redesign of TREP, with a focus on off balance sheet fund and possible localised township resources to assist in origination and collections. **sefa** will tighten the credit criteria, especially on larger loans, and seek to reposition direct lending.

There is an engagement with the National Treasury on recapitalisation. However, given the fiscal constraints and competing demands on the national fiscus, this request might not yield a favourable outcome. **sefa** is engaging stakeholders for on-lending capital, notably the Unemployment Insurance Fund, Department of Land Reform (the expansion of the Land Reform Empowerment Fund), and Department of Tourism (Tourism Equity Fund), the IDC to explore the opportunity for **sefa** to partner with IDC on the R3 billion innovation fund as per the policy directive given to **sefa** to capacitate and lend to intermediaries.

### 6.3.2. Reflection on Financial Performance

Headline trends for the period 2019 to Q3 2023/24 are as follows:

**Figure 22: sefa key financial ratios, 2019 – Q3 2023/24**

| Cost to income ratio | 2019 | 2020 | 2021 | 2022 | 2023 | Dec 2023 YTD |
|---|---|---|---|---|---|---|
| Budgeted cost to income ratio | 100% | 83% | 122% | 106% | 88% | 74% |
| Cost to income ratio achieved (Excluding tax, IDC finance charges, impairments, SBIF and EU results, and blended finance) | **105%** | **79%** | **84%** | **56%** | **67%** | **58%** |

| Impairment ratio | 2019 | 2020 | 2021 | 2022 | 2023 | Dec 2023 YTD |
|---|---|---|---|---|---|---|
| Budgeted cost to impairment ratio | 26% | 33% | 40% | 38% | 38% | 50% |
| Impairment ratio achieved (Excl. DL Legacy and impact of KCG capitalisation) | **47%** | **41%** | **36%** | **35.4%** | **45.5%** | **51.7%** |

| Revenue growth ratio | 2019 | 2020 | 2021 | 2022 | 2023 | Dec 2023 YTD |
|---|---|---|---|---|---|---|
| Percentage Growth in revenue Target | N/A | N/A | N/A | 21% | 10% | 11% |
| Percentage Growth in revenue Achieved (incl. investment income and excl. grant income) | | | | **42.5%** | **47.0%** | **48%** |

Directors have a duty to act in the best interests of the company and exercise due care, skill and diligence when making financial decisions. This includes ensuring that solvency and liquidity tests are conducted regularly to assess the company's financial position accurately. Directors must consider the financial statements, cash flow projections and other relevant factors when determining solvency and liquidity. Section 4 of the 2008 Act lays out a solvency and liquidity test for directors of companies to apply when embarking on certain transactions or actions.

In accordance with the PFMA, the Companies Act, and IFRS, management is obligated to assess the entity's ability to continue as a going concern during the preparation of its financial statements. Forecasts indicate that both the **sefa** group and the company will remain solvent for the next 12 months, maintaining solvency ratios greater than 1.1. Additionally, the company's cash balances (forecasted at R3.3 billion for the group, and R2.5 billion for the company) are expected to remain positive, ensuring the ability to meet various financial obligations into the foreseeable future. However, owing to fiscal constraints, **sefa** will receive a reduced budget allocation from National Treasury. The table below reflects the MTEF allocation for FY2024/25 and the reduction over the MTEF period.

The MTEF allocation is vital for **sefa's** sustainability. The reduced allocation, combined with other challenges related to the DSBD's prescribed interest rates below the hurdle rate, increasing impairment rates, and the ongoing need to fund the operations of subsidiaries, among other, are key challenges to be addressed over the medium-term through the development of a suitable funding model for the merged SEDFA.

**Figure 23: sefa MTEF allocation for FY2024/25**

| Amounts in R'000 | Actual FY2024 | Budget FY2025 | Budget FY2026 | Budget FY2027 | MTEF Budget Total |
|---|---|---|---|---|---|
| Indicative baseline | 261 204 | 272 935 | 285 162 | 298 226 | **856 323** |
| Reductions | (43 386) | (1 198) | (31 367) | (35 787) | **(68 352)** |
| Revised baselines | **217 818** | **271 737** | **253 795** | **262 439** | **787 971** |
| **% Reduction from initial baseline** | **-17%** | **0%** | **-11%** | **-12%** | **-8%** |

In December 2023, **sefa**'s budget allocation for TREP, received from the DSBD, was also reduced. An amount of R500 million per annum from TREP was reprioritised from **sefa** to Seda and an amount of R24 million of the TREP budget had to be paid back during February 2024. An amount of R70 million per annum from the Cooperatives Development Support Programme was also reprioritised from **sefa** to Seda. In addition to the above, the TREP allocations for FY2025 to FY2027 were also reduced. This will impact on **sefa**'s scorecard indicators.

### 6.3.3. Reflection on Human Capital and Organisational Capabilities

In terms of its human capital management and development, **sefa** is facing several challenges, some exacerbated by the uncertainties arising from the prolonged merger process, and the associated moratorium on hiring managers and staff on a permanent basis. The current employment ratio between fixed-term and permanent contracts is 55%:45%. Critical vacancies at different levels of the organisation are impacting organisational performance: leadership, business continuity, institutional knowledge, and customer service. The directive of employment on fixed-term contracts is impacting the stability and quality of skills attracted and retained.

**sefa** has a relatively young workforce who, in turn, seek stable and long-term opportunities to build their careers and ability to finance their lifestyles. **sefa** employees are highly marketable and are able to secure better job offers elsewhere.

The resultant high vacancy rates have hindered operational efficiency and the effective rollout of key programmes like TREP, impacting the development of a quality loan book. To address these challenges, **sefa** will focus on renewing existing short-term contracts, strengthening performance management training throughout the organisation, and implementing a non-compliance management process. Options such as outsourcing key functions as an interim intervention and seeking secondments from peer DFIs are also being explored.

**sefa** will also seek to increase the budget allocation for marketing and seek to appoint a reputation/brand agency. Additionally, **sefa** will investigate alternative platforms for effective internal and external communication, and re-engineer its operations for better client response and performance optimisation.

In the ICT space, **sefa** is facing challenges, such as a lack of integrated product development methodology, the lack of an organisational culture to embrace innovation and creativity, and capability constraints within its IT operations. Moving into the merger, focus must be given to acquiring specialised ICT skillsets in digital transformation, systems integration, and cyber-security, among other.

To address these challenges, **sefa** will educate and instil a new product methodology, supporting business and governance process, and will seek to promote innovation and a culture of corporate entrepreneurship. In the year ahead, **sefa** will capacitate the IT function to fast-track digital transformation in its business loan processes. The digital transformation will focus on the full implementation of the Loan Origination System and modernising the in-house developed **sefa** Loan Administration System (**sefa**LAS), migrating it to the cloud and implementing automated business process workflows to enhance turnaround times and organisational efficiencies.

**sefa's** strategic engagement with key stakeholders and visibility in the market are not that entrenched yet. A decision to enhance the communications budget and aggressively communicate government support to SMMEs is being implemented, alongside a partnership with a public relations agency to support the initiative.

In terms of risk management and compliance, **sefa** is facing challenges, such as slow investigation turnaround for reported fraud incidents, a lack of key stakeholder engagement to improve efficiencies, poor knowledge sharing and lesson implementation.

In the financial year ending March 2024, the Internal Audit Department diligently continued its efforts to enhance internal capabilities for fraud risk mitigation. Key initiatives included:

1) Hotline Service Enhancement: In March 2023, **sefa** appointed a new hotline service provider, reinforcing channels for reporting suspicious activities.

2) Investigation Vigilance: **sefa** conducted 12 investigations, proactively identifying potential fraud cases. Additionally, three cases were referred to the South African Police Services/Commercial Crimes Unit for further action.

3) Awareness Workshops: Throughout the 2022/23 financial year, **sefa** organised mandatory workshops on anti-fraud, corruption, and ethics awareness. These sessions empowered officials by educating them, fostering awareness, and instilling confidence to promptly report fraud and corruption incidents. Participants also gained insights into **sefa**’s robust fraud risk management framework and associated policies.

4) Human Capital Strengthening: **sefa** bolstered its investigative team by appointing an experienced investigator in November 2023. This move enhances the agency's ability to detect and address fraudulent activities.

5) Policy Enhancements: **sefa** actively revised its Anti-Fraud and Corruption Policy, aligning it with best practices and industry standards.

6) Strategic Collaborations: The agency engaged in policy development, fostering collaboration with other DFIs and commercial banks. This exchange of insights and benchmarking ensures a comprehensive approach to fraud risk management.

By implementing these strategic measures, **sefa** aims to safeguard its operations, maintain public trust, and uphold ethical standards in financial services.

In line with the Broad-Based Black Economic Empowerment Act (No. 53 of 2003, as amended) **sefa** ensures its compliance and actively disaggregates its performance targets to reflect focused interventions related to women, youth, and PWDs. These are reported on as developmental indicators quarterly and annually.

### 6.3.4. Updated SWOT Analysis

**S STRENGTHS**

- **Sustained Budget Allocation:** Mandate alignment to the SMME and co-operatives development priorities of the NDP and ERRP positions **sefa** as a crucial player in government initiatives, ensuring sustained budget allocation to issue loans and grants.
- **Dedicated Small Business Department:** The presence of a dedicated small business department serves as a channel for focused attention from the government. **sefa** can thus actively address the binding constraints and opportunities for SMME development.
- **National Focus on SMMEs: sefa** holds a unique position as the only National DFI dedicated specifically to supporting SMMEs. This specialisation allows **sefa** to tailor its services to the specific needs of the sector, in partnership with ecosystem role players.
- **Flexible Fund Utilisation:** The funds received by **sefa** constitute a general fund without sector or target market restrictions. This flexibility enables **sefa** to adapt quickly to changing market needs and address the diverse entrepreneurial challenges.

**W WEAKNESSES**

- **Capacity Challenges and Prolonged Merger Process:** The moratorium on employing permanent staff until the merger is implemented has resulted in capacity challenges in key areas of the business. This has adversely impacted technical, legal, credit risk, IT, PIM, and regional capabilities, affecting the quality of the loan book and speed of processing applications.
- **Short-Term Contracts and Senior Management Resignations:** Dependence on short-term contracts has led to the resignation of senior managers/specialists and difficulty in attracting suitable candidates willing to work on a short-term basis. The 'juniorisation' of key roles, particularly in the regions, poses a performance and reputational risk.
- **High Impairment Rates and Debt Write-Offs:** Increasingly high impairment rates (owing to **sefa**'s developmental mandate) and debt write-offs pose a significant risk, particularly in the TREP direct lending programme, leading to capital erosion, and impacting **sefa's** ability to sustain its financial position.

## S STRENGTHS

- **Strategic Subsidiaries: sefa** has subsidiaries that expand its reach and focus, and contribute to a more comprehensive support ecosystem, allowing the agency to diversify its offerings, and extend its impact in supporting SMMEs.
- **Robust Financial and Corporate Governance: sefa** has a strong financial and corporate governance system, evidenced by nine consecutive years of clean and unqualified audit outcomes, thus instilling confidence in stakeholders, and **sefa's** attractiveness to investors/partners.
- **Secure IT Infrastructure: sefa** has secure IT infrastructure and software in place, ensuring the protection of sensitive data and the overall security and operational integrity of its systems.

**By leveraging these strengths, sefa is well-positioned to continue playing a pivotal role in supporting the growth and development of SMMEs and co-operatives in alignment with national priorities and policies.**

## W WEAKNESSES

- **Limited Brand and Services Visibility:** The target market has low awareness of the services and benefits offered by **sefa**, indicating shortcomings in brand and programme visibility, and the ability to attract clients and partners.
- **Lack of Automation and Process Inefficiencies:** Certain business processes lack automation, resulting in inefficiencies within the organisation, and impeding **sefa's** ability to provide streamlined and client-centric services.
- **Aged Infrastructure in Properties:** Aged infrastructure in properties leads to increased expenses in managing these properties and difficulty in securing quality tenants. It places a strain on financial resources and impacts **sefa's** ability to optimise the use of its properties.
- **Limited Capital Market Appeal:** The quality of the loan book is high-risk and not attractive to the capital market, making it challenging to secure additional funding for on-lending. This situation contributes to capital erosion and reduces the financial sustainability of **sefa**.

**Addressing these weaknesses are crucial for sefa to enhance its operational efficiency, financial sustainability, and overall impact on the development of small enterprises.**

## O OPPORTUNITIES

- **Outsourcing to Counter Moratorium:** Budget allocation to outsource certain activities provide the opportunity to mitigate the impact of the employment moratorium on **sefa's** capacity. Board lobbying efforts with the Minister can facilitate the allocation of resources to address capacity challenges.
- **Leveraging Public Sector DFI Status for Secondments:** As a public sector DFI, **sefa** may leverage its status to request secondments from other DFIs to bolster its technical capabilities and operational efficiency.

