CORPORATE PLAN 2021/22

Official sign-off

It is hereby certified that this Corporate Plan:

1. Was developed by the management of the Small Enterprise Finance Agency (**sefa**) under the guidance of **sefa**'s Board of Directors.

2. Considers all the relevant policies, legislation and other mandates for which **sefa** is responsible.

3. Accurately reflects the strategic outcome-oriented goals and objectives that **sefa** will endeavour to achieve from 2021/22 – 2025/26 financial years.

Digitally signed by Alroy Dirks
DN: cn=Alroy Dirks, o=Small Enteprise Finance Agency, ou, email=alroyd@sefa.og.za, c=ZA
Date: 2021.03.03 19:27:50 +02'00'

Date: 3/3/2021

Mr Alroy Dirks
Head of Strategy, Planning & Reporting

Shoki Ralebepa

Digitally signed by Shoki Ralebepa
Date: 2021.03.03 19:29:28 +02'00'

Date: 03-03-2021

Ms Shoki Ralebepa
Chief Financial Officer

Digitally signed by Mxolisi Matshamba
Date: 2021.03.03 19:34:12 +02'00'

Date: 03/03/2021

Mr Mxolisi Matshamba
Chief Executive Officer

Date: 03-03-2021

Mr Martin Mahosi
Chairperson of the Board of Directors

GLOSSARY OF TERMS

4IR	**Fourth Industrial Revolution**
AI	**Artificial Intelligence**
AfCFTA	**African Continental Free Trade Area**
AGOA	**African Growth Opportunity Act**
CFIs	**Co-operatives Finance Institutions**
Covid-19	**Coronavirus disease of 2019**
DFIs	**Development Finance Institutions**
DSBD	**Department of Small Business Development**
ERM	**Enterprise Risk Management**
ESD	**Enterprise and Supplier Development**
EU	**European Union**
FY	**Financial Year**
GEM	**Global Entrepreneurship Monitor**
HPO	**High Performance Organisation**
IDC	**Industrial Development Corporation of South Africa Limited**
IFC	**International Finance Corporation**
IMF	**International Monetary Fund**
IPAP	**Industrial Policy Action Plan**
JVs	**Joint Venture Funds**
KCG	**Khula Credit Guarantee**
MFI	**Micro Finance Institution**
MTEF	**Medium Term Expenditure Framework**
MTSF	**Medium Term Strategic Framework**
NDP	**National Development Plan 2030**
NGP	**New Growth Path**
PIMWR	**Post Investment Monitoring, Workout & Restructuring**
PFMA	**Public Finance Management Act**

SA	**South Africa**
SCM	**Supply Chain Management**
sefa	**Small Enterprise Finance Agency**
Seda	**Small Enterprise Development Agency**
SMMEs	**Small, medium and micro-enterprises**
SOE/SOC	**State-owned Enterprises/Companies**
TEP	**Tourism Equity Programme**
TREP	**Township Rural and Entrepreneurship Programme**
RFI	**Retail Financial Intermediary**

1 Contents

EXECUTIVE SUMMARY

Small, medium and micro-enterprises (SMMEs) and cooperatives represent critical segments of the economy that are integral to addressing the challenge of job creation, poverty and inequality in South Africa. Addressing these challenges will require structural changes to boost economic growth, promote and facilitate higher levels of investment, which will in turn increase employment.

The impact of Covid-19 and lockdown measures that were put in place to arrest the spread of the virus, have had an adverse impact on SMMEs and cooperatives. Government departments, together with various public organisations, put measures in place to alleviate the pressure on companies to minimise closures and employee retrenchments.

To address the impact of Covid-19 on the small business sector, the Department of Small Business Development (DSBD), in conjunction with its agencies, **sefa,** and Seda, introduced a set of interventions to provide financial relief to SMMEs and cooperatives negatively affected by the Covid-19. These interventions included an SMME Debt Relief Scheme[1], the extension of payment holidays to **sefa**-funded clients and SMMEs and cooperatives occupying **sefa**'s rental properties. The total value of these interventions amounted to R 446.5 million.

However, it was inevitable that some businesses would shut down, and employees be laid off. Consequently, there will be a surge in start-up business activity especially in the informal and micro enterprise sector as unemployed individuals seek alternative means of income.

