



**Small Enterprise Finance Agency  
(SOC) Ltd.**

**CORPORATE ANNUAL  
PERFORMANCE PLAN**

**FOR**

**2023/24**

**FINAL DRAFT – 21 FEBRUARY 2023**

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## ACCOUNTING AUTHORITY STATEMENT

I am pleased to present the Small Enterprise Finance Agency (**sefa**) Annual Performance Plan (APP) for the 2023/24 financial year, as year four of the five-year Strategic Plan for 2020-2025.

As the chairperson of the Board, I am proud to say that in the face of an extremely challenging global and domestic economic environment, **sefa** has continued to pursue its primary objective of contributing towards job creation and economic growth by providing financial and non-financial support to small, medium, and micro enterprises (SMMEs) and co-operatives.

Our integrated approach and programme of action aligns with the National Integrated Small Enterprise Development (NISED) Masterplan, which outlines the outcomes and outputs needed to accelerate small enterprise development and growth. By partnering with business, labour, and civil society, the NISED Masterplan presents a coordination tool and repository of action steps to be taken by numerous actors within government and society to drive SMME growth and performance.


**sefa's** business and funding activities are aligned with the key activities of a development finance institution (DFI), including playing a catalytic role to attract other industry players, funding gaps in the market, supporting government policies in multiple industries, and providing risk funding that combines both grants/subsidies and loans. To give effect to our role as a DFI, we aim to address market failure in the provision of finance to SMMEs and co-operatives; support and fund sustainable businesses; and prioritise funding to qualifying business ventures within the services, manufacturing, primary agriculture, construction, mining services and processing, and green industries sectors.

Some of our key initiatives for the upcoming year include recapitalising Khula Credit Guarantee as a funding mechanism for previously disadvantaged entrepreneurs, developing a network of microfinance intermediaries, strengthening the focus of our Direct Lending Programme, providing pre-investment and post-investment support, enhancing our blended finance approach, and engaging major corporates through a public-private partnership platform. In addition, work to stabilise and strengthen the **sefa** property portfolio will continue.

We are committed to achieving our desired impact of sustainable small, medium, micro, and co-operative enterprises, increased job creation and economic participation, ownership, and access to resources and opportunities, prioritising women, youth, and persons with disability (PWDs). We believe that by implementing the strategies outlined in this APP, we will be able to make a meaningful impact in the SMME and co-operative sectors and contribute to the overall economic growth of the country.

In closing, I express my appreciation to **sefa's** shareholder for its support in shaping the organisation's growth trajectory. I am also grateful to the management team and all **sefa's** people for their collective commitment to building a high-performing organisation.

The Board fully endorses this Annual Performance Plan as the guiding document for the work and focus of the organisation for the 2023/24 financial year. I have complete confidence in the management and staff's ability to implement this plan.



**Ms. Simthandile Siwisa**

**Chairperson of the Board**

**STATEMENT BY THE ACCOUNTING OFFICER**

As the Chief Executive Officer of the **sefa**, I am pleased to present our Annual Performance Plan for the 2023/24 financial year, which is the fourth year of our five-year Strategic Plan for 2020-2025. In line with the DPME Revised Framework for Strategic Plans and Annual Performance Plans (2020) and the requirements of the Public Finance Management Act (PFMA), we have undertaken a comprehensive process, led by our Board, towards the development of this Annual Performance Plan.

A Cabinet resolution on the merger of **sefa**, Seda, and the Co-operative Banks Development Agency (CBDA) has been taken, with a target date of April 2023. 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.

A thorough analysis of **sefa**'s performance in the previous term (2014-2019) was conducted in developing the Strategic Plan for 2020-2025, which reflects **sefa**'s vision to be the leading catalyst for the development of sustainable SMMEs and co-operative enterprises through finance. This vision is in support of the National Development Plan, and the five-year Strategic Plan reflects **sefa**'s focus to provide simple access to finance, efficiently and sustainably, for SMMEs and co-operatives throughout South Africa.

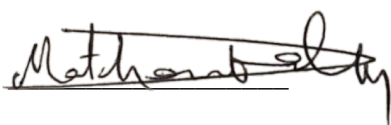
Towards this vision, we will be offering innovative funding facilities and credit guarantees, promoting client sustainability through post-investment support and capacity building, promoting financial inclusion and wealth creation through partnerships and innovative product development, and leveraging strategic assets to ensure sustainability and broadening support to beneficiaries.

This Annual Performance Plan for 2023/24 presents the focus of **sefa** on building a sustainable loan book, improving performance on key development indicators, improving the cost structure, enhancing organisational capabilities across the **sefa** value chain, building the **sefa** brand, and increasing **sefa**'s visibility.

We are committed to achieving our desired impact of sustainable small, medium, micro, and co-operative enterprises and we believe that, by implementing the strategies outlined in our APP, we will be able to make a meaningful impact in the SMME and co-operative sector and contribute to the overall economic growth of the country.

I am thankful to the Minister and the Director-General for their policy direction, guidance, and support. I express my sincere gratitude to the Board for their steadfast support and wise counsel.

In closing, I affirm my commitment to lead **sefa** to the best of my ability, as it strives to realise the priorities, outcomes, and outputs reflected in this plan.



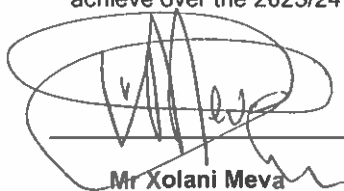
**Mr. Mxolisi Matshamba**

**Chief Executive Officer**

## OFFICIAL SIGN-OFF

It is hereby certified that this Corporate Annual Performance Plan for 2023/24:

- 1) Was developed by the management team of the Small Enterprise Finance Agency, under the guidance of the Board of Directors.
- 2) Considers 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 2023/24 financial year.


  
 Mr. Xolani Meva

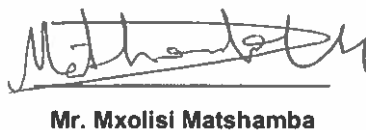
**Acting Executive Manager:  
Direct Lending**

Date: 21 Feb 2023


  
 Mr. Alroy Dirks

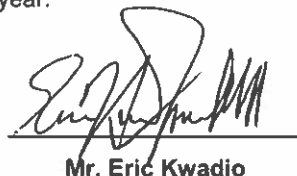
**Head of Strategy, Planning and  
Reporting**

Date: 21 Feb 2023


  
 Mr. Mxolisi Matshamba

**Chief Executive Officer**

Date: 21 Feb 2023


  
 Mr. Eric Kwadjo

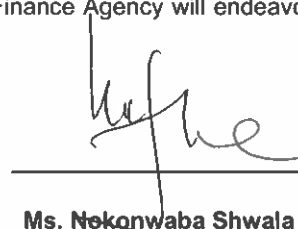
**Acting Executive Manager: Post-  
Investment Monitoring and  
Workout**

Date: 21 Feb 2023


  
 Ms. Candice Williams

**Acting Chief Financial Officer**

Date: 21 Feb 2023


  
 Ms. Nekonyaba Shwala

**Executive Manager: Human  
Resources and Facilities**

Date: 21 Feb 2023


  
 Mr. Lwandiso Makupula

**Executive Manager:  
Wholesale Lending**

Date: 21 Feb 2023

**Approved by:**



**Ms. Simthandile Siwisa  
Chairperson of the Board**



**Honourable Ms. Stella Ndabeni-Abrahams, MP  
Minister for Small Business Development (Executive Authority)**

22 Feb 2023

**Date**

24 Feb 2023

**Date**

## ABBREVIATIONS AND ACRONYMS

|                 |  |
|-----------------|--|
| <b>4IR</b>      | Fourth Industrial Revolution                                   |
| <b>AfCFTA</b>   | African Continental Free Trade Agreement                       |
| <b>APP</b>      | Annual Performance Plan  |
| <b>B-BBEE</b>   | Broad-Based Black Economic Empowerment                         |
| <b>BDM</b>      | Business Delivery Model  |
| <b>BDS</b>      | Business Development Support                                   |
| <b>CBDA</b>     | Co-operative Banks Development Agency                          |
| <b>CEO</b>      | Chief Executive Officer  |
| <b>CFO</b>      | Chief Financial Officer  |
| <b>COBIT 19</b> | Control Objectives for Information and Related Technology 2019 |
| <b>Covid-19</b> | Novel Coronavirus Disease 2019                                 |
| <b>DFI</b>      | Development Finance Institution                                |
| <b>DL</b>       | Direct Lending   |
| <b>DPME</b>     | Department of Planning, Monitoring and Evaluation              |
| <b>DSBD</b>     | Department of Small Business Development                       |
| <b>dtic</b>     | Department of Trade, Industry and Competition                  |
| <b>ECL</b>      | Expected Credit Loss   |
| <b>ECM</b>      | Enterprise Content Management                                  |
| <b>EEI</b>      | Employee Engagement Index                                      |
| <b>EMDE(s)</b>  | Emerging Market and Developing Economy/ies                     |
| <b>ERM</b>      | Enterprise Risk Management                                     |
| <b>ERRP</b>     | Economic Reconstruction and Recovery Plan                      |
| <b>ESD</b>      | Enterprise and Supplier Development                            |
| <b>ESG</b>      | Environmental, Social and Governance                           |
| <b>EU</b>       | European Union   |
| <b>Excl.</b>    | Excluding  |
| <b>EXCO</b>     | Executive Committee  |
| <b>Fintech</b>  | Financial Technology   |
| <b>FY</b>       | Financial Year   |
| <b>GDP</b>      | Gross Domestic Product   |
| <b>GGDA</b>     | Gauteng Growth and Development Agency                          |
| <b>GPS</b>      | Global Positioning System                                      |
| <b>HCM</b>      | Human Capital Management                                       |
| <b>HOD</b>      | Head of Department   |

|                |   |
|----------------|---|
| <b>ICASA</b>   | Independent Communications Authority of South Africa        |
| <b>ICT</b>     | Information and Communication Technology                    |
| <b>ID</b>      | Identity Document   |
| <b>IDC</b>     | Industrial Development Corporation of South Africa Limited  |
| <b>IFRS</b>    | International Financial Reporting Standards                 |
| <b>IMF</b>     | International Monetary Fund                                 |
| <b>Incl.</b>   | Including   |
| <b>INDS</b>    | Integrated National Disability Strategy                     |
| <b>ISO</b>     | International Organization for Standardization              |
| <b>IT</b>      | Information Technology                                      |
| <b>JSE</b>     | Johannesburg Stock Exchange                                 |
| <b>KBP</b>     | Khula Business Premises                                     |
| <b>KCG</b>     | Khula Credit Guarantee                                      |
| <b>KPI</b>     | Key Performance Indicator                                   |
| <b>KYC</b>     | Know Your Customer  |
| <b>LREF</b>    | Land Reform Empowerment Facility                            |
| <b>Ltd.</b>    | Limited   |
| <b>M&amp;E</b> | Monitoring and Evaluation                                   |
| <b>Metro</b>   | Metropolitan  |
| <b>MFI</b>     | Microfinance Institution                                    |
| <b>MFIP</b>    | Microfinance Intermediary Programme                         |
| <b>MOI</b>     | Memorandum of Incorporation                                 |
| <b>MOA/U</b>   | Memorandum of Agreement/Understanding                       |
| <b>MSME</b>    | Micro, Small and Medium-sized Enterprise                    |
| <b>MTBPS</b>   | Medium-Term Budget Policy Statement                         |
| <b>MTEF</b>    | Medium-Term Expenditure Framework                           |
| <b>MTSF</b>    | Medium-Term Strategic Framework                             |
| <b>N/A</b>     | Not Applicable  |
| <b>NASP</b>    | National Annual Strategic Plan                              |
| <b>NDP</b>     | National Development Plan 2030                              |
| <b>NEET</b>    | Not in Employment, Education or Training                    |
| <b>NISED</b>   | National Integrated Small Enterprise Development Masterplan |
| <b>NIST</b>    | National Institute of Standards and Technology              |
| <b>OHS</b>     | Occupational Health and Safety                              |
| <b>PAR</b>     | Portfolio at Risk   |

|                 |  |
|-----------------|--|
| <b>PDI</b>      | Previously Disadvantaged Individual                          |
| <b>PFI</b>      | Partner Financial Institution                                |
| <b>PIC</b>      | Public Investment Corporation                                |
| <b>PIM</b>      | Post-Investment Monitoring                                   |
| <b>PIMWR</b>    | Post-Investment Monitoring, Workout and Restructuring        |
| <b>PFMA</b>     | Public Finance Management Act                                |
| <b>PPP</b>      | Public/Private Partnership                                   |
| <b>PRASA</b>    | Passenger Rail Agency of South Africa                        |
| <b>PWD(s)</b>   | Persons With Disability/ies                                  |
| <b>Q</b>        | Quarter  |
| <b>QLFS</b>     | Quarterly Labour Force Survey                                |
| <b>SARB</b>     | South African Reserve Bank                                   |
| <b>SBD</b>      | Small Business Development                                   |
| <b>SBIF</b>     | Small Business Innovation Fund                               |
| <b>SCM</b>      | Supply Chain Management                                      |
| <b>sefa</b>     | Small Enterprise Finance Agency                              |
| <b>sefaLAS</b>  | Small Enterprise Finance Agency - Loan Administration System |
| <b>SEDA</b>     | Small Enterprise Development Agency                          |
| <b>SEMSP</b>    | Small Enterprise Manufacturing Support Programme             |
| <b>SME</b>      | Small and Medium-sized Enterprise                            |
| <b>SMME</b>     | Small, Medium, and Micro Enterprise                          |
| <b>SOC</b>      | State-owned Company  |
| <b>SOE</b>      | State-owned Enterprise                                       |
| <b>SSA</b>      | Sub-Saharan Africa   |
| <b>SSSP</b>     | Spaza-Shop Support Programme                                 |
| <b>Stats SA</b> | Statistics South Africa                                      |
| <b>STEM</b>     | Science, Technology, Engineering, and Mathematics            |
| <b>SWOT</b>     | Strengths, Weaknesses, Opportunities, Threats                |
| <b>TOR</b>      | Terms of Reference   |
| <b>TREP</b>     | Township Rural and Entrepreneurship Programme                |
| <b>TWR</b>      | Turnaround, Workout, and Restructure                         |
| <b>UNIDO</b>    | United Nations Industrial Development Organisation           |
| <b>US/USA</b>   | United States of America                                     |
| <b>VAT</b>      | Value-Added Tax  |
| <b>WL</b>       | Wholesale Lending  |



**YCF**      Youth Challenge Fund

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## PART A: OUR MANDATE

### 1. UPDATES TO RELEVANT LEGISLATIVE AND POLICY MANDATES

#### 1.1. UPDATED LEGISLATIVE MANDATES

There are no updates to the legislative mandates reflected in the Revised 2020-2025 Strategic Plan, which reflects as follows:

**Figure 1: sefa Legislative Mandates**

|  |   |
|--|---|
| <b>Constitutional Mandate</b>                  | <p><b>The Constitution of the Republic of South Africa (Act No. 108 of 1996)</b> – specifically:</p> <ul style="list-style-type: none"> <li>▪ Section 22 – Every citizen has the right to choose their trade, occupation, or profession freely and the practise of trade, occupation or profession may be regulated by law.</li> <li>▪ Section 217 – When an organ of state contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive, and cost effective.</li> <li>▪ 1995 White Paper – Identification of a national framework that will create an enabling environment for SMMEs.</li> </ul>   |
| <b>sefa Establishment Mandate</b>              | <ul style="list-style-type: none"> <li>▪ Industrial Development Corporation Act (No. 22 of 1940), as amended – <b>sefa</b> is established as a subsidiary of the IDC, as a development finance institution (DFI) in terms of Section 3(d) of the Act. Its primary object is to contribute towards job creation and economic growth by providing financial and non-financial support to SMMEs and co-operatives.</li> <li>▪ Companies Act (No. 71 of 2008), as amended – the <b>sefa</b> Memorandum of Incorporation (MOI) is lodged as a state-owned company with limited liability ((SOC) Ltd.).</li> <li>▪ Public Finance Management Act (No. 1 of 1999), as amended – as a subsidiary of the IDC, <b>sefa</b> is listed in terms of Schedule 2 of the PFMA.</li> </ul> |
| <b>Legislation Informing sefa's Operations</b> | <ul style="list-style-type: none"> <li>▪ National Small Business Act (No. 102 of 1996), amended by the National Small Business Amendment Act (No. 29 of 2004), as amended</li> <li>▪ National Credit Act (No. 34 of 2005), as amended</li> <li>▪ Financial Advisory and Intermediaries Services Act (No. 37 of 2002), as amended</li> <li>▪ Financial Intelligence Centre Act (No. 38 of 2001), as amended</li> <li>▪ Financial Sector Regulation Act (No. 9 of 2017), as amended</li> <li>▪ Cooperatives Act (No. 14 of 2005), as amended</li> <li>▪ Consumer Protection Act (No. 68 of 2008), as amended</li> </ul>   |

|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>Insurance Act (No. 18 of 2017), as amended</li> <li>Companies Act (No. 71 of 2008), as amended</li> <li>Promotion of Access to Information Act (No. 2 of 2000), as amended</li> <li>Protection of Personal Information Act (No. 4 of 2013), as amended</li> <li>Prevention and Combatting of Corrupt Activities Act (No. 12 of 2004), as amended</li> <li>Various legislation informing the <b>sefa</b> governance and institutional arrangements</li> </ul> |
|--|---|

## 1.2. UPDATED POLICY MANDATES

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

**Figure 2: sefa Policy Mandates**



Four additional policy frameworks have been considered in the development of the 2023/24 Corporate Annual Performance Plan, namely:

### National Integrated Small Enterprise Development (NISED) Masterplan (2022)

A key focus of the NISED Masterplan is to align programme areas of work across different role-players in government and the private sector in order to coordinate and drive MSME growth and performance. In partnership with business, labour, and civil society, the NISED Masterplan 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.



### National Annual Strategic Plan (NASP)

Adopted at the Cabinet Lekgotla in September 2021, the NASP has been introduced as a short-term national planning instrument for government as a whole. It aims to improve the implementation of the Medium-Term Strategic Framework (MTSF) by translating the medium-term priorities into identified interventions and targets for a particular year ahead.

The NASP reflects the Small Business Development portfolio's (DSBD, Seda, and **sefa** together) role in interventions to support and integrate SMMEs, township, and rural enterprises in value chains and to provide access to markets. Through the current Township and Rural Entrepreneurship Programmes, the NASP reflects a **target of 50 000 small businesses and co-operatives supported per year**.

The **sefa** contribution to the 50 000 target is reflected in this Annual Performance Plan, led mainly by the Microlending and TREP programmes.

### National Annual Budget Prioritisation Framework

The Annual Budget Prioritisation Framework continues to build on the stabilisation, recovery and reconstruction efforts adopted through the Economic Reconstruction and Recovery Plan (ERRP) in 2020/21, and which informs **sefa's** work and focus.

### Africa Continental Free Trade Agreement (AfCFTA)

As a flagship project of AU Agenda 2063, South Africa is a party to the AfCFTA which was effective from 1 January 2021.

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 AfCFTA will be leveraged.

Further, **sefa** will actively explore opportunities to work with **the dtic**, and for example, their export readiness programme.



## 2. UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

Key institutional policy and/or strategy developments that have a bearing on the work and operations of **sefa** and have been considered in the development of this Corporate Annual Performance Plan.

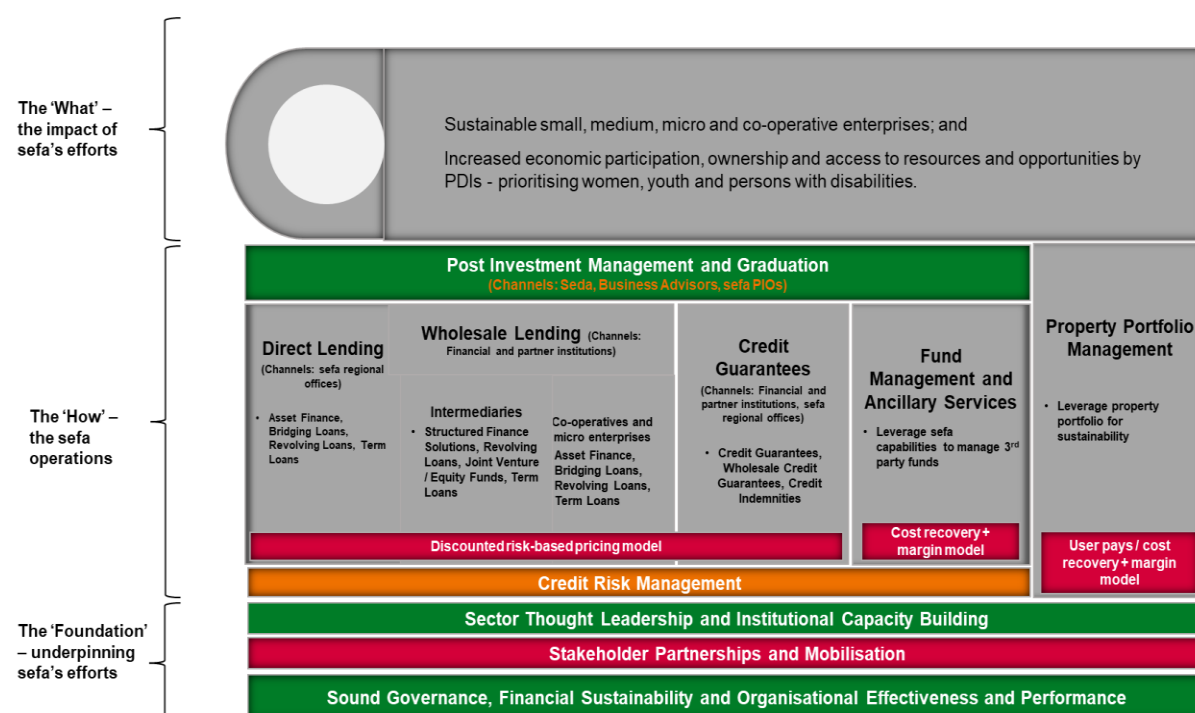
### 2.1. sefa OPERATING MODEL – AS A DEVELOPMENT FINANCE INSTITUTION

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 development finance institution, namely:

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

To give effect to its role as a development finance institution and towards its desired impact of **sustainable small, medium, micro, and co-operative enterprises; and increased job creation and economic participation, ownership, and access to resources and opportunities by PDI's, prioritising women, youth, and PWDs**, the **sefa** Operating Model was critically reviewed and revised as follows:

**Figure 3: Revised sefa Operating Model**



The revised operating model reflects the business operations:



- 1) The **CORE BUSINESS** of **sefa** in terms of providing efficient and sustainable access to finance for SMMEs and co-operatives throughout South Africa through:
  - a) **Direct lending products and services, wholesale lending products and services, and credit guarantee products and services** (delivered through Khula Credit Guarantee who holds the necessary licenses). The lending and credit business operates predominantly on a discounted risk-based pricing model.
  - b) The effectiveness of the lending and credit guarantee business is based upon the application of a **sound credit risk management policy and analysis**.
  - c) **Post-lending or investment management** 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.
- 2) Complementing the core business, as a **VALUE-ADDING SERVICE**, **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.

- 3) Furthermore, **sefa** is the custodian of a **portfolio of industrial and retail properties**, which must be leveraged as a **STRATEGIC ASSET** and to support **sefa**'s sustainability.

As a **VALUE-ADDING OFFERING** and to support their operations, **sefa** can 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) 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.
- 2) Building and maintaining **sefa brand visibility and awareness and targeted messaging** through various media platforms, stakeholder engagements, and engagement activities.
- 3) Providing **governance assurance** through efficient, effective, and proactive internal controls and financial management; and legal, governance, enterprise risk, and compliance advisory and support services.
- 4) **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.

## 2.2. DSBD BUSINESS DELIVERY MODEL (BDM) AND SEFA-SEDA COLLABORATION

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)   |
|--|--|
| <ul style="list-style-type: none"> <li>Provide direction and leadership to the small business and co-operatives sector broadly and across all three spheres of government.</li> <li>Provide oversight and governance of entities.</li> </ul>   | <ul style="list-style-type: none"> <li>Implement the delegated mandate from DSBD and develop and rollout implementation-level policy and protocols.</li> </ul>   |
| <ul style="list-style-type: none"> <li>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.</li> <li>Develop and implement sector-wide databases and monitoring and evaluation (M&amp;E) tools.</li> </ul> | <ul style="list-style-type: none"> <li>Programme-level research that informs targeted programme design and packaging for a holistic sector view.</li> <li>M&amp;E at programme implementation level, to inform refinements to programmes.</li> </ul> |
| <ul style="list-style-type: none"> <li>Plan, coordinate, and mobilise resources for the implementation and delivery of small enterprises' development projects, programmes, and services.</li> </ul>   | <ul style="list-style-type: none"> <li>Implementation of well-conceptualised and targeted programmes aligned to the overall sector policy stance and sectoral indicators.</li> </ul>   |
| <ul style="list-style-type: none"> <li>Strengthen accountability, partnerships, and communication with sector stakeholders, communities, and key role-players, both nationally and internationally.</li> </ul>   | <ul style="list-style-type: none"> <li>Ensure a coordinated regional/provincial presence to support implementation.</li> <li>Development and management of partnerships and communication in support of the delivery mandate.</li> </ul>             |

The DSBD Business Delivery Model (BDM) then focuses on integrated and enhanced service delivery to SMMEs and co-operatives.

- 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** prioritises funding to qualifying business ventures within the following SMME sectors:
  - a) Services (including retail, wholesale, tourism, transport logistics, and ICT).
  - b) Manufacturing (including agro processing).
  - c) Primary agriculture funded through the accredited **sefa**-funded agricultural intermediaries.

- d) Construction.
- e) Mining services and processing; and
- f) Green industries (renewable energy, waste, and recycling management).

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 2023. 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 emerging role delineation and focus of collaboration between **sefa** and Seda is as follows:

|   | Seda   | sefa   |
|---|--|--|
| <b>Pre-investment support</b>               | <ul style="list-style-type: none"> <li>▪ Common funding template – Facilitate applications for funding through the common funding template (business plans).</li> <li>▪ Client assessment.</li> <li>▪ Provide all Business Development Support (BDS) interventions.</li> <li>▪ Compile quality applications that focus on <b>sefa</b> defined programmes, sectors, and target groups.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Conduct financial, technical, and legal due diligence on funding applications (business plans) forwarded by Seda.</li> <li>▪ Conduct approval and legal contracting.</li> </ul>   |
| <b>Post-investment (monitoring) support</b> | <p>For Township and Rural Enterprise Programme (TREP) and SMME relief:</p> <ul style="list-style-type: none"> <li>▪ Assist <b>sefa</b>-funded clients with mentorship, coaching, and business performance diagnoses.</li> <li>▪ Assess clients' operating requirements and provide industry and standards certification.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ <b>sefa</b> will focus on debtor management, including collections; rescheduling loan instalments; restructures; proactive portfolio management/monitoring, including analysis of management accounts; financial statements; stock; business operations; client visits; and advice duties.</li> </ul> |

|   | Seda   | sefa   |
|---|--|--|
|   | <ul style="list-style-type: none"> <li>▪ Provide market access facilitation to <b>sefa</b>-funded clients for growth/to distressed businesses; and</li> <li>▪ Provide occupation and health, and technical training to <b>sefa</b>-funded clients.</li> </ul>                          | <ul style="list-style-type: none"> <li>▪ Seda reports from various service providers will be utilised to assist <b>sefa</b> to effectively monitor the existing investments. The turnaround reports, based on detailed diagnoses of distressed entities, will help <b>sefa</b> to effectively manage turnaround of the distressed entities and debt restructures.</li> <li>▪ Access to market efforts by Seda helps to strengthen repayment capability of <b>sefa</b> clients. Additional markets bring income stability to <b>sefa</b> clients, thus improving business cashflows.</li> </ul> |
| <b>Funding programmes (TREP, YCF, etc.)</b>     | Pre-funding support (business registration, training and capacity building, business plan development).  | Application due-diligence and adjudication, legal contracting, and disbursement.   |
| <b>Strategic partnerships (priority groups)</b> | 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.   |
| <b>Marketing and business development</b>       | Joint marketing and outreach campaigns, co-locations in municipalities.  |  |
| <b>Monitoring and evaluation, and research</b>  | <ul style="list-style-type: none"> <li>▪ An integrated Planning, Monitoring and Evaluation Framework and strengthened SMME and co-operatives sector research and knowledge hub.</li> <li>▪ Strategic partnerships with higher education institutions and research partners.</li> </ul> |  |
| <b>Systems</b>                                  | Shared information and application front-end, customer relationship management, business advisers' database, call centre (national SMME support line).   |  |

## 2.3. THE SMALL BUSINESS DEVELOPMENT SECTOR GAME CHANGERS

The strategic review and planning process for the development of the 2023/24 annual performance plan focussed on responding to the Minister's priorities and Small Business Development (SBD) sector game changer programme.

| SBD Game Changer                                    | DSBD Focus   | sefa Response   |
|---|--|---|
| <b>GC1: New Economy Start-ups</b>                   | <p>National Entrepreneurship Strategy development currently underway.</p> <p>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.</p> <p>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.</p> <p>Stakeholders include National Treasury and Department of Science and Innovation to create an enabling environment for these kinds of start-ups.</p> | Support Seda's New Economy Programme through technology start-up funding.   |
| <b>GC2: Township and Rural Economic Development</b> | <p>DSBD intends to engage the private sector to raise awareness regarding their support towards the development and growth of township and rural enterprises.</p> <p>These engagements would be informed by the working relations between DSBD and <b>the dtic</b> in strengthening the Broad-based Black Economic Empowerment (B-BBEE) Policy and its Codes of Good Practice.</p> <p>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</p>   | <p>Leverage the R900 million TREP allocation to support 20 000 township and rural enterprises.</p> <p>Support the phased roll-out of township and rural economic zones.</p> |

| SBD Game Changer                                       | DSBD Focus  | sefa Response   |
|--|---|---|
|  | leverage government incentive schemes, such as the TREP and other schemes aimed at enhancing the capacity of township and rural enterprises.  |   |
| <b>GC3: Refuelled Incubator/ Accelerator Programme</b> | <p>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.</p> <p>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.</p> <p>This is done through the integration of models to benefit the end user through enhanced services and products, allowing beneficiaries to experience an integrated approach in the delivery of small business support enabling enhanced learning, varied streams and options, and access to post-incubation support.</p> <p>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.</p> | Support Seda's Incubator Programme through funding.   |
| <b>GC4: Recapitalised SMME Funding Package</b>         | <p>The DSBD to implement the SMMEs and Co-operatives Funding Policy to accelerate the achievement of the objectives of Game Changer 4.</p> <p>This game changer is going to be achieved by introducing targeted funding instruments, linked to the business development lifecycle,</p>  | <ul style="list-style-type: none"> <li>Recapitalise Khula Credit Guarantee as a funding mechanism to link to ESD initiatives for Black entrepreneurs and aimed at leveraging x6.6 funding from private banks.</li> <li>Develop a network of microfinance intermediaries to interface between wholesale</li> </ul> |



| SBD Game Changer                                       | DSBD Focus   | sefa Response  |
|--|--|--|
|  | <p>including the Microfinance Intermediary Programme (MFIP).</p> <p>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:</p> <ol style="list-style-type: none"> <li>1) Make the guarantee more responsive.</li> <li>2) Raise more capital.</li> <li>3) Remove access to finance barriers in the form of collateral requirements; and</li> <li>4) Make SMMEs lending more attractive by mitigating the credit risk through KCG.</li> </ol> <p>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.</p> | <p>lenders and micro-enterprises. The MFIP will build an IT platform that provides the operating framework for microfinance institutions (MFIs) and a platform through which micro entrepreneurs can access bulk buying opportunities.</p> <ul style="list-style-type: none"> <li>▪ Scale up <b>sefa</b>'s Direct Lending Programme. This will expand enterprise credit to businesses that do not qualify for commercial funding. These programmes would include:             <ol style="list-style-type: none"> <li>1) Purchase order funding,</li> <li>2) Bridging finance facilities, especially in construction and infrastructure projects,</li> <li>3) Franchising,</li> <li>4) Asset finance facilities.</li> </ol> </li> <li>▪ Pre-investment and post-investment support (through working with Seda and other incubators/accelerators) will decrease impairment risks.</li> <li>▪ Enhance the <b>sefa</b> blended finance – the combination of loan and grant for high-risk early-stage entrepreneurs.</li> </ul> |
| <b>GC5: Supplier Development Partnership Programme</b> | <p>The department intends to scale up the supplier development initiative through raising awareness of the Localisation Policy.</p> <p>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.</p> <p>This will ensure that big business contributes to the development of SMMEs by integrating SMMEs in their supply and value chains and</p>  | <p>Major corporates will be engaged through the Public Private Partnership Platform which has been established to partner with and leverage ESD funds and programmes.</p>  |

| SBD Game Changer | DSBD Focus                                | sefa Response |
|------------------|---|---------------|
|                  | targeting township and rural enterprises. |               |

## 2.4. 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.

## 3. UPDATES TO RELEVANT COURT RULINGS

There are no new court rulings and/or judgements that have a material impact on the **sefa** mandate or core business operations.