## T THREATS

- **National Challenges Impacting Client Viability:** National challenges, including electricity supply constraints, water supply interruptions, and logistical challenges, pose a significant threat to the viability and competitiveness of **sefa** clients.
- **Downstream Impact of Large Industries under Threat:** Ongoing power outages and logistical challenges threaten the closure of large businesses in mining, metals fabrication, and manufacturing, with vast downstream

## O OPPORTUNITIES

- **Niche Positioning in SMME Sector for Fund Attraction: sefa's** positioning as a DFI in the SMME sector creates opportunities to actively pursue funds from different government departments/agencies to support targeted initiatives in the SMME sector.
- **Competitive Pricing and Cross-Sectoral Funding: sefa's** ability to offer competitive pricing and cross-sectoral funding provides a market advantage, which **sefa** may leverage across a broader range of entrepreneurs and businesses, supporting growth and sustainability.
- **Efficiency Enhancements through the Merged Entity:** The merged entity (SEDFA) offers opportunities to create a one-stop-shop facility and achieve efficiency enhancements. Streamlining processes and services in the transitional period can set the basis for an effective of the agency.
- **Private Sector Involvement for Expanded Support:** Increasing involvement from the private sector presents an opportunity for **sefa** to expand support to SMMEs and co-operatives. Collaboration with smaller players issuing loans with shorter turnaround times can enhance the accessibility of funding for entrepreneurs.
- **Leveraging External Funding for Strategic Partnerships: sefa** can leverage external funding sources, positioning itself as an implementor of choice for strategic partners such as the EU Fund and Small Business Improvement Fund. This opens avenues for collaborative projects that align with **sefa's** strategic outcomes.
- **Utilisation of State Transversal Contracts: sefa** can take advantage of state transversal contracts to achieve operational efficiencies. Leveraging existing contracts can contribute to cost-effectiveness in various business processes.
- **Opportunities in Key Sectors Related to Just Transition and ESG:** Emerging opportunities for SMMEs in the value chains of sectors related to climate change, renewables, and load shedding create avenues for **sefa** to support innovative

## T THREATS

impacts affecting SMME sustainability leading to increased default rates and financial instability.

- **Binding Constraints in Townships and Rural Areas: sefa** programmes (in partnership with Seda) must address binding constraints in townships and rural areas, including issues related to education and skills, limited access to finance and business development support, poor infrastructure, and inadequate access to technology, among other. Failure to address these constraints may hinder the success of SMMEs in these regions and the quality of **sefa**'s loan book.
- **Impairment Rate and Low Collections:** External environmental issues contribute to the impairment rate, and low collections pose a threat to the sustainability of **sefa**. Identifying reasons for non-payment, such as businesses refusing to pay or being unable to pay due to economic challenges, is critical for risk mitigation.
- **Balancing High-Risk and Good-Paying Loan Books:** Striking a balance between maintaining a good-paying loan book and supplementing it with a high-risk book is essential for risk management.
- **Decoupling from dtic and IDC in Merger Process:** The decoupling from the dtic and the IDC as part of the merger process presents a funding threat. This necessitates careful consideration in the financial model of the merger to ensure sustainable funding sources.
- **Rental Boycotts in sefa Properties:** Rental boycotts in **sefa** properties hinder the achievement of collections targets. This poses a threat to the financial sustainability of **sefa** and its ability to manage its property portfolio effectively.
- **Political Mistrust and Regulatory Challenges:** Political mistrust between the private sector and government negatively affects the execution of Key Critical Growth (KCG) programmes. Regulatory challenges, such as due diligence requirements imposed by banks on KCG, can impede programme effectiveness.

| O OPPORTUNITIES | T THREATS |
| --- | --- |
| and sustainable ventures. **sefa** can play a pivotal role in financing projects that contribute to environmental sustainability.<br>**By capitalising on these opportunities, sefa aims to enhance its impact on the SMME sector, strengthen its financial position, and contribute to the overall economic development of the country.** | ▪ **Perception of Fraud Risk Impacting Reputation:** The increased perception of fraud risk may negatively impact **sefa's** reputation. Addressing this perception is vital to maintaining trust among stakeholders/partners.<br>**Understanding and proactively addressing these threats are essential for sefa to navigate challenges, safeguard its financial sustainability, and continue effectively supporting the growth of small enterprises.** |

### 6.3.5. Strategic Priorities Informing Planning for 2024/25

The 2024/25 Corporate Annual Performance Plan builds on both the achievements and challenges experienced in prior years. The following priorities have informed this corporate annual performance plan:

1) **Accelerate TREP disbursements** – re-design TREP with a better go-to-market strategy that will utilise different lending channels at **sefa** and creatively crowd-in private sector participation to reach township and rural enterprises more efficiently and sustainably:

    a) Short-term: strengthen the TREP pipeline, implement catch-up plans within agreed timeframes, and leverage wholesale lending opportunities in partnership with retail finance intermediaries.

    b) Medium-term: implement strategic programmes in identified priority sectors (including agro-processing, professionals, renewable energy, and manufacturing value chains) with an increased focus on rural areas.

    c) Longer-term (as part of the merger planning process): develop an evidence based TREP strategy (business case), with suitable systems and a capacitated organisational structure.

2) **Improve developmental targets** – implement targeted interventions aimed at designated groups, (youth-owned, women-owned, township-based, rural-based, and PWDs).

3) **Investment policy/approach to supporting rural-based enterprises** – review **sefa's** approach, and programmes, to support rural-based enterprises, including those operating on communal land.

4) **KCG's future strategic direction** – implement the findings of the World Bank report, expand KCG's reach through partnerships with a broader base of financial institutions, and seek opportunities to capitalise the subsidiary.

5) **KBP's future strategic direction** – better align KBP's organisational structure to that of **sefa**, leverage **sefa**/KBP and Seda incubation projects to provide affordable and sustainable rental properties for SMMEs and strengthen relations with key stakeholders such as DBSA and dtic to address SMME market constraints.

6) **Reduce impairments** – improve loan monitoring and collections, and reliable data-driven decisions based on an assessment of the willingness of clients to pay against their ability to pay.

7) **Targeted sector focus –** intervene with financial solutions (and business support in partnership with Seda) to support entrepreneurial activity in professional services, spaza shops, agro-processing, energy, and manufacturing value chains.

8) **Long-term financial sustainability** of **sefa** – to strike a balance maintaining a good-paying loan book and the higher-risk developmental mandate loan book.

9) **Secure partnerships** – enhance and strengthen working partnerships to crowd in the private sector and increase access to finance for small businesses.

10) **Build enabling capacities** - improve and streamline the working environment (processes, people, and systems) and **strengthen brand visibility and marketing** through enhanced marketing and communication.

11) **Merger of sefa/Seda/CBDA** – active collaboration and participation in the processes towards the establishment of SEDFA through the established workstreams, joint board and stakeholder engagements, and agreed project milestones.

# PART C: MEASURING OUR PERFORMANCE

## 7. STRATEGIC PLAN IMPACT AND OUTCOMES

Informed by the legislative and policy mandates and the strategic focus, the impact statement of **sefa** is defined as:

- **Sustainable small, medium, micro, and co-operative enterprises; and**
- **Increased job creation, and economic participation, ownership, and access to resources and opportunities by PDIs, prioritising women, youth, and PWDs.**

Contributing towards the achievement of the impact and adopting the results-based management approach of the DPME Revised Framework for Strategic Plans and Annual Performance Plans, **sefa** has defined five 'outcomes', with outcome indicators and five-year targets to be achieved over the strategy period to 2024/25.

| ALIGNMENT TO NATIONAL PRIORITIES | ALIGNMENT TO DSBD OUTCOME | sefa OUTCOME (2025 Result) | OUTCOME INDICATOR | FIVE-YEAR TARGET (March 2025) | PROGRESS TO DATE (Audited FY2019/20-FY2023/24 Q3) | % ACHIEVED (YTD - FY2023/24 Q3) | INDICATOR OWNER |
|---|---|---|---|---|---|---|---|
| **MTSF Priority 2: Economic transformation and job creation:**<br>▪ Increased economic participation, ownership, access to resources and opportunities for women, youth, and PWDs<br>**NASP:**<br>▪ Contribute to target of 50,000 small businesses and co-operatives supported per year, through microlending and TREP programmes | 1. Expanded access to financial and non-financial support and implement responsive programmes to new and existing SMMEs and co-operatives<br><br>2. Scaled-up and coordinated support for SMMEs, co-operatives, village, and township economies | **1. Enhanced access to finance by SMMEs and co-operatives** | Total Rand value of funding facilitated to economy (R'000) | R9,7 billion | R9,029 billion | 93% | Executive Manager: Lending |
| | | | Total number of jobs facilitated | 564,475 | 459,191 | 81% | Executive Manager: Lending |
| | | | Percentage of **sefa** funded clients still in business during the contract period | 70% | 66% | 94% | Executive Manager: Post-Investment Management |
| | | **2. Enhanced service delivery and stakeholder satisfaction** | Number of partnerships leading to growth in funded clients | 25 | 27 | 108% | Executive Manager: Human Capital, Marketing and Facilities |
| | | | **sefa** Brand Visibility Index | 80% | 66% | 82% | Executive Manager: Human Capital, Marketing and Facilities |
| **MTSF Priority 1: A capable,** | 3. Improved governance | **3. A financially** | Net asset value (R'000) | R1,221,262 | R1,295,864 | 107% | Chief Financial Officer |

| ALIGNMENT TO NATIONAL PRIORITIES | ALIGNMENT TO DSBD OUTCOME | sefa OUTCOME (2025 Result) | OUTCOME INDICATOR | FIVE-YEAR TARGET (March 2025) | PROGRESS TO DATE (Audited FY2019/20-FY2023/24 Q3) | % ACHIEVED (YTD - FY2023/24 Q3) | INDICATOR OWNER |
|---|---|---|---|---|---|---|---|
| **ethical and developmental state:**<br>▪ Strengthen the governance system of state-owned entities<br>▪ Enhance productivity and functionality of Public Sector institutions in supporting people-centred service delivery | and compliance | **sustainable organisation** | Loan impairment ratio (rate of non-performing loans) | 32% | 50.1% | 89.8% | Executive Manager: Post-Investment Management |
| | | **4. Leveraged strategic assets and capital raising** | Rand value of capital raised (R'000) | R555,000 | R631,504 | 114% | Chief Financial Officer, consolidating reporting from:<br>▪ Lending<br>▪ KCG<br>▪ KBP |
| | | **5. Sound governance and a high-performance organisation** | External audit outcome | Maintain an unqualified audit outcome from the Auditor-General of South Africa over period to 2024/25 | Unqualified audit opinion | Maintained an unqualified audit outcome from the External Auditors appointed by the Auditor General | Office of the CEO |
| | | | Productivity ratio | 20% improvement in productivity | Establish system for productivity measurement | Productivity baseline established | Executive Manager: Human Capital, Marketing and Facilities |

In delivering the above outcomes, the **sefa** organisational scorecard uses a balanced scorecard logic to package the outputs, output indicators, and annual and quarterly targets.

# 8. ORGANISATIONAL PERFORMANCE INFORMATION

## 8.1. Finance Perspective

### 8.1.1. Outcomes, Outputs, Output Indicators, and MTEF Targets

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| **3. A financially sustainable organisation** | Net asset value (R'000) | R1,206,670 as at 31 March 2025 | Enhanced financial management and performance | Cost-to-income ratio (excluding impairments on loans, advances, and KCG claims provision I/S movement relating to the SSSP and Autobody Programme) | 84% | 69% | 66% | 65% | 87% | 90% | 89% |
| | | | | Percentage growth in revenue (excl. grant income and MTEF) | New indicator | 41% | 47%[21] | 15% | 11%[22] | 10% | 10% |

[21] *The achievement of 47% growth in revenue was due to high level of interest received on cash balances associated with high interest rates.*

[22] *The decline on growth in revenue over MTEF is influenced by lower fiscal/ transfer payments resulting in reduced cash balance and declining loan book.*

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | | | Enhanced KCG financial management and performance | KCG capital leveraging ratio | New indicator | 6.25 times | 6.32 times | 6.25 times | 6.25 times | 6.25 times | 6.25 times |
| | | | Effectively managed property portfolio | Lettable area vacancy rate | 40% | 37% | 28% | 35%[23] | 32% | 30% | 25% |
| | | | | Rental collections rate | 50% | 45% | 56% | 58% | 50%[24] | 53% | 60% |
| **3. A financially sustainable organisation** | Loan impairment ratio (rate of non-performing loans) | 32% | Improved credit risk assessment and mitigation | Blended first default rate | New indicator | 6% | 6% | 10% | 15% | 15% | 15% |
| | | | Enhanced loan portfolio performance | Percentage Portfolio at Risk | 38% | 43% | 42% | 50% | 50% | 45% | 40% |
| | | | | Accumulated impairment provision as a percentage of total loans and advances | 36% | 35.4% | 45.5% | 50% | 45% | 43% | 40% |
| | | | | Percentage collection rate (all-in cash collections) | 85% | 85% | 87% | 75% | 80% | 85% | 87% |

[23] *The increase in the lettable area vacancy rate indicator is due to stricter enforcement of the rental agreements leading to clients vacating the rental properties.*

[24] *The decline in rental collection rate indicator is due to Mitchelle Plain retail property that became inactive due to a fire and tenants behavioural issues linked to rental boycotts.*

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| **4. Leveraged strategic assets and capital raising** | Rand value of capital raised (R'000) | R555,000 by 31 March 2025 | Capital raising | Rand value of additional capital raised (R'000) | N/A | R360,000 | R123,804 | R147,700 | R25,000[25] | R85,000 | R90,000 |
| | | | **sefa** B-BBEE facilitator status | **sefa** B-BBEE level | N/A | N/A | New indicator | B-BBEE baseline established.<br>Improvement Plan implemented | Improved BEE Scoring - Level 5 | Improved BEE Scoring - Level 4 | Improved BEE Scoring - Level 3 |