Access to finance remains a key constraint in the development and growth of SMMEs and Cooperatives. The majority of the small businesses struggle to access finance due to perceived risk identified by the lenders. This risk primarily relates to lack of collateral, the business life-cycle phase, ie start-up, lack of financial records, and the experience of the entrepreneur. Since the private sector does not adequately cater for the SMME sector, the motivation for **sefa** to fill the gap remains strong. A developing economy such as South Africa must support an emerging small business sector's growth. Independent studies by the International Finance Corporation and FinFind indicate that SMME credit gap in SA is estimated to range between R86 billion and R346 billion as at July 2019.

Over the past four financial years (2016/17 to 2019/20) **sefa** approved more than R3.3 billion and disbursed more than R4.9 billion in loan financing to 235 563 SMMEs and cooperatives, in the process creating and maintaining 286 363 jobs. The majority of clients was funded through **sefa**'s informal and microenterprise finance support programme, of which the majority is female entrepreneurs located in rural towns and villages.

Disbursements[2] to the following targeted groups over the period were as follows:

- Youth-owned enterprises – R836 million
- Women-owned enterprises – R1.75 billion
- Black-owned enterprises – R3.48 billion
- Enterprises located in townships – R 358 million
- Enterprises located in rural towns and villages – R1.7 billion

[1] SMME Debt Relief provided cashflow support for the payment of salaries, municipal utilities and rental.
[2] Disbursements to the targeted groups are not cumulative in value, but the funded entity could belong to one of **sefa**'s targeted groups. For example, the funded client could be black-owned, women-owned and located in a township.

- Enterprises owned by people with disabilities – R 19.8 million

sefa's operating model makes provision for direct financing and business support to SMMEs and cooperatives through its regional office network and **indirectly** through its partnership with intermediary financial institutions such as retail finance intermediaries (RFIs), microfinance finance institutions (MFIs), joint venture funds (JVs) and cooperative financial institutions (CFIs). **sefa**'s value proposition is underpinned by its offering of the concessionary and risk adjusted pricing to deliver its developmental mandate for wholesale lending and blended (debt and grants) finance for direct lending clients. The blended finance instrument is utilised to reduce the gearing ratio in the business and thereby enhance the funded clients' sustainability. The grants reduce the overall cost to the customer.

Coupled with loans and grants, in collaboration with Seda, **sefa** also provides support services to SMMEs and cooperatives. **sefa** has a property portfolio of 47 properties across the country. Through these properties, small businesses have access to business premises at concessionary rates.

Internally, **sefa** identified multiple challenges to be addressed with a strong focus on operational efficiencies and customer services. The interventions to the challenges are as follows:

Challenge	**Intervention**
Lack of quality deal pipeline	Implementation of a pro-active business development strategy aimed at different segments of the SMME market to enhance and build a quality deal pipeline. Through the partnership with Seda, clients are assisted with pre-investment business support (development of business plans, company registration, market access, etc).
Insufficient township and rural footprint	Expand **sefa**'s footprint and reach in townships and rural communities to effectively service the targeted groups, particularly, women, youth and people with disabilities; this expansion will take the form of both physical and virtual.
The high failure rate of **sefa**-funded clients	Pro-active monitoring of funded clients to increase clients' sustainability and reduce loan impairments. The high failure rate is partly driven by the low growth economic environment, late payments and lack of business management skills.
Inadequate online client transaction functionality	Introduce digital access channels to enable customers to transact with **sefa** online, and thereby mitigate the challenges presented by the Covid-19 pandemic
High operating costs	Review the organisational operating model to eliminate process inefficiencies to reduce the operational costs
Lack of **sefa** market visibility	Build and market the **sefa** brand to position the organisation as a lender and facilitator of SMME lending
Over-reliance on Medium-Term Expenditure Framework (MTEF) allocation to fund loan book growth and operations	Build strategic partnerships with the private-sector to access enterprise and supplier development funds, and thereby leverage opportunities for the small businesses in key value chains.

sefa's Strategic Objectives and Initiatives

The economy will remain under pressure leading to stagnant growth across the economic sectors; demand for small businesses funding will increase. As such, **sefa** must explore innovative ways to source alternative funding channels and other revenue streams beyond the National Treasury MTEF allocation to achieve the following objectives to:

- **Strategic Objective** 1- Achieve a high impact, high-performance through being responsive to the government's microeconomic policies and specifically the DSBD MTEF plan
- **Strategic Objective 2** - Improve sefa's financial sustainability, operational effectiveness, efficiency, and service delivery by streamlining business processes and deploying technology solutions
- **Strategic Objective 3** – Improve financial access and distribution reach and establish relevant value propositions and winning collaborative models
- **Strategic Objective 4** – Instill an outcomes orientated organisational culture supported by streamlined organisational structure and innovative delivery model that is aligned to the mandate and strategy.