## PART B: OUR STRATEGIC FOCUS

In giving effect to the legislative and policy mandates outlined in Part A, the strategic focus of **sefa** for 2020-2025 - its vision, mission, and institutional values - are amended 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                     | DESCRIPTION   |
|--------------------------------|---|
| <b>Kuyasheswa!</b>             | We act with speed and urgency.  |
| <b>Passion for development</b> | We have a solution-driven attitude and a commitment to serve.                                     |
| <b>Integrity</b>               | We deal with clients and stakeholders in an honest and ethical manner.                            |
| <b>Transparency</b>            | We implement best practice on the dissemination and sharing of information with all stakeholders. |
| <b>Innovation</b>              | We continuously seek new and better ways to serve our customers.                                  |

## 1. 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.

## 1.1. EXTERNAL ENVIRONMENT ANALYSIS

### 1.1.1. GLOBAL ECONOMIC OUTLOOK

Moving into the final quarter of 2022, the mood around the state of the global economy continues to darken. Many had hoped that the year would see the continuation of a gradual recovery after the devastation caused by Covid-19 lockdowns, but instead new pressures deepened the cracks in global economic integration. The two key challenges of the year, expected to continue into 2023, are **high inflation** and **low growth**, exacerbated by ongoing supply chain pressures, growing geopolitical tensions, and the conflict between the Russian Federation and Ukraine.

China, the world's second largest economy, saw growth slow dramatically over the year due to growing instability in its all-important property sector threatening to turn into a more generalised banking crisis. In addition, the country's "Zero Covid-19 Policy" has meant that strict lockdowns have persisted in large cities like Shanghai and other key production hubs. This has not only had a negative effect on local productivity but has worsened supply chain instability. Also, as China is a key trading partner to many other nations and a key consumer of commodities, a slowdown there has a deleterious effect on growth in the global economy as a whole.

The United States, the world's largest economy, saw two successive quarters of GDP contraction in 2022 (-1.6% in Q1, -0.6% in Q2) and so technically qualifies as being in a recession. Whilst the Eurozone posted small GDP gains in the first half of the year, growth is expected to turn negative in the second half of 2022. With the three most prominent global players on shaky ground, about a third of the world economy faces two consecutive quarters of negative growth, the definition of recession.

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**“In short, the worst is yet to come, and for many people 2023 will feel like a recession.”**

*IMF World Economic Outlook,  
Countering the Cost-of-Living Crisis, October  
2022*

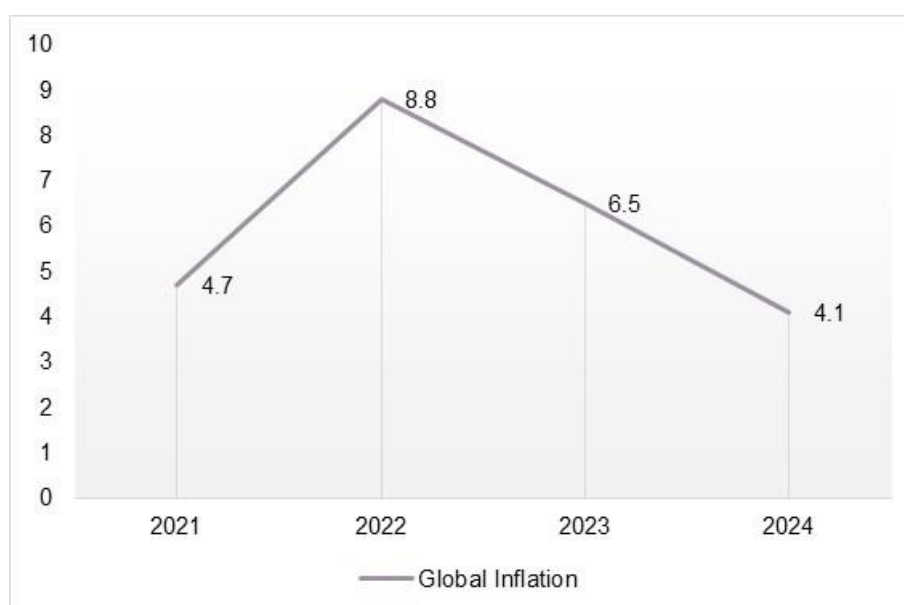
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#### High Inflation

October 2022 IMF estimates foresee global inflation rising from 4.7% in 2021 to 8.8% in 2022, before pulling back to 6.5% in 2023 and 4.1% in 2024. According to the World Bank, markets expect inflation to peak in mid-2022, but levels will remain high for some time to come, necessitating continued hikes in interest rates<sup>1</sup>.

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<sup>1</sup> World Bank. 2022. *Global Economic Prospects, June 2022*. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1843-1. License: Creative Commons Attribution CC BY 3.0 IGO.

**Figure 4: IMF Projected Inflation Rate 2021–2024**

Following the conflict, key commodities exported by Russia and Ukraine, particularly energy and food, saw sharp price increases that have since rippled through global value chains. Russia was a key supplier of natural gas to Europe, and the significant reduction in supply due to sanctions and sabotage means that the cost of energy has risen fourfold since the start of the year. High energy costs have a significant knock on effect on the rest of the economy, raising the price of almost everything else. Midyear, the World Bank forecast that energy prices would rise by 52% in 2022, up from the estimate of 5% for the year before.

Russia is the world's largest exporter of fertilizers, and due to quotas and restrictions on exports, fertilizer prices are expected to increase by nearly 70% in 2022. Russia and Ukraine are key exporters of wheat, together accounting for about a quarter of global exports. Agricultural prices are forecast to rise by 18% in 2022, again higher than previous projections, reflecting weaker grain production in Ukraine, as well as much higher input costs, including for fuel, chemicals, and fertilizers<sup>2</sup>.

Metal prices made substantial gains in 2021, and prices continued to climb in 2022. Aluminium and nickel rose by around 30% as Russia is an important exporter. Metal prices are expected to rise 12% for the year. Most prices are expected to moderate in 2023<sup>3</sup>.

But, whilst the Russia/Ukraine conflict may have sparked certain inflationary pressures, it is not the sole contributor to the current inflationary environment. For instance, the price of oil has been kept above \$90 per barrel in the second half of 2022 by production cuts implemented by OPEC+, as well as disruption to the Russian supply. Post-Covid-19 demand for consumer goods outstripped supply, which created an upward pressure on price and caused transport costs to rise sharply and suddenly for a period. Also, as is alluded to in the quotation below, the US and European central banks offered 'unprecedented support' to markets during the pandemic. "Across advanced

<sup>2</sup> World Bank. 2022. *Global Economic Prospects, June 2022*. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1843-1. License: Creative Commons Attribution CC BY 3.0 IGO.

<sup>3</sup> World Bank. 2022. *Global Economic Prospects, June 2022*. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1843-1. License: Creative Commons Attribution CC BY 3.0 IGO.

economies, (inflation) forecast errors are related to the size of Covid-19-related fiscal stimulus packages.”<sup>4</sup>

**“Normalisation of monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction.”**

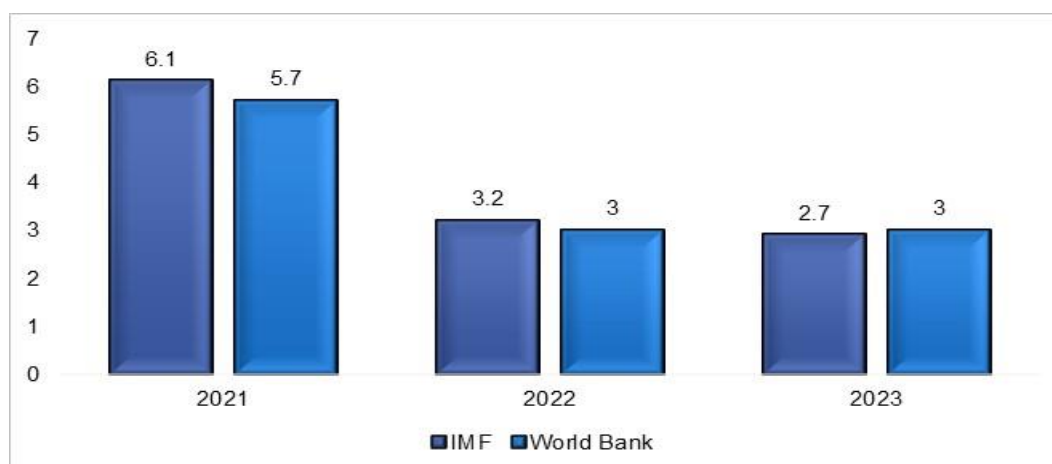
*IMF World Economic Outlook,  
Countering the Cost-of-Living Crisis, October 2022*

Inflationary pressures have triggered money tightening, which has facilitated a powerful appreciation<sup>5</sup> of the US dollar against most other currencies, including the South African Rand. In the attempt to rein in inflation, money tightening measures also reduce demand. The IMF notes that inflation could be more difficult to bring down than anticipated and create tighter global financial conditions.

## Low Growth

2022 has been a year of downward revised growth targets as analysts attempt to adjust expectations to a rapidly evolving economic environment. Global growth for the rest of the 2020s is expected to remain subdued compared to the 2010s. The IMF forecasts that global growth will slow from 6.1% in 2021 to 3.2% in 2022. For 2023 the IMF forecasts 2.7% growth but warns that there is a 25% chance it may fall below 2%<sup>6</sup>. As of the middle of 2022, the World Bank forecasts 5.7% for 2021 followed by 3% in both 2022 and 2023.

**Figure 5: Global GDP Projections from IMF and World Bank**



China has been a key engine of recent global economic growth, but the country's Zero-Covid-19 Policy and ongoing lockdowns have had a substantial negative impact on the country's 2022 GDP. China is expected to pursue quality of growth over pace of growth moving forward. It is also

<sup>4</sup> IMF World Economic Outlook, October 2022 Update

<sup>5</sup> IMF World Economic Outlook, October 2022 Update

<sup>6</sup> IMF World Economic Outlook, October 2022 Update

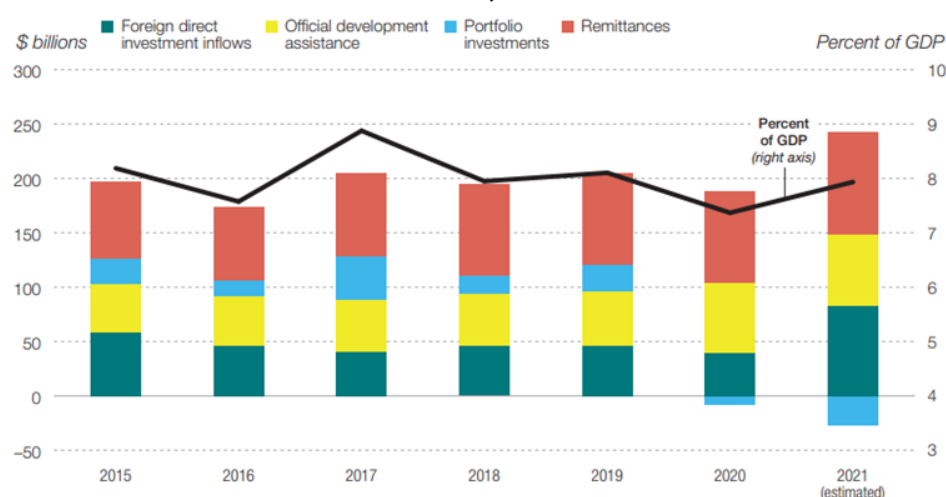
suggested that the consolidation of his power will lead China to pursue a path of increased self-reliance, partly in response to economically driven aggression from the US, like the broad ban announced in October 2022 blocking China's access to make or buy advanced semiconductor chips.

The cost of energy in Europe is likely to weigh heavily on output there, and the US is facing increasingly strong headwinds in its attempts to remain the dominant economic force in the world. Despite a currency surging in value and strong employment numbers, the US spent the first half of 2022 in a technical recession. Bloomberg Economics calls a global recession over the next twelve months a near certainty<sup>7</sup>.

### 1.1.2. REGIONAL ECONOMIC OUTLOOK

Although average growth in Africa is estimated to have slowed in 2022 after the strong recovery in 2021, the medium-term outlook remains stable. Africa's average real GDP growth is estimated to have slowed to 3.8% in 2022 from 4.8% in 2021. However, 3.8% growth is stronger than the 2.9% achieved in 2019 (before the COVID-19 pandemic), and the average of 3.3% during the years 2014–18. Africa's growth is projected to remain stable, averaging about 4% during 2023–24<sup>[1]</sup>. Financial inflows have rebounded after the COVID-19 pandemic, but current tightening monetary conditions mean that investment may remain volatile. External financial flows declined to 7% of GDP in 2020, down from 7.9% in 2019, but are estimated to have rebounded by around 20% in 2021.

**Figure 6: External financial flows into Africa, 2015–21**



Source: African Development Bank statistics and staff calculations assuming constant official development assistance between 2020 and 2021.

Foreign direct investment (FDI) is estimated to have more than doubled, from \$38.9 billion in 2020 to \$83 billion in 2021. Although FDI inflows to Africa accounted for only 5.2% of global FDI in 2021, the significant increase speaks to the current attractiveness of African markets. According to the United Nations Conference on Trade and Development, Europe remains the largest source of FDI to Africa, representing about half of the total investment inflows to the continent. The United Kingdom (\$65 billion in assets) and France (\$60 billion) are the two European countries with the highest investment activity in Africa. The United States is a distant third, with about \$45 billion in

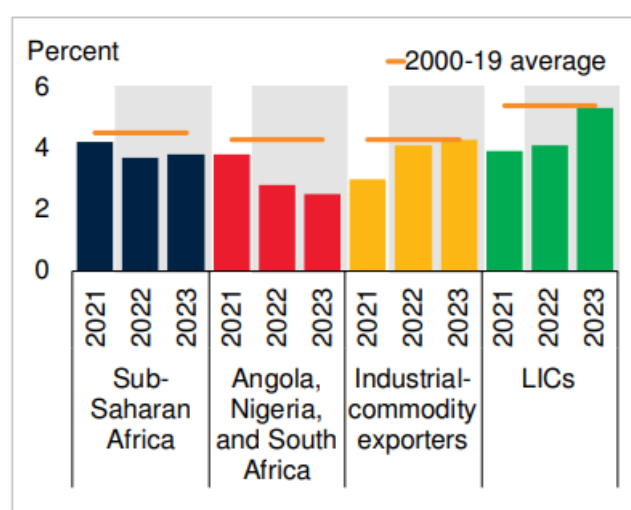
<sup>7</sup>[https://www.moneyweb.co.za/news/economy/70-chance-of-recession-in-the-coming-year-franklintempleton/?bid=120\\_10374\\_8401658](https://www.moneyweb.co.za/news/economy/70-chance-of-recession-in-the-coming-year-franklintempleton/?bid=120_10374_8401658)

assets in 2021, or 13% of total FDI to Africa. China, Russia, India, Germany, and Turkey have also increased their investment in Africa, but their shares remain low.

The five major destinations for FDI in Africa are South Africa, Egypt, Mozambique, Nigeria, and Ethiopia, in that order. In 2021, South Africa remained the largest FDI recipient, with investments worth more than \$40.9 billion, nearly half the total inflows to Africa that year.

Output in Sub-Saharan Africa (SSA) increased by between 4.1 and 4.6% in 2021, according to the World Bank and IMF respectively, which represented a fair recovery after a 2% overall contraction in 2020, the year of the most severe Covid-19 restrictions. Very **high inflation**, persistent **unemployment**, and growing **poverty and food insecurity** rank among the region's most pressing challenges moving forward.

**Figure 6: Sub-Saharan GDP Growth**



Source: World Bank. 2022. Global Economic Prospects, June 2022

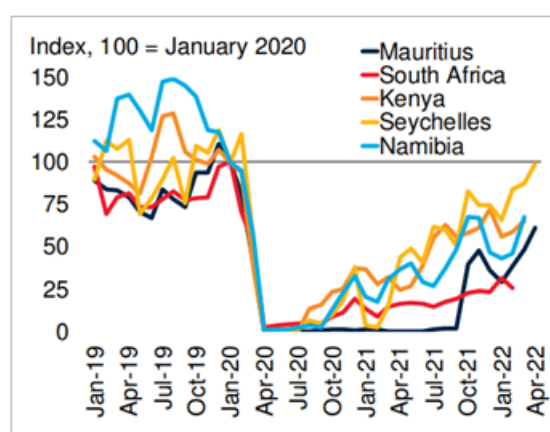
Pandemic-related economic losses were particularly acute in the region, and SSA is the only emerging market and developing economy (EMDE) region where per capita incomes are not expected to return to their 2019 levels by 2023<sup>8</sup>.

GDP growth for the region is forecast by the World Bank at 3.7% in 2022, and then 3.9% in 2023. The IMF estimates 3.8% and 4% respectively. This is almost a full percentage point below the 2000-2019 average. The picture is worse for the region's three largest economies, with growth forecasts well below the performance of the previous two decades. Slow growth in the region's key trading partners – Europe, US, and China – will have a negative effect on SSAs ability to generate and sustain exports, and the sharply rising cost of food basics will compromise any recovery in consumer spending.

The region is seeing a gradual recovery in tourism, although this has been slow, and pandemic related uncertainties still linger. As is seen in the figure below, South Africa's recovery in tourist volumes has been modest and irregular, perhaps affected by concerns around security following the unrest in the country during 2021, and many countries where tourists might originate are experiencing logistical difficulties around air travel since losing staff and capacity during the height of the pandemic.

<sup>8</sup> World Bank. 2022. Global Economic Prospects, June 2022. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1843-1. License: Creative Commons Attribution CC BY 3.0 IGO.



**Figure 7: Sub-Saharan Africa Regional Tourism Recovery**


Source: World Bank. 2022. Global Economic Prospects, June 2022

Food insecurity is perhaps the most serious challenge for the SSA region. Almost three quarters of SSA countries were classified as having a food deficit before the current food price surge. On average, food imports account for 20% of total imports in SSA countries, almost twice as high as in other EMDEs. One in seven SSA countries depend on Russia and Ukraine for more than 45% of their wheat imports, and almost all the region's economies are net importers of wheat. This makes the region particularly vulnerable to further disruptions and price spikes related to the conflict in Eastern Europe.

Further to this, increasing prices of agricultural inputs like fertilizers, fuel, and seeds will make growing food in these countries more expensive and likely lessen productivity of local farmers, further exacerbating food shortages and raising the prices of staples for longer.

In 2021, nearly 110 million people in SSA were below the food poverty line, 40 million more than at the start of the pandemic. Persistence of pandemic induced long-term damage is a significant risk to the baseline growth forecast for the SSA region. Disproportionate losses to incomes, employment, and human capital accumulation could hinder poverty alleviation and lead to lasting increases in inequality across the region.

The AfCFTA represents an opportunity for SSA nations to strengthen cooperation and find new economic synergies, thereby reducing reliance on more distant trading partners and strengthening the region's ability to determine its own future.

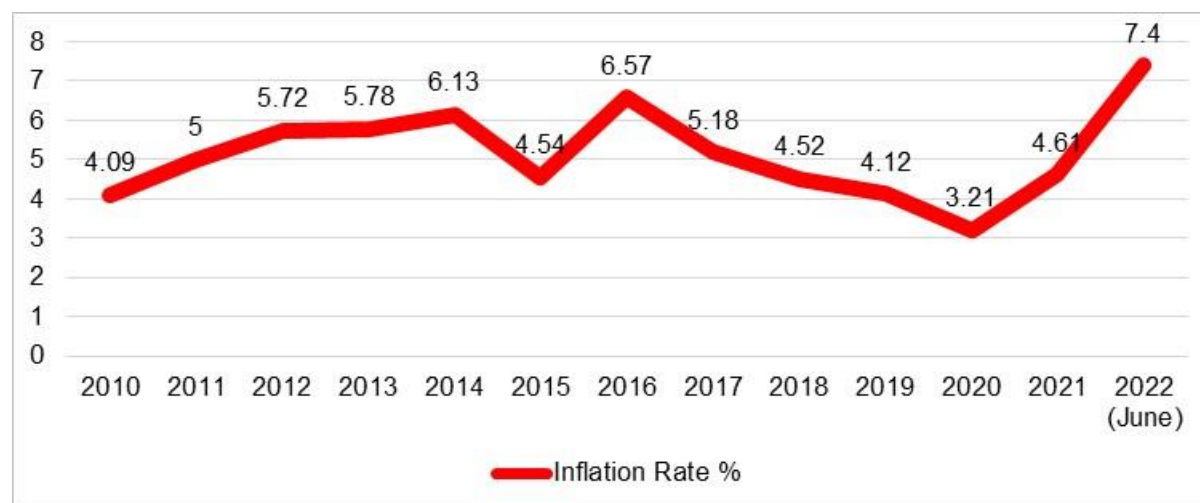
### 1.1.3. SOUTH AFRICAN SOCIO-ECONOMIC OUTLOOK

The local economy was not performing optimally some time before Covid-19 lockdowns further devastated businesses, productivity, and jobs. As is the case in the rest of the world economy, **high inflation** and **low growth** are current key challenges for South Africa, along with an unsustainably high **unemployment rate**. This presents a particularly difficult challenge for government, as interventions designed to curtail inflation may well exacerbate unemployment, and policies designed to lower unemployment may stoke inflation higher.

## High Inflation

Like the rest of the world, South Africa has had to contend with much higher-than-expected inflation in 2022, with the knock-on effects of high energy costs creating a cost-of-living crisis. If supply of energy commodities becomes increasingly unstable, energy rationing is a possible near future scenario.

**Figure 8: South African Inflation Rate 2010–2021**



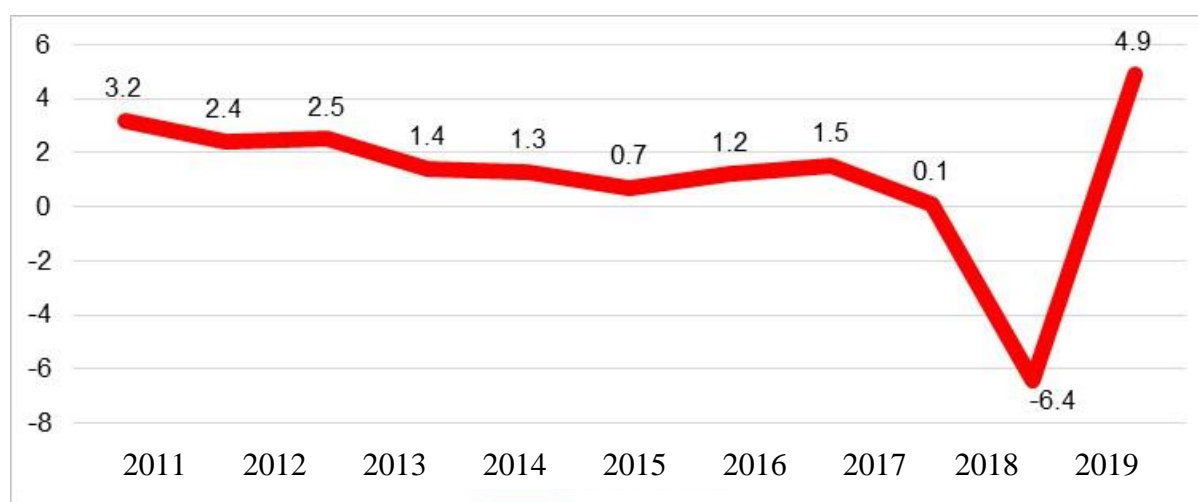
Headline inflation reached 7.4% in June 2022. The target range is 3% to 6%. The upper limit has been breached for some time, and indications are that it may take a while to bring back down. SARB has responded to the inflationary pressure by raising the policy rate four times during the current hiking cycle, with further increases likely to be necessary to bring inflation back within target<sup>9</sup>, particularly if the Reserve Bank seeks to reduce headline inflation to 3%. The rate has only been close to the 3% mark once over the last thirteen years, when it dropped to 3.21% during the year of the most severe lockdowns in 2020.

## Low Growth

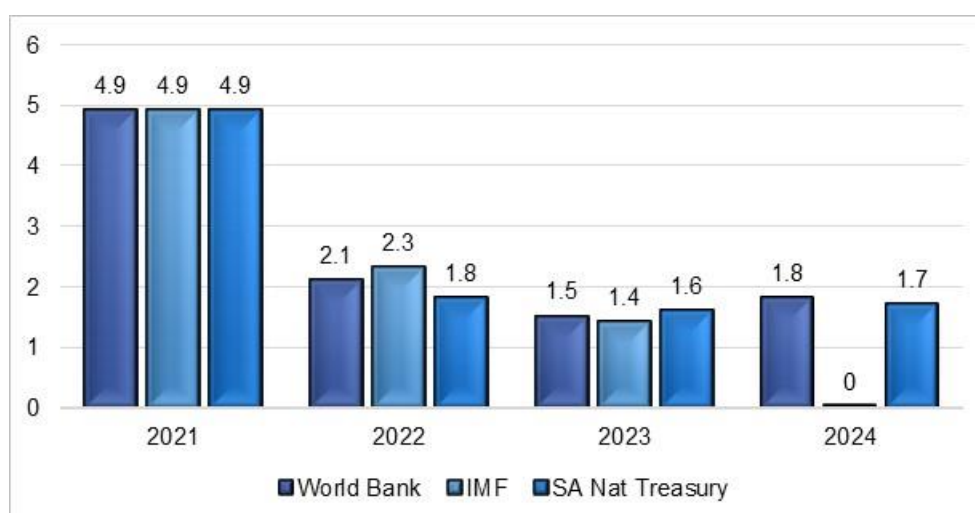
As discussed above, economic growth is depressed at a global level, and South Africa does not operate independently of the rest of the world. However, as is illustrated in the figure below, the economy has not been performing to potential for many years. The country's average annual GDP growth rate between 1994 and 2022 is 2.39%.

<sup>9</sup> World Bank. 2022. *Global Economic Prospects, June 2022*. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1843-1. License: Creative Commons Attribution CC BY 3.0 IGO.



**Figure 9: South Africa GDP Growth 2011–2021**

The World Bank forecasts growth in South Africa of 2.1% in 2022, and 1.5% for the 2023 financial year. The IMF predicts 2.3% and 1.4% respectively. National Treasury's forecasts are more conservative, foreseeing real economic growth in the country of just 1.8% in 2022, 1.6% in 2023, and 1.7% in 2024. This level of growth is well below that needed to achieve any of the country's significant economic development and unemployment reduction goals.

**Figure 10: South African GDP Growth Forecasts**

After posting growth of 1.7% in the first quarter of 2022, South African GDP contracted by 0.7% in the second quarter, largely due to flooding in the manufacturing hub of KwaZulu-Natal and a countrywide escalation of loadshedding by the national electricity utility. Seven industries recorded negative growth between the first and second quarter of 2022, with manufacturing, agriculture, and mining and quarrying topping the list of biggest losers<sup>10</sup>.

**In the primary sector**, agriculture, forestry, and fishing decreased by 7.7% in the second quarter of 2022, due mainly to a falloff in the production of animal products. The mining and quarrying

<sup>10</sup> Stats SA, Gross Domestic Product, Second Quarter 2022

industry decreased by 3.5%, with gold, coal, manganese ore, and diamonds all seeing a decrease in production.

**In the secondary sector**, the second quarter of 2022 saw attrition, with eight out of ten manufacturing industries recording contractions. Overall manufacturing decreased by 5.9%, reducing GDP growth by 0.7%. Petroleum, chemical, rubber, and plastic products were hardest hit; although food and beverages, motor vehicles, parts, accessories, and other transport equipment also saw reductions. Iron and steel manufacturing, non-ferrous metal and metal products, and machinery also made notable negative contributions to growth.

The electricity, gas, and water industry shrank by 1.2% due to decreases in consumption (presumably related to decreases in supply), and the construction industry finished the second quarter down 2.4%.

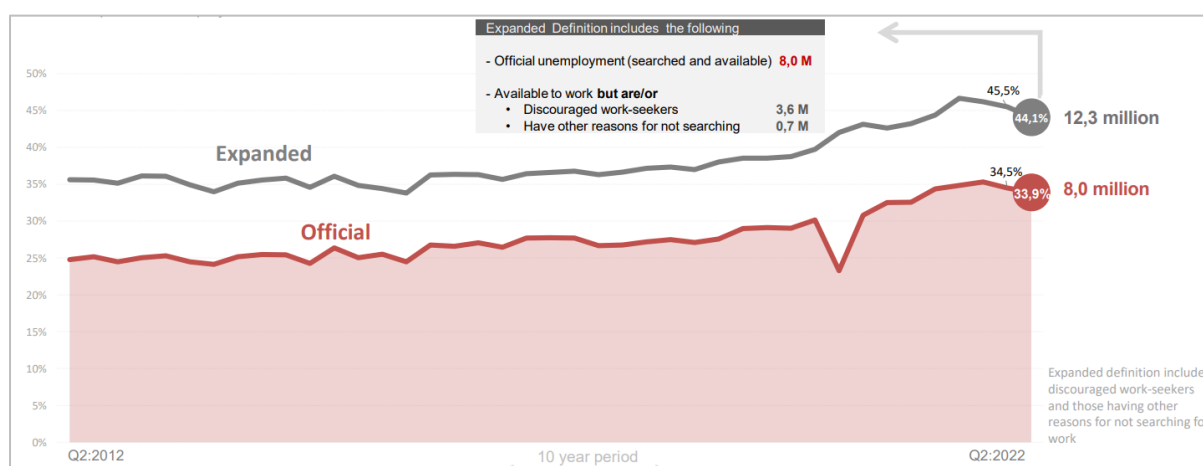
**In the tertiary sector** the second quarter of 2022 saw a slowdown of wholesale and retail trade, with trade, catering, and accommodation shrinking by 1.5%, which equated to a 0.2% drop in GDP growth for the nation. The transport, storage and communication industry increased by 2.4%. Finance and business services were also up by 2.4%, due to increased activity in financial intermediation, insurance and pension funding, auxiliary services, and real estate.

General government services contracted by 1.4%, mainly due to lower employment numbers in local and national government and state agencies and institutions. The personal services industry increased by 0.1%.

## High Unemployment

As is illustrated in the figure below, South Africa's unemployment problem is not a new phenomenon or a consequence of Covid-19, but a systemic and steadily worsening feature of the country's economy. With around 8 million people of working age unable to find employment and a further 4.3 million who have given up trying, it is clear that economic growth and job creation are not keeping track with the country's population growth, and the political promise of decent work for all remains very much unfulfilled.