## 8.1.2. Output Indicators, and Annual and Quarterly Targets

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1<br>Apr - Jun 2024 | Q2<br>Jul - Sep 2024 | Q3<br>Oct - Dec 2024 | Q4<br>Jan - Mar 2025 | |
| Finance and Supply Chain Management | Enhanced financial management and performance | Cost-to-income ratio (excluding impairments on loans, advances, and KCG claims provision I/S movement relating to the SSSP and Autobody Programme) | 68% | 68% | 68% | 68% | 68% | 5% |

[25] *The MTSF for capital raising indicator will be achieved in the FY2023/24. The new targets for the MTEF are set on the basis of engagements with potential partners that require extensive interactions before agreements are concluded.*

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 Apr - Jun 2024 | Q2 Jul - Sep 2024 | Q3 Oct - Dec 2024 | Q4 Jan - Mar 2025 | |
| | | Percentage growth in revenue (excl. grant income and MTEF) | 11% | Annual target | Annual target | Annual target | 11% | 3% |
| KCG | Enhanced KCG financial management and performance | KCG capital leveraging ratio | 6.25 times | 6.25 times | 6.25 times | 6.25 times | 6.25 times | 4% |
| KBP | Effectively managed property portfolio | Lettable area vacancy rate | 30% | 35% | 33% | 31% | 30% | 2% |
| KBP | | Rental collections rate | 50% | 50% | 50% | 50% | 50% | 2% |
| Direct reports to the CEO | Improved credit risk assessment and mitigation | Blended first default rate | 15% | 15% | 15% | 15% | 15% | 2% |
| Post-Investment Monitoring and Workout | Enhanced loan portfolio performance | Percentage Portfolio at Risk | 50% | 50% | 50% | 50% | 50% | 3% |
| Post-Investment Monitoring and Workout | | Accumulated impairment provision as a percentage of total loans and advances | 45% | 45% | 45% | 45% | 45% | 3% |
| Post-Investment Monitoring and Workout | | Percentage collection rate (all-in cash collections) | 80% | 80% | 80% | 80% | 80% | 3% |
| Finance and Supply Chain Management | Capital raising | Rand value of additional capital raised (R'000) | R25,000 | - | R10,000 | R15,000 | - | 3% |

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1<br>Apr - Jun 2024 | Q2<br>Jul - Sep 2024 | Q3<br>Oct - Dec 2024 | Q4<br>Jan - Mar 2025 | |
| Direct reports to the CEO | **sefa** B-BBEE facilitator status | **sefa** B-BBEE level | Improved BEE Scoring - Level 5 | B-BBEE evaluation conducted - Level 5 B-BBEE attained<br>Improvement Plan developed | Improvement Plan implemented | Improvement Plan implemented | Improvement Plan implemented | 2% |

## 8.2. Customer Perspective

### 8.2.1. Outcomes, Outputs, Output Indicators, and MTEF Targets

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| **1. Enhanced access to finance by SMMEs and co-operatives** | Total Rand value of funding facilitated to economy (R'000) | R9.7 billion | Broadened access to finance | Value of approvals to SMMEs and co-operatives (R'000) | R1,900,666 | R2,494,642 | R1,706,706 | R1,533,232 | R2,402,490 | R2,296,959 | R2,310,547 |
| | Total number of jobs facilitated | 564,475 | | Value of disbursements to SMMEs and co-operatives (R'000) | R1,590,616 | R2,322,121 | R2,431,559 | R2,181,375 | R2,164,417 | R2,092,709 | R2,121,890 |
| | | | | Number of SMMEs and | 72,799 | 76,129 | 74,762 | 72,973 | 117,633 | 129,242 | 141,162 |

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | | | | co-operatives financed | | | | | | | |
| | | | | Number of jobs facilitated and sustained | 99,112 | 96,589 | 104,547 | 93,923 | 130 006 | 142,242 | 144,371 |
| | | | | Disbursements to Black-owned enterprises (R'000) | R1,374,073 | R2,084,921 | R2,092,489 | R1,526,295 | R1,515,092 | R1,464,896 | R1,514,327 |
| | | | | Disbursements to women-owned enterprises (R'000) | R604,177 | R737,701 | R928,361 | R822,688 | R865,767 | R837,084 | R648,174 |
| | | | | Disbursements to youth-owned enterprises (R'000) | R604,177 | R990,258 | R551,415 | R554,047 | R649,325 | R627,813 | R486,131 |
| | | | | Disbursements to enterprises owned by entrepreneurs with disabilities (R'000) | R315,103 | R494,399 | R36,678 | R43,627 | R64,010 | R64,648 | R67,511 |
| | | | | Disbursements to township-based enterprises (R'000) | R2,681 | R37,872 | R545,093 | R540,352 | R628,604 | R605,019 | R486,131 |

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | | | | Disbursements to enterprises located in rural towns and villages (R'000) | R563,051 | R977,100 | R952,856 | R856,336 | R1,040,766 | R1,000,768[26] | R810,218 |
| **2. Enhanced service delivery and stakeholder satisfaction** | Number of partnerships leading to growth in funded clients | 25 | Strategic stakeholder relations with key constituencies | Number of leads generated | N/A | New indicator | 100 Leads generated | 120 Leads generated | 120 Leads generated | 125 Leads generated | 130 Leads generated |
| | **sefa** Brand Visibility Index | 70% | Enhanced **sefa** brand visibility | Annual Brand Visibility Index | Development of the brand visibility measurement instruments | 40% Brand Visibility Index | 50% Brand Visibility Index | 60% Brand Visibility Index | 60% Brand Visibility Index | 65% Brand Visibility Index | 70% Brand Visibility Index |
| | | | Customer satisfaction | Annual Customer Satisfaction Index rating | New indicator | 80% Customer Satisfaction Index rating | 83% Customer Satisfaction Index rating | 60% Customer Satisfaction Index rating | 65% Customer Satisfaction Index rating | 70% Customer Satisfaction Index rating | 75% Customer Satisfaction Index rating |

[26] *The reduction in disbursements indicator is linked to decline in TREP allocations.*

## 8.2.2. Output Indicators, and Annual and Quarterly Targets

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 Apr - Jun 2024 | Q2 Jul - Sep 2024 | Q3 Oct - Dec 2024 | Q4 Jan - Mar 2025 | |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | Broadened access to finance | Value of approvals to SMMEs and co-operatives (R'000) | R2,402,490 | R360,374 | R840,872 | R720,747 | R480,498 | 6% |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | | Value of disbursements to SMMEs and co-operatives (R'000) | R2,164,417 | R324,663 | R757,546 | R649,325 | R432,883 | 6% |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | | Number of SMMEs and co-operatives financed | 117,633 | 17, 645 | 41,172 | 35,290 | 23,527 | 3% |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | | Number of jobs facilitated and sustained | 130,006 | 19,501 | 45,502 | 39,002 | 26,001 | 3% |
| Direct Lending<br>Wholesale Lending<br>Microfinance | | Disbursements to Black-owned enterprises (R'000) | R1,515,092 | R227,264 | R530,282 | R454,528 | R303,018 | 3% |

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 Apr - Jun 2024 | Q2 Jul - Sep 2024 | Q3 Oct - Dec 2024 | Q4 Jan - Mar 2025 | |
| KCG | | | | | | | | |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | | Disbursements to women-owned enterprises (R'000) | R865,767 | R129,865 | R303,018 | R259,730 | R173,153 | 3% |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | | Disbursements to youth-owned enterprises (R'000) | R649,325 | R97,399 | R227,264 | R194,798 | R129,865 | 2% |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | | Disbursements to enterprises owned by entrepreneurs with disabilities (R'000) | R64,010 | R9,602 | R22,404 | R19,203 | R12,802 | 2% |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | | Disbursements to township-based enterprises (R'000) | R628,604 | R94,291 | R220,011 | R188,581 | R125,721 | 2% |
| Direct Lending<br>Wholesale Lending<br>Microfinance<br>KCG | | Disbursements to enterprises located in rural towns and villages (R'000) | R1,040,766 | R156,115 | R364,268 | R312,230 | R208,153 | 3% |

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 Apr - Jun 2024 | Q2 Jul - Sep 2024 | Q3 Oct - Dec 2024 | Q4 Jan - Mar 2025 | |
| Human Capital, Marketing and Facilities | Strategic stakeholder relations with key constituencies | Number of leads generated | 120 leads generated | 30 leads generated | 30 leads generated | 30 leads generated | 30 leads generated | 2% |
| Human Capital, Marketing and Facilities | Enhanced **sefa** brand visibility | Annual Brand Visibility Index | 60% Brand Visibility Index | Development and approval of a Brand Visibility Index Improvement Plan | Implement improvement actions according to the plan | Implement improvement actions in line with the plan | Brand Visibility Index conducted - 60% Brand Visibility | 2% |
| Human Capital, Marketing and Facilities | Customer satisfaction | Annual Customer Satisfaction Index rating | 65% Customer Satisfaction Index rating | Development and approval of an Improvement Plan<br>Implement customer survey report recommendations | Implement customer survey report recommendations | Implement customer survey report recommendations | Customer Satisfaction Index conducted - 65% Customer Satisfaction Index rating | 2% |

## 8.3. Business Process Perspective

### 8.3.1. Outcomes, Outputs, Output Indicators, and MTEF Targets

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| **1. Enhanced access to finance by** | Percentage of **sefa** funded clients still in | 70% | SMME and intermediary institutional | Number of client and funding partner interventions | 76 interventions | 140 interventions | 165 interventions | 190 interventions | 206 interventions | 215 interventions | 220 interventions |

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| **SMMEs and co-operatives** | business during the contract period | | capacity building | Number of **sefa** clients improving turnover by 5% | New indicator | 20 clients | 52 clients | 52 clients | 75 clients | 79 clients | 83 clients |
| **2. Enhanced service delivery and stakeholder satisfaction** | Number of partnerships leading to growth in funded clients | 25 | Efficient and effective lending | Turnaround time for Direct Lending (days) | New indicator | 45 days | 40 days | 70 days | 50 days | 40 days | 30 days |
| | | | | Turnaround time for Wholesale Lending (days) | New indicator | 60 days | 55 days | 90 days | 70 days | 50 days | 45 days |
| | | | | KCG - Turnaround time for lending (days) | New indicator | 60 days | 55 days | 90 days | 70 days | 50 days | 45 days |
| | | | Automation / digitisation of **sefa** business processes | Enhanced KCG MIS (Management Information System) | N/A | N/A | New indicator | New fit for purpose MIS for KCG operations sourced | New portfolio and supplier credit system implemented | Develop a monitoring and evaluation tool from new MIS | Develop a monitoring and evaluation for measuring KCG impact in economy |
| | | | | Progress in automation of **sefa** business processes | New indicator | 100% Automation of the **sefa** loan origination process | 100% Automation of the due diligence, PIMWR and disbursement processes | Maintenance and enhancement of the PIMWR system | 1.Modernisation of **sefa**LAS and hosting | 1.Continued enhancements of **sefa**LAS and PIMWR systems | 1. Modernisation of **sefa**LAS<br>2.Two automated workflow processes |

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | | | | | | | | | in the cloud [27]<br>2. Two automated workflow processes[28] | | |
| | | | | Progress in implementation of the **sefa** Enterprise Content Management System | N/A | New indicator | Phase one implementation of Enterprise Content Management | Phase 2 implementation of the ECM system | ECM Project 100% complete | ECM system support and maintenance | ECM system support and maintenance |
| | | | New products approved to address market needs | Number of new products approved to address market needs | N/A | N/A | N/A | New indicator | 1 new product approved (Professional Services) | 1 new product approved | 1 new product approved |
| **5. Sound governance and a high-performance organisation** | External audit outcome | Maintain an unqualified external audit outcome over period to 2024/25 | Enhanced risk maturity | **sefa** risk maturity level | New indicator | Level 3 risk maturity | Maintain level 3 risk maturity | Improve from level 3 to level 4 | Maintain level 4 | Maintain level 4 | Maintain level 4 |

[27] ***sefa*** *administers its loan business processes on an in-house developed Loan Administration System (**sefa**LAS). The system is hosted in the internal **sefa**'s IT sever environment. A business analysis and a comparable benchmarking exercise will be done to explore a new functionality and enhancement to the Loan Management System. These enhancements will be captured in the functional specification with an appropriate developmental roadmap over the MTEF.*

[28] ***sefa*** *has acquired the Microsoft 365 enterprise license. As part of the 365-licensing framework, **sefa** will implement the Power Automate to automate organisational business processes. These automations will be accompanied by standard functional specification and will follow systems design implementation methodology.*

## 8.3.2. Output Indicators, and Annual and Quarterly Targets

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 Apr - Jun 2024 | Q2 Jul - Sep 2024 | Q3 Oct - Dec 2024 | Q4 Jan - Mar 2025 | |
| Post-Investment Monitoring and Workout | SMME and intermediary institutional capacity building | Number of client and funding partner interventions | 206 interventions | 50 interventions | 50 interventions | 50 interventions | 56 interventions | 2% |
| Post-Investment Monitoring and Workout | | Number of **sefa** clients improving turnover by 5% | 75 clients | 16 clients | 20 clients | 23 clients | 16 clients | 2% |
| Direct Lending | Efficient and effective lending | Turnaround time for Direct Lending (days) | 30 days | 30 days | 30 days | 30 days | 30 days | 2% |
| Wholesale Lending<br>Microfinance | | Turnaround time for Wholesale Lending (days) | 50 days | 50 days | 50 days | 50 days | 50 days | 2% |
| KCG | | KCG - Turnaround time for lending (days) | 45 days | 45 days | 45 days | 45 days | 45 days | 2% |
| KCG | | Enhanced KCG MIS (Management Information System) | New portfolio and supplier credit system implemented | Development and configurations as per to-be requirements | Development and configurations as per to-be requirements | System go-live | Review and testing of system | 1% |
| Direct reports to the CEO | Automation / digitisation of **sefa** business processes | Progress in automation of **sefa** business processes | Modernisation of **sefa**LAS and migration to the cloud | Project scoping and development of functional specification | Development and testing of **sefa**LAS application enhancements<br>Training of users on new application enhancements | Development and testing of **sefa**LAS application enhancements<br>Training of users on new application enhancements | Development and testing of **sefa**LAS application enhancements<br>Training of users on new application enhancements | 1% |