The above-identified strategic challenges and operational efficiency intents are supported by the strategic initiatives that will be implemented to achieve **sefa**'s strategic objectives and intend. To be aligned with the business environment, **sefa** has systematically built a portfolio of strategic initiatives. These initiatives are aligned with **sefa**'s top strategic priorities, and their execution is critical to the organisation's realisation of the impact targets.

- **Accessibility, simplicity and automation:** Improve accessibility through simplified, streamlined and automated processes, new channels, and distribution partners
- **Investment management and business support**: The pro-active analysis and monitoring of **sefa** investments, including value-added services such as business mentoring, facilitation of market access, etc. Timeous remedial measures for distressed businesses, by restructuring accounts' effective business support measures, will improve investees' sustainability and increase survival chances
- **Policy support and strategic alliances:** The government has multiple policy implementation initiatives, and **sefa** has to position itself as an execution partner strategically. **sefa** will further cultivate strategic alliances that would include intermediaries, SOEs, black-owned start-ups, fintech companies and corporates.
- **Build sefa's brand visibility:** To build client centricity and market positioning, **sefa** will implement dedicated and focused marketing and communication initiatives that position the organisation as a lender that promotes financial inclusivity
- **Financial sustainability:** To ensure long-term sustainability, **sefa** will introduce a targeted cost reduction, strengthen the quality of its loan book, thereby reducing impairments and diversifying its income sources to reduce dependence on the MTEF allocation
- **Execution driven by high performance and governance culture: sefa** will invest in the Investors in People framework to cultivate a high performance and governance culture and increase productivity levels

The strategic initiatives are supported by multiple programmes such as the township and rural entrepreneurship programme, which includes support to entrepreneurs in the retail (Spaza Shops), autobody repairers, bakeries and confectionaries, small enterprise manufacturing, etc.

The Covid-19 crisis has become a catalyst for industrialisations's localisation approach to industrialisation as part of accelerating economic development. The localisation approach builds a foundation for building capacity to exploit the home and the export market. Furthermore, localisation will create a base for exploiting the African Continental Free Trade Agreement's opportunities. The successful implementation of the Corporate Plan over the next five financial years (2021/22 to 2025/26) will result in R12.3 billion loan approvals with the disbursement of R10.6 billion. The disbursements are expected to have the following developmental and economic impact:

Indicator	Amount	% of overall disbursement
No of SMMEs & cooperatives financed	1 076 370	n/a
No of jobs facilitated (#)	1 131 243	n/a
Disbursements to black-owned enterprises (R'000)	7 422 174	70%
Disbursements to women-owned enterprises (R'000)	4 241 242	40%
Disbursements to youth-owned enterprises (R'000)	3 180 932	30%
Disbursements to enterprises owned by people with disabilities (R'000)	742 217	7%
Disbursements to township-owned enterprises (R'000)	2 650 776	30%
Disbursements to enterprises located in rural towns and villages (R'000)	4 241 242	40%

1 STRATEGY OVERVIEW

1.1 Background

All over the world, it is recognised that access to finance is a critical constraint on the development and growth of SMMEs and cooperatives. The need for the existence of an institution that intervenes in the provision of access to finance for small business is consequently broadly acknowledged. The motivation remains strong for such an institution, either as a patch to fill the gap because the private sector does not adequately cater for the sector, or because a developing economy such as South Africa (SA) must support the growth of an emerging small business sector.