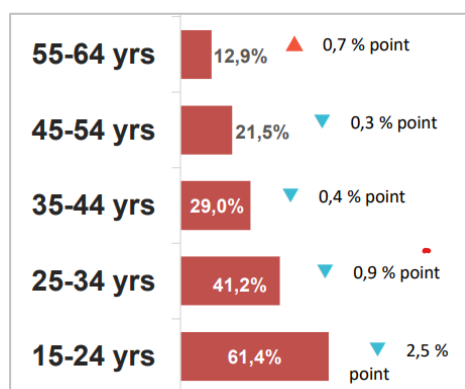
**Figure 11: Expanded vs Official Unemployment Rate over the Last Ten Years**



Source: Stats SA, Quarterly Labour Force Survey (QLFS), Q2:2022

As has been lamented at length, the situation is particularly dire for the youth of the country, with nearly two-thirds of job seekers under 24 years old unable to find employment. Four in ten people under 35 do not have a job.

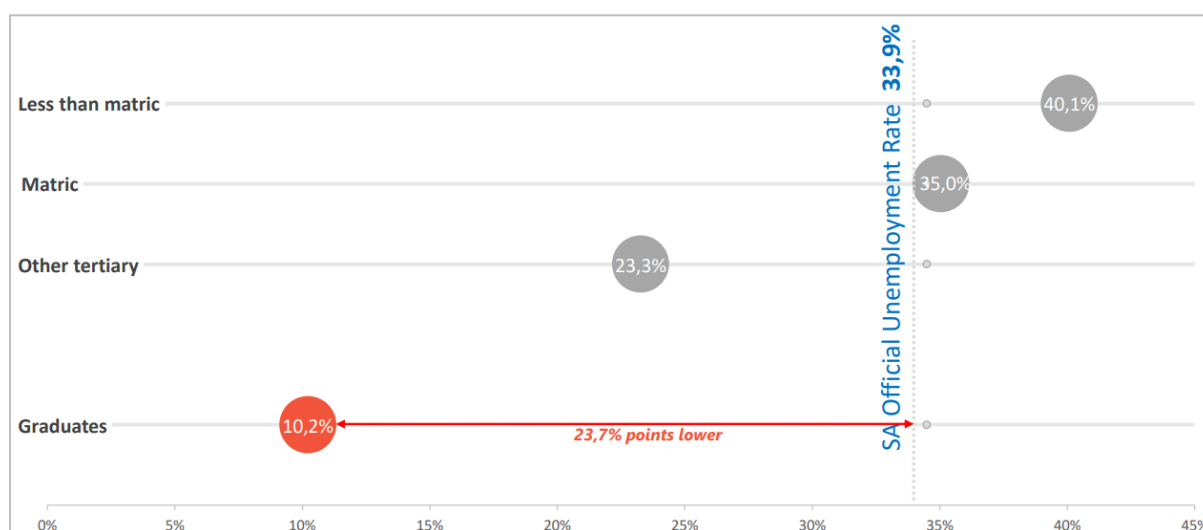
**Figure 12: Unemployment Rate by Age, 2022 Q2**



One need only look at unemployment by level of education (see figure below) to notice the clear connection between education and employability. 40% of the country's unemployed did not finish high school. A further 35% completed school but did not study further. The unemployment rate among university graduates, by contrast, is just 10.2%, a full 23.7% lower than the official national unemployment rate.

Whilst 10% unemployment among graduates may be considered high, it is likely to be partially related to the types of courses that young people opt to study. Graduates with science, technology, engineering, and mathematics (STEM) skills are in high demand, where graduates from humanities departments may experience stiffer competition for fewer available posts. Similarly, the fact that around a quarter of those with 'other tertiary qualifications' are unable to find work may speak to the quality and relevance of the sector's educational offerings.

**Figure 13: Official Unemployment Rate by Level of Education, 2022 Q2**



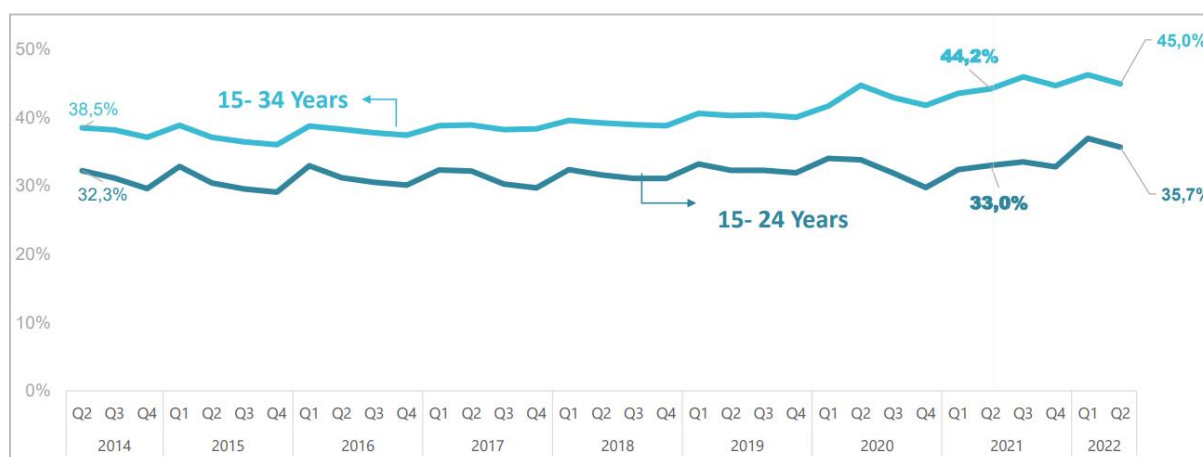
Source: Stats SA, Quarterly Labour Force Survey (QLFS), Q2:2022

There is an urgent need to strengthen education from bottom to top in the country: early childhood development, primary and secondary schooling, vocational training, and adult education. A greater

percentage of the population possessing the required aptitude and foundational skills need access to a university education.

As it stands in the second quarter of 2022, approximately 3,7 out of 10,2 million young people aged 15-24 years were not in employment, education, or training (NEET). When expanding the age group to 34 years old on the upper end, 45% of the country's youth is not only excluded from participating in the economy right now but has ever diminishing hope of being able to do so in the future.

**Figure 14: NEET Rate for Ages 15-24 and 15-34, 2014-2022**



Source: Stats SA, Quarterly Labour Force Survey (QLFS), Q2:2022

Poverty is a consequence of unemployment, and to a large degree, unemployment is a consequence of an undereducated workforce. If lowering unemployment is a priority, then improving the educational outcomes in the country is urgent, as the world continues to digitise, automation advances and competition intensifies, and increasingly sophisticated skillsets will be required in the workplace.

## OTHER CURRENT CRITICAL ISSUES

### Non-performance of Key State-owned Enterprises (SOEs)

Aside from the global headwinds of slow growth and imminent recession, South Africa's hopes of economic recovery and growth are seriously undermined by factors within its own borders, most notably challenges in operations of key SOEs, such as Eskom, Transnet, PRASA, and others.

When it comes to electricity supply, the reality is as simple as it is stark: there can be no creation of new energy consuming enterprises when current energy supply is inadequate to maintain the enterprises that already exist.

2022 has seen unprecedented levels of loadshedding and Eskom has stated that, in order to meet demand, over 50 000 MW of capacity needs to be added to the grid over the next thirteen years, but the utility is mired in debt and has limited means of raising the substantial amount of capital needed to add the capacity.

The Finance Minister announced a pipeline of 9 000MW of new generation from the private sector during the MTBPS in October 2022, but actual progress towards increased electricity supply is still perceived to be slow and mired in 'red tape'.

Transnet performance has seen South Africa's rail network become dysfunctional due to mismanagement, corruption, and neglect. The Minerals Council claims that an additional R50 billion of exports did not make it to ports in 2021 due to the lack of reliability of the rail system<sup>11</sup>. The inability to move freight by rail means that the country's national arterial roads are becoming ever more congested with large trucks, which impacts on general road safety levels and results in costly damage to road surfaces.

Maritime transport carries more than 80% of global merchandise trade by volume, meaning that any inefficiencies at a country's seaports will have tangible repercussions. In the short term, higher prices and shortages of essential goods will be experienced, but over the medium to long term an inefficient port will result in slower economic growth, lower employment, and higher costs for both importers and exporters. Research by the Freight Forwarders Association showed that port delays cost the economy between R100 million and R1 billion per day<sup>12</sup>.

According to the Container Port Performance Index 2020, South Africa's container ports are not only the worst performing in Africa, but quite literally the worst performing in the world. The Port of Ngqura is ranked 351 out of 351 in terms of a statistical approach to evaluation, and the Port of Durban ranks 351 out of 351 from an administrative perspective. Cape Town is the country's best performing port, ranking 347<sup>th</sup> out of 351. The Administrative Approach to evaluation is a pragmatic methodology reflecting expert knowledge and judgment, where the Statistical Approach uses factor analysis. South Africa holds four of the five bottom positions in both evaluation approaches<sup>13</sup>.

**Figure 15: Five Worst Performing Ports in the World**

| Statistical Approach |            | Administrative Approach |            |
|----------------------|------------|-------------------------|------------|
| Port                 | Rank       | Port                    | Rank       |
| Cape Town            | 347 of 351 | Cape Town               | 347 of 351 |
| Gqeberha             | 348 of 351 | Gqeberha                | 348 of 351 |
| Durban               | 349 of 351 | Ngqura                  | 349 of 351 |
| Luanda               | 350 of 351 | Marseille               | 350 of 351 |
| Ngqura               | 351 of 351 | Durban                  | 351 of 351 |

Source: The Container Port Performance Index 2020

Without adequate electrical power and an efficient means of moving freight in and out of the country, all other economic stimulus efforts will be in vain and, instead of much needed growth, the economy will see sustained contraction, particularly in heavily energy dependant sectors.

<sup>11</sup> <https://dailyfriend.co.za/2022/10/26/eskom-and-transnet-millstones-around-the-neck-of-the-economy/> (Accessed 26 October 2022)

<sup>12</sup> <https://dailyfriend.co.za/2022/10/26/eskom-and-transnet-millstones-around-the-neck-of-the-economy/> (Accessed 26 October 2022)

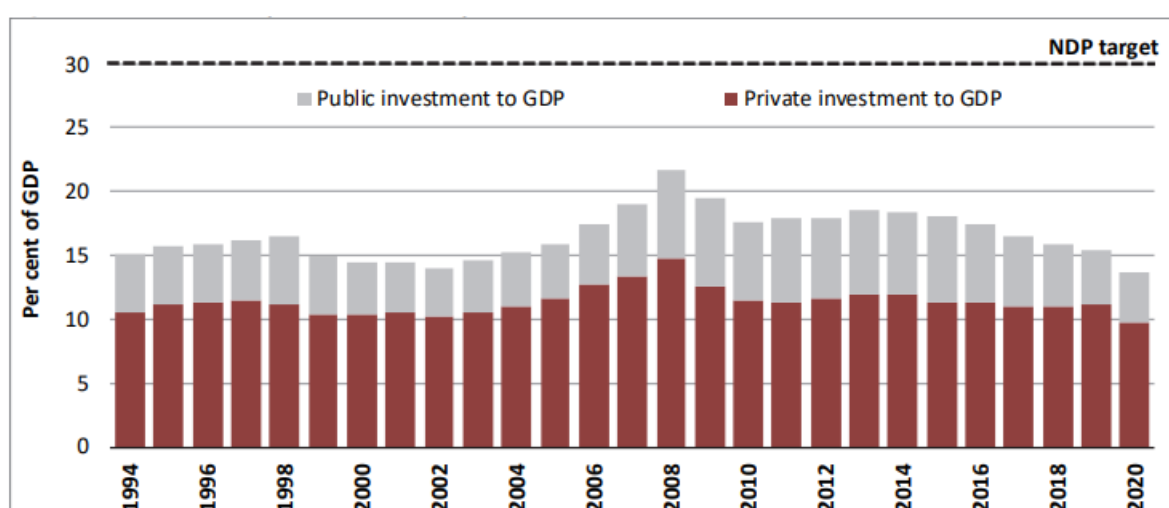
<sup>13</sup> The World Bank, 2021. "The Container Port Performance Index 2020: A Comparable Assessment of Container Port Performance." World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO

## Infrastructure Development

The National Development Plan (NDP) highlights the critical importance of infrastructure development as an enabler of socio-economic transformation. It also identifies the urgent need to modernise infrastructure after decades of underinvestment in critical areas, such as water and energy supply. The NDP asserts that this will require higher levels of public and private investment in infrastructure, approximated at 30% of GDP.

However, combined capital investment by the public and private sectors amounted to 13.7% of GDP in 2020, less than half of the 30% NDP target. Since 1994, 2008 is the only year to make it to 20%. There has been a significant drop off in government spending over the last five years due to weak growth, high wage bill, rising spending pressures, and the financial support provided to SOEs.

**Figure 16: Public and Private Sector Capital Investment as a Share of GDP, 1994–2020**



*\*All GDP data in this annexure is recalculated in line with Statistics South Africa's 2021 rebasing and benchmarking exercise. It is therefore not directly comparable with GDP data from earlier budget documentation*

*Source: Reserve Bank*

Source: National Treasury, National Budget 2022, Annexure D

Over the ten years between 2010 and 2020, public sector capital investment averaged 5.8% of GDP, and private sector 11.2%. To reach the NDP target, public sector investment would need to grow from 3.9% of GDP in 2020, to 10% in 2030. Likewise, investment from the private sector would need to more than double, from 9.8% in 2020 to 20% in 2030.

Over the last few years work on infrastructure projects has been hindered not only by Covid-19 lockdowns and restrictions, but by the proliferation of mafia style gangs claiming to be community business forums. Using threats and intimidation, the criminal representatives demand 30% of the contract price for work they and their members are neither willing nor able to execute. These multiplying cases of thuggish extortion cause continuous stoppages and seriously impede progress on critical infrastructure projects, which will ultimately drive up their cost.

## Tightening Monetary Policy and South African Debt

By mid-2022 there was serious downward pressure on the currency, with the Rand trading near its lowest level against the US dollar since 2020. Among other issues, this means that the country's

dollar denominated debt becomes more expensive to service, putting further pressure on an already strained fiscus.

**Figure 17: Summary of South African Budget 2022/23 Ranked by Value**

| Budget Item             | Rand Value     |
|-------------------------|----------------|
| Learning and Culture    | R441.5 billion |
| Social Development      | R364.4 billion |
| Debt Service Costs      | R301.8 billion |
| Health                  | R259 billion   |
| Community Development   | R236.3 billion |
| Economic Development    | R227.1 billion |
| Peace and Security      | R220.7 billion |
| General Public Services | R69.2 billion  |

Source: National Treasury Budget Review, 2022

Rising government debt and, by extension, debt service costs, will continue to erode public spending capacity, potentially leaving gaps in public services delivery and infrastructure development. South Africa's debt service costs for the 2022/23 budget period were calculated at just over R300 billion, making it the third most expensive line item after only education and social development, ahead of health, community development, economic development, and peace and security. Due to tightening monetary conditions the Finance Minister announced in the October 2022 MTBPS that debt service costs for the year were R5.9 billion higher than calculated in February.

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**“We need to decrease our debt burden and debt service cost.”**

*Minister of Finance Enoch Godongwana,  
MTBPS, October 2022*

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#### 1.1.4. THE SMME ENVIRONMENT

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##### NOTE:

The SMME survey results quoted in the section below were extracted from the 2022 Q1 Quarterly Labour Force Survey (QLFS) conducted by Stats SA. Figures quoted may be influenced by the fact that, due to lockdown restrictions in 2020 and 2021, Stats SA had to switch to telephonic interviews instead of their usual in-person method. This affected response rate, which fell to just 44.6% in 2021 Q4. A smaller sample means that the results are less accurate.



In the first quarter of 2022, lockdown regulations eased, allowing Stats SA to revert to their in-person method and the response rate rebounded to 64.7%. This means that figures from this period likely provide a more accurate picture of the labour market than those collected during the pandemic compromised period, and quarter to quarter growth figures may be somewhat skewed.

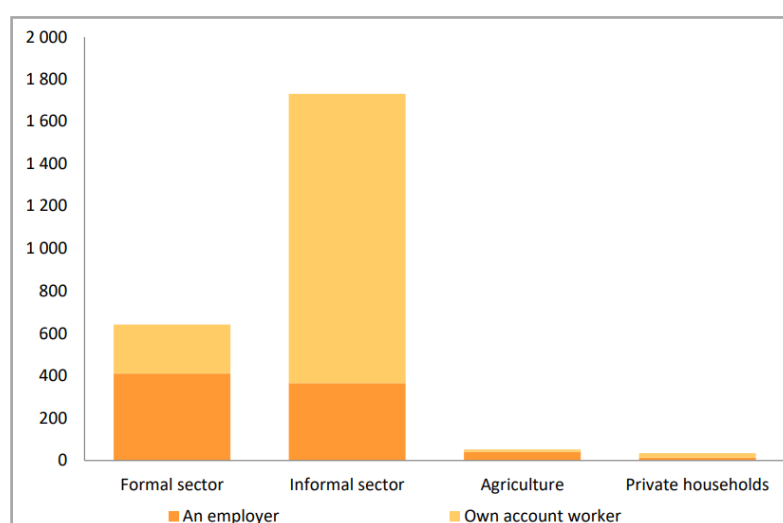
Covid-19 lockdown measures caused revenues in many SMMEs to fall precipitously, with many owners reporting that they were being forced to cut back on business spending to survive. The worst affected sectors were the best performing in the past: the services sector, tourism, hospitality, and retail.

Despite the adverse conditions, the number of SMMEs in the country increased by 135,453 between Q1 2021 and Q1 2022 to a total of 2 460 656 million. The number of formal SMMEs has dropped to the lowest level in the current survey series, which started in 2008, fourteen years ago. Nationally, just 26% of SMMEs are formally registered, with upwards of 70% operating in the informal sector.

| Indicator                     | 2021Q1            |               | 2021Q4            |               | 2022Q1            |               | Quarterly change |             | Yearly change  |              |
|-------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|------------------|-------------|----------------|--------------|
|                               | Number            | Distrib.      | Number            | Distrib.      | Number            | Distrib.      | Number           | %           | Number         | %            |
| Employer                      | 869 036           | 5.7%          | 863 173           | 5.9%          | 830 143           | 5.5%          | -33 030          | -3.8%       | -38 893        | -4.5%        |
| Own account worker            | 1 456 167         | 9.6%          | 1 589 560         | 10.8%         | 1 630 513         | 10.8%         | 40 953           | 2.6%        | 174 346        | 12.0%        |
| <b>SMME owners</b>            | <b>2 325 203</b>  | <b>15.3%</b>  | <b>2 452 733</b>  | <b>16.6%</b>  | <b>2 460 656</b>  | <b>16.3%</b>  | <b>7 923</b>     | <b>0.3%</b> | <b>135 453</b> | <b>5.8%</b>  |
| Working for someone           | 12 736 240        | 83.9%         | 12 143 111        | 82.4%         | 12 511 819        | 82.9%         | 368 708          | 3.0%        | -224 421       | -1.8%        |
| Helping in household business | 114 245           | 0.8%          | 143 968           | 1.0%          | 111 621           | 0.7%          | -32 347          | -22.5%      | -2 624         | -2.3%        |
| <b>Total employed</b>         | <b>15 175 688</b> | <b>100.0%</b> | <b>14 739 812</b> | <b>100.0%</b> | <b>15 084 096</b> | <b>100.0%</b> | <b>344 284</b>   | <b>2.3%</b> | <b>-91 592</b> | <b>-0.6%</b> |

64% of formal SMMEs employ people, compared to only 21% of SMMEs in the informal sector. The number of SMMEs that employ other people dropped by just under 40 000 between Q1 2021 and Q2 2022, which means that the recovery in SMME numbers was solely driven by own account workers in the informal sector<sup>14</sup>. Overall, only 34% of SMME owners employ other people. The remaining 66% are own account workers.

**Figure 18: Formal vs Informal SMMEs, 2022Q1**



<sup>14</sup> Seda SMME Quarterly Update 1st Quarter 2022



## Employment Provided by SMMEs

According to the latest survey, SMMEs provided 5.43 million jobs to others in the first quarter of 2022, which is 1.56 million fewer than in the quarter before. At the same time, 1.93 million additional jobs were counted at large enterprises. It is possible that many formal enterprises, which were previously counted as owner-owned are now classified under a corporate structure or board managed and, therefore, fall away from the proxy count. For example, the latest survey counted just below 11 000 enterprises with 50 or more employees, compared to more than 35 000 the previous quarter, impacting significantly on the derived number of jobs provided<sup>15</sup>.

|                           | 2021Q1           |               | 2021Q4           |               | 2022Q1           |               | Quarterly change  |               | Yearly change     |               |
|---------------------------|------------------|---------------|------------------|---------------|------------------|---------------|-------------------|---------------|-------------------|---------------|
|                           | Number           | Distrib.      | Number           | Distrib.      | Number           | Distrib.      | Number            | %             | Number            | %             |
| Formal sector             | 5 081 610        | 52.1%         | 5 269 424        | 55.8%         | 3 757 122        | 47.6%         | -1 512 301        | -28.7%        | -1 324 487        | -26.1%        |
| Informal sector           | 1 226 738        | 12.6%         | 843 111          | 8.9%          | 1 398 263        | 17.7%         | 555 152           | 65.8%         | 171 525           | 14.0%         |
| Agriculture               | 1 107 846        | 11.4%         | 863 788          | 9.1%          | 258 280          | 3.3%          | -605 508          | -70.1%        | -849 566          | -76.7%        |
| Private households        | 15 890           | 0.2%          | 13 670           | 0.1%          | 13 355           | 0.2%          | -315              | -2.3%         | -2 535            | -16.0%        |
| <b>Provided to others</b> | <b>7 432 084</b> | <b>76.2%</b>  | <b>6 989 993</b> | <b>74.0%</b>  | <b>5 427 021</b> | <b>68.8%</b>  | <b>-1 562 973</b> | <b>-22.4%</b> | <b>-2 005 063</b> | <b>-27.0%</b> |
| % Female*                 |                  | 38.3%         |                  | 36.7%         |                  | 36.6%         |                   | -0.1% pts     |                   | -1.8% pts     |
| Employer                  | 869 036          | 8.9%          | 863 173          | 9.1%          | 830 143          | 10.5%         | -33 030           | -3.8%         | -38 893           | -4.5%         |
| Own account worker        | 1 456 167        | 14.9%         | 1 589 560        | 16.8%         | 1 630 513        | 20.7%         | 40 953            | 2.6%          | 174 346           | 12.0%         |
| <b>Total</b>              | <b>9 757 287</b> | <b>100.0%</b> | <b>9 442 727</b> | <b>100.0%</b> | <b>7 887 676</b> | <b>100.0%</b> | <b>-1 555 050</b> | <b>-16.5%</b> | <b>-1 869 610</b> | <b>-19.2%</b> |

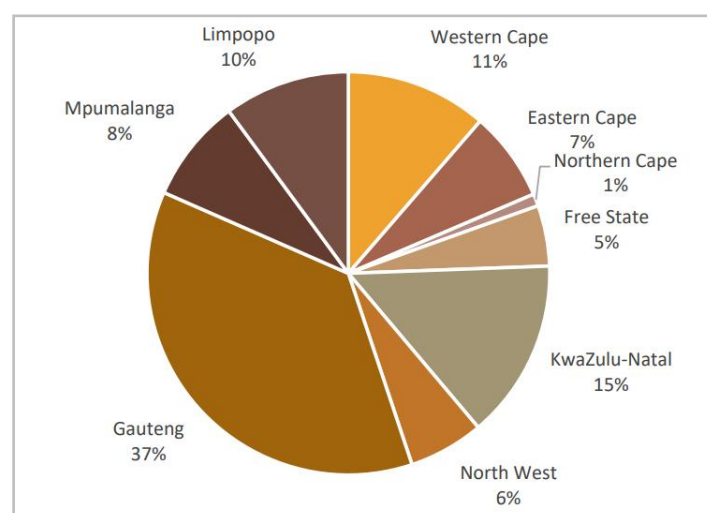
Source: QLFS of Stats SA

\* of all people working for private enterprises, of which 84% worked for SMMEs over the last 5 years

## SMMEs by Province

There is a close correlation between a province's percentage contribution to national GDP and percentage share of the country's SMMEs. In the first quarter of 2022, almost 37% of SMMEs operated in Gauteng, up from 34% a year before. Over the same period, KwaZulu-Natal and the Eastern Cape registered fewer SMMEs.

Figure 19: SMMEs by Province



Source: Seda SMME Quarterly Update, 1st Quarter 2022

The largest proportional increase was in the North West province, where 32% more SMMEs were reported as operating than in the previous year. It does not seem that this increase was due to multiple business opportunities opening up in the province, as economic growth in the North West

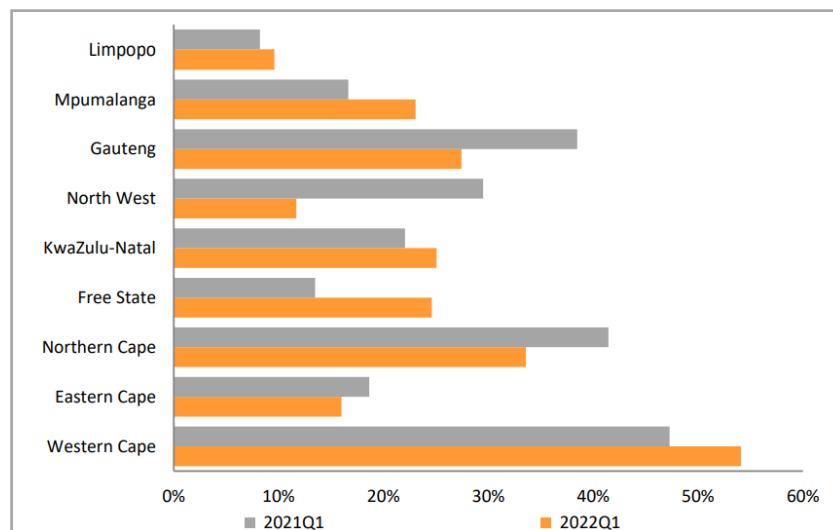
<sup>15</sup> Seda SMME Quarterly Update, 1st Quarter 2022

was estimated at half the national average during this period. It is, therefore, more likely that dire economic conditions prompted more unemployed people to try opening a business out of desperation. A similar situation seems to have been at play in the Northern Cape.

## SMMEs by Province and Formal/Informal Sector

When looking at the provincial data, Gauteng, Northwest, and the Northern Cape all saw a significant decline in the number of formally registered SMMEs between Q1 2021 and Q1 2022. Going against this trend, the formal small business in the Free State nearly doubled from 14% to 25%.

**Figure 20: Formal Sector SMMEs by Province**

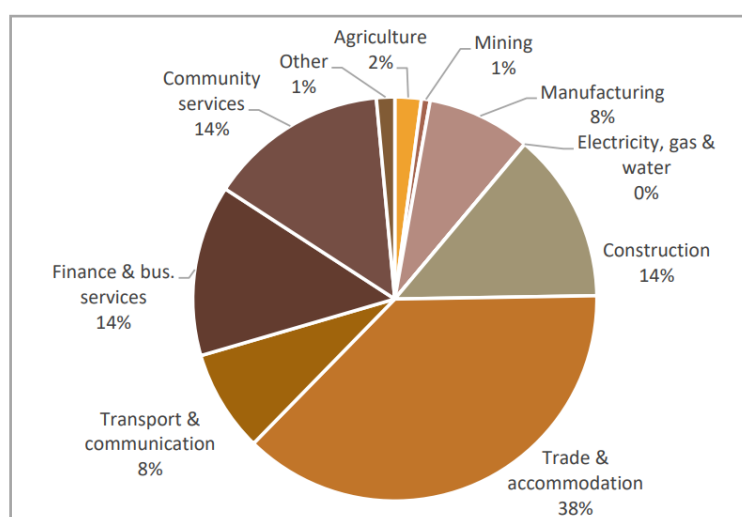


Source: Seda SMME Quarterly Update, 1st Quarter 2022

More than half of the SMMEs operating in the Western Cape are formally registered, whereas in Limpopo and North West, more than 80% operate in the informal sector. The North West saw the biggest percentage drop of formally registered SMMEs in the country.

## SMMEs by Industry

There was an increase in SMMEs operating in the services sector of the economy over the last year, especially in transport and communication, in line with the long-term trend. Many informal businesses are found in the trade and accommodation sector, with street vending, craft selling, online sales, and informal spaza shops providing a path into trading. Accommodation is another area of business frequently not formalised.

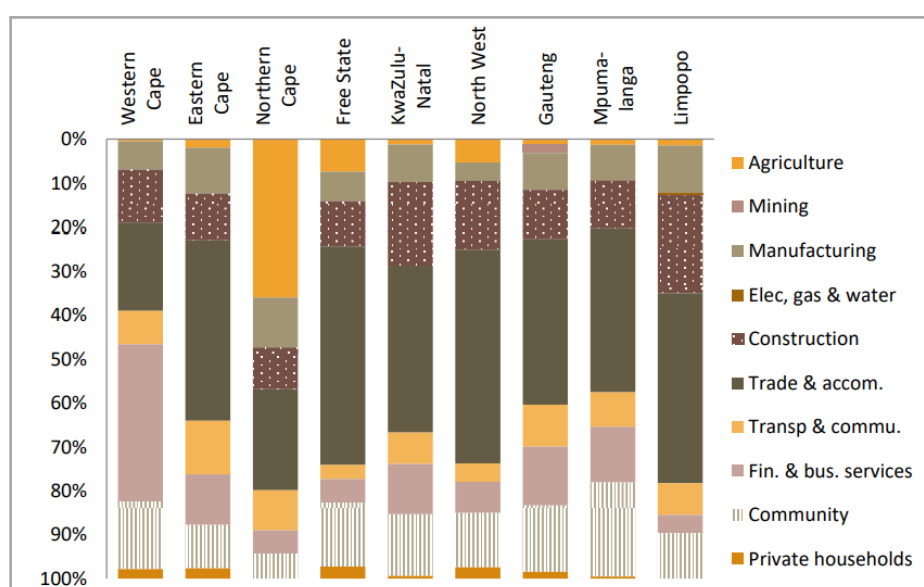
**Figure 21: SMMEs by Industry, 2022 Q1**

Source: Seda SMME Quarterly Update, 1st Quarter 2022

The higher number of SMMEs counted in the mining sector is noteworthy, as most mining ventures require significant capital investment, which is usually an insurmountable obstacle for small entrepreneurs. It could be that illegal and informal miners were included in the survey sample for the first time.

### SMMEs by Industry and Province

Provinces with high concentrations of SMMEs in the trade and accommodation sector tend to have higher ratios of informal businesses, as the sector has relatively low barriers to entry, and entrepreneurs operating micro enterprises may feel the business does not warrant registering.

**Figure 22: SMMEs by Industry and Province**

Source: Seda SMME Quarterly Update, 1st Quarter 2022

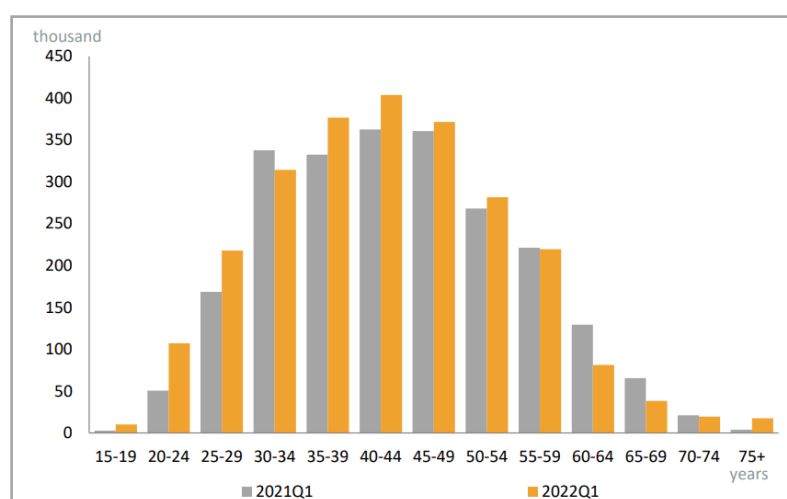
The Western Cape, where more than half of the province's SMMEs operate formally, has a relatively small trade and accommodation sector and, in contrast to other provinces, a large concentration of finance and business services SMMEs. Mpumalanga has the largest percentage of SMMEs in the community sector.