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 Apr - Jun 2024 | Q2 Jul - Sep 2024 | Q3 Oct - Dec 2024 | Q4 Jan - Mar 2025 | |
| | | | Two automated workflow processes | Project scoping and development of functional specification | Analysis of As-Is and To-Be business processes | Automation of the To-Be business processes | Implementation, testing and training of users | 1% |
| Direct reports to the CEO | | Progress in implementation of the **sefa** Enterprise Content Management System | ECM Project 100% complete | Development and configurations as per to-be requirements | Development and configurations as per to-be requirements | System go-live | Review and testing of system | 2% |
| Strategy and Planning | New products approved to address market needs | Number of new products approved to address market needs | 1 (Professional Services) | Market research | Consultations | Draft new product developed | 1 new product approved (Professional Services) | 2% |
| Direct reports to the CEO | Enhanced risk maturity | **sefa** risk maturity level | Maintain level 4 | Implement improvement recommendations from the 2023/2024 assessment | Implement improvement recommendations from the 2023/2024 assessment | Implement improvement recommendations from the 2023/2024 assessment | 2024/25 Risk maturity assessment conducted, reflecting level 4 risk maturity | 2% |

## 8.4. Learning and Growth Perspective

### 8.4.1. Outcomes, Outputs, Output Indicators, and MTEF Targets

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| **3. A financially sustainable organisation** | N/A | N/A | Monitoring and evaluation of **sefa** Loan Programme performance and commissioning of strategic research projects | Number of publications produced | New indicator | 6 Sector and value chain analysis reports<br>Bi-annual business conditions survey | 6 Sector and value chain analysis reports<br>Bi-annual business conditions survey<br>Loan Programme Performance Report | 6 Sector and value chain analysis reports<br>Bi-annual business conditions survey<br>Loan Programme Performance Report | 6 Sector and value chain analysis reports<br>Bi-annual business conditions survey<br>Loan Programme Performance Report | 6 Sector and value chain analysis reports<br>Bi-annual business conditions survey<br>Loan Programme Performance Report | 6 Sector and value chain analysis reports<br>Bi-annual business conditions survey<br>Loan Programme Performance Report |
| **5. Sound governance and a high-performance organisation** | Productivity ratio | 20% improvement in productivity | Improved employee engagement | Employee Engagement Index (EEI) | 60% and more employee index | 62% Employee Engagement Index (EEI) | 65% Employee Engagement Index (EEI) | 65% Employee Engagement Index (EEI) | 65% Employee Engagement Index (EEI) | 65% Employee Engagement Index (EEI) | 65% Employee Engagement Index (EEI) |
| | | | Improvement of organisational performance | Percentage of staff that scores 3.5 or more in the annual performance assessment | N/A | New indicator | 55% Staff that scores 3.5 or more in the 2021/22 annual performance assessment | 55% Staff that scores 3.5 or more in the 2022/23 annual performance assessment | Achievement of 60% of staff with scores of 3.5 and more on FY 2022/23 annual performance | 60% Staff that scores 3.5 or more in the 2022/23 annual performance assessment | 60% Staff that scores 3.5 or more in the 2022/23 annual performance assessment |

| CONTRIBUTION TO STRATEGIC PLAN | | | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE | | | ESTIMATED PERFORMANCE | MTEF TARGETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTCOME | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET | | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | | | Productivity improvement | Productivity Index | N/A | New indicator | Productivity baseline established | Productivity Index increases by 10% from baseline | Productivity Index increases by 10% from the previous year's achievement. | Productivity Index increases by 10% from the previous year's achievement. | Productivity Index increases by 10% from the previous year's achievement. |

## 8.4.2. Output Indicators, and Annual and Quarterly Targets

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 Apr - Jun 2024 | Q2 Jul - Sep 2024 | Q3 Oct - Dec 2024 | Q4 Jan - Mar 2025 | |
| Direct reports to the CEO | Monitoring and evaluation of **sefa** Loan Programme performance and commissioning of strategic research projects | Number of publications produced | 6 Sector and value chain analysis reports<br>Bi-annual business conditions survey<br>Loan Programme Performance Report | 1 Sector and value chain analysis report<br>Monitoring of Loan Programme Performance Report | Business Conditions Survey Report<br>2 Sector and value chain analysis reports | 2 Sector and value chain analysis reports<br>Monitoring of Loan Programme Performance Report | Business Conditions Survey Report<br>1 Sector and value chain analysis report | 4% |
| Human Capital, Marketing and Facilities | Improved employee engagement | Employee Engagement Index (EEI) | 65% Employee Engagement Index (EEI) | Employee Engagement Survey completed - 65% Employee Engagement Index | Employee Engagement Survey Action Plan 40% completed | Employee Engagement Survey Action Plan 60% completed | Employee Engagement Survey Action Plan 100% completed | 2% |

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2024/25 ANNUAL TARGET | QUARTERLY TARGETS | | | | WEIGHTING |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 Apr - Jun 2024 | Q2 Jul - Sep 2024 | Q3 Oct - Dec 2024 | Q4 Jan - Mar 2025 | |
| Human Capital, Marketing and Facilities | Improvement of organisational performance | Percentage of staff that scores 3.5 or more in the annual performance assessment | Achievement of 60% of staff with scores of 3.5 and more on FY 2022/23 annual performance | Achievement of 60% of staff with scores of 3.5 and more on FY 2023/24 annual performance | Performance improvement plans in plans for underperformers | Mid-year reviews completed | Report on status of Performance improvement plans | 2% |
| Human Capital, Marketing and Facilities | Productivity improvement | Productivity Index | Productivity Index increases by 10% from the previous year's achievement. | Achievement of quarterly divisional productivity targets | Achievement of quarterly divisional productivity targets | Achievement of quarterly divisional productivity targets | Productivity Report and recommendations produced - Productivity Index increases by 10% from the previous year | 2% |

## 9. EXPLANATION OF PLANNED PERFORMANCE

For each of the above balanced scorecard perspectives, this section describes the planned performance over the MTEF planning period, in terms of:

1) The contribution to achieving **sefa's** intended impact.
2) The perspective's contribution to MTSF 2019-2024, NASP, and other mandate-related priority areas.
3) Planning priorities for the MTEF period; and
4) Specific priorities related to women, youth, and PWDs.

<table>
<tr><th colspan="2">FINANCIAL PERSPECTIVE</th></tr>
<tr><td colspan="2">Contribution to achieving the intended sefa impact:</td></tr>
<tr><td colspan="2">▪ Driving commercialisation, ensuring return on investment, and strengthening of the balance sheet; and<br>▪ Mobilising strategic partners and funding.</td></tr>
<tr><td colspan="2">Contribution to MTSF 2019-2024 and national priorities:</td></tr>
<tr><td>MTSF 2019-2024:<br>Priority 1 – A capable, ethical and developmental state</td><td>Improve financial management capability in the Public Sector; and measures taken to reduce wasteful and fruitless expenditure, and irregular expenditure in the Public Sector.<br>Contributing outputs are:<br>▪ Improved credit risk assessment and mitigation.<br>▪ Enhanced loan portfolio performance.<br>▪ Enhanced financial management and performance.<br>▪ Capital raising.</td></tr>
<tr><td>DSBD Outcome</td><td>3. Improved governance and compliance.</td></tr>
<tr><td colspan="2">Planning priorities for the MTEF period:</td></tr>
<tr><td colspan="2">▪ Strike a balance maintaining a good-paying loan book and the higher-risk developmental mandate loan book.<br>▪ Reduce impairments – improve loan monitoring and collections, and reliable data-driven decisions based on an assessment of the willingness of clients to pay against their ability to pay.<br>▪ Improve the cost structure - drive cost efficiency (funding model, right-sizing, etc.).<br>▪ Implement the Turnaround Strategy for the Property Portfolio - better align KBP's organisational structure to that of sefa, leverage sefa/KBP and Seda incubation projects to provide affordable and sustainable rental properties for SMMEs and strengthen relations with key stakeholders such as DBSA and dtic to address SMME market constraints.<br>▪ Package sefa as a commercial programme implementor of choice, noting from the endorsement on how sefa managed the Land Reform Empowerment Facility, Small Business Improvement Fund, and EU ESD.</td></tr>
</table>

| FINANCIAL PERSPECTIVE |
|---|
| **Specific priorities related to women, youth, and PWDs:** |
| B-BBEE thresholds for procurement to be implemented. |

| CUSTOMER PERSPECTIVE | |
|---|---|
| **Contribution to achieving the intended sefa impact:** | |
| ▪ Supporting sustainable small, medium, micro, and co-operative enterprises; and<br>▪ Contributing to increased job creation, and economic participation, ownership, and access to resources and opportunities by PDIs, prioritising women, youth, and PWDs. | |
| **Contribution to MTSF 2019-2024 and national priorities:** | |
| **MTSF 2019-2024:**<br>Priority 2: Economic transformation and job creation | Increased economic participation, ownership, access to resources and opportunities for women, youth, and PWDs.<br>Contributing outputs are:<br>▪ Broadened access to finance.<br>▪ Efficient and effective lending.<br>▪ SMME and intermediary institutional capacity building.<br>▪ Monitoring and evaluation of **sefa** Loan Programme performance and commissioning of strategic research projects.<br>▪ Strategic stakeholder relations with key constituencies. |
| **National Annual Strategic Plan (NASP)** | Contribute to target of 50,000 small businesses and co-operatives supported per year, through Microlending and TREP programmes.<br>Contributing outputs are:<br>▪ Broadened access to finance. |
| **DSBD Outcomes** | 1. Expanded access to financial and non-financial support and implement responsive programmes to new and existing SMMEs and co-operatives.<br>2. Scaled-up and coordinated support for SMMEs, co-operatives, village, and township economies. |
| **Planning priorities for the MTEF period:** | |
| ▪ Accelerate TREP disbursements – re-design TREP with a better go-to-market strategy that will utilise different lending channels at **sefa** and creatively crowd-in private sector participation to reach township and rural enterprises more efficiently and sustainably:<br>– Short-term: strengthen the TREP pipeline, implement catch-up plans within agreed timeframes, and leverage wholesale lending opportunities in partnership with retail finance intermediaries.<br>– Medium-term: implement strategic programmes in identified priority sectors (including agro-processing, professionals, renewable energy, and manufacturing value chains) with an increased focus on rural areas.<br>– Longer-term (as part of the merger planning process): develop an evidence based TREP strategy (business case), with suitable systems and a capacitated organisational structure. | |

| CUSTOMER PERSPECTIVE |
|---|
| ▪ Targeted sector focus – intervene with financial solutions (and business support in partnership with Seda) to support entrepreneurial activity in professional services, spaza shops, agro-processing, energy, and manufacturing value chains.<br>▪ KCG's future strategic direction – implement the findings of the World Bank report, expand KCG's reach through partnerships with a broader base of financial institutions, and seek opportunities to capitalise the subsidiary.<br>▪ Improve performance on key development indicators – implement targeted interventions aimed at designated groups, (youth-owned, women-owned, township-based, rural-based, and PWDs).<br>▪ Review **sefa**'s approach and programmes to support rural-based enterprises, including those operating on communal land.<br>▪ Secure partnerships – enhance and strengthen working partnerships to crowd in the private sector and increase access to finance for small businesses. |
| **Specific priorities related to women, youth, and PWDs:** |
| ▪ Women-, youth-, and PWD-owned enterprises are the priority focus for **sefa**'s lending products.<br>▪ These are reported on, as developmental indicators, quarterly and annually. |

| BUSINESS PROCESSES PERSPECTIVE | |
|---|---|
| **Contribution to achieving the intended sefa impact:** | |
| Ensuring sound governance and a high-performance organisation. | |
| **Contribution to MTSF 2019-2024 and national priorities:** | |
| **MTSF 2019-2024:**<br>Priority 1 – A capable, ethical and developmental state | Strengthen the governance system of state-owned entities.<br>Contributing outputs are:<br>▪ Enhanced risk maturity.<br>▪ Electronic crowd-funding platform for early-stage start-ups.<br>▪ Automation/digitisation of **sefa** business processes.<br>▪ Efficient and effective lending.<br>▪ SMME and intermediary institutional capacity building.<br>▪ Customer satisfaction. |
| **DSBD Outcome** | 3. Improved governance and compliance. |
| **Planning priorities for the MTEF period:** | |
| ▪ Enhance organisational capabilities across the **sefa** value chain:<br>– Improve and streamline the working environment (processes, people, and systems).<br>– Establish organisational capacity to manage and implement the merger between **sefa**, Seda and CBDA.<br>▪ Fast-track systems development and digitalisation.<br>– Strengthen backend systems to drive improved collections. | |

| BUSINESS PROCESSES PERSPECTIVE |
|---|
| – Develop and implement an automated collections workflow, aligned to approved Write-off Policy.<br>– Establish an automated reporting tool for annual financial statements and management accounts.<br>▪ Build the **sefa** brand and increase **sefa** visibility:<br>– Increase investment in marketing and client outreach.<br>– Strengthen collaboration with key participants (public sector, private sector, and donors) in the SMME ecosystem – for different parts of the value chain.<br>– Strengthen **sefa** sectoral research and knowledge management capabilities – utilise the body of knowledge to strengthen programme design and implementation. |
| **Specific priorities related to women, youth, and PWDs:** |
| Not applicable |

| LEARNING AND GROWTH PERSPECTIVE | |
|---|---|
| **Contribution to achieving the intended sefa impact:** | |
| Ensuring sound governance and a high-performance organisation. | |
| **Contribution to MTSF 2019-2024 and national priorities:** | |
| **MTSF 2019-2024:**<br>Priority 1 – A capable, ethical and developmental state | Enhance productivity and functionality of Public Sector institutions in supporting people-centred service delivery.<br>Contributing outputs are:<br>▪ Improved employee engagement<br>▪ Improvement of organisational performance<br>▪ Productivity improvement |
| **DSBD Outcome** | 3. Improved governance and compliance. |
| **Planning priorities for the MTEF period:** | |
| ▪ Towards merger – develop integrated service delivery model with clarity on roles and funding priorities.<br>▪ Enhance organisational capabilities across the **sefa** value chain:<br>– Conclude the organisational review process and optimise the functioning of **sefa**.<br>▪ Active collaboration and participation in the processes towards the establishment of SEDFA through the established workstreams, joint board and stakeholder engagements, and agreed project milestones. | |
| **Specific priorities related to women, youth, and PWDs:** | |
| Achieve **sefa** Employment Equity Plan targets. | |

# 10. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND 2024/25 MTEF BUDGET ESTIMATES

Below are the budgeted **sefa** Group financial statements over the MTEF period. The budgets have been prepared in line with the corporate annual performance plan and its priorities. **sefa** seeks to continue to find a balance between these priorities, while ensuring financial sustainability, developmental impact, and overall operational efficiency.