Additionally, it needs to be recognised that key SMME market segments cannot be served profitably by commercial players and formal banking such as the micro-finance sector. This market failure requires government redress and the establishment of institutions like **sefa** to address it, but equally to scale-up and rationalise the government's SMME lending.

sefa was established in April 2012 as a result of a merger of Khula Enterprise Finance Agency (Khula) and the South African Micro-Finance Apex Fund. It was established to streamline access to finance to SMMEs, including cooperative enterprises. **sefa** functions as both a wholesale lender, capacitating SMME financial intermediaries, and as a direct lender to SMMEs and cooperatives, supporting government economic policy.

sefa is a wholly owned subsidiary of the Industrial Development Corporation of South Africa Limited (IDC) and derives its legislative mandate from the IDC Act No. 22 of 1940 (as amended 2001). **sefa** reports to the Department of Small Business Development (DSBD).

sefa's has invested in the South African economy and impacted the small business sector. Since its inception, up to the end of March 2020, **sefa** has financed 405 543 SMMEs and cooperatives and facilitated 530 745 jobs into the economy.

During the same period, **sefa** approved R7 billion and disbursed R8.1 billion into the South African economy. More than R5.7 billion was disbursed to black-owned businesses, R3 billion to women-owned enterprises and rural towns and villages was supported with R3.4 billion. In support of government policy to revitalise townships and support designated groups, R323 million was disbursed to township-based enterprises and R1.5 billion to youth-owned enterprises.

1.2 **sefa**'s Vision, Mission and Values

The table below provides a strategic overview of **sefa**'s vision, mission, values and core objectives.

Vision	To be the leading catalyst for the development of sustainable Small, Medium and Micro-Enterprises and cooperative enterprises through finance.
Mission	**sefa's** mission is to provide simple access to finance efficiently and sustainably to SMMEs and cooperatives throughout South Africa by: • Providing loan and credit facilities to SMMEs and cooperative enterprises • Providing credit guarantees to SMMEs and cooperative enterprises • Creating strategic partnerships with a range of institutions for sustainable SMME and cooperative enterprise development and support • Developing, through partnerships, innovative finance products, tools and channels to catalyse increased market participation in the provision of affordable finance

Values	**sefa**'s values and guiding principles to deepen institutional culture and organisational cohesion are: • Kuyasheshwa! We act with speed and urgency • Passion for development: Solution-driven attitude, commitment to serve • Integrity: Dealing with clients and stakeholders in an honest and ethical manner • Transparency: Ensuring compliance with best practice on the dissemination and sharing of information with all stakeholders, and • Innovation: Continuously looking for new and better ways to serve our customers
Strategic Objectives	• Ensure **sefa** is a high impact, high-performance DFI that is responsive to the government's microeconomic policies and specifically the DSBD MTEF plan • Align **sefa**'s organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy • Develop the **sefa** brand value-proposition for our target markets, improve distribution reach, and establish winning collaborative models • Improve **sefa**'s sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions

1.3 Legislative and Policy Mandates

The government considers promoting SMMEs and cooperatives to be a shared task, involving a wide range of national and provincial departments, municipalities, non-governmental organisations (NGOs) and the private sector. Therefore, SMME policies are designed to fit within the national policy eco-system, considering the broader policy environment.

South Africa's SMME policy environment is based on different macroeconomic policies. Thus far, these have provided a framework, the mandate and rationale for SMME development strategies and plans.

These policies include the following:

- National Strategy for the Development and Promotion of Franchising in South Africa (released in 2000);
- The Micro-Economic Reform Strategy (published in 2002);
- The Broad-Based Black Economic Empowerment (B-BBEE) Legislation (Amended Act, 2013);
- The Accelerated and Shared Growth Initiative (published in 2006);
- Industrial Policy Action Plans (published in 2007);
- The National Industrial Policy Framework (issued in 2007); and
- The New Growth Path (published in 2011);
- Reconstruction and Recovery Plan (2020)
- National Development Plan 2030

sefa's operations are governed and guided by a wide range of legislative requirements and government policies. The table below outlines the most prominent policies and Acts that guide and influence **sefa's** operations.