Gauteng is the only province with SMMEs operating in the mining sector and as mentioned above, they may be illegal as well as informal. The Northern Cape has a large proportion of SMMEs in the agricultural sector, which differentiates it from other provinces.

## SMME Owners by Age

There was a 112% surge in the number of 20- to 24-year-olds who started their own micro enterprise between Q1 2021 and Q1 2022. The increase correlates with the high unemployment rate among the youth. Businesses owned by 25- to 29-year-olds increased by just over 29% as well, although businesses owned by the upper band of those considered youth, 30- to 34-year-olds, declined by 7% over the year. 15- to 19-year-olds starting businesses had the biggest gains in percentage terms: 264.2% growth. Businesses owned by this age group rose from 2 794 in 2021 Q1, to 7 382 in 2022 Q1.

**Figure 23: SMME Owners by Age**



Source: Seda SMME Quarterly Update, 1st Quarter 2022

The number of SMME owners older than 60 years declined by 29% over the same period. Despite the significant movements at either end of the age scale, most SMME owners remain in the 40- to 44-year-old age band.

## SMME Owners by Educational Attainment

The number of SMME owners who completed secondary school increased by 16% year on year, and the group now accounts for 31.2% of all SMMEs. Those who have not completed secondary school are still the largest cohort with a third of all SMMEs. Businesses formed by people with no schooling rose 22.8% year on year, but the number of business owners who had not completed primary school dropped by nearly 17%. The number of SMMEs owned by people who completed primary school rose 24.2% year on year, from 92 901 to 115 420.

Figure 24: SMME Owners by Educational Attainment

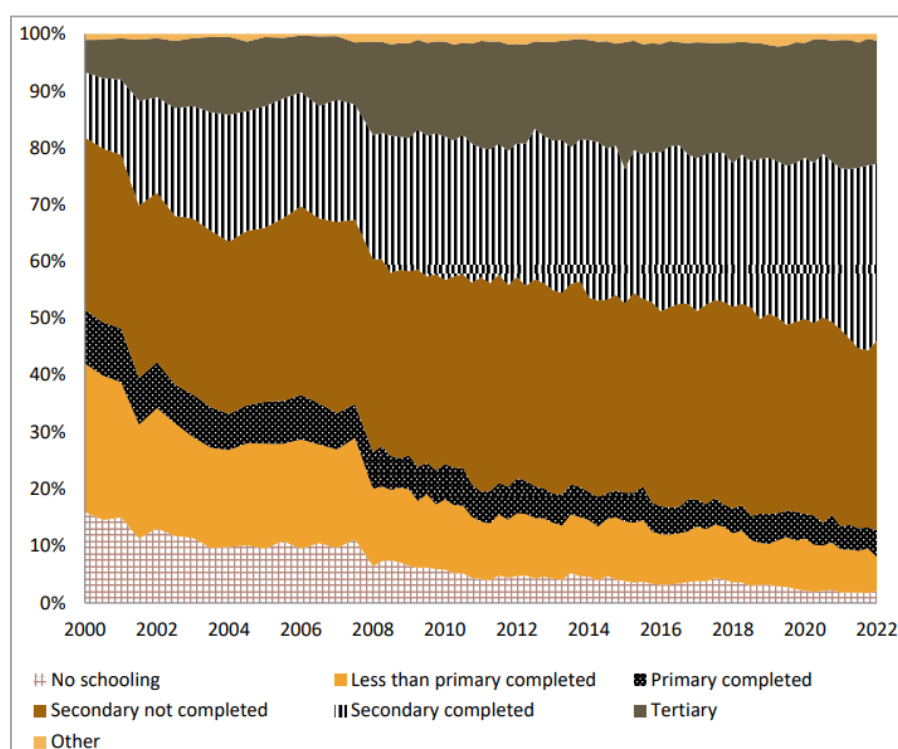


Figure 25: SMME Owners by Educational Attainment

| Schooling                   | 2021Q1           |               | 2021Q4           |               | 2022Q1           |               | Quarterly change |             | Yearly change  |             |
|-----------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|-------------|----------------|-------------|
|                             | Number           | Distrib.      | Number           | Distrib.      | Number           | Distrib.      | Number           | %           | Number         | %           |
| No schooling                | 42 296           | 1.8%          | 42 292           | 1.7%          | 51 961           | 2.1%          | 9 669            | 22.9%       | 9 664          | 22.8%       |
| Less than primary completed | 176 054          | 7.6%          | 192 309          | 7.8%          | 146 397          | 5.9%          | -45 912          | -23.9%      | -29 657        | -16.8%      |
| Primary completed           | 92 901           | 4.0%          | 90 847           | 3.7%          | 115 420          | 4.7%          | 24 573           | 27.0%       | 22 519         | 24.2%       |
| Secondary not completed     | 803 749          | 34.6%         | 761 761          | 31.1%         | 818 450          | 33.3%         | 56 689           | 7.4%        | 14 700         | 1.8%        |
| Secondary completed         | 661 018          | 28.4%         | 799 656          | 32.6%         | 766 577          | 31.2%         | -33 079          | -4.1%       | 105 559        | 16.0%       |
| Tertiary                    | 524 660          | 22.6%         | 545 362          | 22.2%         | 532 658          | 21.6%         | -12 704          | -2.3%       | 7 998          | 1.5%        |
| Other                       | 24 524           | 1.1%          | 20 506           | 0.8%          | 29 194           | 1.2%          | 8 688            | 42.4%       | 4 670          | 19.0%       |
| <b>Total</b>                | <b>2 325 203</b> | <b>100.0%</b> | <b>2 452 733</b> | <b>100.0%</b> | <b>2 460 656</b> | <b>100.0%</b> | <b>7 923</b>     | <b>0.3%</b> | <b>135 453</b> | <b>5.8%</b> |

Businesses owned by those with a tertiary education contracted by 1.5%. Those with the educational attainment of 'other' grew by 19% but still accounted for 1.2% of total SMME owners in the country.

## SMMEs by Occupation

Nearly a quarter of all SMME owners operated in elementary occupations during the first quarter of 2022, just slightly more than a year earlier. The share of technical and associate professionals increased from 5.6% to 8.1%. Managers, however, saw around 12% decline in numbers, as did skilled agricultural and fishery workers.

**Figure 26: SMMEs by Occupation**

Source: Seda SMME Quarterly Update, 1st Quarter 2022

Craft and related trades workers increased by 8.6%, and there were an additional 26 905 plant and machine operators added year on year. There was a slight drop in the number of service, shop, and market workers despite the increase of SMMEs in the trade and accommodation industry<sup>16</sup>.

## Growth Areas for SMMEs

Seda has identified three sectors as potential high growth areas for SMMEs: manufacturing, ICT, tourism, and hospitality.

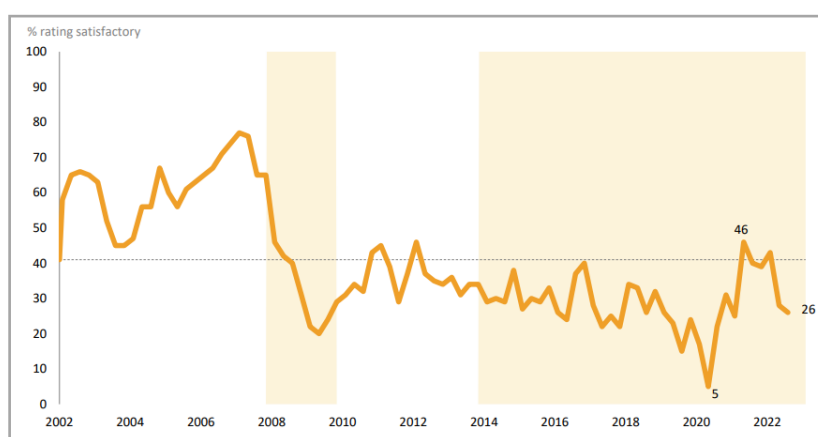
## Manufacturing

Manufacturing business confidence is well below the long-term average. According to the latest Absa Manufacturing Survey, 7 out of 10 respondents were unsatisfied with prevailing business conditions. Whilst this survey is conducted among larger businesses in the formal sector, SMMEs are likely to encounter similar challenges.

The intense loadshedding in 2022, which is likely to continue (and worsen) for the foreseeable future, has an obviously deleterious effect on manufacturing at almost any scale. The fact that there is no obvious end in sight is eroding confidence in the sector.

The current global economic circumstances create tough trading conditions all round. Manufacturers need more certainty on the strength of demand for the products they are producing before they can move forward with confidence. Sharply rising production costs and dubious demand mean that producers cannot be confident about turnover expectations or profit margins. The shortage of raw materials, again due in part to inefficiencies in South African port and transport infrastructure, remains a key constraint for many businesses. In addition to all these headwinds, the rising policy interest rate is a growing concern for manufacturers.

<sup>16</sup> Seda SMME Quarterly Update 1st Quarter 2022

**Figure 27: Manufacturing Business Confidence**

Source: Seda SMME Quarterly Update, 1st Quarter 2022

Despite the bad news, nominal turnover of small and medium-sized enterprises (SMEs) in the sector was 15% higher year on year. Inflation averaged at 5.8% over the period, meaning the sector managed solid growth, with large enterprises managing a 10% growth in turnover. Due to higher growth of SME turnover relative to that of large enterprises, the share that SMEs contributed to turnover of all enterprises rose to 38.7%, the highest level since 2009 when the average prime interest rate was 14.3%<sup>17</sup> compared to the current 10.5%.

## Information and Communication Technology

Globally the performance of the Information and Communication Technology (ICT) sector has returned to pre-pandemic levels, but as with general economic performance, South Africa's recovery is lagging. Revenue growth in the IT and telecoms space in the country was just below 4%, when globally the sector has seen an expansion of 5% to 6%, according to India-based technology research college BMIT.

A positive for the sector was the eventual auction of the high frequency radio spectrum by ICASA in March 2022. The delayed release of the much-needed extra bandwidth was constraining expansion of ICT services in the country. The release of the additional frequencies should facilitate the absorption of new technologies and open opportunities for new business services and revenue streams, creating space for smaller, niche businesses in the sector. The move should also bring down the cost of access, but this remains to be seen.

The lockdowns in 2020 and 2021 sparked certain broad societal behavioural changes. Remote working and telecommuting accelerated significantly, and online shopping received a tremendous boost. According to FNB Merchant Services, the value of the local e-commerce market is currently estimated at just under R200 billion per annum. E-commerce penetration rates are expected to continue to rise as more of the population gains access to the internet and customers are enticed by the convenience of being able to shop from wherever they are.

As a spin off, whether it's high-end electronics or daily groceries, all product-based e-commerce relies on physical deliveries, which creates demand for more delivery drivers.

Automation, digital transformation, and e-commerce provides businesses with opportunities to reduce operational costs, enhance customer service, and improve competitiveness. Tech

<sup>17</sup> Seda SMME Quarterly Update 1st Quarter 2022

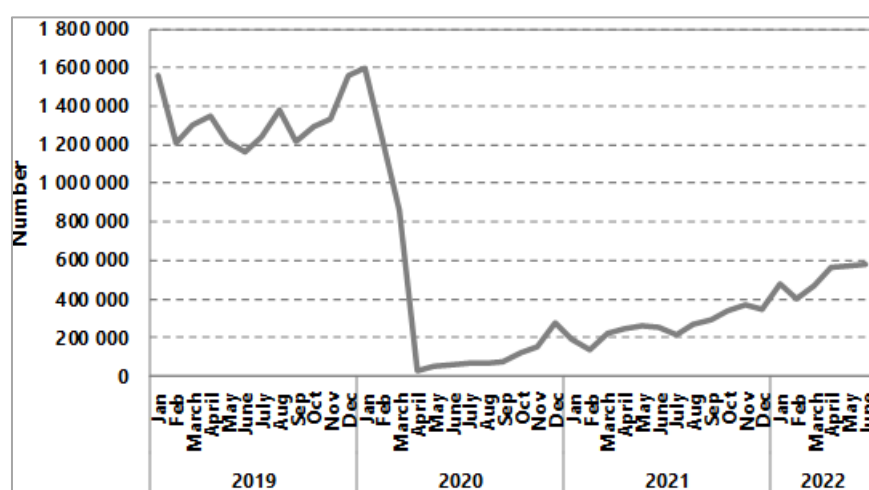


incubators and accelerator programmes can assist South African entrepreneurs, and particularly young entrepreneurs, to create new and innovative applications and digitally based or assisted businesses<sup>18</sup>.

## Tourism and Hospitality

Nowhere is the devastating effect of the 2020/21 Covid-19 lockdowns more vividly demonstrated than in the tourism sector. The gradual easing of restrictive measures both locally and globally has resulted in a slow uptick in activity, but as the graph below suggests, a return to pre-pandemic numbers of international visitors to the country will take time. Foreign travel arrivals reached 581 375 in June 2022, well below the 1 595 388 recorded in January 2020.

**Figure 28: Foreign Travel Arrivals in South Africa**



Source: IDC, compiled using Stats SA data

In 2019, 3.7% of national GDP came from tourism, and the sector accounted for 4.7% of all employment in the country. Tourism also provides opportunities for a vast spectrum of small businesses, many with relatively low barriers to entry. The sector is of vital importance to the recovery prospects of the economy.

Significant in the local context is the fact that the sector is fairly labour intensive and provides many opportunities for lower skilled workers. Another key feature of the sector is that it is not geographically centred in the main economic hubs like Cape Town and Johannesburg and provides work opportunities in all corners of the country.

## Key Challenges Facing South African SMMEs

SMMEs in South Africa face distinct challenges in navigating the current economic conditions, including the following:

- 1) **Limited access to low and medium cost funding is constraining business growth:**

<sup>18</sup> Seda SMME Quarterly Update 1st Quarter 2022

Only 6% of SMMEs surveyed received government funding and only 9% had sourced funding from private sources. Most private equity has been focused on mature businesses with around 90% of funding going to businesses that are more than five years old.

Even when funding is available, low awareness of opportunities and a lack of financial knowledge remain major barriers to SMMEs accessing the required support. Slowing demand has led to SMMEs having to limit expansion plans and identify alternative channels to sell their products.

2) **Access to the right markets to sell products:**

Several SMMEs highlight an ongoing struggle to connect with potential buyers. Very often, SMMEs are overly dependent on a small number of clients. The emergence of online marketplaces and micro sales platforms is one way to overcome this challenge.

3) **Lack of clear market access strategies:**

SMMEs should be more structured and think more holistically in developing their market strategies. A better understanding is needed of shifting demand, potential new client bases, and local substitutes for imported product. Access strategies allow SMMEs to focus on their core value proposition that can be leveraged to clearly position themselves in a new market.

4) **Lack of knowledge to trade:**

Potential SMME owners need to be equipped with the knowledge needed to trade effectively, from basic business management to stock management to marketing and dealmaking.

5) **Founders and owners struggle to empower staff to lead and drive the business:**

Small enterprises are often run and managed by the founders/owners who have expertise in their area of operation but know little to nothing about human performance management systems, day-to-day operating models, and management structures with well-defined roles and responsibilities, key performance indicators, and delegated decision-making.

6) **Developing team skills and capabilities and empowering leadership:**

SMMEs on a growth fast-track can struggle to scale up, particularly when founders are still actively involved in the business. By investing in capacity building, particularly at a leadership level, SMMEs can create more capacity for owners to focus on growth and strategy to ensure sustainability.

7) **Liquidity and cashflow management are limited:**

Many new and low maturity SMMEs lack the financial, operational, and strategic structures that are common in larger businesses. This hinders them from making the best use of available capital to scale their operations. A lack of prioritisation and financial planning can result in poor to no growth. Liquidity and cashflow management are likely to come under even further pressure during times of crisis.

8) **Difficulty leveraging technology to reach new customers or provide a distinctive value proposition:**

Digital and new technologies create an opportunity for SMMEs to enhance their reach and increase efficiency at lower costs, overcoming the scale disadvantage they have relative to larger players. Some SMMEs struggle to focus on key areas of competitiveness in their value

chain, product, and/or operations and identify the best technology levers to enhance competitiveness.

9) **Balancing the drive for efficiency with the push for sales:**

Most SMMEs we have worked with a focus on increasing sales and managing cash as priorities. SMMEs that focus on operational efficiencies can drive further competitiveness to support sales, while also potentially creating increased capacity in the business.

10) **Access to the right support to enable growth:**

Many SMMEs lack the in-house skills and business advisory services they need to get the right advice on structural business changes to help them reimagine their business in response to the current economic reality.

SMMEs are considered a vital engine in an economy, driving growth, spearheading innovation, and perhaps most importantly, creating employment, especially among young people. They can leverage their agility to design and incubate new technologies and business models to build a better future. Many of South Africa's SMMEs have the potential to become tomorrow's large corporations, the African unicorns that the continent needs to continue its path towards growth and prosperity<sup>19</sup>.

### 1.1.5. UPDATED PESTEL ANALYSIS

|          |                  |  |
|----------|------------------|--|
| <b>P</b> | <b>Political</b> | <ul style="list-style-type: none"> <li>▪ Growing tension between the world's most powerful players threatens to disrupt the decades old economic and political status quo, reshaping global cooperation and trade patterns.</li> <li>▪ Locally, as economic growth slows, joblessness rises, and the cost-of-living crisis intensifies, the public is tiring of the call to <i>"have hope and be patient"</i>.</li> <li>▪ The July 2021 unrest raised questions about the government's ability to enforce the law, protect property, and maintain public order. Runaway food inflation affects the unemployed and poor most dramatically and could spark unrest more widespread than previously seen.</li> <li>▪ Policy uncertainty and a seeming lack of efficacy of economic recovery plans is further eroding the credibility of public institutions, along with unprecedented levels of loadshedding and chaotic politicking in coalition run municipalities.</li> </ul> |
| <b>E</b> | <b>Economic</b>  | <ul style="list-style-type: none"> <li>▪ Having just begun to emerge from the massive disruption and economic losses caused by Covid-19 mitigation efforts, the global economy is again on shaky ground as longstanding geopolitical tensions boiled over into war in Ukraine.</li> <li>▪ Global growth estimates have been revised downwards and are likely to contract further as high inflation persists for longer than forecast, creating concerns that constricting global growth will develop into a recession.</li> </ul>  |

<sup>19</sup> Seda Annual Performance Plan, 2022/23–2024/25

|          |                      |   |
|----------|----------------------|---|
|          |                      | <ul style="list-style-type: none"> <li>▪ Tightening monetary policy and rising interest rates in advanced economies will make debt more expensive for emerging markets and create downward pressure on their currencies.</li> <li>▪ Global supply chains are likely to see more regular disruptions due to an increasingly fractious geopolitical environment, as well as bottlenecks in the system. Trade patterns are being rethought as fragilities and inefficiencies are exposed.</li> <li>▪ South Africa needs to be cautious of an overreliance on buoyant commodity prices and focus on building a diverse and robust local economy poised to take advantage of recovery opportunities.</li> <li>▪ Agriculture contributes around 2.5% of total GDP and employs around 5% of the workforce, so may be a sector with room to expand. The sector also provides significant opportunity for less highly skilled jobseekers.</li> <li>▪ Poor economic growth means that supply opportunities to local and international businesses are reduced, which will suppress SMME growth and increase business failure.</li> <li>▪ Widespread lawlessness seriously undermines the economic growth prospects of the country. Theft and vandalism of infrastructure, extortionist supply chain syndicates, building and land hijackers, and criminal gangs posing as 'business forums' drain value from the economy and add an unsustainable levy to the cost of doing business.</li> </ul> |
| <b>S</b> | <b>Social</b>        | <ul style="list-style-type: none"> <li>▪ Mass unemployment creating widespread poverty is an urgent national challenge. Structural and socio-economic inequality was deepened by the pandemic, and gaps continue to widen.</li> <li>▪ In a report compiled by the World Economic Forum "<i>social cohesion erosion</i>" was considered a short-term threat in 31 countries, including Argentina, France, Germany, Mexico, and South Africa.</li> <li>▪ Socio-economic challenges are exacerbated by the underperformance of the education system, with low pass rates generally, and specifically poor results in STEM. As STEM subjects are key to employability in technical and professional occupations, the education system is not delivering the skills youth need to thrive in the current and future economy. Early childhood development is critical to successful outcomes later in the educational process.</li> </ul>  |
| <b>T</b> | <b>Technological</b> | <ul style="list-style-type: none"> <li>▪ Despite being dominated by the global tech giants, the internet has dramatically improved access to information and to markets, and creates unprecedented opportunity for small, independent start-ups of all types.</li> <li>▪ Automation of administrative, organisational, and management processes facilitate greater efficiencies, especially for SMMEs.</li> <li>▪ In many industries technology has lowered barriers to entry, provided affordable business administration and support tools, and supplied access to global markets.</li> </ul>   |

|          |                         |  |
|----------|-------------------------|--|
|          |                         | <ul style="list-style-type: none"> <li>Access to technology in South Africa mirrors the patterns of general inequality. Whilst most of the country is covered by cellular networks 2G, 3G, and 4G, the price of data remains prohibitively high, and speeds are not always adequate for commercial activity. Only the affluent have reliable access to high-speed, cost-effective internet through fibre and 5G.</li> <li>Most transactions conducted today are completely reliant on technological systems to complete them. The downside to reliance on technology is its fragility and susceptibility to attack and disruption. For most users the technology itself is a 'black box', i.e., the end user has little to no idea how the technology works, or how to fix it when it does not. On a basic level, none of our advanced technology works without a source of electrical power.</li> </ul>   |
| <b>E</b> | <b>Environmental</b>    | <ul style="list-style-type: none"> <li>Considering the exogenous risks posed by climate change, climate concerns will continue to dominate economic and energy generation conversations for the medium to long term as global leaders seek to create consensus on how to limit global warming to the target of 1.5 degrees.</li> <li>A coordinated and centrally controlled approach to tackling climate change and future pandemics is being strongly advocated by groups, such as the World Economic Forum, the World Health Organisation, IMF, and World Bank. Practically this would require nation states to sacrifice autonomy and cede significant decision-making power to a centralised (and unelected) technocratic authority.</li> <li>Corporate investment decisions are increasingly being influenced by environmental, social, and governance (ESG) considerations, although 'official' ESG scores are still somewhat contentious.</li> <li>Fixed investment in infrastructure and the green economy (including renewable energy and climate friendly industrial processes) is expected to accelerate, supporting the emergence of 'green' industries and occupations.</li> <li>South Africa is the largest greenhouse gas emitter in Africa, and the 12th largest globally. The country has committed to ambitious climate change targets in line with the NDP and 'net zero emissions by 2050'.</li> <li>Developed nations are in talks with the South African government regarding loans to fund the 'just transition' away from coal to 'green energies'. Detractors contend that energy sources such as wind and solar are currently inefficient, expensive, and have a high carbon cost to manufacture and install. The assistance being offered is in the form of repayable loans.</li> <li>Environmental impact assessments and requirements can be barriers to SMME growth and sustainability.</li> </ul> |
| <b>L</b> | <b>Legal/Regulatory</b> | <ul style="list-style-type: none"> <li>Overregulation and onerous compliance requirements are a burden on SMMEs, undermining their role in driving employment and economic performance, as well as discouraging formal registration of small businesses</li> </ul>   |

- A factor perennially accused of suppression of investment and economic growth is overly rigid labour regulation. Wage bargaining is conducted at a relatively high level and negotiated terms are automatically extended to smaller firms, negatively affecting the development of small businesses, and hindering the employment of youth.
- Product compliance requirements are extremely expensive, and regulatory burdens are increasing. No real evidence of 'cutting of red tape' is evident.
- The National Small Enterprise Amendment Bill 2020 outlines the establishment of an ombud service that will provide legal support to SMMEs. The Small Enterprise Ombud Service will handle complaints, resolve disputes, and enforce contracts in the sector.

## 1.2. INTERNAL ENVIRONMENT ANALYSIS

### 1.2.1. REFLECTION ON MIDTERM LOAN BOOK PERFORMANCE

Headline achievements for the period 2019/20 to Q3 2022/23 are as follows:

Figure 29: sefa Loan Book Performance, 2019/20 – Q3 2022/23



Efficiency ratios are calculated as the number of facilities approved or disbursed divided by the number of staff in the respective divisional area, middle and back-office staff excluded. Microfinance disbursements are to end users, and 'facilities approved' refers to numbers of SMMEs.



**Figure 30: Efficiency Ratios**

| Efficiency of Approvals        |                     |       |            |                     |       |            |                     |       |            |
|--------------------------------|---------------------|-------|------------|---------------------|-------|------------|---------------------|-------|------------|
| Financial Year<br>Division     | FY 2019/2020        |       |            | FY 2020/2021        |       |            | FY 2021/2022 (YTD)  |       |            |
|                                | Facilities Approved | Staff | Efficiency | Facilities Approved | Staff | Efficiency | Facilities Approved | Staff | Efficiency |
| Direct Lending                 | 346                 | 79    | 4.38       | 2792                | 79    | 35.34      | 1865                | 79    | 23.61      |
| KCG                            | 2                   | 6     | 0.33       | 5200                | 6     | 866.67     | 502                 | 6     | 83.67      |
| Micro-Finance                  | 4                   | 3     | 1.33       | 2                   | 3     | 0.67       | 3                   | 3     | 1.00       |
| Wholesale SME and Cooperatives | 24                  | 11    | 2.18       | 13                  | 11    | 1.18       | 8                   | 11    | 0.73       |

| Efficiency of Disbursements    |                      |       |            |                      |       |            |                      |       |            |
|--------------------------------|----------------------|-------|------------|----------------------|-------|------------|----------------------|-------|------------|
| Financial Year<br>Division     | FY 2019/2020         |       |            | FY 2020/2021         |       |            | FY 2021/2022 (YTD)   |       |            |
|                                | Facilities Disbursed | Staff | Efficiency | Facilities Disbursed | Staff | Efficiency | Facilities Disbursed | Staff | Efficiency |
| Direct Lending                 | 343                  | 79    | 4.34       | 2642                 | 79    | 33.44      | 1380                 | 79    | 17.47      |
| KCG                            | 187                  | 6     | 31.17      | 5260                 | 6     | 876.67     | 542                  | 6     | 90.33      |
| Micro-Finance                  | 88286                | 3     | 29,428.67  | 72990                | 3     | 24,330.00  | 17567                | 3     | 5,855.67   |
| Wholesale SME and Cooperatives | 1537                 | 11    | 139.73     | 1727                 | 11    | 157.00     | 957                  | 11    | 87.00      |

In reflecting on the above performance, **sefa's** operating environment remains challenging due to sluggish economic growth, lingering economic damage caused by Covid-19 lockdowns, and continuing uncertainty around the **sefa/Seda/CBDA** merger. High inflation and rising interest rates create additional restrictive pressure.

Specifically, the loan book performance has been impacted by:

- 1) Unfavourable economic conditions are decreasing demand for **sefa** products and services.
- 2) Lack of funding readiness of applicants slows processes and turnaround times.
- 3) Owing to capacity challenges both at **sefa** and at intermediary level, and reliance on only two MFIs to achieve the desired organisational development impact, the Informal and Microfinance Programme have failed to reach targets.
- 4) There has been a low uptake of the KCG facility, and ongoing delays in the implementation of TREP.
- 5) Inadequate programme management and traction for targeted groups, such as women, youth, and PWDs.

## 1.2.2. REFLECTION ON FINANCIAL PERFORMANCE TO DATE

Headline trends for the period 2020/21 to December 2022 are as follows:

## Abridged Income Statement

| STATEMENTS OF COMPREHENSIVE INCOME<br>(R'm)                                    | Audited AFS<br>2022 | Actuals YTD<br>December<br>2022 | Budget<br>YTD_2023 | Variance<br>R'm | VAR %       |
|--|---------------------|---------------------------------|--------------------|-----------------|-------------|
| <b>Income (Including MTEF)</b>   | <b>853</b>          | <b>878</b>                      | <b>753</b>         | <b>125</b>      | <b>17%</b>  |
| Interest earned on loans and advances  | 116                 | 120                             | 111                | ▲ 9             | 8%          |
| Other interest - Bank and Cash   | 92                  | 103                             | 69                 | ▲ 34            | 50%         |
| Fee income from loans and indemnities  | 19                  | 19                              | 16                 | ▲ 3             | 21%         |
| Profit from equity accounted investments, including other comprehensive income | 44                  | (2)                             | 3                  | ▼ (5)           | 100%        |
| Grant income   | 315                 | 369                             | 351                | ▲ 19            | 5%          |
| Other income   | 15                  | 10                              | 10                 | ▲ 0             | 1%          |
| MTEF Allocation  | 252                 | 259                             | 194                | ▲ 65            | 33%         |
| <b>Expenses</b>  | <b>(773)</b>        | <b>(974)</b>                    | <b>(806)</b>       | <b>(168)</b>    | <b>-21%</b> |
| Interest charged on shareholder's loan   | (55)                | (44)                            | (44)               | ▲ 0             | 0%          |
| Movement on impairments on investments&cash                                    | (2)                 | 10                              | -                  | ▲ 10            | 0%          |
| Movement on impairments and bad debt provisions:                               | (338)               | (518)                           | (297)              | ▼ (221)         | -74%        |
| Net loss on investment properties  | (34)                | (41)                            | (73)               | ▲ 32            | 44%         |
| Investment property rental income  | 24                  | 20                              | 13                 | ▲ 7             | -51%        |
| Investment property expenses   | (57)                | (61)                            | (86)               | ▲ 25            | 29%         |
| Net fair value (loss)/gain on investment properties                            | 2                   | (2)                             | -                  | ▼ (2)           | 0%          |
| Personnel expenses   | (209)               | (186)                           | (188)              | ▲ 2             | 1%          |
| Lease Liability Finance Cost   | (3)                 | (2)                             | (2)                | ▼ (0)           | -4%         |
| Grant expense  | (88)                | (110)                           | (70)               | ▼ (40)          | -58%        |
| Other operating expenses   | (47)                | (81)                            | (132)              | ▲ 51            | 39%         |
| <b>(Loss)/Profit for the year before tax</b>                                   | <b>80</b>           | <b>(95)</b>                     | <b>(53)</b>        | <b>▼ (43)</b>   | <b>-81%</b> |
| <b>Tax</b>   | <b>270</b>          | <b>-</b>                        | <b>(0)</b>         | <b>▲ 0</b>      | <b>0%</b>   |
| <b>(Loss)/Profit for the year after tax (Ind MTEF)</b>                         | <b>349</b>          | <b>(95)</b>                     | <b>(53)</b>        | <b>▼ (43)</b>   | <b>-81%</b> |
| <b>(Loss)/Profit for the year after tax (Exd MTEF)</b>                         | <b>98</b>           | <b>(354)</b>                    | <b>(247)</b>       | <b>▼ (43)</b>   | <b>-43%</b> |

| STATEMENTS OF COMPREHENSIVE INCOME<br>(R'm)                                    | Audited AFS 2022 | Actuals YTD<br>September 2022 | Budget YTD_2023 | Variance<br>R'm | VAR %        |
|--|------------------|-------------------------------|-----------------|-----------------|--------------|
| <b>Income (Including MTEF)</b>   | <b>853</b>       | <b>484</b>                    | <b>490</b>      | <b>(6)</b>      | <b>-1%</b>   |
| Interest earned on loans and advances  | 116              | 72                            | 74              | (3)             | -4%          |
| Other interest - Bank and Cash   | 92               | 56                            | 45              | 11              | 25%          |
| Fee income from loans and indemnities  | 19               | 14                            | 10              | 4               | 38%          |
| Profit from equity accounted investments, including other comprehensive income | 44               | (1)                           | 3               | (4)             | 100%         |
| Grant income   | 315              | 225                           | 221             | 4               | 2%           |
| Other income   | 15               | 8                             | 7               | 1               | 15%          |
| MTEF Allocation  | 252              | 110                           | 129             | (19)            | -15%         |
| <b>Expenses</b>  | <b>(773)</b>     | <b>(579)</b>                  | <b>(533)</b>    | <b>(45)</b>     | <b>-9%</b>   |
| Interest charged on shareholder's loan   | (55)             | (29)                          | (29)            | 0               | 0%           |
| Movement on impairments on investments&cash                                    | (2)              | 9                             | -               | 9               | 0%           |
| Movement on impairments and bad debt provisions: Loans and advances            | (338)            | (276)                         | (200)           | (76)            | -38%         |
| Net loss on investment properties  | (34)             | (26)                          | (48)            | 22              | 46%          |
| Net fair value (loss)/gain on investment properties                            | 2                | (2)                           | -               | (2)             | 0%           |
| Personnel expenses   | (209)            | (121)                         | (125)           | 4               | 3%           |
| Lease Liability Finance Cost   | (3)              | (1)                           | (1)             | (0)             | -5%          |
| Grant expense  | (88)             | (77)                          | (43)            | (34)            | -79%         |
| Other operating expenses   | (47)             | (55)                          | (87)            | 32              | 37%          |
| <b>(Loss)/Profit for the year before tax</b>                                   | <b>80</b>        | <b>(95)</b>                   | <b>(43)</b>     | <b>(51)</b>     | <b>-118%</b> |
| <b>Tax</b>   | <b>270</b>       | <b>-</b>                      | <b>(0)</b>      | <b>0</b>        | <b>0%</b>    |
| <b>(Loss)/Profit for the year after tax (Incl MTEF)</b>                        | <b>349</b>       | <b>(95)</b>                   | <b>(43)</b>     | <b>(51)</b>     | <b>-118%</b> |

The year-to-date net loss (including MTEF) amounted to **R95.4 million** compared to a year-to-date budget net loss of **R52.8 million**. This was mainly driven by additional impairment movements,

with the overall impairment rate increasing from 38.7% (Q2) to 42.7% (Q3). The lower collections on the debtors have been attributed to increased load-shedding and inflation.