The Statement of Financial Position indicates that **sefa** would continue to grow its net asset value over the MTEF period, while maintaining positive cash balances. The entity's operational efficiency is also expected to improve over the longer term, evidenced by the improved cost-to-income ratio.

## 10.1. Statement of Financial Position for the 2024/25 MTEF

sefa Group Budget FY2024/25
STATEMENTS OF FINANCIAL POSITION R'000

| | GROUP R'000 | | | | | |
|---|---|---|---|---|---|---|
| STATEMENTS OF FINANCIAL POSITION R'000 | 2023 Audited | DEC YTD | 2024 Forecast | 2025 BUDGET | 2026 BUDGET | 2027 BUDGET |
| ASSETS | | | | | | |
| Cash and cash equivalents (Group) | 1 129 047 | 1 785 639 | 1 515 092 | 1 276 921 | 1 150 764 | 1 071 948 |
| Cash and cash equivalents (SBIF) | 240 059 | 221 156 | 198 090 | 155 583 | 131 862 | 89 355 |
| Cash and cash equivalents (Tourism) | 325 535 | 545 717 | 535 717 | 221 761 | 123 188 | 52 529 |
| Cash and cash equivalents (COVID-19/ERP/TREP) | 2 241 011 | 2 161 546 | 1 712 711 | 1 452 797 | 1 208 611 | 1 184 563 |
| Cash and cash equivalents (EU) | 131 296 | 138 584 | 140 464 | 138 564 | 70 564 | 45 564 |
| Cash and cash equivalents (Managed Funds) | 58 810 | 62 556 | 62 556 | 62 556 | 62 556 | 62 556 |
| Trade and other receivables | 338 453 | 266 222 | 319 716 | 989 276 | 1 519 677 | 1 714 977 |
| Current tax asset | - | - | - | - | - | - |
| Loans and advances | 789 472 | 804 020 | 775 164 | 802 313 | 676 536 | 723 831 |
| Loans and advances (SBIF) | 103 506 | 97 324 | 102 650 | 89 015 | 68 289 | 67 594 |
| Loans and advances (BVP) | 50 142 | 45 105 | 41 051 | 29 973 | 18 280 | 5 939 |
| Loans and advances (EU) | 47 075 | 37 631 | 34 620 | 22 080 | 97 983 | 110 018 |
| Loans and advances (COVID-19/ERP/TREP) | 624 598 | 528 005 | 524 347 | 406 753 | 366 841 | 389 764 |
| Investment properties | 182 118 | 182 118 | 188 618 | 182 618 | 184 708 | 186 886 |
| Equipment, furniture and other tangible assets | 9 554 | 9 903 | 14 623 | 32 309 | 30 215 | 28 113 |
| Intangible assets | 660 | 409 | 5 317 | 17 849 | 18 005 | 17 208 |
| Right-of-use assets | 14 249 | 6 639 | 3 912 | 5 134 | 11 519 | 11 940 |
| Deferred tax asset | 3 | 3 | 3 | 3 | 3 | 3 |
| Equity investments | 986 907 | 983 530 | 1 012 064 | 1 041 876 | 1 111 151 | 1 146 411 |
| TOTAL ASSETS | 7 272 495 | 7 876 107 | 7 186 715 | 7 003 619 | 6 924 652 | 6 977 486 |
| EQUITY AND LIABILITIES | | | | | | |
| Share capital | 308 300 | 308 300 | 308 300 | 308 300 | 308 300 | 308 300 |
| Shareholder reserves | 2 811 146 | 3 028 964 | 3 028 964 | 3 300 701 | 3 554 496 | 3 816 935 |
| Retained earnings and other reserves | (1 823 403) | (1 848 216) | (2 045 843) | (2 387 748) | (2 344 903) | (2 397 476) |
| **Equity attributable to owners of the parent** | 1 296 043 | 1 489 048 | 1 291 421 | 1 221 253 | 1 517 892 | 1 727 759 |
| Non-controlling interest | (179) | (179) | 9 | 9 | 9 | 9 |
| **Total equity** | 1 295 864 | 1 488 869 | 1 291 430 | 1 221 262 | 1 517 901 | 1 727 768 |
| **Liabilities** | | | | | | |
| Trade and other payables | 159 311 | 140 356 | 141 390 | 149 407 | 154 965 | 151 508 |
| Tax payable | - | - | - | - | - | - |
| Grants Received in Advance | 4 937 177 | 5 336 943 | 4 835 987 | 4 709 652 | 4 320 272 | 4 164 607 |
| Lease Liabilities | 18 498 | 9 050 | 5 502 | 5 450 | 11 856 | 12 294 |
| Outstanding claims reserve | 23 973 | 22 881 | 23 450 | 21 590 | 22 720 | 23 962 |
| Unearned risk reserve | 43 635 | 51 685 | 53 840 | 55 261 | 61 455 | 68 312 |
| Post-retirement medical liability | 769 | 769 | 919 | 1 069 | 1 227 | 1 227 |
| Shareholder's loans | 793 267 | 825 554 | 834 196 | 839 928 | 834 256 | 827 808 |
| **Total liabilities** | 5 976 630 | 6 387 238 | 5 895 284 | 5 782 357 | 5 406 751 | 5 249 718 |
| TOTAL EQUITY AND LIABILITIES | 7 272 495 | 7 876 107 | 7 186 715 | 7 003 619 | 6 924 652 | 6 977 486 |

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[29] *Loans and advances balances are the disbursements to businesses based in rural areas and townships. The detailed breakdown of these disbursements are contained on pages 85 and 86 of this document.*

## 10.2. Statement of Cashflow for the 2024/25 MTEF

STATEMENTS OF CASH FLOWS R'000

| | GROUP R'000 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 Audited | DEC YTD | 2024 Forecast | 2025 BUDGET | 2026 BUDGET | 2027 BUDGET |
| **Cash flows from operating activities** | | | | | | |
| Cash utilised by operations | (342 287) | (234 139) | (522 619) | (1 382 074) | (1 227 819) | (750 886) |
| Loans and advances awarded to customers or investees | (679 047) | (272 360) | (528 182) | (551 899) | (444 448) | (629 183) |
| Grant income received | 1 361 994 | 867 090 | 593 272 | 642 390 | 692 262 | 747 286 |
| Tax paid | - | - | - | - | - | - |
| **Net cash utilised by operating activities** | **340 660** | **360 591** | **(457 529)** | **(1 291 583)** | **(980 005)** | **(632 783)** |
| | | | | | | |
| **Cash flows from investing activities** | | | | | | |
| Purchase of equipment, furniture and other tangible | (4 386) | (4 373) | (10 393) | (24 580) | (6 654) | (6 638) |
| Purchase of intangible assets | (820) | - | (5 065) | (16 000) | (5 000) | (5 000) |
| Improvements on investment properties | - | - | - | - | - | - |
| Investment income | 185 570 | 240 662 | 314 271 | 226 585 | 209 994 | 175 012 |
| (Acquisition) / disinvestment of investments | 37 492 | (2 837) | (2 087) | 3 000 | - | - |
| Proceeds from sale of property and equipment | - | 2 029 | 2 029 | - | - | - |
| Proceeds from sale of investment properties | - | - | - | 6 000 | - | - |
| **Net cash generated by investing activities** | **217 856** | **235 481** | **298 755** | **195 005** | **198 340** | **163 374** |
| | | | | | | |
| **Cash flows from financing activities** | | | | | | |
| Capital repayment of the lease liabilities | (12 100) | (9 448) | (13 649) | (15 849) | (16 924) | (18 142) |
| Net Capital funding received from shareholders | 258 658 | 202 818 | 211 296 | 255 977 | 237 955 | 246 519 |
| **Net cash from financing activities** | **246 558** | **193 370** | **197 647** | **240 128** | **221 031** | **228 377** |
| | | | | | | |
| **Net increase/(decrease) in cash and cash equivalents** | 805 072 | 789 440 | 38 873 | (856 448) | (560 637) | (241 030) |
| Cash and cash equivalents at beginning of year | 3 320 712 | 4 125 784 | 4 125 784 | 4 164 656 | 3 308 208 | 2 747 571 |
| **Cash and cash equivalents at end of year** | **4 125 784** | **4 915 224** | **4 164 657** | **3 308 208** | **2 747 571** | **2 506 541** |
| Cash held on behalf of managed funds | (58 810) | (62 556) | (62 556) | (62 556) | (62 556) | (62 556) |
| **Cash attributable to the Group** | **4 066 974** | **4 852 668** | **4 102 100** | **3 245 652** | **2 685 015** | **2 443 985** |

## 10.3. Statement of Comprehensive Income for the 2024/25 MTEF

STATEMENTS OF COMPREHENSIVE INCOME R'000

| | GROUP R'000 | | | | | |
|---|---|---|---|---|---|---|
| STATEMENTS OF COMPREHENSIVE INCOME R'000 | 2023 Audited | DEC YTD | 2024 Forecast | 2025 BUDGET | 2026 BUDGET | 2027 BUDGET |
| Interest from lending operations | 165 068 | 126 685 | 162 570 | 152 833 | 149 953 | 146 007 |
| Increase in expected credit losses on loans and advances | (594 014) | (375 069) | (670 799) | (629 558) | (585 821) | (582 472) |
| **Loss from lending activities** | **(428 946)** | **(248 384)** | **(508 229)** | **(476 725)** | **(435 868)** | **(436 465)** |
| Fee income from loans | 15 353 | 5 723 | 8 576 | 7 372 | 8 579 | 8 173 |
| Indemnity fees | 7 434 | 6 807 | 8 177 | 10 027 | 10 929 | 11 976 |
| Investment property rental income | 25 739 | 18 520 | 24 770 | 25 019 | 26 145 | 27 243 |
| Interest on overdue rental debtors | 356 | 73 | 137 | 143 | 150 | 156 |
| Investment income | 173 462 | 230 146 | 303 692 | 226 441 | 209 844 | 174 856 |
| Other income | 12 847 | 10 774 | 12 533 | 10 242 | 10 352 | 10 464 |
| Lease liability finance cost | (2 473) | (1 337) | (1 538) | (1 067) | (1 141) | (1 223) |
| Interest expense on shareholder's loan | (59 224) | (47 287) | (63 429) | (20 732) | (9 328) | (8 552) |
| **Gross loss after finance costs** | **(255 452)** | **(24 965)** | **(215 311)** | **(219 280)** | **(180 338)** | **(213 372)** |
| Net fair value (loss)/gain on investment properties | (3 015) | - | 6 500 | 2 000 | 2 090 | 2 178 |
| Increase in impairments on cash | (2) | - | - | - | - | - |
| | | | | | | |
| Increase in impairments on investments | 8 173 | (1 310) | (4 718) | (3 437) | (1 718) | (1 718) |
| Investment property expenses | (97 073) | (47 879) | (73 730) | (93 253) | (85 678) | (85 471) |
| Personnel expenses | (250 748) | (213 230) | (285 377) | (386 581) | (417 139) | (332 995) |
| Other operating expenses | (149 750) | (98 087) | (129 718) | (165 292) | (183 729) | (186 382) |
| **Operating loss** | **(747 867)** | **(385 471)** | **(702 354)** | **(865 843)** | **(866 512)** | **(817 760)** |
| Profit from equity accounted investments, net of tax | 71 808 | 1 719 | 34 412 | 36 249 | 35 216 | 36 978 |
| Grant paid | (141 568) | (107 188) | (263 549) | (280 278) | (242 434) | (173 827) |
| Grant Income Received | 594 439 | 467 324 | 710 669 | 767 965 | 1 080 802 | 902 031 |
| **Loss before tax** | **(223 188)** | **(23 616)** | **(220 822)** | **(341 907)** | **7 072** | **(52 578)** |
| Income tax credit/(charge) | - | - | - | - | - | - |
| **Net Profit/(loss)** | **(223 188)** | **(23 616)** | **(220 822)** | **(341 907)** | **7 072** | **(52 578)** |
| | | | | | | |
| Other comprehensive income | (15 926) | - | - | - | - | - |
| **Total comprehensive profit/(loss) for the year** | **(239 114)** | **(23 616)** | **(220 822)** | **(341 907)** | **7 072** | **(52 578)** |

## 10.4. Reconciliation of Net Profit to Cash Utilised by Operations

RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH UTILISED BY OPERATIONS

| | GROUP R'000 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 Audited | DEC YTD | 2024 Forecast | 2025 BUDGET | 2026 BUDGET | 2027 BUDGET |
| Loss before tax | (223 188) | (23 616) | (220 822) | (341 907) | 7 072 | (52 578) |
| **Adjustments for:** | | | | | | |
| Depreciation | 2 903 | 3 566 | 4 866 | 6 893 | 8 749 | 8 741 |
| Depreciation of right-of-use-assets | 11 182 | 8 377 | 11 756 | 14 503 | 16 869 | 17 914 |
| Amortisation | 362 | 251 | 408 | 3 468 | 4 844 | 5 796 |
| Fair value adjustment | 3 015 | - | (6 500) | (2 000) | (2 090) | (2 178) |
| Impairment Provision - Cash | 2 | - | - | - | - | - |
| Impairment provision - Equity investments | (7 897) | 1 310 | 4 718 | 3 437 | 1 718 | 1 718 |
| Income from associate | (71 808) | (1 719) | (34 412) | (36 249) | (35 217) | (36 977) |
| Increase in indemnity reserves | 24 578 | 8 050 | 10 205 | 1 420 | 6 194 | 6 857 |
| Interest charged on shareholder's loan | 59 224 | 47 287 | 63 429 | 20 732 | 9 328 | 8 552 |
| Investment income | (173 817) | (230 219) | (303 828) | (226 585) | (209 994) | (175 012) |
| Grant income | (594 439) | (467 324) | (710 669) | (767 965) | (1 080 802) | (902 031) |
| Loss on sale of equipment | 16 | 46 | 46 | - | - | - |
| Provision for bad debts | 595 321 | 377 026 | 459 585 | (376 824) | (333 604) | 73 517 |
| Bad debts written off | (38) | 103 | 208 518 | 983 292 | 905 846 | 495 450 |
| Post-retirement liability | 203 | - | 150 | 223 | 234 | 245 |
| Provision for claims | 16 185 | (1 092) | (523) | (1 861) | 1 130 | 1 243 |
| **Operating loss before changes in working capital** | (358 196) | (277 954) | (513 073) | (719 423) | (699 723) | (548 743) |
| **Changes in working capital** | 15 909 | 43 815 | (9 546) | (662 651) | (528 096) | (202 143) |
| (Increase)/decrease in trade and other receivables | (24 652) | 54 594 | 10 515 | (196 022) | (57 204) | 81 587 |
| Loans (made to)/received from related parties | (855) | 8 316 | (2 000) | (11 107) | (552) | (580) |
| Increase in trade and other payables and provisions | 41 416 | (19 095) | (18 061) | (455 522) | (470 340) | (283 150) |
| **Cash utilised by operations** | (342 287) | (234 139) | (522 619) | (1 382 074) | (1 227 819) | (750 886) |

# 11. UPDATED KEY RISKS AND MITIGATIONS FROM THE STRATEGIC PLAN

The key risks reflected in the revised 2020-2025 Strategic Plan are updated as follows:

| Outcome | Key Risk | Risk Mitigation |
|---|---|---|
| **1. Enhanced access to finance by SMMEs and co-operatives.** | Inability to generate the desired uptake of loan financing by new and existing clients:<br>▪ Limited technological interface between **sefa** and potential customers/applicants.<br>▪ Limited budget allocation. | 1) Exploration of technological advancements for a more user-friendly application process for clients.<br>2) Refine the loan origination process and technology support for clients to track their loan applications.<br>3) Engage various government departments and municipalities for SMME support incentives and funding. |
| | Inadequate customer centricity, stakeholder focus and brand visibility. | 1) Develop product based on clearly defined market failures and **sefa**'s interventions.<br>2) Strengthen sectorial research and knowledge management capabilities. |
| **2. Enhanced service delivery** | Inadequate responsiveness to changes in the environment: | 1) Insure **sefa** properties against destruction/vandalism. |

| Outcome | Key Risk | Risk Mitigation |
|---|---|---|
| **and stakeholder satisfaction** | ▪ Volatile global climate changes and disrupting client's businesses.<br>▪ Prevalence of recent socio-economic factors i.e. loadshedding, building explosions etc. | 2) Conduct periodic business impact analysis and business continuity plan testing. |
| **3. A financially sustainable organisation** | Going concern risk:<br>▪ Lack of clarity regarding the way forward on the financial facility with IDC and how the relationship will change after the Seda/**sefa** merger.<br>▪ Increasing portfolio at risk (PAR) in wholesale lending and direct lending. | 1) Implement more stringent credit criteria on larger loans.<br>2) Engagements with IDC with the objectives of exploring the opportunity for **sefa** to administer the R3 billion innovation fund.<br>3) Explore additional capital raising initiatives through corporate ESD programmes, donors, and government departments with SMMEs support programmes. |
| | Inadequate debt management:<br>▪ Poor attitude by clients towards government funding (absence of urgency to settle debts).<br>▪ Absence of clear definitive investment and recovery strategy.<br>▪ Inadequate early warning triggers/alerts monitoring tools to identify or highlight near defaulting or overdue clients. | 1) Sensitise clients on the mandate and role of government in providing support.<br>2) Develop a strategy to deal with old, doubtful, and irrecoverable debt.<br>3) Develop and implement a system to automate the monitoring of debt proactively.<br>4) Implement fraud mitigation plans. |
| **4. Leveraged strategic assets and capital raising** | Unmet targets in leveraging assets and raising capital:<br>▪ Poor asset base.<br>▪ Property portfolio attracting very high utility bills (water and electricity).<br>▪ Regulatory limitations and restrictions on leveraging assets. | 1) Recapitalisation of KBP and implementation of a turnaround strategy for the property portfolio.<br>2) Incorporate clauses on recoveries in lease agreements.<br>3) Development of a strategy to raise increased capital in the new merger. |
| **5. Sound governance and a high-performance organisation** | Impaired ICT security and cyber-attacks:<br>▪ Cyber, hacking and phishing.<br>▪ Lack of ethical and responsible use of information by staff. | 1) Properly configure Microsoft level 5 across the board.<br>2) Obtain cyber insurance. |
| | ▪ Non-adherence to good corporate governance standards.<br>▪ Financial crimes and unethical business practices. | 1) Conduct periodic fraud risk and ethics risk assessments and audits.<br>2) Ongoing fraud, ethics and financial crimes training and awareness's. |

| Outcome | Key Risk | Risk Mitigation |
|---|---|---|
| | Non-compliance with legal, contractual, and regulatory obligations:<br>▪ Non-adherence to relevant legislation requirements and applicable organisational policies. | 1) Improvement in compliance risk monitoring.<br>2) Periodic training on latest legislative developments.<br>3) Benchmark with industry peers for best practices. |
| | Sub-optimal business performance:<br>▪ Frequent changes in leadership positions resulting to instability.<br>▪ Inadequate human capital capacity and capability.<br>▪ Organisational uncertainty regarding imminent Seda/**sefa** merger resulting to anxiety and high resignation staff rate. | 1) Provide upskilling and technical training for staff.<br>2) Development of a **sefa** competency framework for all job levels.<br>3) Consolidate the merger process and provide regular feedback to staff on the progress of the merger. |

The detailed **sefa** Risk Register is reviewed monthly by Exco and quarterly at each meeting of the Audit and Risk Committee.

## 12. PUBLIC ENTITIES

**sefa** has the following subsidiaries which fall under the oversight and control of the **sefa** Group Board:

| Name of Subsidiary / Public Entity | Mandate/ Purpose | Outcomes |
|---|---|---|
| **1. Khula Credit Guarantee** | To issue a range of credit guarantee products to lenders (commercial banks and other financial institutions) for SMME borrowers whose access to finance is impeded by the fact that they do not have collateral required by the lenders. | 1) Enhanced access to finance by SMMEs and co-operatives<br>2) Enhanced service delivery and stakeholder satisfaction<br>3) A financially sustainable organisation<br>4) Leveraged strategic assets and capital raising<br>5) Sound governance and a high-performance organisation |
| **2. Khula Business Premises** | To leverage the property portfolio to support **sefa**'s sustainability, ensure property capital value preservation, and efficiently manage the properties to support SMMEs and co-operatives. | 1) Enhanced access to finance by SMMEs and co-operatives<br>2) Enhanced service delivery and stakeholder satisfaction<br>3) A financially sustainable organisation<br>4) Leveraged strategic assets and capital raising |

| Name of Subsidiary / Public Entity | Mandate/ Purpose | Outcomes |
|---|---|---|
| | | 5) Sound governance and a high-performance organisation |

## 13. INFRASTRUCTURE PROJECTS

| Nº. | Project Name | Description | Start Date | Completion Date | Total Estimated Cost |
|---|---|---|---|---|---|
| 1. | Victoria Street Market (VSM) | Roof and 1st Floor reinstatement | 01 July 2024 | 30 June 2024 | R12 000 000 |
| 2. | Automation of **sefa** systems | Loan origination system to include all verification API integration. | 01 April 2024 | 30 August 2024 | R3,000,000 |
| 3. | | Phase 3 of Swordfish Collection automation | 01 April 2024 | 30 September 2024 | R960,000 |
| 4. | | Phase 2 of PIM and back-end workflow automation | 01 April 2024 | 30 July 2024 | R850,000 |
| 5. | | End-to-end KCG Portfolio Management System | 01 April 2024 | 06 December 2024 | R7,500,000 |
| 6. | | **sefa**LAS modernisation and user experience upgrade. Phase 1 | 01 April 2024 | 30 July 2024 | R1,600,000 |

## 14. PUBLIC / PRIVATE PARTNERSHIPS

Not applicable to the **sefa** at this stage.

# PART D: TECHNICAL INDICATOR DESCRIPTIONS

## 1. BALANCED SCORECARD PERSPECTIVE: FINANCE

### Finance and Supply Chain Management

| Indicator Title | Cost-to-income ratio (incl. MTEF allocation, excl. tax, excl. IDC finance charges, excl. impairments on loans and advances, excl. KCG claims provision I/S movement relating to the SSSP and Autobody Programme) |
|---|---|
| Definition | A measurement, against the set target, of the amount of operating expenses incurred in generating operating income. The ratio measurement excludes tax, impairments, interest on shareholder loans, government grant income and grant expenses, and the I/S movement relating to the SSSP and Autobody Programme |
| Source of Data | ACCPAC |
| Method of Calculation / Assessment | Operating expenses divided by operating income, expressed as a percentage |
| Means of Verification | Verify data reported in ACCPAC and quarterly management accounts |
| Assumptions | None |
| Disaggregation of Beneficiaries (where applicable) | Not applicable |
| Spatial Transformation (where applicable) | Not applicable |
| Calculation Type | Cumulative (year-to-date) |
| Reporting Cycle | Quarterly |
| Desired Performance | Better than targeted performance is desirable |
| Indicator Responsibility | Chief Financial Officer |

| Indicator Title | Percentage growth in revenue (excl. grant income and MTEF) |
|---|---|
| Definition | Percentage growth in income year-on-year, excluding grant income and the MTEF allocation |
| Source of Data | ACCPAC |

| | |
|---|---|
| **Method of Calculation / Assessment** | Rand value of current revenue amount (excluding grant income and MTEF allocation), divided by the previous financial year's Rand value of current revenue amount (excluding grant income and MTEF allocation), expressed as a percentage |
| **Means of Verification** | Review the calculation and data reported in ACCPAC |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Chief Financial Officer |

### Khula Credit Guarantee

| **Indicator Title** | **KCG capital leveraging ratio** |
|---|---|
| **Definition** | The additional investment in access to finance for SMMEs and co-operatives that is leveraged through the Credit Guarantee Programme through guarantee taken ups by partner institutions |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | Leverage ratio – the value of taken-ups/rand value guarantee approved |
| **Means of Verification** | **sefa**LAS |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |

| | |
|---|---|
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head of Khula Credit Guarantee |

### Khula Business Premises

| Indicator Title | Lettable area vacancy rate (target 10%) |
|---|---|
| **Definition** | Measures the percentage of total lettable space that is available to be rented out but is vacant |
| **Source of Data** | Lease register/ MDA Tenancy and Vacancy Schedule |
| **Method of Calculation / Assessment** | Total square metre of vacant lettable space divided by the total square metre of gross lettable space, expressed as a percentage |
| **Means of Verification** | Lease register/MDA Tenancy and Tenancy Schedule |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Prioritise the provision of infrastructure that supports industrialisation, localisation and exports for SMMEs and co-operatives, with a focus on township and rural economies |
| **Calculation Type** | Non-cumulative |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head of Khula Business Premises |

| Indicator Title | Rental collections rate |
|---|---|
| **Definition** | To improve the due (billed) rental collected |
| **Source of Data** | MDA portal |

| | |
|---|---|
| **Method of Calculation / Assessment** | Rand value of due (billed) rental collected, divided by the total Rand value of due (billed) rental, expressed as a percentage |
| **Means of Verification** | Verify data reflected on MDA portal |
| **Assumptions** | ▪ Lease renewals are formalised<br>▪ Panel of attorneys is appointed<br>▪ Rental collection strategy is aligned with industry standards<br>▪ Repairs and maintenance budget is available |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Non-cumulative |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head of Khula Business Premises |