The interest from lending for the year-to-date amounted to R119.9 million against a budget year-to-date amount of R110.8 million resulting in a positive variance of R9.9 million (8%). This was mainly driven by higher prime/repo rates for the period which resulted in additional income for the period.

Savings in operating expenses for period year-to-date amounted to R81.0 million compared to a budgeted of R132.3 million, resulting in a favourable variance of R51.3 million. Contributors to the positive variance were technical provision movements (related to KCG); investment property repairs and maintenance; consulting fees; depreciation; legal fees and training.

## Abridged Balance Sheet

|   | Audited AFS<br>2022 | Actuals YTD<br>September<br>2022 | Budget<br>YTD_2023 | Variance<br>R'm | VAR %     |
|---|---------------------|----------------------------------|--------------------|-----------------|-----------|
| <b>sefa Group Statement of Financial Position (R'm)</b> |                     |                                  |                    |                 |           |
| <b>TOTAL ASSETS</b>                                     | <b>6 370</b>        | <b>6 895</b>                     | <b>6 660</b>       | <b>▲ 235</b>    | <b>4%</b> |
| Loans and advances                                      | 1 528               | 1 657                            | 1 491              | ▲ 165           | 11%       |
| Investments   | 972                 | 922                              | 933                | ▼ (12)          | -1%       |
| Investment properties                                   | 185                 | 183                              | 188                | ▼ (6)           | -3%       |
| Cash and cash equivalents                               | 3 321               | 3 763                            | 3 570              | ▲ 193           | 5%        |
| Right-of-use assets                                     | 22                  | 14                               | 15                 | ▼ (1)           | -7%       |
| Other assets  | 342                 | 357                              | 462                | ▼ (105)         | -23%      |
| <b>EQUITY AND LIABILITIES</b>                           | <b>6 370</b>        | <b>6 895</b>                     | <b>6 660</b>       | <b>▲ 235</b>    | <b>4%</b> |
| <b>Equity</b>   | <b>1 277</b>        | <b>1 181</b>                     | <b>1 150</b>       | <b>▲ 31</b>     | <b>3%</b> |
| Share capital   | 308                 | 308                              | 308                | ▲ 0             | 0%        |
| Retained earnings and other reserves                    | 968                 | 873                              | 842                | ▲ 31            | 4%        |
| <b>Liabilities</b>                                      | <b>5 093</b>        | <b>5 714</b>                     | <b>5 510</b>       | <b>▲ 204</b>    | <b>4%</b> |
| Trade and other payables                                | 135                 | 124                              | 129                | ▼ -5            | -4%       |
| Tax Payable   | -                   | -                                | 0                  | ▼ (0)           | -100%     |
| Lease Liability   | 27                  | 18                               | 18                 | ▲ 0             | 1%        |
| Deferred Grants   | 4 170               | 4 761                            | 4 501              | ▲ 260           | 6%        |
| Indemnity reserves held                                 | 27                  | 33                               | 83                 | ▼ (51)          | -61%      |
| Shareholder's loan                                      | 734                 | 778                              | 778                | ▲ 0             | 0%        |

| <b>sefa Group Statement of Financial Position (R'm)</b> | <b>Audited AFS 2022</b> | <b>Actuals YTD September 2022</b> | <b>Budget YTD_2023</b> | <b>Variance R'm</b> | <b>VAR %</b> |
|---|-------------------------|-----------------------------------|------------------------|---------------------|--------------|
| <b>TOTAL ASSETS</b>                                     | <b>6,370</b>            | <b>6,686</b>                      | <b>6,525</b>           | <b>161</b>          | <b>2%</b>    |
| Loans and advances                                      | 1,528                   | 1,690                             | 1,488                  | 202                 | 14%          |
| Investments   | 972                     | 927                               | 934                    | (7)                 | -1%          |
| Investment properties                                   | 185                     | 183                               | 188                    | (6)                 | -3%          |
| Cash and cash equivalents                               | 3,321                   | 3,510                             | 3,476                  | 33                  | 1%           |
| Right-of-use assets                                     | 22                      | 16                                | 17                     | (1)                 | -5%          |
| Other assets  | 342                     | 360                               | 422                    | (62)                | -15%         |
| <b>EQUITY AND LIABILITIES</b>                           | <b>6,370</b>            | <b>6,686</b>                      | <b>6,525</b>           | <b>161</b>          | <b>2%</b>    |
| <b>Equity</b>   | <b>1,277</b>            | <b>1,182</b>                      | <b>1,159</b>           | <b>22</b>           | <b>2%</b>    |
| Share capital   | 308                     | 308                               | 308                    | 0                   | 0%           |
| Retained earnings and other reserves                    | 968                     | 873                               | 851                    | 22                  | 3%           |
| <b>Liabilities</b>                                      | <b>5,093</b>            | <b>5,505</b>                      | <b>5,366</b>           | <b>138</b>          | <b>3%</b>    |
| Trade and other payables                                | 135                     | 156                               | 123                    | 32                  | 26%          |
| Tax Payable   | -                       | -                                 | 0                      | (0)                 | -100%        |
| Lease Liability   | 27                      | 21                                | 21                     | 0                   | 2%           |
| Deferred Grants   | 4,170                   | 4,532                             | 4,392                  | 140                 | 3%           |
| Indemnity reserves held                                 | 27                      | 33                                | 67                     | (34)                | -51%         |
| Shareholder's loan                                      | 734                     | 763                               | 763                    | 0                   | 0%           |

Loan and advances balance at the end of Q3 were **R1.66 billion**, higher than the budget of **R1.49 billion**. This was driven by the higher FY2022/23 opening balances, because of increased Direct Lending disbursements at FY2021/22 year-end.

Group cash balances were **R3.76 billion** at the end of December 2022 compared to a budget of **R3.57 billion**. The higher than budgeted cash balances are due to the additional funds received from the DSBD relating to the TREP programmes.

| Strategic Indicator   | Annual Target | Q3 Achieved        |
|---|---------------|--------------------|
| Cost-to-income ratio before impairments*  | 87%           | 62%                |
| Accumulated Impairment provision as a percentage of total loans and advances (excluding Direct Lending disbursement prior to the 1st of April 2016) | 38%           | 43%                |
| Percentage growth in revenue (excl. grant income and MTEF)  | 10%           | Annual Measurement |

\* Included in the cost-to-income ratio calculation is the annual MTEF allocation received year-to-date of R258.7 million.

The favourable cost-to-income ratio was a result of an increase in investment income resulting from higher cash balances in the ring-fenced bank accounts, and cost savings noted under personnel expenses, investment properties expenses, KCG technical reserve movements, and other operating expenses. As well as the receipt in advance of the Q4 MTEF allocation.

There was an increase in loans and advances that moved into Stage 3 in the current year which resulted in higher impairment ratio compared to target.

Revenue grew by 34% in the period-to-date when compared to the same period in the previous year. This was a result of an increase in interest from lending operations and investment income. Interest from lending operations increased by **R9.9 million** because of the growth in the loan book, whilst investment income increased by **R44.7 million** as compared to previous year, mainly due increased cash balances and the higher prime interest rate.

### 1.2.3. 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 merger. These include talent loss due to short-term contracts, a lack of accountability for underperformance, insufficient budget for marketing, and limited platforms for external and internal communication.

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. It will also 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.

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 also review and implement the IT resource panel, capacitate IT by filling vacant posts within a reasonable timeframe, and implement standards and frameworks to improve IT governance to CMMI level 3.

This includes improving cybersecurity hygiene to comply with the ISO/IEC 27001 family of Information Security Standards, COBIT 19, and the National Institute of Standards and Technology (NIST) Framework.

Key interventions moving forward include establishing a reporting portal for stakeholders (internal and external) and implementing a Fintech Platform to deliver speed and efficiency to customers. The Fintech Platform seeks to achieve one view for all lending workflows, improve consistency, significantly reduce errors and risks, manage risk effectively for customers of any credit profile, accelerate deal-making decisions in line with credit policy, and reflect an interactive common funding template on the **sefa** website linked to eligibility criteria.

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. Moving forward, **sefa** will implement integrated governance, risk, and compliance reporting, enhance the implementation of fraud prevention and anti-corruption interventions, and improve the quality of the service providers utilised for investigations.





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.

In respect of financial support to targeted groups, the following table reflects actual performance over the MTSF period to date, and projections moving forward:

| Targeted Group   | FY2019/20 – 31 Dec 2022 (Actual) | 1 Jan 2023 – 31 Mar 2023 (Projected) | 1 Apr 2023 – 31 Mar 2024 (Projected) | Total                |
|--|----------------------------------|--------------------------------------|--------------------------------------|----------------------|
| <b>Youth-owned enterprises</b>                             | R1.4 billion                     | R120 million                         | R660 million                         | <b>R2.18 billion</b> |
| <b>Women-owned enterprises</b>                             | R2.6 billion                     | R160 million                         | R882 million                         | <b>R3.64 billion</b> |
| <b>Businesses owned by entrepreneurs with disabilities</b> | R82 million                      | R28 million                          | R153 million                         | <b>R 263 million</b> |

Additionally, over the MTEF period **sefa** seeks to improve its B-BBEE level from the current B-BBEE level 8, to achieve B-BBEE facilitator status which will enable it to aggressively leverage private sector enterprise and supplier development funding. **sefa** has developed a B-BBEE Strategy to improve its B-BBEE status, and progress on the improved status will be regularly monitored at the Board subcommittee level.

#### 1.2.4. UPDATED SWOT ANALYSIS

|   |   |
|---|---|
| <div data-bbox="209 539 363 678">  </div> <div data-bbox="375 589 596 624">STRENGTHS</div> <ul style="list-style-type: none"> <li>▪ <b>sefa</b> is likely to continue obtaining budgetary allocations to issue loans and grants, as well as non-financial support due to its mandate aligning to the NDP.</li> <li>▪ <b>sefa's</b> financial and corporate governance system is strong (the organisation has obtained a clean and unqualified audit for eight consecutive years).</li> <li>▪ Specific customisation of deal structuring allows client-centric 'solutioning' of a <b>sefa</b> wholesale funding offering.</li> <li>▪ Secure IT infrastructure and efficient software in place providing strong security for <b>sefa</b> systems.</li> </ul> | <div data-bbox="783 539 938 678">  </div> <div data-bbox="948 589 1201 624">WEAKNESSES</div> <ul style="list-style-type: none"> <li>▪ The <b>sefa</b>/Seda/CBDA merger is creating organisational uncertainty and increased resignation of key employees, which has an adverse impact on organisational performance.</li> <li>▪ Lack of stability in the policymaking environment is leading to inconsistency in programme implementation.</li> <li>▪ Growth in the loan book is leading to capacity challenges in Post-Investment Management.</li> <li>▪ The target market is unaware of the services and benefits offered by <b>sefa</b>.</li> <li>▪ Low skill levels of applicants influencing the quality of applications (funding readiness), as well as the lack of access to technology required for submissions.</li> <li>▪ Inadequate staff capacity at <b>sefa</b> resulting in poor processing turnaround times.</li> <li>▪ Lack of automation of certain business processes resulting in inefficiencies.</li> <li>▪ Aged infrastructure in properties resulting in increased expenses in managing of the properties and difficulty in securing quality tenants.</li> </ul> |
| <div data-bbox="209 1711 363 1850">  </div> <div data-bbox="375 1760 643 1796">OPPORTUNITIES</div> <ul style="list-style-type: none"> <li>▪ Competitive pricing and cross-sectoral funding provide <b>sefa</b> with a market advantage.</li> </ul>   | <div data-bbox="783 1711 938 1850">  </div> <div data-bbox="948 1760 1090 1796">THREATS</div> <ul style="list-style-type: none"> <li>▪ Current national challenges, such as electricity supply constraints, water supply interruptions, and rail network challenges, pose a significant threat to the</li> </ul>   |

|  <b>OPPORTUNITIES</b>  |  <b>THREATS</b>   |
|---|--|
| <ul style="list-style-type: none"> <li>▪ The merged entity can offer a one-stop-shop facility and efficiency enhancements.</li> <li>▪ Leverage increasing level of involvement from the private sector to expand support to SMMEs and co-operatives (i.e., smaller players issuing loans to SMMEs with shorter turnaround times, etc.).</li> <li>▪ Existing unbanked and underserved SMMEs can be expanded by <b>sefa</b>.</li> <li>▪ <b>sefa</b> can leverage external funding, making it an implementor of choice for strategic partners, e.g., European Union (EU) Fund, Small Business Improvement Fund (SBIF).</li> <li>▪ Collaboration with and lobbying of lending partners to relax certain credit extension rules to TREP clients.</li> <li>▪ Utilisation of state transversal contracts to achieve efficiencies.</li> </ul> | <p>sustainability of <b>sefa</b> clients and their viability and competitiveness, leading to expected high loan default rates.</p> <ul style="list-style-type: none"> <li>▪ Increasingly emerging is a blurring of the mandates of various DFIs, potentially arising from the <b>sefa</b>/Seda merger process. The IDC and the DBSA are moving rapidly to operate in the SMME wholesale lending environment or to establish SMME funds.</li> <li>▪ High impairment rate and debt write-offs are leading to capital erosion.</li> <li>▪ Rental boycotts in <b>sefa</b> properties obstruct the collections target.</li> <li>▪ Political mistrust between the private sector and government negatively affects the execution of KCG programmes (e.g., banks require a due diligence on KCG).</li> <li>▪ The highly regulated legal environment is affecting the KCG insurance license conditions.</li> <li>▪ Staff attrition, loss of institutional knowledge, delayed decision-making, and staff concerns over remuneration and incentives have resulted in low staff morale and engagement.</li> </ul> |

### 1.2.5. STRATEGIC PRIORITIES INFORMING PLANNING FOR 2023/24

The 2023/24 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) **Building a sustainable loan book:**

- a) Expansion of credit, e.g., microfinance.
- b) Investment and building of sustainable Black-owned financial intermediary base.
- c) Focus on building clients' sustainability (PIM and business support services).
- d) Decreasing impairments.
- e) Crowding-in the private sector, DFIs and other public sector resources through possible syndication of loans.

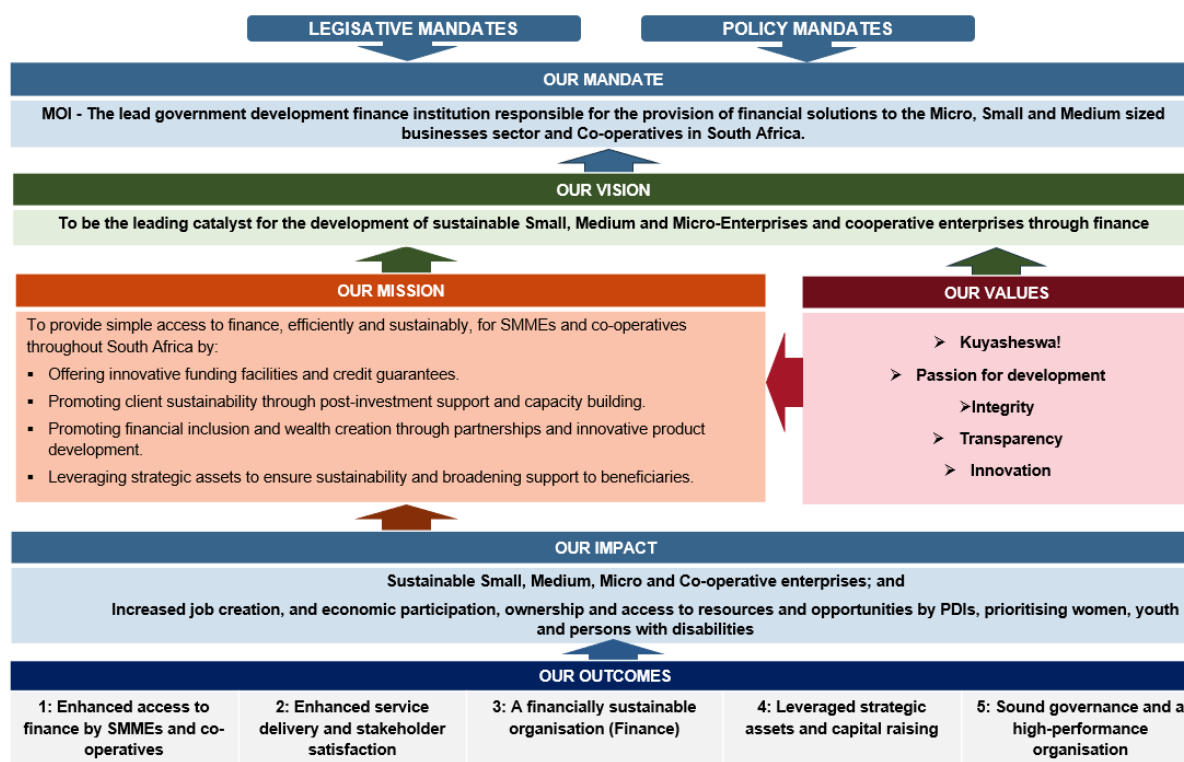


- f) NISED response, finalise SMME and Co-operatives Funding Policy and Strategy.
  - g) Rethink Moratorium – replace with service interest only and strengthen client reporting.
  - h) Implement loan programmes that are responsive to government policies and programmes.
- 2) **Improving performance on key development indicators:**
- a) Enhance targeted loan programmes to promote financial inclusion, and strengthen focus on enterprises owned by youth, women, PWDs, and those based in townships.
  - b) Strengthen capacity of microfinance division, and address dependence on just two microfinance intermediaries.
- 3) **Improving the cost structure:**
- a) Implement revenue growth and drive cost efficiency (funding model, resource streamlining, etc.).
  - b) Fast-track systems development and digitisation.
  - c) Re-capitalisation of the KBP and implement the Turnaround Strategy for the Property Portfolio - design products to leverage the portfolio to respond to infrastructure requirements of SMMEs.
  - d) Implement profit and loss statements by division.
- 4) **Enhancing organisational capabilities across sefa value chain:**
- a) Establish a project management office to drive organisational projects, including merger considerations.
  - b) Establish a Treasury function in the merged entity, to better manage capital raising and funds received.
  - c) Establish KCG as a fully operating subsidiary of **sefa**.
- 5) **Building the sefa brand and increasing sefa visibility:**
- a) Increase investment in marketing and client outreach.
  - b) Strengthen collaboration with key participants (public and private sector, and donors) in the SMME ecosystem – for different parts of the value chain.
  - c) Strengthen **sefa** sectoral research and knowledge management capabilities – utilise the body of knowledge to strengthen programme design and implementation.

## PART C: MEASURING OUR PERFORMANCE

A visual representation of the **sefa** strategic framework for the period 2020-2025 is presented below:

**Figure 31: The sefa Strategic Framework, 2020 to 2025**



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 tracked over the remainder of the term to 2024/25.

## 1. STRATEGIC PLAN OUTCOMES AND FIVE-YEAR TARGETS

| ALIGNMENT TO NATIONAL PRIORITIES   | ALIGNMENT TO DSBD OUTCOMES  | sefa OUTCOME<br>(The result we aim to achieve by 2025)           | OUTCOME INDICATOR<br>(How we measure the result over the five years)                  | BASELINE<br>(Audited 2020/21)                  | FIVE-YEAR TARGET<br>(By March 2025)                               | INDICATOR OWNER  |
|--|---|--|---|--|---|--|
| <b>MTSF Priority 2: Economic transformation and job creation:</b> <ul style="list-style-type: none"> <li>Increased economic participation, ownership, access to resources and opportunities for women, youth, and persons with disabilities</li> </ul> <b>NASP:</b> <ul style="list-style-type: none"> <li>Contribute to target of 50 000 small businesses and co-operatives supported per year, through Microlending and TREP programmes</li> </ul> | 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 | <b>1. Enhanced access to finance by SMMEs and co-operatives</b>  | Total Rand value of funding facilitated to economy (R'000)                            | R1 311 984                                     | R9,7 billion  | Executive Manager: Lending   |
|  |   |  | Total number of jobs facilitated  | 87 828   | 564 475   | Executive Manager: Lending   |
|  |   |  | Percentage of <b>sefa</b> funded clients still in business during the contract period | New indicator                                  | 70%   | Executive Manager: Post-Investment Management  |
|  |   | <b>2. Enhanced service delivery and stakeholder satisfaction</b> | Number of partnerships leading to growth in funded clients                            | 4  | 25  | Executive Manager: Human Capital, Marketing and Facilities   |
|  |   |  | <b>sefa</b> Brand Visibility Index  | Development of the brand visibility instrument | 80%   | Executive Manager: Human Capital, Marketing and Facilities   |
| <b>MTSF Priority 1: A capable, ethical, and developmental State:</b> <ul style="list-style-type: none"> <li>Strengthen the governance system of state-owned entities</li> <li>Enhance productivity and functionality of public sector institutions in supporting people-centred service delivery</li> </ul>  | 3. Improved governance and compliance   | <b>3. A financially sustainable organisation</b>                 | Net asset value (R'000)   | R927 104                                       | R1 618 648  | Chief Financial Officer  |
|  |   |  | Loan impairment ratio (rate of non-performing loans)                                  | 36%  | 32%   | Executive Manager: Post-Investment Management  |
|  |   | <b>4. Leveraged strategic assets and capital raising</b>         | Rand value of capital raised (R'000)  | New indicator                                  | R555 000  | Chief Financial Officer, consolidating reporting from: <ul style="list-style-type: none"> <li>Lending</li> <li>KCG</li> <li>KBP</li> </ul> |
|  |   | <b>5. Sound governance and a high-performance organisation</b>   | External audit outcome  | Unqualified audit opinion                      | Maintain an unqualified audit outcome from the Auditor-General of | Office of the CEO  |
|  |   |  |   |  |   |  |

| ALIGNMENT TO NATIONAL PRIORITIES | ALIGNMENT TO DSBD OUTCOMES | sefa OUTCOME<br>(The result we aim to achieve by 2025) | OUTCOME INDICATOR<br>(How we measure the result over the five years) | BASELINE<br>(Audited 2020/21)                 | FIVE-YEAR TARGET<br>(By March 2025) | INDICATOR OWNER  |
|----------------------------------|----------------------------|--|--|---|-------------------------------------|--|
|                                  |                            |  |  |   | South Africa over period to 2024/25 |  |
|                                  |                            |  | Productivity ratio   | Establish system for productivity measurement | 20% improvement in productivity     | Executive Manager:<br>Human Capital,<br>Marketing and Facilities |

## 2. ORGANISATIONAL PERFORMANCE INFORMATION

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.

### 2.1. FINANCIAL PERSPECTIVE

#### 2.1.1. 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       |   |  | 2019/20             | 2020/21       | 2021/22    | 2022/23               | 2023/24      | 2024/25    | 2025/26    |
| 3. A financially sustainable organisation | Net asset value (R'000) | R1 618 648 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) | 79%                 | 84%           | 69%        | 80%                   | 74%          | 66%        | 62%        |
|   |                         |                                |   | Percentage growth in revenue (excl. grant income and MTEF)   | N/A                 | New indicator | 41%        | 30%                   | 11%          | 1%         | 4%         |
|   |                         |                                | Enhanced KCG financial                        | KCG capital leveraging ratio   | N/A                 | New indicator | 6.25 times | 6.25 times            | 6.25 times   | 6.25 times | 6.25 times |

| CONTRIBUTION TO STRATEGIC PLAN                    |  |                           | OUTPUTS  | OUTPUT INDICATORS  | AUDITED PERFORMANCE |               |          | ESTIMATED PERFORMANCE | MTEF TARGETS                |                               |                               |
|---|--|---------------------------|--|--|---------------------|---------------|----------|-----------------------|-----------------------------|-------------------------------|-------------------------------|
| OUTCOME   | OUTCOME INDICATOR                                    | OUTCOME FIVE-YEAR TARGET  |  |  | 2019/20             | 2020/21       | 2021/22  | 2022/23               | 2023/24                     | 2024/25                       | 2025/26                       |
|   |  |                           | management and performance:                    |  |                     |               |          |                       |                             |                               |                               |
|   |  |                           | Effectively managed property portfolio         | Lettable area vacancy rate (target 10%)                                      | New indicator       | 60%           | 60%      | 37%                   | 30%                         | 25%                           | 20%                           |
|   |  |                           |  | Rental collections rate  | New indicator       | 50%           | 40%      | 40%                   | 50%                         | 60%                           | 70%                           |
| 3. A financially sustainable organisation         | Loan impairment ratio (rate of non-performing loans) | 32%                       | Improved credit risk assessment and mitigation | Blended first default rate   | N/A                 | New indicator | 6%       | 6%                    | 10%                         | 12%                           | 12%                           |
|   |  |                           | Enhanced loan portfolio performance            | Percentage Portfolio at Risk   | 49%                 | 38%           | 43%      | 42%                   | 45%                         | 43%                           | 43%                           |
|   |  |                           |  | Accumulated impairment provision as a percentage of total loans and advances | 41%                 | 36%           | 35.4%    | 38%                   | 40%                         | 39%                           | 38%                           |
|   |  |                           |  | Percentage collection rate (all-in cash collections)                         | New indicator       | 85%           | 85%      | 87%                   | 85%                         | 86%                           | 86%                           |
| 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                 | New indicator | R360 000 | R85 000               | R85 000                     | R25 000                       | R85 000                       |
|   |  |                           | sefa B-BBEE facilitator status                 | sefa B-BBEE level  | N/A                 | N/A           | N/A      | New indicator         | B-BBEE baseline established | Level 4 B-BBEE level attained | Level 1 B-BBEE level attained |

| CONTRIBUTION TO STRATEGIC PLAN |                   |                          | OUTPUTS | OUTPUT INDICATORS | AUDITED PERFORMANCE |         |         | ESTIMATED PERFORMANCE | MTEF TARGETS                 |         |         |
|--------------------------------|-------------------|--------------------------|---------|-------------------|---------------------|---------|---------|-----------------------|------------------------------|---------|---------|
| OUTCOME                        | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET |         |                   | 2019/20             | 2020/21 | 2021/22 | 2022/23               | 2023/24                      | 2024/25 | 2025/26 |
|                                |                   |                          |         |                   |                     |         |         |                       | Improvement Plan implemented |         |         |

### 2.1.2. OUTPUT INDICATORS, AND ANNUAL AND QUARTERLY TARGETS

| RESPONSIBLE DIVISION                | OUTPUT  | OUTPUT INDICATORS  | 2023/24 ANNUAL TARGET | QUARTERLY TARGETS    |                      |                      |                      | WEIGHTING |
|-------------------------------------|---|--|-----------------------|----------------------|----------------------|----------------------|----------------------|-----------|
|                                     |   |  |                       | Q1<br>Apr - Jun 2023 | Q2<br>Jul - Sep 2023 | Q3<br>Oct - Dec 2023 | Q4<br>Jan - Mar 2024 |           |
| 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) | 74%                   | 74%                  | 74%                  | 74%                  | 74%                  | 5%        |
|                                     |   | 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%        |



| RESPONSIBLE DIVISION                   | OUTPUT   | OUTPUT INDICATORS  | 2023/24 ANNUAL TARGET                                       | QUARTERLY TARGETS   |                              |                              |                              | WEIGHTING |
|--|--|--|---|---|------------------------------|------------------------------|------------------------------|-----------|
|  |  |  |   | Q1<br>Apr - Jun 2023  | Q2<br>Jul - Sep 2023         | Q3<br>Oct - Dec 2023         | Q4<br>Jan - Mar 2024         |           |
| KBP                                    | Effectively managed property portfolio         | Lettable area vacancy rate (target 10%)                                      | 30%   | 40%   | 40%                          | 35%                          | 30%                          | 2%        |
| KBP                                    |  | Rental collections rate  | 50%   | 45%   | 50%                          | 50%                          | 50%                          | 2%        |
| Direct reports to the CEO              | Improved credit risk assessment and mitigation | Blended first default rate   | 10%   | 10%   | 10%                          | 10%                          | 10%                          | 2%        |
| Post-Investment Monitoring and Workout | Enhanced loan portfolio performance            | Percentage Portfolio at Risk   | 45%   | 45%   | 45%                          | 45%                          | 45%                          | 3%        |
| Post-Investment Monitoring and Workout |  | Accumulated impairment provision as a percentage of total loans and advances | 40%   | 40%   | 40%                          | 40%                          | 40%                          | 3%        |
| Post-Investment Monitoring and Workout |  | Percentage collection rate (all-in cash collections)                         | 85%   | 85%   | 85%                          | 85%                          | 85%                          | 3%        |
| Finance and Supply Chain Management    | Capital raising                                | Rand value of additional capital raised (R'000)                              | R85 000   | -   | R25 000                      | R60 000                      | -                            | 3%        |
| Direct reports to the CEO              | sefa B-BBEE facilitator status                 | sefa B-BBEE level  | B-BBEE baseline established<br>Improvement Plan implemented | BBEE evaluation conducted, and baseline established<br>Improvement Plan developed | Improvement Plan implemented | Improvement Plan Implemented | Improvement Plan Implemented | 2%        |