### Direct Reports to the Chief Executive Officer

| Indicator Title | Blended first default rate |
|---|---|
| **Definition** | The proportion of loans (exposure weighted) that goes into ageing status 90+ days (i.e., non-performing loan) without servicing the loan |
| **Source of Data** | **sefa** historical information (**sefa**fs\userdata\ECL) or **sefa**LAS Ageing Report |
| **Method of Calculation / Assessment** | Kaplan Meier Survival Analysis - Stratify **sefa** historical information data on months to default or months on book if data is right censored. Determine the likelihood that exposure survives past a given time period. |
| **Means of Verification** | Verify data reported in **sefa** historical information (**sefa**fs\userdata\ECL) or **sefa**LAS Ageing Report |
| **Assumptions** | ▪ Average grace/moratorium period<br>▪ Kaplan Meier related assumptions about censoring |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |

| | |
|---|---|
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head of Credit Risk |

### Post-Investment Monitoring and Workout

| Indicator Title | Percentage Portfolio at Risk |
|---|---|
| **Definition** | The Portfolio at Risk (PAR) is a technical measure that accounts for the exposures that are 60 + 1 day in arrears |
| **Source of Data** | **sefa**LAS – age analysis report |
| **Method of Calculation / Assessment** | Sum of the total outstanding balance on clients' accounts, where the ageing balances are in excess of 60 days overdue on the age analysis, expressed as a percentage |
| **Means of Verification** | Verify data reported in **sefa**LAS – age analysis report |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Lower than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Post-Investment Monitoring and Workout |

| Indicator Title | Accumulated impairment provision as a percentage of total loans and advances |
|---|---|
| **Definition** | The expected loss on a financial instrument, based on the probability of the instrument not being repaid |
| **Source of Data** | The loan book of **sefa** and other investments, as well as the outcomes of the IFRS 9 Impairment Model. |
| **Method of Calculation / Assessment** | Overall expected loss as a percentage of the Gross Loan Book (including equities and KLR, but excluding Direct Lending Legacy Book and excluding the impact of KCG capitalisation) |
| **Means of Verification** | Verify data reported in quarterly management accounts |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Lower than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Post-Investment Monitoring and Workout |

| Indicator Title | Percentage collection rate (all-in-cash collections) |
|---|---|
| **Definition** | A measurement on actual quarterly collections against the quarterly collections target (collections due) |
| **Source of Data** | ACCPAC and **sefa**LAS |
| **Method of Calculation / Assessment** | Quarterly receipts divided by instalment raised, expressed as a percentage |
| **Means of Verification** | Verify data reported in ACCPAC and **sefa**LAS |
| **Assumptions** | None |

| | |
|---|---|
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Post-Investment Monitoring and Workout |

### Finance and Supply Chain Management

| **Indicator Title** | **Rand value of additional capital raised (R'000)** |
|---|---|
| **Definition** | Monitoring the Rand value amount of additional capital raised outside of **sefa**'s MTEF allocation<br>The CFO consolidates, and reports organisationally, on capital raised by the Lending Division and Khula Business Premises |
| **Source of Data** | ACCPAC |
| **Method of Calculation / Assessment** | Sum of the additional capital amounts raised outside of the MTEF allocation |
| **Means of Verification** | Review of bank statements and MOUs (Memorandum of Understanding) concluded |
| **Assumptions** | The Lending Division and Khula Business Premises secure the capital raising target set for their division |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |

| | |
|---|---|
| **Indicator Responsibility** | Chief Financial Officer, consolidating reporting from:<br>– Executive Manager – Lending<br>– Head: Khula Credit Guarantee<br>– Head: Khula Business Premises |

### Direct Reports to the Chief Executive Officer

| **Indicator Title** | **sefa B-BBEE level** |
|---|---|
| **Definition** | To enable **sefa** to facilitate various Enterprise Supplier Development funds and funding instruments, **sefa** needs, and appropriate B-BBEE facilitator status. This is dependent on **sefa**'s B-BBEE level, as verified by an approved verification agency. |
| **Source of Data** | ▪ Quarterly progress reports on implemented improvement plan targets<br>▪ B-BBEE certificate |
| **Method of Calculation / Assessment** | BEE verification conducted and certificate issued. |
| **Means of Verification** | ▪ Quarterly progress reports on implemented improvement plan targets<br>▪ B-BBEE certificate |
| **Assumptions** | Not applicable |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head: Legal |

# 2. BALANCED SCORECARD PERSPECTIVE: CUSTOMER

### Lending (Direct, Wholesale and Microfinance) and Khula Credit Guarantee

| Indicator Title | Value of approvals to SMMEs and co-operatives (R'000) |
|---|---|
| **Definition** | A measurement, against the set target, of the Rand amount of application approvals for the different loan types. Approval is recognised when the delegated committee approves the application |
| **Source of Data** | ▪ **sefa**LAS<br>▪ Modules – applications management |
| **Method of Calculation / Assessment** | CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total approvals through Wholesale and Direct Lending portfolios |
| **Means of Verification** | ▪ **sefa**LAS<br>▪ Modules – applications management |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Reflected as standalone key performance indicators |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| Indicator Title | Value of disbursements to SMMEs and co-operatives (R'000) |
|---|---|
| **Definition** | A measurement, against the set target, of the Rand amount of disbursements, through the different loan types and credit guarantees issued to end users (beneficiaries) through Direct Lending and intermediaries' channels<br>The disbursement amount is the amount approved as per the decision record exclusive of the client initiation fees and VAT |
| **Source of Data** | **sefa**LAS and Intermediary Portal |

| | |
|---|---|
| **Method of Calculation / Assessment** | CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements through Wholesale and Direct Lending portfolios. |
| **Means of Verification** | **sefa**LAS and Intermediary Portal |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Reflected as standalone key performance indicators |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| Indicator Title | Number of SMMEs and co-operatives financed |
|---|---|
| **Definition** | A measurement, against the set target, of the number of SMMEs and co-operatives financed through all loan programmes and credit guarantees<br>NOTE: Count first disbursement to or first instance of each SMME or co-operative (i.e., unique identity number and unique company registration number of the beneficiary or end user) per financial year |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of number of SMMEs and co-operatives financed (first disbursements) |
| **Means of Verification** | **sefa**LAS |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Reflected as standalone key performance indicators |
| **Spatial Transformation (where applicable)** | Not applicable |

| | |
|---|---|
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| **Indicator Title** | **Number of jobs facilitated and sustained** |
|---|---|
| **Definition** | A measurement, against the set target, of the number of jobs that are facilitated and sustained via the **sefa** loan programmes and credit guarantees. Jobs facilitated relate to new and maintained jobs as a result of the funding intervention. Measurement includes – informal and formal sector jobs<br>Rules:<br>1. Jobs facilitated and sustained for Direct Lending are based on approvals and information captured must align with the decision record<br>2. Jobs facilitated and sustained for Wholesale Lending are based on disbursements<br>3. Only consider the first instance of each SMME or co-operative (i.e., unique identity number and unique company registration number of the beneficiary or end user) per financial year<br>4. Actual jobs facilitated must be verified |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | Jobs facilitated = Maintained jobs + new jobs (at approval stage)<br>Jobs facilitated (WL) = Maintained jobs + new jobs (at disbursement stage)<br>**Number of jobs facilitated = Jobs facilitated (DL) + jobs facilitated (WL)** |
| **Means of Verification** | **sefa**LAS |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |

| | |
|---|---|
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| **Indicator Title** | **Disbursements to Black-owned enterprises (R'000)** |
|---|---|
| **Definition** | A measurement, against the set target, of Black-owned enterprises where most of the shareholding percentage (50+1) is owned by previously disadvantage individuals (PDIs). PDI is defined in terms of the B-BBEE Act (African, Indian, and Coloured) |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | Rand value of funding provided to a category of beneficiary divided by total funding provided |
| **Means of Verification** | ▪ Exco minutes confirming submission of report<br>▪ Register of approved loans with allocation to designated groups as per approved application forms |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Disbursements to Black-owned enterprises |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| **Indicator Title** | **Disbursements to women-owned enterprises (R'000)** |
|---|---|
| **Definition** | A measurement, against the set target, of women-owned enterprises where most of the shareholding percentage (50+1) is owned by females |
| **Source of Data** | **sefa**LAS |

| | |
|---|---|
| **Method of Calculation / Assessment** | Rand value of funding provided to a category of beneficiary divided by total funding provided |
| **Means of Verification** | ▪ Exco minutes confirming submission of report<br>▪ Register of approved loans with allocation to designated groups as per approved application forms |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Disbursements to women-owned enterprises |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| **Indicator Title** | **Disbursements to youth-owned enterprises (R'000)** |
|---|---|
| **Definition** | A measurement, against the set target, of disbursements to youth-owned enterprises where most of the shareholding percentage (50+1) is owned by individuals between the ages of 18 to 35 |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | Rand value of funding provided to a category of beneficiary divided by total funding provided |
| **Means of Verification** | ▪ Exco minutes confirming submission of report<br>▪ Register of approved loans with allocation to designated groups as per approved application forms |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Disbursements to youth-owned enterprises |
| **Spatial Transformation (where applicable)** | Not applicable |

| | |
|---|---|
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| **Indicator Title** | **Disbursements to enterprises owned by entrepreneurs with disabilities (R'000)** |
|---|---|
| **Definition** | ▪ A measurement, against the set target, of facilities disbursed to enterprises where disability shareholding is 25% or more<br>▪ Disabilities are defined as per the Department of Labour codes and the individual(s) must be declared by a medical doctor as disabled |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | Rand value of funding provided to a category of beneficiary divided by total funding provided |
| **Means of Verification** | ▪ Exco minutes confirming submission of report<br>▪ Register of approved loans with allocation to designated groups as per approved application forms |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Disbursements to enterprises owned by entrepreneurs with disability |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| Indicator Title | Disbursements to township-based enterprises (R'000) |
|---|---|
| Definition | A measurement, against the set target, of the Rand amount of the predetermined percentage of disbursements to enterprises located in townships as per **sefa** approved definition of a township |
| Source of Data | **sefa**LAS |
| Method of Calculation / Assessment | Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of total disbursements to township-based enterprises through Wholesale and Direct Lending portfolios |
| Means of Verification | **sefa**LAS |
| Assumptions | None |
| Disaggregation of Beneficiaries (where applicable) | Not applicable |
| Spatial Transformation (where applicable) | Disbursements to township-owned enterprises |
| Calculation Type | Cumulative (year-end) |
| Reporting Cycle | Quarterly |
| Desired Performance | Better than targeted performance is desirable |
| Indicator Responsibility | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

| Indicator Title | Disbursements to enterprises located in rural towns and villages (R'000) |
|---|---|
| Definition | A measurement, against the set target, of disbursements to enterprises based in rural towns and villages using the Statistics South Africa definition of rural municipalities |
| Source of Data | **sefa**LAS |
| Method of Calculation / Assessment | CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of total disbursements to rural towns and villages through Wholesale and Direct Lending portfolios |
| Means of Verification | **sefa**LAS |
| Assumptions | None |

| | |
|---|---|
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Disbursements to enterprises located in rural towns and villages |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | ▪ Executive Manager – Lending (Direct, Wholesale and Microfinance)<br>▪ Head of Khula Credit Guarantee |

### Human Capital, Marketing and Facilities

| **Indicator Title** | **Number of leads generated** |
|---|---|
| **Definition** | Tracking the number of business leads generated arising from stakeholder relations sessions conducted |
| **Source of Data** | ▪ Attendance registers<br>▪ Exco reports on stakeholder engagements<br>▪ Applications for funding |
| **Method of Calculation / Assessment** | Simple count of the number of leads generated arising from stakeholder relations sessions in the financial year |
| **Means of Verification** | Verify the number of leads generated from stakeholder engagement sessions facilitated, as evidenced through attendance registers, Exco reports on stakeholder engagements and applications for funding |
| **Assumptions** | Availability of budget and associated means to conduct stakeholder sessions |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |

| | |
|---|---|
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head – Marketing and Communications |

| **Indicator Title** | **Annual Brand Visibility Index** |
|---|---|
| **Definition** | Monitoring of the dashboard that measures the awareness of **sefa**'s brand visibility among the target market |
| **Source of Data** | ▪ Brand Visibility Index Report<br>▪ Quarterly reports on implementation of recommendations arising from the brand index assessment |
| **Method of Calculation / Assessment** | Brand index reported in the Brand Visibility Index Report, available in Q4 each year |
| **Means of Verification** | ▪ Verify the brand index, as reported in the Brand Visibility Index Report, available in Q4 each year<br>▪ Verify the quarterly reports on implementation of recommendations arising from the brand index assessment |
| **Assumptions** | Budget is available to conduct the study |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head – Marketing and Communications |

| **Indicator Title** | **Annual Customer Satisfaction Index rating** |
|---|---|
| **Definition** | A measurement, against the set target, of the level of customer satisfaction based on a preformulated customer measurement satisfaction index |
| **Source of Data** | Customer Satisfaction Survey (conducted by an independent service provider) |

| | |
|---|---|
| **Method of Calculation / Assessment** | Verification of independent survey results, Customer Satisfaction Score, Net Promoter Score |
| **Means of Verification** | ▪ Customer Satisfaction Survey Report (conducted by an independent service provider)<br>▪ Exco minutes confirming submission of survey report |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head – Marketing and Communications |