## 2.2. CUSTOMER PERSPECTIVE

### 2.2.1. 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 |                             |   | 2019/20             | 2020/21    | 2021/22    | 2022/23               | 2023/24      | 2024/25    | 2025/26    |
| 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 411 431          | R1 900 666 | R2 494 642 | R1 891 361            | R2 339 752   | R2 573 727 | R2 831 099 |
|  | Total number of jobs facilitated                           | 564 475                  |                             | Value of disbursements to SMMEs and co-operatives (R'000) | R1 311 984          | R1 590 616 | R2 322 121 | R2 182 296            | R2 346 589   | R2 581 248 | R2 839 373 |
|  |  |                          |                             | Number of SMMEs and co-operatives financed                | 74 472              | 72 799     | 76 129     | 85 585                | 93 671       | R103 039   | R113 342   |
|  |  |                          |                             | Number of jobs facilitated and sustained                  | 87 828              | 99 112     | 96 589     | 114 820               | 120 022      | R132 024   | R145 227   |
|  |  |                          |                             | Disbursements to Black-owned enterprises (R'000)          | R921 243            | R1 374 073 | R2 084 921 | R1 776 185            | R1 642 613   | R1 806 874 | R1 987 561 |
|  |  |                          |                             | Disbursements to women-owned enterprises (R'000)          | R446 084            | R604 177   | R737 701   | R780 439              | R938 636     | R1 032 499 | R1 135 749 |

| CONTRIBUTION TO STRATEGIC PLAN |                   |                          | OUTPUTS                           | OUTPUT INDICATORS   | AUDITED PERFORMANCE |          |          | ESTIMATED PERFORMANCE | MTEF TARGETS |            |            |
|--------------------------------|-------------------|--------------------------|-----------------------------------|---|---------------------|----------|----------|-----------------------|--------------|------------|------------|
| OUTCOME                        | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET |                                   |   | 2019/20             | 2020/21  | 2021/22  | 2022/23               | 2023/24      | 2024/25    | 2025/26    |
|                                |                   |                          |                                   | Disbursements to youth-owned enterprises (R'000)                              | R446 084            | R604 177 | R990 258 | R674 973              | R703 977     | R774 374   | R851 812   |
|                                |                   |                          |                                   | Disbursements to enterprises owned by entrepreneurs with disabilities (R'000) | R211 932            | R315 103 | R494 399 | R111 346              | R164 261     | R180 687   | R198 756   |
|                                |                   |                          |                                   | Disbursements to township-based enterprises (R'000)                           | R6 340              | R2 681   | R37 872  | R614 234              | R586 647     | R645 312   | R709 843   |
|                                |                   |                          |                                   | Disbursements to enterprises located in rural towns and villages (R'000)      | R371 151            | R563 051 | R977 100 | R766 765              | R938 636     | R1 032 499 | R1 135 749 |
|                                |                   |                          | KCG - Broadened access to finance | Value of approvals to SMMEs and co-operatives (R'000)                         | R310 000            | R148 225 | R508 735 | R250 000              | R275 000     | R302 500   | R332 750   |
|                                |                   |                          |                                   | Value of disbursements to SMMEs and co-operatives (R'000)                     | R247 413            | R201 951 | R285 749 | R342 500              | R376 750     | R414 425   | R455 868   |
|                                |                   |                          |                                   | Number of SMMEs and co-operatives financed                                    | 85                  | 5 224    | 4 654    | 623                   | 686          | 755        | 830        |
|                                |                   |                          |                                   |   |                     |          |          |                       |              |            |            |
|                                |                   |                          |                                   |   |                     |          |          |                       |              |            |            |
|                                |                   |                          |                                   |   |                     |          |          |                       |              |            |            |

| CONTRIBUTION TO STRATEGIC PLAN |                   |                          | OUTPUTS | OUTPUT INDICATORS   | AUDITED PERFORMANCE |          |          | ESTIMATED PERFORMANCE | MTEF TARGETS |          |          |
|--------------------------------|-------------------|--------------------------|---------|---|---------------------|----------|----------|-----------------------|--------------|----------|----------|
| OUTCOME                        | OUTCOME INDICATOR | OUTCOME FIVE-YEAR TARGET |         |   | 2019/20             | 2020/21  | 2021/22  | 2022/23               | 2023/24      | 2024/25  | 2025/26  |
|                                |                   |                          |         | Number of jobs facilitated and sustained                                      | 3 151               | 6 596    | 6 982    | 7 949                 | 8 744        | 9 618    | 10 580   |
|                                |                   |                          |         | Disbursements to Black-owned enterprises (R'000)                              | R118 874            | R184 225 | R262 006 | R239 750              | R263 725     | R290 098 | R319 107 |
|                                |                   |                          |         | Disbursements to women-owned enterprises (R'000)                              | R28 013             | R51 182  | R77 230  | R137 000              | R150 700     | R165 770 | R182 347 |
|                                |                   |                          |         | Disbursements to youth-owned enterprises (R'000)                              | R9 754              | R59 787  | R55 222  | R102 750              | R113 025     | R124 328 | R136 760 |
|                                |                   |                          |         | Disbursements to enterprises owned by entrepreneurs with disabilities (R'000) | New indicator       | N/A      | R0.10    | R23 975               | R26 373      | R29 010  | R31 911  |
|                                |                   |                          |         | Disbursements to township-based enterprises (R'000)                           | New indicator       | R26 346  | R37 077  | R85 625               | R94 188      | R103 607 | R113 967 |
|                                |                   |                          |         | Disbursements to enterprises located in rural towns and villages (R'000)      | R29 575             | R83 533  | R125 303 | R137 000              | R150 700     | R165 770 | R182 347 |

| CONTRIBUTION TO STRATEGIC PLAN                            |  |                          | OUTPUTS   | OUTPUT INDICATORS                         | AUDITED PERFORMANCE |   |  | ESTIMATED PERFORMANCE                  | MTEF TARGETS                           |  |  |
|---|--|--------------------------|---|---|---------------------|---|--|--|--|--|--|
| OUTCOME   | OUTCOME INDICATOR  | OUTCOME FIVE-YEAR TARGET |   |   | 2019/20             | 2020/21   | 2021/22                                | 2022/23                                | 2023/24                                | 2024/25                                | 2025/26                                |
| 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                 | N/A   | New indicator                          | 100 Leads generated                    | 120 Leads generated                    | 140 Leads generated                    | 150 Leads generated                    |
|   | sefa Brand Visibility Index                                | 70%                      | Enhanced sefa brand visibility                          | Annual Brand Visibility Index             | New indicator       | Development of the brand visibility measurement instruments | 40% Brand Visibility Index             | 50% Brand Visibility Index             | 60% Brand Visibility Index             | 80% Brand Visibility Index             | 85% Brand Visibility Index             |
|   |  |                          | Customer satisfaction                                   | Annual Customer Satisfaction Index rating | N/A                 | New indicator   | 80% Customer Satisfaction Index rating | 83% Customer Satisfaction Index rating | 85% Customer Satisfaction Index rating | 85% Customer Satisfaction Index rating | 87% Customer Satisfaction Index rating |

## 2.2.2. OUTPUT INDICATORS, AND ANNUAL AND QUARTERLY TARGETS

| RESPONSIBLE DIVISION                                | OUTPUT                      | OUTPUT INDICATORS                                    | 2023/24 ANNUAL TARGET | QUARTERLY TARGETS    |                      |                      |                      | WEIGHTING |
|---|-----------------------------|--|-----------------------|----------------------|----------------------|----------------------|----------------------|-----------|
|   |                             |  |                       | Q1<br>Apr - Jun 2023 | Q2<br>Jul - Sep 2023 | Q3<br>Oct - Dec 2023 | Q4<br>Jan - Mar 2024 |           |
| Direct Lending<br>Wholesale Lending<br>Microfinance | Broadened access to finance | Value of approvals to SMMs and co-operatives (R'000) | R2 339 752            | R490 950             | R657 425             | R678 425             | R512 950             | 6%        |
| Direct Lending                                      |                             | Value of disbursements to                            | R2 346 589            | R482 540             | R637 999             | R703 932             | R522 118             | 6%        |

| RESPONSIBLE DIVISION                                | OUTPUT | OUTPUT INDICATORS   | 2023/24 ANNUAL TARGET | QUARTERLY TARGETS    |                      |                      |                      | WEIGHTING |
|---|--------|---|-----------------------|----------------------|----------------------|----------------------|----------------------|-----------|
|   |        |   |                       | Q1<br>Apr - Jun 2023 | Q2<br>Jul - Sep 2023 | Q3<br>Oct - Dec 2023 | Q4<br>Jan - Mar 2024 |           |
| Wholesale Lending<br>Microfinance                   |        | SMMEs and co-operatives (R'000)   |                       |                      |                      |                      |                      |           |
| Direct Lending<br>Wholesale Lending<br>Microfinance |        | Number of SMMEs and co-operatives financed                                    | 93 671                | 9 686                | 18 909               | 46 246               | 18 830               | 3%        |
| Direct Lending<br>Wholesale Lending<br>Microfinance |        | Number of jobs facilitated and sustained                                      | 120 022               | 15 830               | 25 995               | 52 967               | 25 230               | 3%        |
| Direct Lending<br>Wholesale Lending<br>Microfinance |        | Disbursements to Black-owned enterprises (R'000)                              | R1 642 613            | R337 778             | R446 599             | R492 752             | R365 483             | 4%        |
| Direct Lending<br>Wholesale Lending<br>Microfinance |        | Disbursements to women-owned enterprises (R'000)                              | R938 636              | R193 016             | R255 200             | R281 573             | R208 847             | 3%        |
| Direct Lending<br>Wholesale Lending<br>Microfinance |        | Disbursements to youth-owned enterprises (R'000)                              | R703 977              | R144 762             | R191 400             | R211 180             | R156 635             | 3%        |
| Direct Lending<br>Wholesale Lending<br>Microfinance |        | Disbursements to enterprises owned by entrepreneurs with disabilities (R'000) | R164 261              | R33 778              | R44 660              | R49 275              | R36 548              | 2%        |

| RESPONSIBLE DIVISION                                | OUTPUT                            | OUTPUT INDICATORS  | 2023/24 ANNUAL TARGET | QUARTERLY TARGETS    |                      |                      |                      | WEIGHTING |
|---|-----------------------------------|--|-----------------------|----------------------|----------------------|----------------------|----------------------|-----------|
|   |                                   |  |                       | Q1<br>Apr - Jun 2023 | Q2<br>Jul - Sep 2023 | Q3<br>Oct - Dec 2023 | Q4<br>Jan - Mar 2024 |           |
| Direct Lending<br>Wholesale Lending<br>Microfinance |                                   | Disbursements to township-based enterprises (R'000)                      | R586 647              | R120 635             | R159 500             | R175 983             | R130 529             | 2%        |
| Direct Lending<br>Wholesale Lending<br>Microfinance |                                   | Disbursements to enterprises located in rural towns and villages (R'000) | R938 636              | R193 016             | R255 200             | R281 573             | R208 847             | 3%        |
| KCG   | KCG - Broadened access to finance | Value of approvals to SMMEs and co-operatives (R'000)                    | R275 000              | R55 000              | R82 500              | R82 500              | R55 000              |           |
| KCG   |                                   | Value of disbursements to SMMEs and co-operatives (R'000)                | R376 750              | R75 350              | R113 025             | R113 025             | R75 350              |           |
| KCG   |                                   | Number of SMMEs and co-operatives financed                               | 686                   | 137                  | 206                  | 206                  | 137                  |           |
| KCG   |                                   | Number of jobs facilitated and sustained                                 | 8 744                 | 1 749                | 2 623                | 2 623                | 1 749                |           |
| KCG   |                                   | Disbursements to Black-owned enterprises (R'000)                         | R263 725              | R52 745              | R79 118              | R79 118              | R52 745              |           |
| KCG   |                                   | Disbursements to women-owned enterprises (R'000)                         | R150 700              | R30 140              | R45 210              | R45 210              | R30 140              |           |



| RESPONSIBLE DIVISION                    | OUTPUT  | OUTPUT INDICATORS   | 2023/24 ANNUAL TARGET                  | QUARTERLY TARGETS   |   |  |  | WEIGHTING |
|---|---|---|--|---|---|--|--|-----------|
|   |   |   |  | Q1<br>Apr - Jun 2023  | Q2<br>Jul - Sep 2023                                | Q3<br>Oct - Dec 2023   | Q4<br>Jan - Mar 2024   |           |
| KCG                                     |   | Disbursements to youth-owned enterprises (R'000)                              | R113 025                               | R22 605   | R33 908   | R33 908  | R22 605  |           |
| KCG                                     |   | Disbursements to enterprises owned by entrepreneurs with disabilities (R'000) | R26 373                                | R5 275  | R7 912  | R7 912   | R5 275   |           |
| KCG                                     |   | Disbursements to township-based enterprises (R'000)                           | R94 188                                | R18 838   | R28 256   | R28 256  | R18 838  |           |
| KCG                                     |   | Disbursements to enterprises located in rural towns and villages (R'000)      | R150 700                               | R30 140   | R45 210   | R45 210  | R30 140  |           |
| Human Capital, Marketing and Facilities | Strategic stakeholder relations with key constituencies | Number of leads generated   | 120 Leads generated                    | 30  | 30  | 30   | 30   |           |
| Human Capital, Marketing and Facilities | Enhanced <b>sefa</b> 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<br>Draft TOR to appoint a service provider to measure progress | Appoint service provider and measure Brand Visibility Index              |           |
| Human Capital, Marketing and Facilities | Customer satisfaction                                   | Annual Customer Satisfaction Index rating                                     | 85% Customer Satisfaction Index rating | Implement customer survey report recommendations                      | Implement customer survey report recommendations    | Implement customer survey report recommendations   | Appoint a service provider to measure Customer Satisfaction Index levels |           |

| RESPONSIBLE DIVISION | OUTPUT | OUTPUT INDICATORS | 2023/24 ANNUAL TARGET | QUARTERLY TARGETS    |                      |   |                      | WEIGHTING |
|----------------------|--------|-------------------|-----------------------|----------------------|----------------------|---|----------------------|-----------|
|                      |        |                   |                       | Q1<br>Apr - Jun 2023 | Q2<br>Jul - Sep 2023 | Q3<br>Oct - Dec 2023  | Q4<br>Jan - Mar 2024 |           |
|                      |        |                   |                       |                      |                      | Draft TOR to appoint a service provider to measure progress |                      |           |

## 2.3. BUSINESS PROCESS PERSPECTIVE

### 2.3.1. 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 |   |  | 2019/20             | 2020/21       | 2021/22    | 2022/23               | 2023/24      | 2024/25    | 2025/26    |
| 1. Enhanced access to finance by SMMEs and co-operatives  | Percentage of sefa funded clients still in business during the contract period | 70%                      | SMME and intermediary institutional capacity building | Number of client and funding partner interventions | 92                  | 76            | 140        | 165                   | 190          | 220        | 230        |
|   |  |                          |   | Number of sefa clients improving turnover by 5%    | N/A                 | New indicator | 20 Clients | 30 Clients            | 35 Clients   | 35 clients | 40 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)          | N/A                 | New indicator | 45         | 40                    | 30           | 25         | 25         |
|   |  |                          |   | Turnaround time for Wholesale Lending (days)       | N/A                 | New indicator | 60         | 55                    | 50           | 45         | 40         |

| CONTRIBUTION TO STRATEGIC PLAN                                 |                        |   | OUTPUTS   | OUTPUT INDICATORS  | AUDITED PERFORMANCE |               |   | ESTIMATED PERFORMANCE  | MTEF TARGETS                                    |  |  |
|--|------------------------|---|---|--|---------------------|---------------|---|--|---|--|--|
| OUTCOME  | OUTCOME INDICATOR      | OUTCOME FIVE-YEAR TARGET  |   |  | 2019/20             | 2020/21       | 2021/22   | 2022/23  | 2023/24   | 2024/25  | 2025/26  |
|  |                        |   |   | KCG - Turnaround time for Wholesale Lending (days)                                 | N/A                 | New indicator | 60  | 55   | 50  | 45   | 45   |
|  |                        |   | Automation / digitisation of <b>sefa</b> business processes | Progress in automation of <b>sefa</b> business processes                           | N/A                 | New indicator | 100% Automation of the <b>sefa</b> loan origination process | 100% Automation of the due diligence, PIMWR and disbursement processes | Maintenance and enhancement of the PIMWR system | Maintenance and enhancement of the PIMWR system  | Maintenance and enhancement of the PIMWR system  |
|  |                        |   |   | Progress in implementation of the <b>sefa</b> Enterprise Content Management System | N/A                 | N/A           | New indicator   | Phase one implementation of Enterprise Content Management              | Phase 2 implementation of the ECM system        | Ongoing maintenance and refinement of the system | Ongoing maintenance and refinement of the system |
| <b>5. Sound governance and a high-performance organisation</b> | External audit outcome | Maintain an unqualified external audit outcome over period to 2024/25 | Enhanced risk maturity                                      | <b>sefa</b> risk maturity level  | N/A                 | New indicator | Level 3 risk maturity                                       | Maintain level 3 risk maturity   | Improve from level 3 to level 4                 | Improve from level 4 to level 5                  | Maintain level 5                                 |

### 2.3.2. OUTPUT INDICATORS, AND ANNUAL AND QUARTERLY TARGETS

| RESPONSIBLE DIVISION                   | OUTPUT  | OUTPUT INDICATORS  | 2023/24 ANNUAL TARGET   | QUARTERLY TARGETS                         |  |  |  | WEIGHTING |
|--|---|--|---|---|--|--|--|-----------|
|  |   |  |   | Q1<br>Apr - Jun 2023                      | Q2<br>Jul - Sep 2023                           | Q3<br>Oct - Dec 2023                                     | Q4<br>Jan - Mar 2024                           |           |
| Post-Investment Monitoring and Workout | SMME and intermediary institutional capacity building       | Number of client and funding partner interventions   | 190   | 45  | 45   | 50   | 50   | 3%        |
| Post-Investment Monitoring and Workout |   | Number of <b>sefa</b> clients improving turnover by 5%                                       | 35 Clients  | 7   | 10   | 11   | 7  | 3%        |
| Direct Lending                         | Efficient and effective lending                             | Turnaround time for Direct Lending (days)  | 30  | 30  | 30   | 30   | 30   | 2%        |
| Wholesale Lending Microfinance         |   | Turnaround time for Wholesale Lending (days)   | 50  | 50  | 50   | 50   | 50   | 2%        |
| KCG                                    |   | Turnaround time for Wholesale Lending (days)   | 50  | 50  | 50   | 50   | 50   | 2%        |
| Direct reports to the CEO              | Electronic crowd-funding platform for early-stage start-ups | Progress in implementation of an electronic crowd-funding platform for early-stage start-ups | Specification for electronic crowdfunding early-stage start-ups developed | Detailed business case developed          | Business case approved                         | Specifications developed and approved                    | Development team and project manager appointed | 2%        |
| Direct reports to the CEO              | Automation / digitisation of <b>sefa</b> business processes | Progress in automation of <b>sefa</b> business processes                                     | Maintenance and enhancement of the PIMWR system                           | To-be enhancement requirements documented | Development team and project manager appointed | Development and configurations as per to-be requirements | Review and testing of enhancements             | 3%        |
| Direct reports to the CEO              |   | Progress in implementation of the <b>sefa</b> Enterprise Content                             | Phase 2 implementation of the ECM system                                  | To-be requirements documented             | Team and Project manager appointed             | Development and configurations as per to-be requirements | Review and Testing of Phase 2                  | 2%        |

| RESPONSIBLE DIVISION      | OUTPUT                 | OUTPUT INDICATORS        | 2023/24 ANNUAL TARGET           | QUARTERLY TARGETS   |   |   |  | WEIGHTING |
|---------------------------|------------------------|--------------------------|---------------------------------|---|---|---|--|-----------|
|                           |                        |                          |                                 | Q1<br>Apr - Jun 2023  | Q2<br>Jul - Sep 2023  | Q3<br>Oct - Dec 2023  | Q4<br>Jan - Mar 2024   |           |
|                           |                        | Management System        |                                 |   |   |   |  |           |
| Direct reports to the CEO | Enhanced risk maturity | sefa risk maturity level | Improve from level 3 to level 4 | Implement improvement recommendations from the 2022/2023 assessment | Implement improvement recommendations from the 2022/2023 assessment | Implement improvement recommendations from the 2022/2023 assessment | 2023/24 Risk maturity assessment conducted, reflecting level 4 risk maturity | 2%        |

## 2.4. LEARNING AND GROWTH PERSPECTIVE

### 2.4.1. 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 |   |                                 | 2019/20             | 2020/21       | 2021/22   | 2022/23  | 2023/24  | 2024/25  | 2025/26  |
| 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 | N/A                 | 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 |

| CONTRIBUTION TO STRATEGIC PLAN                          |                    |                                 | OUTPUTS                                   | OUTPUT INDICATORS  | AUDITED PERFORMANCE |                             |                                     | ESTIMATED PERFORMANCE  | MTEF TARGETS   |  |   |
|---|--------------------|---------------------------------|---|--|---------------------|-----------------------------|-------------------------------------|--|--|--|---|
| OUTCOME   | OUTCOME INDICATOR  | OUTCOME FIVE-YEAR TARGET        |   |  | 2019/20             | 2020/21                     | 2021/22                             | 2022/23  | 2023/24  | 2024/25  | 2025/26   |
| 5. Sound governance and a high-performance organisation | Productivity ratio | 20% improvement in productivity | Improved employee engagement              | Employee Engagement Index (EEI)  | New indicator       | 60% and more employee index | 62% Employee Engagement Index (EEI) | 65% Employee Engagement Index (EEI)  | 70% Employee Engagement Index (EEI)  | 75% Employee Engagement Index (EEI)  | 80% Employee Engagement Index (EEI)   |
|   |                    |                                 | Improvement of organisational performance | Percentage of staff that scores 3.5 or more in the annual performance assessment | N/A                 | N/A                         | New indicator                       | 55% Staff that scores 3.5 or more in the 2021/22 annual performance assessment | 60% Staff that scores 3.5 or more in the 2022/23 annual performance assessment | 65% Staff that scores 3.5 or more in the 2023/24 annual performance assessment | 70 % Staff that scores 3.5 or more in the 2024/25 annual performance assessment |
|   |                    |                                 | Productivity improvement                  | Productivity Index   | N/A                 | N/A                         | New indicator                       | Productivity baseline established  | Productivity Index increases by 10% from baseline                              | Productivity Index increase by 20% from baseline                               | Productivity Index increase by 30% from baseline                                |

## 2.4.2. OUTPUT INDICATORS, AND ANNUAL AND QUARTERLY TARGETS

| RESPONSIBLE DIVISION      | OUTPUT   | OUTPUT INDICATORS               | 2023/24 ANNUAL TARGET   | QUARTERLY TARGETS                               |   |   |  | WEIGHTING |
|---------------------------|--|---------------------------------|---|---|---|---|--|-----------|
|                           |  |                                 |   | Q1<br>Apr - Jun 2023                            | Q2<br>Jul - Sep 2023                      | Q3<br>Oct - Dec 2023                            | Q4<br>Jan - Mar 2024                     |           |
| Direct reports to the CEO | Monitoring and evaluation of <b>sefa</b> loan programme performance and commissioning of strategic research projects | Number of publications produced | 6 Sector and value chain analysis reports                                 | 1 Sector and value chain analysis report        | Business Conditions Survey Report         | 2 Sector and value chain analysis reports       | Business Conditions Survey Report        | 5%        |
|                           |  |                                 | Bi-annual business conditions survey<br>Loan Programme Performance Report | Monitoring of Loan Programme Performance Report | 2 Sector and value chain analysis reports | Monitoring of Loan Programme Performance Report | 1 Sector and value chain analysis report |           |

| RESPONSIBLE DIVISION                    | OUTPUT                                    | OUTPUT INDICATORS  | 2023/24 ANNUAL TARGET  | QUARTERLY TARGETS  |  |   |   | WEIGHTING |
|---|---|--|--|--|--|---|---|-----------|
|   |   |  |  | Q1<br>Apr - Jun 2023   | Q2<br>Jul - Sep 2023                                       | Q3<br>Oct - Dec 2023                                  | Q4<br>Jan - Mar 2024                                  |           |
| Human Capital, Marketing and Facilities | Improved employee engagement              | Employee Engagement Index (EEI)  | 70% Employee Engagement Index (EEI)  | Employee Engagement Survey Completed   | Employee Engagement Survey Action Plan 40% completed       | Employee Engagement Survey Action Plan 60% completed  | Employee Engagement Survey Action Plan 100% completed | 3%        |
| Human Capital, Marketing and Facilities | Improvement of organisational performance | Percentage of staff that scores 3.5 or more in the annual performance assessment | 60% 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 | 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 baseline                              | Achievement of quarterly divisional productivity targets                                 | Achievement of quarterly divisional productivity targets   | Exceed divisional quarterly productivity target by 5% | Productivity Report and recommendations produced      | 2%        |



### 3. 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.

| FINANCIAL PERSPECTIVE   |   |
|---|---|
| <b>Contribution to achieving the intended sefa impact:</b>  |   |
| <ul style="list-style-type: none"> <li>▪ Driving commercialisation, ensuring return on investment, and strengthening of the balance sheet; and</li> <li>▪ Mobilising strategic partners and funding.</li> </ul>   |   |
| <b>Contribution to MTSF 2019-2024 and national priorities:</b>  |   |
| <b>MTSF 2019-2024:</b><br>Priority 1 – A capable, ethical, and developmental State  | 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: <ul style="list-style-type: none"> <li>▪ Improved credit risk assessment and mitigation.</li> <li>▪ Enhanced loan portfolio performance.</li> <li>▪ Enhanced financial management and performance.</li> <li>▪ Capital raising.</li> </ul> |
| <b>DSBD Outcome</b>   | 3. Improved governance and compliance.  |
| <b>Planning priorities for the MTEF period:</b>   |   |
| <ul style="list-style-type: none"> <li>▪ Improving the cost structure:               <ul style="list-style-type: none"> <li>– Drive cost efficiency (funding model, right-sizing, etc.).</li> <li>– Fast-track systems development and digitisation.</li> <li>– Implement the Turnaround Strategy for the Property Portfolio - design products to leverage the portfolio to respond to infrastructure requirements of SMMEs.</li> <li>– Implement profit and loss statements by division.</li> </ul> </li> <li>▪ Package sefa as a commercial programme implementor of choice, noting from the endorsement on how <b>sefa</b> managed LREF, SBIF, and EU ESD.               <ul style="list-style-type: none"> <li>– Strengthen backend systems to drive improved collections:</li> </ul> </li> </ul> |   |

| FINANCIAL PERSPECTIVE  |  |
|--|--|
| <ul style="list-style-type: none"> <li>– Develop and implement an automated collections workflow, aligned to approved Write-off Policy.</li> </ul>   |  |
| <ul style="list-style-type: none"> <li>▪ Establish an automated reporting tool for annual financial statements and management accounts.</li> <li>▪ Develop a business case and roadmap for investment/growth in the property portfolio, including sources of capital.</li> </ul> |  |
| <b>Specific priorities related to women, youth, and PWDs:</b>  |  |
| B-BBEE thresholds for procurement to be implemented.   |  |

| CUSTOMER PERSPECTIVE   |   |
|--|---|
| <b>Contribution to achieving the intended sefa impact:</b>   |   |
| <ul style="list-style-type: none"> <li>▪ Supporting sustainable small, medium, micro, and co-operative enterprises; and</li> <li>▪ Contributing to increased job creation, and economic participation, ownership, and access to resources and opportunities by PDIs, prioritising women, youth, and PWDs.</li> </ul> |   |
| <b>Contribution to MTSF 2019-2024 and national priorities:</b>   |   |
| <b>MTSF 2019-2024:</b><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: <ul style="list-style-type: none"> <li>▪ Broadened access to finance.</li> <li>▪ Efficient and effective lending.</li> <li>▪ SMME and intermediary institutional capacity building.</li> <li>▪ Monitoring and evaluation of <b>sefa</b> Loan Programme performance and commissioning of strategic research projects.</li> <li>▪ Strategic stakeholder relations with key constituencies.</li> </ul> |
| <b>National Annual Strategic Plan (NASP)</b>   | Contribute to target of 50 000 small businesses and co-operatives supported per year, through Microlending and TREP programmes.<br>Contributing outputs are: <ul style="list-style-type: none"> <li>▪ Broadened access to finance.</li> </ul>   |
| <b>DSBD Outcomes</b>   | <ol style="list-style-type: none"> <li>1. Expanded access to financial and non-financial support and implement responsive programmes to new and existing SMMEs and co-operatives.</li> <li>2. Scaled-up and coordinated support for SMMEs, co-operatives, village, and township economies.</li> </ol>   |
| <b>Planning priorities for the MTEF period:</b>  |   |

## CUSTOMER PERSPECTIVE

- Development and implementation of an Energy Fund.
- Building a sustainable loan book:
  - Expansion of credit, e.g., microfinance.
  - Investment and building of sustainable Black-owned financial intermediary base.
  - Focus on building clients' sustainability (PIM and business support services).
  - Decreasing impairments.
  - Crowding-in the private sector resources.
  - NISED response, finalise SMME and Co-operatives Funding Policy and Strategy.
  - Centralise large deal due diligence function.
  - Rethink Moratorium – replace with service interest only and strengthen client reporting.
  - Explore Treasury offer for funding to support solar and gas in hospitality sector.
  - Implement loan programmes that are responsive to government policies and programmes.
- Improving performance on key development indicators:
  - Introduce targeted loan programmes to promote financial inclusion, and strengthen focus on enterprises owned by youth, women, PWDs, and those based in townships.
  - Strengthen capacity of Microfinance division, and address dependence on just two microfinance intermediaries.

### Specific priorities related to women, youth, and PWDs:

- Women-, youth-, and PWD-owned enterprises are the priority focus for sefa's lending products.
- 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:

Priority 1 – A capable, ethical, and developmental State

Strengthen the governance system of state-owned entities.

Contributing outputs are:

- Enhanced risk maturity.
- Electronic crowd-funding platform for early-stage start-ups.
- Automation/digitisation of **sefa** business processes.
- Efficient and effective lending.

| BUSINESS PROCESSES PERSPECTIVE   |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>▪ SMME and intermediary institutional capacity building.</li> <li>▪ Customer satisfaction.</li> </ul> |
| <b>DSBD Outcome</b>  | 3. Improved governance and compliance.   |
| <b>Planning priorities for the MTEF period:</b>  |  |
| <ul style="list-style-type: none"> <li>▪ Enhancing organisational capabilities across the <b>sefa</b> value chain:               <ul style="list-style-type: none"> <li>– Establish a project management office to drive organisational projects, including merger considerations.</li> <li>– Establish a Treasury function in the merged entity to better manage capital raising and funds received.</li> <li>– Conclude the organisational review process and optimise the functioning of <b>sefa</b>.</li> <li>– Establish KCG as a fully operating subsidiary of <b>sefa</b>.</li> </ul> </li> <li>▪ Building the <b>sefa</b> brand and increasing <b>sefa</b> visibility:               <ul style="list-style-type: none"> <li>– Increase investment in marketing and client outreach.</li> <li>– Strengthen collaboration with key participants (public and private sector, and donors) in the SMME ecosystem – for different parts of the value chain.</li> <li>– Strengthen sefa sectoral research and knowledge management capabilities – utilise the body of knowledge to strengthen programme design and implementation.</li> </ul> </li> </ul> |  |
| <b>Specific priorities related to women, youth, and PWDs:</b>  |  |
| Not applicable   |  |

| LEARNING AND GROWTH PERSPECTIVE  |  |
|--|--|
| <b>Contribution to achieving the intended sefa impact:</b>   |  |
| Ensuring sound governance and a high-performance organisation.   |  |
| <b>Contribution to MTSF 2019-2024 and national priorities:</b>   |  |
| <b>MTSF 2019-2024:</b><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: <ul style="list-style-type: none"> <li>▪ Improved employee engagement</li> <li>▪ Improvement of organisational performance</li> <li>▪ Productivity improvement</li> </ul> |
| <b>DSBD Outcome</b>  | 3. Improved governance and compliance.   |
| <b>Planning priorities for the MTEF period:</b>  |  |
| <ul style="list-style-type: none"> <li>▪ Towards merger - ensure clarity on roles and funding priorities.</li> </ul> |  |

- Enhancing organisational capabilities across **sefa** value chain:
  - Conclude the organisational review process and optimise the functioning of **sefa**.

**Specific priorities related to women, youth, and PWDs:**

Achieve **sefa** Employment Equity Plan targets.

## 4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND 2023/24 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 long term, evidenced by the improved cost-to-income ratio.

### 4.1. STATEMENT OF FINANCIAL POSITION FOR THE 2023/24 MTEF

sefa GROUP Budgets FY2023/24  
STATEMENTS OF FINANCIAL POSITION R'000

|  | GROUP R'000  |             |               |             |             |             |
|--|--------------|-------------|---------------|-------------|-------------|-------------|
|  | 2022 Audited | DEC YTD     | 2023 Forecast | 2024 BUDGET | 2025 BUDGET | 2026 BUDGET |
| STATEMENTS OF FINANCIAL POSITION R'000         |              |             |               |             |             |             |
| ASSETS   |              |             |               |             |             |             |
| Cash and cash equivalents (Group)              | 808 835      | 947 430     | 989 813       | 1 092 801   | 1 295 044   | 1 295 557   |
| Cash and cash equivalents (SBIF)               | 299 377      | 285 426     | 218 747       | 302 569     | 271 109     | 233 043     |
| Cash and cash equivalents (Tourism)            | 322 460      | 325 138     | 325 138       | 325 138     | 325 138     | 325 138     |
| Cash and cash equivalents (COVID-19/ERP/TREP)  | 1 723 071    | 2 019 638   | 2 302 629     | 2 393 895   | 2 756 050   | 3 071 765   |
| Cash and cash equivalents (EU)                 | 114 962      | 130 980     | 119 445       | 37 301      | 31 467      | 31 467      |
| Cash and cash equivalents (Managed Funds)      | 51 983       | 53 945      | 53 945        | 53 945      | 53 945      | 53 945      |
| Trade and other receivables                    | 333 956      | 347 774     | 324 340       | 401 712     | 497 553     | 850 958     |
| Current tax asset                              | -            | -           | -             | -           | -           | -           |
| Loans and advances                             | 682 662      | 781 557     | 1 033 165     | 993 697     | 884 892     | 826 387     |
| Loans and advances (SBIF)                      | 95 908       | 103 840     | 102 985       | 83 309      | 60 052      | 31 481      |
| Loans and advances (BVP)                       | 37 590       | 53 598      | 66 705        | 51 873      | 35 098      | 17 391      |
| Loans and advances (EU)                        | 59 152       | 41 818      | 83 595        | 185 832     | 204 441     | 157 067     |
| Loans and advances (COVID-19/ERP/TREP)         | 652 314      | 675 924     | 674 271       | 767 767     | 783 337     | 926 266     |
| Investment properties                          | 185 133      | 182 904     | 187 904       | 194 404     | 199 404     | 204 404     |
| Equipment, furniture and other tangible assets | 8 088        | 8 420       | 7 829         | 17 243      | 14 927      | 12 033      |
| Intangible assets                              | 202          | 754         | 2 685         | 12 239      | 14 578      | 15 783      |
| Right-of-use assets                            | 21 923       | 13 554      | 11 331        | 2 135       | 9 651       | 10 086      |
| Deferred tax asset                             | 3            | 3           | 3             | 3           | 3           | 3           |
| Equity investments                             | 971 806      | 921 715     | 948 279       | 974 509     | 1 041 414   | 1 072 388   |
| TOTAL ASSETS                                   | 6 369 425    | 6 894 418   | 7 452 809     | 7 890 372   | 8 478 103   | 9 135 162   |
| EQUITY AND LIABILITIES                         |              |             |               |             |             |             |
| Share capital                                  | 308 300      | 308 300     | 308 300       | 308 300     | 308 300     | 308 300     |
| Shareholder reserves                           | 2 552 488    | 2 811 146   | 2 940 475     | 3 201 680   | 3 474 614   | 3 759 776   |
| Retained earnings and other reserves           | (1 584 550)  | (1 938 642) | (1 759 061)   | (2 140 798) | (2 312 749) | (2 530 452) |
| Equity attributable to owners of the parent    | 1 276 238    | 1 180 804   | 1 489 714     | 1 369 182   | 1 470 164   | 1 537 624   |
| Non-controlling interest                       | 271          | 270         | 270           | 270         | 270         | 270         |
| Total equity                                   | 1 276 509    | 1 181 074   | 1 489 984     | 1 369 452   | 1 470 434   | 1 537 894   |
| Liabilities                                    |              |             |               |             |             |             |
| Trade and other payables                       | 134 749      | 123 945     | 163 398       | 150 444     | 147 782     | 154 242     |
| Tax payable                                    | -            | -           | -             | -           | -           | -           |
| Grants Received in Advance                     | 4 169 622    | 4 760 830   | 4 948 306     | 5 472 976   | 5 943 962   | 6 525 032   |
| Lease Liabilities                              | 27 090       | 17 923      | 15 339        | 3 694       | 10 117      | 10 565      |
| Outstanding claims reserve                     | 7 788        | 7 633       | 12 023        | 10 632      | 12 462      | 16 734      |
| Unearned risk reserve                          | 19 057       | 24 440      | 29 775        | 40 610      | 44 894      | 47 922      |
| Post-retirement medical liability              | 567          | 567         | 717           | 868         | 1 024       | 1 023       |
| Shareholder's loans                            | 734 043      | 778 006     | 793 267       | 841 696     | 847 428     | 841 750     |
| Total liabilities                              | 5 092 916    | 5 713 344   | 5 962 825     | 6 520 920   | 7 007 669   | 7 597 268   |
| TOTAL EQUITY AND LIABILITIES                   | 6 369 425    | 6 894 418   | 7 452 809     | 7 890 372   | 8 478 103   | 9 135 162   |

## 4.2. STATEMENT OF CASHFLOW FOR THE 2023/24 MTEF

### STATEMENTS OF CASH FLOWS R'000

|   | GROUP R'000      |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2022 Audited     | DEC YTD          | 2023 Forecast    | 2024 BUDGET      | 2025 BUDGET      | 2026 BUDGET      |
| <b>Cash flows from operating activities</b>                 |                  |                  |                  |                  |                  |                  |
| Cash utilised by operations                                 | (436 830)        | (279 378)        | (318 118)        | (480 377)        | (466 989)        | (711 774)        |
| Loans and advances awarded to customers or investees        | (979 029)        | (647 147)        | (861 882)        | (900 494)        | (654 512)        | (736 308)        |
| Grant income received                                       | 1 845 175        | 942 447          | 1 271 167        | 1 204 696        | 1 244 718        | 1 299 725        |
| Tax paid  | 61               | -                | -                | -                | -                | -                |
| <b>Net cash utilised by operating activities</b>            | <b>429 377</b>   | <b>15 922</b>    | <b>91 167</b>    | <b>(176 175)</b> | <b>123 217</b>   | <b>(148 357)</b> |
| <b>Cash flows from investing activities</b>                 |                  |                  |                  |                  |                  |                  |
| Purchase of equipment, furniture and other                  | (5 197)          | (4 603)          | (4 953)          | (15 450)         | (5 088)          | (5 291)          |
| Purchase of intangible assets                               | -                | (849)            | (2 914)          | (11 065)         | (5 790)          | (5 833)          |
| Improvements on investment properties                       | -                | -                | -                | -                | -                | -                |
| Investment income   | 92 713           | 114 535          | 162 161          | 168 598          | 174 711          | 196 714          |
| Acquisition of investments                                  | 15 408           | 47 145           | 47 895           | 3 000            | 3 000            | 3 000            |
| Proceeds from sale of property and equipment                | -                | 2 155            | 2 155            | -                | -                | -                |
| Proceeds from sale of investment properties                 | -                | -                | -                | -                | -                | -                |
| <b>Net cash generated by investing activities</b>           | <b>102 924</b>   | <b>158 383</b>   | <b>204 344</b>   | <b>145 083</b>   | <b>166 833</b>   | <b>188 590</b>   |
| <b>Cash flows from financing activities</b>                 |                  |                  |                  |                  |                  |                  |
| Capital repayment of the lease liabilities                  | (10 636)         | (9 167)          | (12 542)         | (15 921)         | (17 538)         | (18 813)         |
| Net Capital funding received from shareholders              | 251 706          | 276 731          | 406 060          | 242 944          | 254 595          | 256 742          |
| <b>Net cash from financing activities</b>                   | <b>241 070</b>   | <b>267 564</b>   | <b>393 518</b>   | <b>227 023</b>   | <b>237 057</b>   | <b>237 929</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>773 371</b>   | <b>441 869</b>   | <b>689 030</b>   | <b>195 931</b>   | <b>527 103</b>   | <b>278 161</b>   |
| Cash and cash equivalents at beginning of year              | 2 547 340        | 3 320 712        | 3 320 712        | 4 009 743        | 4 205 675        | 4 732 779        |
| <b>Cash and cash equivalents at end of year</b>             | <b>3 320 711</b> | <b>3 762 580</b> | <b>4 009 742</b> | <b>4 205 674</b> | <b>4 732 778</b> | <b>5 010 943</b> |
| Cash held on behalf of managed funds                        | (51 983)         | (53 945)         | (53 945)         | (53 945)         | (53 945)         | (53 945)         |
| <b>Cash attributable to the Group</b>                       | <b>3 268 728</b> | <b>3 708 635</b> | <b>3 955 797</b> | <b>4 151 729</b> | <b>4 678 833</b> | <b>4 956 995</b> |



### 4.3. STATEMENT OF COMPREHENSIVE INCOME FOR THE 2023/24 MTEF

#### STATEMENTS OF COMPREHENSIVE INCOME R'000

| STATEMENTS OF COMPREHENSIVE INCOME R'000  | GROUP R'000      |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
|   | 2022 Audited     | DEC YTD          | 2023 Forecast    | 2024 BUDGET      | 2025 BUDGET      | 2026 BUDGET      |
| Interest from lending operations  | 115 784          | 119 853          | 161 184          | 177 481          | 169 971          | 161 788          |
| Fee income from loans   | 14 774           | 14 475           | 17 239           | 15 285           | 14 837           | 14 999           |
| Indemnity fees  | 4 584            | 4 689            | 7 164            | 9 542            | 10 352           | 11 342           |
| Investment property rental income   | 22 861           | 19 582           | 23 091           | 29 543           | 28 799           | 30 097           |
| Interest on overdue rental debtors  | 841              | 322              | 562              | 536              | 561              | 587              |
| Investment income   | 91 872           | 103 025          | 150 411          | 168 062          | 174 150          | 196 127          |
| Other income  | 14 859           | 10 169           | 15 176           | 15 311           | 11 079           | 11 272           |
| <b>Sub-total: Income</b>  | <b>265 575</b>   | <b>272 115</b>   | <b>374 827</b>   | <b>415 760</b>   | <b>409 749</b>   | <b>426 212</b>   |
| Personnel expenses  | (209 236)        | (186 105)        | (257 173)        | (290 114)        | (249 769)        | (235 905)        |
| Investment property expenses  | (57 262)         | (60 805)         | (91 120)         | (85 497)         | (77 929)         | (70 933)         |
| Other operating expenses  | (35 128)         | (62 054)         | (85 939)         | (114 358)        | (109 541)        | (112 607)        |
| <b>Sub-total: Expenses excl items that are linked to B/S</b>                            | <b>(301 626)</b> | <b>(308 964)</b> | <b>(434 232)</b> | <b>(489 969)</b> | <b>(437 239)</b> | <b>(419 445)</b> |
| Net of income and expense excl items that are linked to the B/S                         | (36 051)         | (36 849)         | (59 405)         | (74 209)         | (27 490)         | 6 767            |
| MTEF allocation   | 251 706          | 258 658          | 258 658          | 261 204          | 272 935          | 285 162          |
| <b>Net - income (incl MTEF alloc) and expense excl items that are linked to the B/S</b> | <b>215 655</b>   | <b>221 809</b>   | <b>199 253</b>   | <b>186 995</b>   | <b>245 445</b>   | <b>291 929</b>   |
| Increase in expected credit losses on loans and advances                                | (315 916)        | (518 036)        | (428 787)        | (778 738)        | (769 170)        | (745 536)        |
| KCG claims paid and movement in reserves  | 2 109            | (8 189)          | (19 751)         | (11 372)         | (7 759)          | (9 806)          |
| Depreciation and amortisation   | (3 938)          | (2 397)          | (3 471)          | (7 546)          | (10 855)         | (12 814)         |
| Depreciation - Right of use   | (9 987)          | (8 368)          | (11 382)         | (13 473)         | (16 444)         | (18 826)         |
| Lease liability finance cost  | (2 922)          | (1 649)          | (2 055)          | (1 293)          | (927)            | (995)            |
| Interest expense on shareholder's loan  | (54 607)         | (43 963)         | (59 224)         | (63 429)         | (20 732)         | (9 328)          |
| Net fair value (loss)/gain on investment properties                                     | 1 653            | (2 229)          | 2 771            | 6 500            | 5 000            | 5 000            |
| Increase in impairments on investments and cash   | (24 002)         | 10 317           | 5 803            | (3 408)          | (1 704)          | (1 704)          |
| <b>Sub-total: Expenses items that are linked to B/S</b>                                 | <b>(407 610)</b> | <b>(574 514)</b> | <b>(516 096)</b> | <b>(872 759)</b> | <b>(822 591)</b> | <b>(794 009)</b> |
| <b>Operating loss</b>   | <b>(191 955)</b> | <b>(352 705)</b> | <b>(316 843)</b> | <b>(685 764)</b> | <b>(577 146)</b> | <b>(502 080)</b> |
| Profit from equity accounted investments, net of tax                                    | 45 069           | (2 075)          | 29 747           | 32 639           | 34 120           | 35 678           |
| Grant paid  | (87 653)         | (109 964)        | (137 206)        | (144 177)        | (163 873)        | (171 377)        |
| Grant Income Received   | 314 790          | 369 311          | 510 053          | 676 765          | 770 393          | 705 235          |
| <b>Profit/(Loss) before tax</b>   | <b>80 251</b>    | <b>(95 433)</b>  | <b>85 751</b>    | <b>(120 536)</b> | <b>63 491</b>    | <b>67 458</b>    |
| Income tax credit/(charge)  | 269 732          | -                | -                | (2)              | -                | 1                |
| <b>Net Profit/(loss) for the period incl MTEF allocation</b>                            | <b>349 983</b>   | <b>(95 433)</b>  | <b>85 751</b>    | <b>(120 538)</b> | <b>63 491</b>    | <b>67 459</b>    |
| <b>Net Profit/(loss) for the year excl MTEF</b>   | <b>98 277</b>    | <b>(354 091)</b> | <b>(172 907)</b> | <b>(381 742)</b> | <b>(209 444)</b> | <b>(217 703)</b> |

## 4.4. EXPENDITURE PER DIVISION

| Division              | Programme<br>(Amounts in R'000)                              | FY2024                 |                |   |   |                   |
|-----------------------|--|------------------------|----------------|---|---|-------------------|
|                       |  | Goods and<br>Services* | Personnel**    | Other expenses<br>linked to<br>Balance Sheet<br>movement*** | Transfers and<br>subsidies -<br>Grants paid | Total Expenditure |
| <b>DIVISION 1:</b>    | <b>DIRECT REPORTS TO THE CEO</b>                             | <b>45 685</b>          | <b>67 373</b>  | <b>-</b>  | <b>-</b>                                    | <b>113 058</b>    |
|                       | Strategic Planning, M&E and Research                         | 3 971                  | 11 886         | -   | -   | 15 857            |
|                       | Internal Audit   | 7 907                  | 5 238          | -   | -   | 13 145            |
|                       | Credit Risk Management                                       | 3 520                  | 10 446         | -   | -   | 13 966            |
|                       | Enterprise Risk Management                                   | 1 763                  | 8 232          | -   | -   | 9 995             |
|                       | Legal  | 5 795                  | 14 074         | -   | -   | 19 869            |
|                       | ICT  | 16 612                 | 11 650         | -   | -   | 28 263            |
|                       | Company Secretary  | 6 116                  | 5 846          | -   | -   | 11 962            |
| <b>DIVISION 2:</b>    | <b>LENDING AND CREDIT GUARANTEE</b>                          | <b>14 250</b>          | <b>128 154</b> | <b>793 771</b>  | <b>144 177</b>                              | <b>1 080 351</b>  |
|                       | Direct Lending   | 8 622                  | 74 935         | 531 431   | 143 417                                     | 758 405           |
|                       | Wholesale Microfinance                                       | 1 266                  | 27 267         | 190 575   | -   | 219 109           |
|                       | Wholesale SME  | 954                    | 17 431         | 60 393  | -   | 78 777            |
|                       | Khula Credit Guarantee (KCG) (Subsidiary)                    | 3 408                  | 8 521          | 11 372  | 760   | 24 060            |
| <b>DIVISION 3:</b>    | <b>POST-INVESTMENT MANAGEMENT AND<br/>WORKOUT</b>            | <b>9 998</b>           | <b>38 046</b>  | <b>-</b>  | <b>-</b>                                    | <b>48 044</b>     |
|                       | Direct Lending Post-Investment Monitoring<br>and Workouts    | 1 279                  | 20 538         | -   | -   | 21 817            |
|                       | Wholesale Lending Post-Investment<br>Monitoring and Workouts | 479                    | 8 195          | -   | -   | 8 674             |
|                       | Collections  | 560                    | 9 312          | -   | -   | 9 873             |
|                       | Khula Institutional Support                                  | 7 680                  | -              | -   | -   | 7 680             |
| <b>DIVISION 4:</b>    | <b>FINANCE AND SUPPLY CHAIN<br/>MANAGEMENT</b>               | <b>5 967</b>           | <b>18 164</b>  | <b>77 942</b>   | <b>-</b>                                    | <b>102 073</b>    |
|                       | Finance  | 5 721                  | 12 585         | 77 942  | -   | 96 248            |
|                       | Supply Chain Management                                      | 245                    | 5 580          | -   | -   | 5 825             |
| <b>DIVISION 5:</b>    | <b>HUMAN CAPITAL, MARKETING AND<br/>FACILITIES</b>           | <b>36 751</b>          | <b>28 875</b>  | <b>7 546</b>  | <b>-</b>                                    | <b>73 172</b>     |
|                       | Human Capital Management and<br>Development                  | 11 141                 | 17 980         | -   | -   | 29 121            |
|                       | Marketing and Communications                                 | 17 409                 | 8 231          | 7 546   | -   | 33 186            |
|                       | Facilities Management  | 8 202                  | 2 664          | -   | -   | 10 865            |
| <b>DIVISION 6:</b>    | <b>Khula Business Premises (KBP)<br/>(Subsidiary)</b>        | <b>87 204</b>          | <b>9 503</b>   | <b>(6 500)</b>  | <b>-</b>                                    | <b>90 209</b>     |
|                       | Khula Business Premises (KBP) (Subsidiary)                   | 87 203                 | 9 503          | (6 500)   | -   | 90 209            |
| <b>Total expenses</b> |  | <b>199 855</b>         | <b>290 114</b> | <b>872 759</b>  | <b>144 177</b>                              | <b>1 506 907</b>  |

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

The key risks reflected in the 2020-2025 Strategic Plan are now aligned to the new outcomes, and are updated as follows:

| Outcome  | Key Risk  | Risk Mitigation   |
|--|---|---|
| <b>1. Enhanced access to finance by SMMEs and co-operatives.</b> | Inadequate programme management and traction for targeted groups, such as women, youth, and People living with disabilities.<br><br>Low skill levels of applicants influencing the quality of applications (funding readiness), as well as the lack of access to technology required for submissions. | <ol style="list-style-type: none"> <li>1) Evaluate the regional office network to ensure its closer to its target market considering <b>sefa</b> property portfolio.</li> <li>2) Introduce targeted loan programmes to promote financial inclusion, and strengthen focus on enterprises owned by youth, women, PWDs, and those based in townships.</li> <li>3) Strengthen capacity of microfinance division, and address dependence on just two microfinance intermediaries.</li> </ol> |
|  | Lack of automation of certain business processes resulting in inefficiencies.   | <ol style="list-style-type: none"> <li>1) Design and implementation of an automated workflow and integration to the back-end systems (loan origination and its streamlining; 100% automation of loan origination).</li> <li>2) 100% automation of due diligence, PIM/WR and disbursements.</li> <li>3) Fast-track systems development and digitisation.</li> <li>4) Conclude the organisational review process and optimise the functioning of sefa</li> </ol>                          |
|  | Lack of alternate power supply to mitigate the impact of Loadshedding causing loss of revenue and production to clients, leading to expected high loan default rates.   | <ol style="list-style-type: none"> <li>1) offering additional finance for alternative power sources to clients in support of their businesses.</li> </ol>   |
|  | 5. Inability to generate a desired uptake by new and existing clients due to similar product offerings by other DFIs, which could ultimately threaten the existence of sefa.  | <ol style="list-style-type: none"> <li>1) Expanded access to financial and non-financial support and implement responsive programmes to new and existing SMMEs and co-operatives</li> <li>2) Initiate visibility campaigns such as pop-up shops /express offices to appeal and attract new clients</li> </ol>   |

| Outcome  | Key Risk   | Risk Mitigation  |
|--|--|--|
|  | (The IDC and the DBSA are moving rapidly to operate in the SMME wholesale lending environment or to establish SMME funds.)   |  |
| <b>2. Enhanced service delivery and stakeholder satisfaction</b> | <p>Inadequate customer centricity, stakeholder focus, and brand visibility.</p> <p>The target market is unaware of the services and benefits offered by sefa.</p>  | <ol style="list-style-type: none"> <li>1) Increase investment in marketing and client outreach.</li> <li>2) Strengthen collaboration with key participants (public and private sector, and donors) in the SMME ecosystem – for different parts of the value chain.</li> <li>3) Strengthen sefa sectoral research and knowledge management capabilities – utilise the body of knowledge to strengthen programme design and implementation.</li> </ol> |
|  | <p>Lack of clarity and uncertainty surrounding how merger with Seda will be managed.</p> <p>The <b>sefa</b>/Seda/CBDA merger is creating organisational uncertainty and increased resignation of key employees, which has an adverse impact on organisational performance.</p> | <ol style="list-style-type: none"> <li>1) Establish a project management office to drive organizational projects, including merger considerations.</li> <li>2) Identify one stop shop facility and efficiency enhancements.</li> <li>3) Conclude the organisational review process and optimise the functioning of sefa.</li> <li>4) Capitalise &amp; capacitate KCG as a fully operating subsidiary.</li> </ol>                                     |
| <b>3. A financially sustainable organisation</b>                 | Inability to define and secure long-term sustainability of <b>sefa</b> to meet <b>sefa</b> 's mandate and strategic objectives (financial sustainability).   | <ol style="list-style-type: none"> <li>1) Develop the financial model, which will guide the funding methodology and interest rates to be charged.</li> <li>2) Establish a Treasury function in the merged entity, to better manage capital raising and funds received.</li> <li>3) Drive cost efficiency (funding model, right-sizing, etc.).</li> <li>4) Implement profit and loss statements by division</li> </ol>                                |
|  | Inadequate recovery of invested funds – low collections and high impairments, particularly on old debt book.   | <ol style="list-style-type: none"> <li>1) PIM to identify scalable businesses that can be grown from programmes through capacity building, such as SEMSP.</li> <li>2) Centralise large deal due diligence function.</li> </ol>   |

| Outcome  | Key Risk  | Risk Mitigation   |
|--|---|---|
|  |   | 3) Procuring and deploying an appropriate credit rating tool and pricing tool (to support the Loan Origination System), specifically for the Wholesale SME Lending Enterprise Book to determine appropriate risk appetite.<br>4) Monitoring and improvement of the rate of first default through the acquisition of a new transaction cashflow projection model.  |
| <b>4. Leveraged strategic assets and capital raising</b>       | Inability to meet properties portfolio objectives and achieve market-related tenant occupancy.  | 1) Leasing - Develop and implement a strategic letting plan for rental enterprise.<br>2) Collections and recoveries - Achieve a desired recovery to expense ratio (over 60%).<br>3) Implement the Turnaround Strategy for the Property Portfolio - design products to leverage the portfolio to respond to infrastructure requirements of SMMEs.<br>4) Develop a business case and a roadmap for investment or growth in the property portfolio including sources of capital. |
| <b>5. Sound governance and a high-performance organisation</b> | The risk of not meeting legal, contractual, and regulatory obligations.   | 1) Ongoing training and awareness on key legislation applicable to <b>sefa</b> .<br>2) Ongoing review of key policies for alignment.<br>3) Conduct a compliance maturity assessment.  |
|  | Inadequate capabilities and capacity to achieve levels of impact, performance, and innovation.<br>Growth in the loan book is leading to capacity challenges in Post-Investment Management.<br>Talent loss due to short-term contracts | 1) Enhance culture transformation plans and change management.<br>2) Ongoing employee engagement.<br>3) Effective performance management system and leadership capacitation to support culture transformation.  |
|  | 13. IT security and cyber risks.  | 1) Improve cybersecurity hygiene to comply with the ISO/IEC 27001 family of Information Security Standards, COBIT 19, and the   |

| Outcome | Key Risk   | Risk Mitigation   |
|---------|--|---|
|         |  | National Institute of Standards and Technology (NIST) Framework.  |
|         | Financial crimes and unethical business practices. | 1) Develop and implement Know Your Customer (KYC) Policy.<br>2) Ongoing review of Anti-Money Laundering Policy and Fraud Prevention Policy. |

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

## 6. PUBLIC ENTITIES

Not applicable to the Small Enterprise Funding Agency at this stage.

## 7. CAPEX PROJECTS

| Nº | Project Name                      | Description  | Start Date    | Completion Date   | Total Estimated Cost | Expenditure To Date  |
|----|-----------------------------------|--|---------------|---|----------------------|--|
| 1. | Neil Hare industrial units        | Asbestos roof replacement  | 01 April 2022 | 31 October 2022   | R15 000 000          | R1 323 051.00  |
| 2. | Kwamagxaki                        | Refurbishment of centre main retail unit for a supermarket   | 01 April 2022 | 31 May 2022   | R4 000 000           | R4 702 796.00  |
| 3. | Automation of <b>sefa</b> systems | Loan origination system<br>Phase 2 of Swordfish Collection automation<br>PIM and back-end workflow automation<br>Backend server infrastructure upgrade | 01 April 2022 | 30 September 2022<br>30 September 2022<br>31 March 2023<br>31 December 2022 | R30 000 000          | Loan Origination system:<br>R3 048 450.00 (Capex and licence fees)<br>Swordfish:<br>R344 686.00 (Licence fees)<br>Backend server:<br>R2 121 767.00 (incl. amounts accrued) |

## 8. PUBLIC / PRIVATE PARTNERSHIPS (PPPs)

Not applicable to the Small Enterprise Funding Agency at this stage.



## PART D: TECHNICAL INDICATOR DESCRIPTIONS

### 1. BSC PERSPECTIVE – FINANCIAL

#### 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)   |
|---|--|
| <b>Definition</b>   | 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 |
| <b>Source of Data</b>                                     | ACCPAC   |
| <b>Method of Calculation / Assessment</b>                 | Operating expenses divided by operating income, expressed as a percentage  |
| <b>Means of Verification</b>                              | Verify data reported in ACCPAC and quarterly management accounts   |
| <b>Assumptions</b>  | None   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Chief Financial Officer  |
| Indicator Title   | Percentage growth in revenue (excl. grant income and MTEF)   |
| <b>Definition</b>   | Percentage growth in income year-on-year, excluding grant income and the MTEF allocation   |
| <b>Source of Data</b>                                     | ACCPAC   |

|   |  |
|---|--|
| <b>Method of Calculation / Assessment</b>                 | 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 |
| <b>Means of Verification</b>                              | Review the calculation and data reported in ACCPAC   |
| <b>Assumptions</b>  | None   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Chief Financial Officer  |

## Khula Credit Guarantee (KCG)

| Indicator Title   | KCG capital leveraging ratio  |
|---|---|
| <b>Definition</b>   | The additional investment in access to finance for SMMEs and co-operatives that is leveraged through credit guarantee programme through guarantee taken ups by partner institutions |
| <b>Source of Data</b>                                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b>                 | Leverage ratio – the value of taken-ups/rand value guarantee approved   |
| <b>Means of Verification</b>                              | sefaLAS   |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee  |

## Khula Business Premises (KBP)

| Indicator Title                           | Lettable area vacancy rate (target 10%)   |
|---|---|
| <b>Definition</b>                         | Measures the percentage of total lettable space that is available to be rented out but is vacant                              |
| <b>Source of Data</b>                     | Lease register/ MDA Tenancy and Vacancy Schedule  |
| <b>Method of Calculation / Assessment</b> | Total sq. metre of vacant lettable space divided by the total square metre of gross lettable space, expressed as a percentage |

|   |   |
|---|---|
| <b>Means of Verification</b>                              | Lease register/MDA Tenancy and Tenancy Schedule   |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Prioritise the provision of infrastructure that supports industrialisation, localisation, and exports for SMMEs and co-operatives, with a focus on township and rural economies |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Khula Business Premises   |

| Indicator Title   | Rental collections rate  |
|---|--|
| <b>Definition</b>   | To improve the due (billed) rental collected   |
| <b>Source of Data</b>                                     | MDA Portal   |
| <b>Method of Calculation / Assessment</b>                 | Rand value of due (billed) rental collected, divided by the total Rand value of due (billed) rental, expressed as a percentage   |
| <b>Means of Verification</b>                              | Verify data reflected on MDA Portal  |
| <b>Assumptions</b>  | <ul style="list-style-type: none"> <li>▪ Lease renewals are formalised</li> <li>▪ Panel of attorneys is appointed</li> <li>▪ Rental collection strategy is aligned with industry standards</li> <li>▪ Repairs and maintenance budget is available</li> </ul> |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |

|                                 |   |
|---------------------------------|---|
| <b>Calculation Type</b>         | Cumulative (year-to-date)                     |
| <b>Reporting Cycle</b>          | Quarterly                                     |
| <b>Desired Performance</b>      | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b> | Head of Khula Business Premises               |

## Direct Reports to the CEO

| Indicator Title   | Blended first default rate  |
|---|---|
| <b>Definition</b>   | The proportion of loans (exposure weighted) that goes into ageing status 90+ days (i.e., non-performing loan) without servicing the loan  |
| <b>Source of Data</b>                                     | <b>sefa</b> historical information (\\sefafs\userdata\ECL) or <b>sefa</b> LAS Ageing Report   |
| <b>Method of Calculation / Assessment</b>                 | Kaplan Meier Survival Analysis - Stratify <b>sefa</b> 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. |
| <b>Means of Verification</b>                              | Verify data reported in <b>sefa</b> historical information (\\sefafs\userdata\ECL) or <b>sefa</b> LAS Ageing Report   |
| <b>Assumptions</b>  | <ul style="list-style-type: none"> <li>▪ Average grace/moratorium period</li> <li>▪ Kaplan Meier related assumptions about censoring</li> </ul>   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Credit Risk   |

## Post-Investment Monitoring and Workout

| Indicator Title   | Percentage Portfolio at Risk   |
|---|--|
| <b>Definition</b>   | The Portfolio at Risk (PAR) is a technical measure that accounts for the exposures that are 60 + 1 day in arrears  |
| <b>Source of Data</b>                                     | sefaLAS – age analysis report  |
| <b>Method of Calculation / Assessment</b>                 | 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 |
| <b>Means of Verification</b>                              | Verify data reported in sefaLAS – age analysis report  |
| <b>Assumptions</b>  | None   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Lower than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Post-Investment Monitoring and Workout   |

| Indicator Title                           | Accumulated impairment provision as a percentage of total loans and advances   |
|---|--|
| <b>Definition</b>                         | The expected loss on a financial instrument, based on the probability of the instrument not being repaid   |
| <b>Source of Data</b>                     | The loan book of sefa and other investments, as well as the outcomes of the IFRS 9 Impairment Model.   |
| <b>Method of Calculation / Assessment</b> | 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) |
| <b>Means of Verification</b>              | Verify data reported in quarterly management accounts  |
| <b>Assumptions</b>                        | None   |