# 3. BALANCED SCORECARD PERSPECTIVE: BUSINESS PROCESSES

### Post-Investment Monitoring and Workout

| Indicator Title | Number of client and funding partner interventions |
|---|---|
| **Definition** | To build sustainable investee companies by providing non-financial support and advisory services by intervening in client companies where required |
| **Source of Data** | ▪ Business Support Register<br>▪ Mentorship Report |
| **Method of Calculation / Assessment** | Simple count of the number of client and funding partner interventions implemented. |
| **Means of Verification** | Verify the number of completed interventions as reported in the Business Support Register and mentorship reports |
| **Assumptions** | Interventions will have a positive outcome |

| | |
|---|---|
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Exceed target by 10% |
| **Indicator Responsibility** | Executive Manager – Post-Investment Monitoring and Workout |

| **Indicator Title** | **Number of sefa clients improving turnover by 5%** |
|---|---|
| **Definition** | The number of **sefa** customers who improve their annual turnover with 5% or more |
| **Source of Data** | Annual financial statements and management accounts received from clients |
| **Method of Calculation / Assessment** | Simple count of the number of **sefa** customers who improve their annual turnover with 5% or more |
| **Means of Verification** | Verify the number of **sefa** customers who improve their annual turnover with 5% or more as reported in the client documents provided to **sefa** |
| **Assumptions** | Clients can provide financial reports on time |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Post-Investment Monitoring and Workout |

## Lending (Direct, Wholesale and Microfinance)

| Indicator Title | Turnaround time for Direct Lending (days) |
|---|---|
| **Definition** | The average number of days it takes to approve an application |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | Number of days from receipt of a complete application to the approval phase in the loan management business process. A complete application refers to an application with supporting documents as defined in the loan eligibility criteria<br>Total number of business days per application/Total number of applications for DL |
| **Means of Verification** | **sefa**LAS |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Lending |

| Indicator Title | Turnaround time for Wholesale Lending (days) |
|---|---|
| **Definition** | The average number of days it takes to approve an application |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | Number of days from receipt of a complete application to the approval phase in the loan management business process. A complete application refers to an application with supporting documents as defined in the loan eligibility criteria<br>Total number of business days per applications/Total number of applications for WL |
| **Means of Verification** | **sefa**LAS |
| **Assumptions** | None |

| | |
|---|---|
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Lending |

### Khula Credit Guarantee

| **Indicator Title** | **KCG - Turnaround time for lending (days)** |
|---|---|
| **Definition** | The average number of days it takes to approve an application |
| **Source of Data** | **sefa**LAS |
| **Method of Calculation / Assessment** | Number of days from receipt of a complete application to the approval phase in the loan management business process. A complete application refers to an application with supporting documents as defined in the loan eligibility criteria<br>Total number of business days per applications/Total number of applications for WL |
| **Means of Verification** | **sefa**LAS |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |

| | |
|---|---|
| **Indicator Responsibility** | Head of Khula Credit Guarantee |

| **Indicator Title** | **Enhanced KCG MIS (Management Information System)** |
|---|---|
| **Definition** | Portfolio Credit Guarantee System geared towards administration of guarantees from approval of overall facility, draw down of underlying facilities and accurate processing of claims emanating from defaults |
| **Source of Data** | KIBS |
| **Method of Calculation / Assessment** | Not applicable |
| **Means of Verification** | An embedded system which links to **sefa**LAS for development stats update |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head of Khula Credit Guarantee |

## Direct Reports to the Chief Executive Officer

| **Indicator Title** | **Progress in automation of sefa business processes** |
|---|---|
| **Definition** | Analysis, improvement, and digitisation of **sefa**'s core lending (loan origination, due diligence, approvals, disbursements, and post-investment) and back office business processes (finance and procurement, human capital and facilities, governance, risk, and compliance) |
| **Source of Data** | ▪ To-be process documentation, functional design, and automated process/system<br>▪ Project plan for processes to be automated over the period<br>▪ Quarterly project reports submitted to Exco |

| | |
|---|---|
| **Method of Calculation / Assessment** | Verification of the pre- and post-automation of the business processes targeted for the period, as reported in the project reports |
| **Means of Verification** | ▪ Project plan for processes to be automated over the period<br>▪ Quarterly project reports submitted to Exco |
| **Assumptions** | Budget will be available |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | 1. Modernisation of **sefa**LAS and hosting in the cloud [30]<br>2. Two automated workflow processes[31] |
| **Indicator Responsibility** | Head of ICT |

| **Indicator Title** | **Progress in implementation of the sefa Enterprise Content Management System** |
|---|---|
| **Definition** | Improvement of **sefa**'s core lending (loan origination, due diligence, approvals, disbursements, and post-investment) and back office business processes (finance and procurement, human capital and facilities, governance, risk, and compliance) through the implementation of an integrated Enterprise Content Management System |
| **Source of Data** | ▪ To-be process documentation<br>▪ Project plan for implementation of the **sefa** Enterprise Content Management System |
| **Method of Calculation / Assessment** | Verification of the implementation of the Enterprise Content Management System as targeted for the period, as reported in the project reports |

[30] ***sefa** administers its loan business processes on an in-house developed Loan Administration System (**sefa**LAS). The system is hosted in the internal **sefa**'s IT sever environment. A business analysis and a comparable benchmarking exercise will be done to explore a new functionality and enhancement to the Loan Management System. These enhancements will be captured in the functional specification with an appropriate developmental roadmap over the MTEF.*

[31] ***sefa** has acquired the Microsoft 365 enterprise license. As part of the 365-licensing framework, **sefa** will implement the Power Automate to automate organisational business processes. These automations will be accompanied by standard functional specification and will follow systems design implementation methodology.*

| | |
|---|---|
| **Means of Verification** | ▪ Project plan for implementation of the **sefa** Enterprise Content Management System<br>▪ Quarterly project reports submitted to Exco |
| **Assumptions** | Budget will be available |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head of Strategy / Head of ICT |

| Indicator Title | Number of new products approved to address market needs |
|---|---|
| **Definition** | To conduct market research, consultations, product development, and approvals for the development of finance products that address market needs. The focus is on supporting unemployed graduates in professional services to access entrepreneurial opportunities. |
| **Source of Data** | ▪ Market research report, product development specification, and Exco decision record on product implementation |
| **Method of Calculation / Assessment** | Document verification of Board approval for the new product. |
| **Means of Verification** | ▪ Project plan for development of the new product in line with quarterly agreed milestones.<br>▪ Quarterly project reports submitted to Exco |
| **Assumptions** | Budget will be available |
| **Disaggregation of Beneficiaries (where applicable)** | Unemployment graduates from the designated groups |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |

| | |
|---|---|
| **Reporting Cycle** | Annual, with quarterly progress reports |
| **Desired Performance** | Targeted performance is desirable |
| **Indicator Responsibility** | Head of Strategy / Head of Direct Lending |

| **Indicator Title** | **sefa risk maturity level** |
|---|---|
| **Definition** | A risk maturity assessment is carried out to determine the level of maturity within **sefa** in the efforts to implement enterprise risk management<br>This includes a review of operational processes and systems, organisational systems, and governance structures and processes, as well as operational risk-based processes |
| **Source of Data** | ▪ Quarterly progress reports on implementation of improvement plan on risk maturity assessment conducted FY2022/23<br>▪ Report on risk maturity assessment conducted in Q4 FY2023/24<br>▪ Improvement plan on risk maturity assessment conducted in Q4 FY2023/24 |
| **Method of Calculation / Assessment** | Risk Maturity Survey – Excel-based |
| **Means of Verification** | Verification of the ratings on the risk maturity assessment |
| **Assumptions** | N/A |
| **Disaggregation of Beneficiaries (where applicable)** | N/A |
| **Spatial Transformation (where applicable)** | N/A |
| **Calculation Type** | Cumulative (year-to-date) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head: Risk & Compliance |

# 4. BALANCED SCORECARD PERSPECTIVE: LEARNING AND GROWTH

### Direct Reports to the Chief Executive Officer

| Indicator Title | Number of publications produced |
|---|---|
| **Definition** | To effectively monitor **sefa** Loan Programme performance and to commission strategic research projects that will inform evidence-based planning |
| **Source of Data** | ▪ Register of publications and research briefs produced<br>▪ Quarterly reports submitted to Exco |
| **Method of Calculation / Assessment** | Simple count of the number of publications produced |
| **Means of Verification** | ▪ Register of publications and research briefs produced<br>▪ Quarterly reports submitted to Exco |
| **Assumptions** | Budget will be available |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Head of Strategy |

### Human Capital, Marketing and Facilities

| Indicator Title | Annual Employee Engagement Index (EEI) |
|---|---|
| **Definition** | A measurement, against the set target, of the level of employee engagement and satisfaction<br>The annual employee engagement survey will be undertaken by an independent external party |
| **Source of Data** | ▪ Employee engagement survey (conducted by an independent service provider) |

| | |
|---|---|
| | ▪ Quarterly reports on implementation of recommendations and action items arising from the employee engagement survey |
| **Method of Calculation / Assessment** | Verification of independent survey results, and progress in the implementation of action items arising |
| **Means of Verification** | Verification of:<br>▪ Employee engagement survey (conducted by an independent service provider)<br>▪ Exco minutes confirming submission of survey report<br>▪ Quarterly reports on implementation of recommendations and action items arising from the employee engagement survey |
| **Assumptions** | None |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Human Capital and Facilities |

| **Indicator Title** | **Percentage of staff that scores 3.5 or more in the annual performance assessment** |
|---|---|
| **Definition** | A measurement of performance of employees who have attained a final performance score of a 3.5 or more, on prior years performance |
| **Source of Data** | **sefa** Online Performance Management System |
| **Method of Calculation / Assessment** | ▪ Annual performance assessments conducted in Q1, on prior year's performance:<br>▪ Staff performance = (Total number of employees ÷ number of employees with performance score of 3.5 or more) x 100 |
| **Means of Verification** | Verify data as recorded on the **sefa** Online Performance Management System |
| **Assumptions** | None |

| | |
|---|---|
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Human Capital and Facilities |

| **Indicator Title** | **Productivity Index** |
|---|---|
| **Definition** | A measurement of the level of productivity, which measures how the organisation cumulatively performs towards obtaining its annual targets |
| **Source of Data** | ▪ Approved Productivity Measurement Approach and Tool<br>▪ Report on Productivity Assessment conducted – baseline established |
| **Method of Calculation / Assessment** | ▪ Approved Productivity Measurement Approach and Tool in Q2 2022/23<br>▪ Report on Productivity Assessment conducted in Q3 2022/23 – reflecting a baseline established:<br>Employee productivity rate = (Standard labour hours / Amount of time worked) x100<br># Standard labour hours are 40 hours per week<br># Real hours worked must be measured by timesheet during pilot phase<br># For teams in front end – use number of deals approved in committees on weekly basis |
| **Means of Verification** | Verification of:<br>▪ Approved Productivity Measurement Approach and Tool in Q2 2022/23<br>▪ Report on Productivity Assessment conducted in Q3 2022/23 – reflecting a baseline established |
| **Assumptions** | Not applicable |
| **Disaggregation of Beneficiaries (where applicable)** | Not applicable |
| **Spatial Transformation (where applicable)** | Not applicable |

| | |
|---|---|
| **Calculation Type** | Cumulative (year-end) |
| **Reporting Cycle** | Quarterly |
| **Desired Performance** | Better than targeted performance is desirable |
| **Indicator Responsibility** | Executive Manager – Human Capital and Facilities |

# ANNEXURES TO THE CORPORATE ANNUAL PERFORMANCE PLAN

## ANNEXURE A: AMENDMENTS TO THE STRATEGIC PLAN

There are no amendments to the revised 2020-2025 Strategic Plan, included as Annexure A to the 2022/23 Corporate Annual Performance Plan, as 2024/25 is the final year of implementation of the five-year strategy.

## ANNEXURE B: CONDITIONAL GRANTS

Not applicable to the **sefa**.

## ANNEXURE C: CONSOLIDATED INDICATORS

Not applicable to the **sefa**.

## ANNEXURE D: DISTRICT DEVELOPMENT MODEL

| MTEF PLANNING PERIOD | | | | | | |
|---|---|---|---|---|---|---|
| **Project Name** | | **Project Description** | **District Municipality** | **Location: GPS Coordinates** | **Project Leader** | **Implementation Partner** |
| Economic Infrastructure | Property Services | Neil Hare - Roof replacement (3 factories) | City of Cape Town Metropolitan | N/A | **sefa – KBP** | N/A |
| | | Victoria Street Market – Roof repairs and 1st floor reinstatement | eThekwini Metropolitan | N/A | **sefa - KBP** | N/A |
| | | Kwamagxaki - Refurbishment of centre | Nelson Mandela Bay Metropolitan | N/A | **sefa - KBP** | N/A |
| | | Sebokeng 1 & 2 refurbishments | Emfuleni Municipality | N/A | **sefa- KBP** | GGDA/DBSA |
| | | Beacon Valley refurbishments | City of Cape Town Metropolitan | N/A | **sefa - KBP** | N/A |
| | | Prepaid meter migration | All 9 provinces | N/A | **sefa – KBP** | N/A |
| Local Economic Development | TREP | Direct Lending TREP | Districts in all 9 provinces | N/A | **sefa** | DSBD |