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

| Indicator Title   | Percentage collection rate (all-in-cash collections)  |
|---|---|
| <b>Definition</b>   | A measurement on actual quarterly collections against the quarterly collections target (collections due). |
| <b>Source of Data</b>                                     | ACCPAC and <b>sefa</b> LAS  |
| <b>Method of Calculation / Assessment</b>                 | Quarterly receipts divided by instalment raised, expressed as a percentage                                |
| <b>Means of Verification</b>                              | Verify data reported in ACCPAC and <b>sefa</b> LAS  |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Post-Investment Monitoring and Workout  |



## Finance and Supply Chain Management

| Indicator Title   | Rand value of additional capital raised (R'000)  |
|---|--|
| <b>Definition</b>   | Monitoring the Rand value amount of additional capital raised outside of <b>sefa</b> 's MTEF allocation<br>The CFO consolidates, and reports organisationally, on capital raised by the Lending Division and Khula Business Premises |
| <b>Source of Data</b>                                     | ACCPAC   |
| <b>Method of Calculation / Assessment</b>                 | Sum of the additional capital amounts raised outside of the MTEF allocation  |
| <b>Means of Verification</b>                              | Review of bank statements and MOUs concluded   |
| <b>Assumptions</b>  | The Lending Division and Khula Business Premises secure the capital raising target set for their division  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Chief Financial Officer, consolidating reporting from: <ul style="list-style-type: none"> <li>– Executive Manager – Lending</li> <li>– Head: Khula Credit Guarantee</li> <li>– Head: Khula Business Premises</li> </ul>              |

## Direct Reports to the CEO

| Indicator Title   | sefa B-BBEE level  |
|-------------------|--|
| <b>Definition</b> | To enable <b>sefa</b> to facilitate various Enterprise Supplier Development funds and funding instruments, <b>sefa</b> needs, and appropriate B-BBEE facilitator status. This is dependent on <b>sefa</b> 's B-BBEE level, as verified by an approved verification agency. |

|   |  |
|---|--|
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>Quarterly progress reports on implemented improvement plan targets</li> <li>B-BBEE certificate</li> </ul> |
| <b>Method of Calculation / Assessment</b>                 | BEE verification conducted and certificate issued.   |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>Quarterly progress reports on implemented improvement plan targets</li> <li>B-BBEE certificate</li> </ul> |
| <b>Assumptions</b>  | Not applicable   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Head: Legal  |

## 2. BSC PERSPECTIVE – CUSTOMER

### Lending (Direct, Wholesale and Microfinance)

| Indicator Title                           | Value of approvals to SMMEs and co-operatives (R'000)   |
|---|---|
| <b>Definition</b>                         | 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 |
| <b>Source of Data</b>                     | <ul style="list-style-type: none"> <li>sefaLAS</li> <li>Modules – applications management</li> </ul>  |
| <b>Method of Calculation / Assessment</b> | CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total approvals through Wholesale and Direct Lending portfolios  |

|   |   |
|---|---|
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>▪ <b>sefaLAS</b></li> <li>▪ Modules – applications management</li> </ul> |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Reflected as standalone KPIs  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Lending   |

| Indicator Title   | Value of disbursements to SMMEs and co-operatives (R'000)  |
|---|--|
| <b>Definition</b>   | <p>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</p> <p>The disbursement amount is the amount approved as per the decision record exclusive of the client initiation fees and VAT</p> |
| <b>Source of Data</b>                                     | <b>SefaLAS</b> and Intermediary Portal   |
| <b>Method of Calculation / Assessment</b>                 | CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements through Wholesale and Direct Lending portfolios.  |
| <b>Means of Verification</b>                              | <b>sefaLAS</b> and Intermediary Portal   |
| <b>Assumptions</b>  | None   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Reflected as standalone KPIs   |
| <b>Spatial Transformation</b>                             | Not applicable   |

|                                 |   |
|---------------------------------|---|
| <b>(where applicable)</b>       |   |
| <b>Calculation Type</b>         | Cumulative (year-end)                         |
| <b>Reporting Cycle</b>          | Quarterly                                     |
| <b>Desired Performance</b>      | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b> | Executive Manager – Lending                   |

| Indicator Title   | Number of SMMEs and co-operatives financed  |
|---|---|
| <b>Definition</b>   | <p>A measurement, against the set target, of the number of SMMEs and co-operatives financed through all loan programmes and credit guarantees</p> <p>NOTE: Count first disbursement to or first instance of each SMME or co-operative (i.e., unique ID number and unique company registration number of the beneficiary or end user) per financial year</p> |
| <b>Source of Data</b>                                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b>                 | CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of number of SMMEs and co-operatives financed (first disbursements)   |
| <b>Means of Verification</b>                              | sefaLAS   |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Reflected as standalone KPIs  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Lending   |

| Indicator Title   | Number of jobs facilitated and sustained   |
|---|--|
| <b>Definition</b>   | <p>A measurement, against the set target, of the number of jobs that are facilitated and sustained via the <b>sefa</b> 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</p> <p>Rules:</p> <ol style="list-style-type: none"> <li>1. Jobs facilitated and sustained for Direct Lending are based on approvals and information captured must align with the decision record</li> <li>2. Jobs facilitated and sustained for Wholesale Lending are based on disbursements</li> <li>3. Only consider the first instance of each SMME or co-operative (i.e., unique ID number and unique company registration number of the beneficiary or end user) per financial year</li> <li>4. Actual jobs facilitated must be verified</li> </ol> |
| <b>Source of Data</b>                                     | <b>sefaLAS</b>   |
| <b>Method of Calculation / Assessment</b>                 | <p>Jobs facilitated = Maintained jobs + new jobs (at approval stage)</p> <p>Jobs facilitated (WL) = Maintained jobs + new jobs (at disbursement stage)</p> <p><b>Number of jobs facilitated = Jobs facilitated (DL) + jobs facilitated (WL)</b></p>  |
| <b>Means of Verification</b>                              | <b>sefaLAS</b>   |
| <b>Assumptions</b>  | None   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Executive Manager – Lending  |

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

| Indicator Title                           | Disbursements to women-owned enterprises (R'000)   |
|---|--|
| <b>Definition</b>                         | A measurement, against the set target, of women-owned enterprises where most of the shareholding percentage (50+1) is owned by females |
| <b>Source of Data</b>                     | sefaLAS  |
| <b>Method of Calculation / Assessment</b> | Rand value of funding provided to a category of beneficiary divided by total funding provided  |
| <b>Means of Verification</b>              | <ul style="list-style-type: none"> <li>▪ EXCO minutes confirming submission of report</li> </ul>                                       |

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>Register of approved loans with allocation to designated groups as per approved application forms</li> </ul> |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Disbursements to women-owned enterprises  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Lending   |

| Indicator Title   | Disbursements to youth-owned enterprises (R'000)  |
|---|---|
| <b>Definition</b>   | 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 – 35                   |
| <b>Source of Data</b>                                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b>                 | Rand value of funding provided to a category of beneficiary divided by total funding provided   |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>EXCO minutes confirming submission of report</li> <li>Register of approved loans with allocation to designated groups as per approved application forms</li> </ul> |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Disbursements to youth-owned enterprises  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |



|                                 |   |
|---------------------------------|---|
| <b>Reporting Cycle</b>          | Quarterly                                     |
| <b>Desired Performance</b>      | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b> | Executive Manager – Lending                   |

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

| Indicator Title | Disbursements to township-based enterprises (R'000) |
|-----------------|---|
|-----------------|---|

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

| <b>Indicator Title</b>                    | <b>Disbursements to enterprises located in rural towns and villages (R'000)</b>  |
|---|--|
| <b>Definition</b>                         | A measurement, against the set target, of disbursements to enterprises based in rural towns and villages using the Stats SA definition of rural municipalities           |
| <b>Source of Data</b>                     | <b>sefaLAS</b>   |
| <b>Method of Calculation / Assessment</b> | 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 |
| <b>Means of Verification</b>              | <b>sefaLAS</b>   |
| <b>Assumptions</b>                        | None   |
| <b>Disaggregation of Beneficiaries</b>    | Not applicable   |

|  |  |
|--|--|
| <b>(where applicable)</b>                        |  |
| <b>Spatial Transformation (where applicable)</b> | Disbursements to enterprises located in rural towns and villages |
| <b>Calculation Type</b>                          | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                           | Quarterly  |
| <b>Desired Performance</b>                       | Better than targeted performance is desirable                    |
| <b>Indicator Responsibility</b>                  | Executive Manager – Lending                                      |

### Khula Credit Guarantee (KCG)

| Indicator Title   | Value of Approvals to SMMEs and co-operatives (R'000)   |
|---|---|
| <b>Definition</b>   | 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 |
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>▪ sefaLAS</li> <li>▪ Modules – applications management</li> </ul>  |
| <b>Method of Calculation / Assessment</b>                 | CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Approvals through Wholesale and Direct Lending portfolios  |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>▪ sefaLAS</li> <li>▪ Modules – applications management</li> </ul>  |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Reflected as standalone KPIs  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |

|                                 |                                |
|---------------------------------|--------------------------------|
| <b>Indicator Responsibility</b> | Head of Khula Credit Guarantee |
|---------------------------------|--------------------------------|

| Indicator Title   | Value of disbursements to SMMEs and co-operatives (R'000)  |
|---|--|
| <b>Definition</b>   | <p>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</p> <p>The disbursement amount is the amount approved as per the decision record exclusive of the client initiation fees and VAT</p> |
| <b>Source of Data</b>                                     | SefaLAS and Intermediary Portal  |
| <b>Method of Calculation / Assessment</b>                 | CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements through Wholesale and Direct Lending portfolios.  |
| <b>Means of Verification</b>                              | sefaLAS and Intermediary Portal  |
| <b>Assumptions</b>  | None   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Reflected as standalone KPIs   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee   |

| Indicator Title   | Number of SMMEs and co-operatives financed  |
|-------------------|---|
| <b>Definition</b> | <p>A measurement, against the set target, of the number of SMMEs and co-operatives financed through all loan programmes and credit guarantees</p> <p>NOTE: Count first disbursement to or first instance of each SMME or co-operative (i.e., unique ID number and unique company registration number of the beneficiary or end user) per financial year</p> |

|   |   |
|---|---|
| <b>Source of Data</b>                                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b>                 | CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of number of SMMEs and co-operatives financed (first disbursements) |
| <b>Means of Verification</b>                              | sefaLAS   |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Reflected as standalone KPIs  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee  |

| Indicator Title       | Number of jobs facilitated and sustained   |
|-----------------------|--|
| <b>Definition</b>     | <p>A measurement, against the set target, of the number of jobs that are facilitated and sustained via the <b>sefa</b> 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</p> <p>Rules:</p> <ul style="list-style-type: none"> <li>Jobs facilitated and sustained for Direct Lending are based on approvals and information captured must align with the decision record</li> <li>Jobs facilitated and sustained for Wholesale Lending are based on disbursements</li> <li>Only consider the first instance of each SMME or co-operative (i.e., unique ID number and unique company registration number of the beneficiary or end user) per financial year</li> <li>Actual jobs facilitated must be verified</li> </ul> |
| <b>Source of Data</b> | sefaLAS  |

|   |  |
|---|--|
| <b>Method of Calculation / Assessment</b>                 | Jobs facilitated = Maintained jobs + new jobs (at approval stage)<br>Jobs facilitated (WL) = Maintained jobs + new jobs (at disbursement stage)<br><b>Number of jobs facilitated = Jobs facilitated (DL) + jobs facilitated (WL)</b> |
| <b>Means of Verification</b>                              | sefaLAS  |
| <b>Assumptions</b>  | None   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee   |

| Indicator Title                           | Disbursements to Black-owned enterprises (R'000)  |
|---|---|
| <b>Definition</b>                         | A measurement, against the set target, of Black-owned enterprises where most of the shareholding percentage (50+1) is owned by previously disadvantaged individuals (PDIs). PDI is defined in terms of the B-BBEE Act (African, Indian, and Coloured) |
| <b>Source of Data</b>                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b> | Rand value of funding provided to a category of beneficiary divided by total funding provided   |
| <b>Means of Verification</b>              | <ul style="list-style-type: none"> <li>EXCO minutes confirming submission of report</li> <li>Register of approved loans with allocation to designated groups as per approved application forms</li> </ul>   |
| <b>Assumptions</b>                        | None  |
| <b>Disaggregation of Beneficiaries</b>    | Disbursements to Black-owned enterprises  |

|  |   |
|--|---|
| <b>(where applicable)</b>                        |   |
| <b>Spatial Transformation (where applicable)</b> | Not applicable                                |
| <b>Calculation Type</b>                          | Cumulative (year-end)                         |
| <b>Reporting Cycle</b>                           | Quarterly                                     |
| <b>Desired Performance</b>                       | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b>                  | Head of Khula Credit Guarantee                |

| Indicator Title   | Disbursements to women-owned enterprises (R'000)  |
|---|---|
| <b>Definition</b>   | A measurement, against the set target, of women-owned enterprises where most of the shareholding percentage (50+1) is owned by females  |
| <b>Source of Data</b>                                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b>                 | Rand value of funding provided to a category of beneficiary divided by total funding provided   |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>EXCO minutes confirming submission of report</li> <li>Register of approved loans with allocation to designated groups as per approved application forms</li> </ul> |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Disbursements to women-owned enterprises  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee  |



| Indicator Title   | Disbursements to youth-owned enterprises (R'000)  |
|---|---|
| <b>Definition</b>   | 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 – 35                   |
| <b>Source of Data</b>                                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b>                 | Rand value of funding provided to a category of beneficiary divided by total funding provided   |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>EXCO minutes confirming submission of report</li> <li>Register of approved loans with allocation to designated groups as per approved application forms</li> </ul> |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Disbursements to youth-owned enterprises  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee  |

| Indicator Title                           | Disbursements to enterprises owned by entrepreneurs with disabilities (R'000)   |
|---|---|
| <b>Definition</b>                         | <ul style="list-style-type: none"> <li>A measurement, against the set target, of facilities disbursed to enterprises where disability shareholding is 25% or more</li> <li>Disabilities are defined as per the Department of Labour codes and the individual(s) must be declared by a medical doctor as disabled</li> </ul> |
| <b>Source of Data</b>                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b> | Rand value of funding provided to a category of beneficiary divided by total funding provided   |

|   |   |
|---|---|
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>EXCO minutes confirming submission of report</li> <li>Register of approved loans with allocation to designated groups as per approved application forms</li> </ul> |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Disbursements to enterprises owned by entrepreneurs with disability   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee  |

| Indicator Title   | Disbursements to township-based enterprises (R'000)   |
|---|---|
| <b>Definition</b>   | A measurement, against the set target, of the Rand amount of the predetermined percentage of disbursements to enterprises located in townships as per <b>sefa</b> approved definition of a township |
| <b>Source of Data</b>                                     | <b>sefa</b> LAS   |
| <b>Method of Calculation / Assessment</b>                 | Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of total disbursements to township-based enterprises through Wholesale and Direct Lending portfolios                                  |
| <b>Means of Verification</b>                              | <b>sefa</b> LAS   |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Disbursements to township-owned enterprises   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |

|                                 |   |
|---------------------------------|---|
| <b>Reporting Cycle</b>          | Quarterly                                     |
| <b>Desired Performance</b>      | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b> | Head of Khula Credit Guarantee                |

| Indicator Title   | Disbursements to enterprises located in rural towns and villages (R'000)   |
|---|--|
| <b>Definition</b>   | A measurement, against the set target, of disbursements to enterprises based in rural towns and villages using the Stats SA definition of rural municipalities           |
| <b>Source of Data</b>                                     | sefaLAS  |
| <b>Method of Calculation / Assessment</b>                 | 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 |
| <b>Means of Verification</b>                              | sefaLAS  |
| <b>Assumptions</b>  | None   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Disbursements to enterprises located in rural towns and villages   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee   |

## Human Capital, Marketing and Facilities

| Indicator Title   | Number of leads generated   |
|-------------------|---|
| <b>Definition</b> | Tracking the number of business leads generated arising from stakeholder relations sessions conducted |

|   |  |
|---|--|
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>Attendance registers</li> <li>EXCO reports on stakeholder engagements</li> <li>Applications for funding</li> </ul>  |
| <b>Method of Calculation / Assessment</b>                 | Simple count of the number of leads generated arising from stakeholder relations sessions in the financial year  |
| <b>Means of Verification</b>                              | 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 |
| <b>Assumptions</b>  | Availability of budget and associated means to conduct stakeholder sessions  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Head – Marketing and Communications  |

| Indicator Title                           | Annual Brand Visibility Index   |
|---|---|
| <b>Definition</b>                         | Monitoring of the dashboard that measures the awareness of <b>sefa's</b> brand visibility among the target market   |
| <b>Source of Data</b>                     | <ul style="list-style-type: none"> <li>Brand Visibility Index Report</li> <li>Quarterly reports on implementation of recommendations arising from the brand index assessment</li> </ul> |
| <b>Method of Calculation / Assessment</b> | Brand index reported in the Brand Visibility Index Report, available in Q4 each year  |
| <b>Means of Verification</b>              | <ul style="list-style-type: none"> <li>Verify the brand index, as reported in the Brand Visibility Index Report, available in Q4 each year</li> </ul>                                   |

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>Verify the quarterly reports on implementation of recommendations arising from the brand index assessment</li> </ul> |
| <b>Assumptions</b>  | Budget is available to conduct the study  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head – Marketing and Communications   |

| Indicator Title   | Annual Customer Satisfaction Index rating   |
|---|---|
| <b>Definition</b>   | A measurement, against the set target, of the level of customer satisfaction based on a preformulated customer measurement satisfaction index   |
| <b>Source of Data</b>                                     | Customer Satisfaction Survey (conducted by an independent service provider)   |
| <b>Method of Calculation / Assessment</b>                 | Verification of independent survey results, Customer Satisfaction Score, Net Promoter Score   |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>Customer Satisfaction Survey Report (conducted by an independent service provider)</li> <li>EXCO minutes confirming submission of survey report</li> </ul> |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |

|                                 |   |
|---------------------------------|---|
| <b>Calculation Type</b>         | Cumulative (year-end)                         |
| <b>Reporting Cycle</b>          | Quarterly                                     |
| <b>Desired Performance</b>      | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b> | Head – Marketing and Communications           |

### 3. BSC PERSPECTIVE – BUSINESS PROCESSES

#### Post-Investment Monitoring and Workout

| Indicator Title   | Number of client and funding partner interventions   |
|---|--|
| <b>Definition</b>   | To build sustainable investee companies by providing non-financial support and advisory services by intervening in client companies where required |
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>▪ Business Support Register</li> <li>▪ Mentorship Report</li> </ul>   |
| <b>Method of Calculation / Assessment</b>                 | Simple count of the number of client and funding partner interventions implemented.  |
| <b>Means of Verification</b>                              | Verify the number of completed interventions as reported in the Business Support Register and mentorship reports                                   |
| <b>Assumptions</b>  | Interventions will have a positive outcome   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Exceed target by 10%   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Post-Investment Monitoring and Workout   |

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

### Lending (Direct, Wholesale and Microfinance)

| Indicator Title                           | Turnaround time for Direct Lending (days)  |
|---|--|
| <b>Definition</b>                         | The average number of days it takes to approve an application  |
| <b>Source of Data</b>                     | <b>sefa</b> LAS  |
| <b>Method of Calculation / Assessment</b> | <p>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</p> <p>Total number of business days per application/Total number of applications for DL</p> |



|   |   |
|---|---|
| <b>Means of Verification</b>                              | sefaLAS                                       |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable                                |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable                                |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)                     |
| <b>Reporting Cycle</b>                                    | Quarterly                                     |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b>                           | Executive Manager – Lending                   |

| Indicator Title   | Turnaround time for Wholesale Lending (days)  |
|---|---|
| <b>Definition</b>   | The average number of days it takes to approve an application   |
| <b>Source of Data</b>                                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b>                 | <p>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</p> <p>Total number of business days per applications/Total number of applications for WL</p> |
| <b>Means of Verification</b>                              | sefaLAS   |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)   |

|                                 |   |
|---------------------------------|---|
| <b>Reporting Cycle</b>          | Quarterly                                     |
| <b>Desired Performance</b>      | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b> | Executive Manager – Lending                   |

### Khula Credit Guarantee (KCG)

| Indicator Title   | KCG - Turnaround time for Wholesale Lending (Days)  |
|---|---|
| <b>Definition</b>   | The average number of days it takes to approve an application   |
| <b>Source of Data</b>                                     | sefaLAS   |
| <b>Method of Calculation / Assessment</b>                 | <p>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</p> <p>Total number of business days per applications/Total number of applications for WL</p> |
| <b>Means of Verification</b>                              | sefaLAS   |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Khula Credit Guarantee  |

### Direct Reports to the CEO

|                        |  |
|------------------------|--|
| <b>Indicator Title</b> | Progress in implementation of an electronic crowd-funding platform for early-stage start-ups |
|------------------------|--|

|   |  |
|---|--|
| <b>Definition</b>   | The indicator tracks the progress in implementation of an electronic crowd-funding platform for early-stage start-ups  |
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>▪ To-be process documentation</li> <li>▪ Project plan</li> <li>▪ Quarterly project reports submitted to EXCO</li> </ul> |
| <b>Method of Calculation / Assessment</b>                 | Verification of the specification document   |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>▪ Project plan</li> <li>▪ Quarterly project reports submitted to EXCO</li> </ul>  |
| <b>Assumptions</b>  | Budget will be available   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Head of Strategy / Head of ICT   |

| Indicator Title                           | Progress in automation of sefa business processes  |
|---|--|
| <b>Definition</b>                         | Analysis, improvement, and digitisation of <b>sefa</b> '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) |
| <b>Source of Data</b>                     | <ul style="list-style-type: none"> <li>▪ To-be process documentation, functional design, and automated process/system</li> <li>▪ Project plan for processes to be automated over the period</li> <li>▪ Quarterly project reports submitted to EXCO</li> </ul>                        |
| <b>Method of Calculation / Assessment</b> | Verification of the pre- and post-automation of the business processes targeted for the period, as reported in the project reports   |

|   |   |
|---|---|
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>Project plan for processes to be automated over the period</li> <li>Quarterly project reports submitted to EXCO</li> </ul> |
| <b>Assumptions</b>  | Budget will be available  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Head of Strategy / Head of ICT  |

| Indicator Title   | Progress in implementation of the sefa Enterprise Content Management System  |
|---|--|
| <b>Definition</b>   | Improvement of <b>sefa</b> '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. |
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>To-be process documentation</li> <li>Project plan for implementation of the <b>sefa</b> Enterprise Content Management System</li> </ul>   |
| <b>Method of Calculation / Assessment</b>                 | Verification of the implementation of the Enterprise Content Management System as targeted for the period, as reported in the project reports  |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>Project plan for implementation of the <b>sefa</b> Enterprise Content Management System</li> <li>Quarterly project reports submitted to EXCO</li> </ul>   |
| <b>Assumptions</b>  | Budget will be available   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |

|  |   |
|--|---|
| <b>Spatial Transformation (where applicable)</b> | Not applicable                                |
| <b>Calculation Type</b>                          | Cumulative (year-to-date)                     |
| <b>Reporting Cycle</b>                           | Quarterly                                     |
| <b>Desired Performance</b>                       | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b>                  | Head of Strategy / Head of ICT                |

| Indicator Title   | sefa risk maturity level   |
|---|--|
| <b>Definition</b>   | <p>A risk maturity assessment is carried out to determine the level of maturity within <b>sefa</b> in the efforts to implement Enterprise Risk Management (ERM).</p> <p>This includes a review of operational processes and systems, organisational systems, and governance structures and processes, as well as operational risk-based processes.</p> |
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>Quarterly progress reports on implementation of improvement plan on risk maturity assessment conducted FY2022/23</li> <li>Report on Risk Maturity Assessment conducted in Q4 FY2023/24</li> <li>Improvement plan on Risk Maturity Assessment conducted in Q4 FY2023/24</li> </ul>                               |
| <b>Method of Calculation / Assessment</b>                 | Risk Maturity Survey – Excel-based   |
| <b>Means of Verification</b>                              | Verification of the ratings on the Risk Maturity Assessment  |
| <b>Assumptions</b>  | N/A  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | N/A  |
| <b>Spatial Transformation (where applicable)</b>          | N/A  |
| <b>Calculation Type</b>                                   | Cumulative (year-to-date)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |

|                                 |   |
|---------------------------------|---|
| <b>Desired Performance</b>      | Better than targeted performance is desirable |
| <b>Indicator Responsibility</b> | Head: Risk & Compliance                       |

#### 4. BSC PERSPECTIVE – LEARNING AND GROWTH

##### Direct Reports to the CEO

| Indicator Title   | Number of publications produced  |
|---|--|
| <b>Definition</b>   | To effectively monitor <b>sefa</b> loan programme performance and to commission strategic research projects that will inform evidence-based planning |
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>Register of publications and research briefs produced</li> <li>Quarterly reports submitted to EXCO</li> </ul> |
| <b>Method of Calculation / Assessment</b>                 | Simple count of the number of publications produced  |
| <b>Means of Verification</b>                              | <ul style="list-style-type: none"> <li>Register of publications and research briefs produced</li> <li>Quarterly reports submitted to EXCO</li> </ul> |
| <b>Assumptions</b>  | Budget will be available   |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable   |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable   |
| <b>Calculation Type</b>                                   | Cumulative (year-end)  |
| <b>Reporting Cycle</b>                                    | Quarterly  |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable  |
| <b>Indicator Responsibility</b>                           | Head of Strategy   |

##### Human Capital, Marketing and Facilities

| Indicator Title | Annual Employee Engagement Index (EEI) |
|-----------------|--|
|-----------------|--|

|   |   |
|---|---|
| <b>Definition</b>   | <p>A measurement, against the set target, of the level of employee engagement and satisfaction</p> <p>The annual employee engagement survey will be undertaken by an independent external party</p>   |
| <b>Source of Data</b>                                     | <ul style="list-style-type: none"> <li>Employee Engagement Survey (conducted by an independent service provider)</li> <li>Quarterly reports on implementation of recommendations and action items arising from the Employee Engagement Survey</li> </ul>  |
| <b>Method of Calculation / Assessment</b>                 | Verification of independent survey results, and progress in the implementation of action items arising  |
| <b>Means of Verification</b>                              | <p>Verification of:</p> <ul style="list-style-type: none"> <li>Employee Engagement Survey (conducted by an independent service provider)</li> <li>EXCO minutes confirming submission of survey report</li> <li>Quarterly reports on implementation of recommendations and action items arising from the Employee Engagement Survey</li> </ul> |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Human Capital and Facilities  |

|                        |  |
|------------------------|--|
| <b>Indicator Title</b> | <b>Percentage of staff that scores 3.5 or more in the annual performance assessment</b>  |
| <b>Definition</b>      | A measurement of performance of employees who have attained a final performance score of a 3.5 or more, on prior years performance |
| <b>Source of Data</b>  | <b>sefa</b> Online Performance Management System   |



|   |   |
|---|---|
| <b>Method of Calculation / Assessment</b>                 | <ul style="list-style-type: none"> <li>Annual performance assessments conducted in Q1, on prior year's performance:</li> <li>Staff performance = (Total number of employees ÷ number of employees with performance score of 3.5 or more) x 100</li> </ul> |
| <b>Means of Verification</b>                              | Verify data as recorded on the <b>sefa</b> Online Performance Management System   |
| <b>Assumptions</b>  | None  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Human Capital and Facilities  |

| Indicator Title                           | Productivity Index  |
|---|---|
| <b>Definition</b>                         | A measurement of the level of productivity, which measures how the organisation cumulatively performs towards obtaining its annual targets  |
| <b>Source of Data</b>                     | <ul style="list-style-type: none"> <li>Approved Productivity Measurement Approach and Tool</li> <li>Report on Productivity Assessment conducted – baseline established</li> </ul>   |
| <b>Method of Calculation / Assessment</b> | <ul style="list-style-type: none"> <li>Approved Productivity Measurement Approach and Tool in Q2 2022/23</li> <li>Report on Productivity Assessment conducted in Q3 2022/23 – reflecting a baseline established:               <p>Employee Productivity rate = (Standard labour hours / Amount of time worked) x100</p> <p># Standard labour hours are 40 hours per week</p> <p># Real hours worked must be measured by timesheet during pilot phase</p> <p># For teams in front end – use number of deals approved in committees on weekly basis</p> </li> </ul> |

|   |   |
|---|---|
| <b>Means of Verification</b>                              | Verification of: <ul style="list-style-type: none"> <li>▪ Approved Productivity Measurement Approach and Tool in Q2 2022/23</li> <li>▪ Report on Productivity Assessment conducted in Q3 2022/23 – reflecting a baseline established</li> </ul> |
| <b>Assumptions</b>  | Not applicable  |
| <b>Disaggregation of Beneficiaries (where applicable)</b> | Not applicable  |
| <b>Spatial Transformation (where applicable)</b>          | Not applicable  |
| <b>Calculation Type</b>                                   | Cumulative (year-end)   |
| <b>Reporting Cycle</b>                                    | Quarterly   |
| <b>Desired Performance</b>                                | Better than targeted performance is desirable   |
| <b>Indicator Responsibility</b>                           | Executive Manager – Human Capital and Facilities  |

## ANNEXURES TO THE CORPORATE ANNUAL PERFORMANCE PLAN

### ANNEXURE A: AMENDMENTS TO THE STRATEGIC PLAN

The process to develop this 2023/24 Corporate Annual Performance Plan began with again reviewing and confirming the amendments made to the approved 2020-2025 Strategic Plan, included as Annexure A to the 2022/23 Corporate Annual Performance Plan.

- 1) There are **no changes to the mandate information** reflected in Part A of Annexure A to the 2022/23 Corporate Annual Performance Plan. Updates to institutional policies and strategies are reflected in this Annual Performance Plan.
- 2) There are **no changes to the strategic focus information** reflected in Part B of Annexure A to the 2022/23 Corporate Annual Performance Plan.
- 3) In Part C of Annexure, A to the 2022/23 Corporate Annual Performance Plan:
  - a) The **sefa** Impact Statement is amended as follows:

| Annexure A to the 2022/23 Corporate Annual Performance Plan  | Revised through this Amendment to the Strategic Plan   | Notes on Amendment                           |
|--|--|--|
| Sustainable small, medium, micro, and co-operative enterprises; and<br>Increased economic participation, ownership, and access to resources and opportunities by PDIs, prioritising women, youth, and persons with disabilities. | Sustainable small, medium, micro, and co-operative enterprises; and<br>Increased job creation, and economic participation, ownership, and access to resources and opportunities by PDIs, prioritising women, youth, and persons with disabilities. | Inclusion of "job creation" in the statement |

- b) There are **no changes to the outcomes, outcome indicators, or five-year targets**.
- 4) There are **no changes to the outcome indicator technical indicator descriptions** reflected in Part D of Annexure A to the 2022/23 Corporate Annual Performance Plan.

### ANNEXURE B: CONDITIONAL GRANTS

Not applicable to the Small Enterprise Funding Agency.

## ANNEXURE C: CONSOLIDATED INDICATORS

Not applicable to the Small Enterprise Funding Agency.

## 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 Metro      | N/A                       | sefa – KBP     | N/A                    |
|                            |                   | Victoria Street Market – Roof repairs and 1 <sup>st</sup> floor reinstatement | eThekweni Metro              | N/A                       | sefa - KBP     | N/A                    |
|                            |                   | KwaMagxaki - Refurbishment of centre  | Nelson Mandela Bay Metro     | 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 Metro      | 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 Programme   | Districts in all 9 provinces | N/A                       | sefa           | DSBD                   |