Policies and legislation that guide sefa's operations		
Foundational policies	**Sector-based policies**	**Legislation**
The National Strategy on the Development and Promotion of Small Business in South Africa (1995)	Cooperatives Development Policy (2004)	National Small Business Act, No.102 of 1996 as amended (2004)
Integrated Small Business Development Strategy (2004 – 2014)	Integrated Strategy on the Development and Promotion of Cooperatives (2012)	National Credit Act No. 34 of 2005
The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)	National Informal Business Upliftment Strategy (2013)	Industrial Development Act No. 22 of 1940

	Youth Enterprise Development Strategy 2013-2023 (2014)	Financial Intelligence Centre Act No. 38 of 2001
		Consumer Protection Act No. 68 of 2008
		Companies Act No. 71 of 2008
		Cooperatives Act No. 14 of 2005
		Short Term Insurance Act No. 18 of 2017
		Promotion of Access to Information Act No. 2 of 2000
		Public Finance Management Act No. 1 of 1999

1.4 sefa's Alignment with the DSBD's MTSF Outcomes

The DSBD has developed a Business Delivery Model (BDM) that includes its reporting agencies, **sefa** and Seda. The BDM Model focuses on integrated and enhanced service delivery to SMMEs and Co-operatives. **sefa**'s Corporate Plan is aligned and orientated to the BDM model and the implementation of the MTSF and priorities of the Sixth Administration.

The table below depicts **sefa**'s planned interventions in relation to DSBD's MTSF outcomes.

MTSF indicator	DSBD intervention	sefa implementation	sefa contribution over MTSF
Facilitate an increase in the number of competitive small businesses with the focus on township economies and rural development	Implementation of Localisation Programme	Implementation of Small-scale Manufacturing Programme, business viability programmes, normal direct lending, SME wholesale and KCG	16 841 number of SMMEs and cooperatives
Strengthen finance to SMMEs and cooperatives	Improved access to affordable finance to SMMEs and cooperatives Establishment of Township and Rural Entrepreneurship Fund	Implementation of direct, wholesale and credit guarantee programmes	•Loan approvals: R12.3 billion •Loan disbursements: R10.6 billion •Number of enterprises financed: 1 076 370 •Number of jobs facilitated: 1 131 243
Increased economic participation, ownership and access to resources and opportunities by women, youth and persons with disabilities	Programmes to expand access to finance, incentives and opportunities for women, youth and persons with disabilities-led and -owned businesses, including those in the informal sector	Implementation of targeted loan programmes to enterprises owned by youth, women, and persons with disabilities	Total disbursements to women: R4.2 billion •Total disbursements to youth: R3.2 billion •Total disbursements to people with disabilities: R742 million
Functional, efficient and integrated government	Modernise business processes in the public sector	Over the planning period, **sefa**'s end-to-end business processes (lending business process, employee, corporate governance, finance, facilities and IT, performance management and reporting) will be automated	•Improved turnaround times

1.5 **sefa**'s Main Business and Funding Activities

sefa's business and funding activities are aligned to the key activities of a development finance institution, namely: playing a catalytic role to attract other industry players; funding gaps in the market; support government policies in multiple industries and risk funding that combines both grants/subsidies and loans, aimed at the development of entrepreneurs and addressing market failures.

1.6 **sefa**'s Target Market

sefa aims to address market failure in the provision of finance to SMMEs and Cooperative enterprises. Covid-19 crisis will accelerate the demand for microloans as more people start small businesses to generate income and support livelihoods. **sefa** in collaboration with Seda, core focus is to support and fund sustainable businesses.

In the 2019 research report entitled ***What is the Future of Work in South Africa***? Henley Business School Africa revealed that 27% of respondents with full-time employment have side businesses. "This report should force all of us to think about how best to address the future rather than being stuck in a model that was based on a historic economy that in South Africa simply no longer exists anymore". Jon Foster-Pedley, dean and director.

sefa's loan programmes are aligned and geared to the execution of the government's economic policy for various industries and sectors, as outlined in the New Growth Path (NGP), Industrial Policy Action Plan (IPAP) and the National Development Plan (NDP), and other interim policy interventions such as the relief being provided during the Covid-19 crisis.

sefa provides funding to qualifying business ventures within the following SMME sectors:

- services (including retail, wholesale, tourism, transport logistics and ICT)
- manufacturing (including agro-processing)
- primary agriculture funded through the accredited **sefa**-funded agricultural intermediaries
- construction
- mining services and processing
- green industries (renewable energy, waste and recycling management)

sefa's lending criteria is guided by the organisation's Credit and Investment Risk policy.

1.7 **sefa**'s Operating Model and Value Proposition

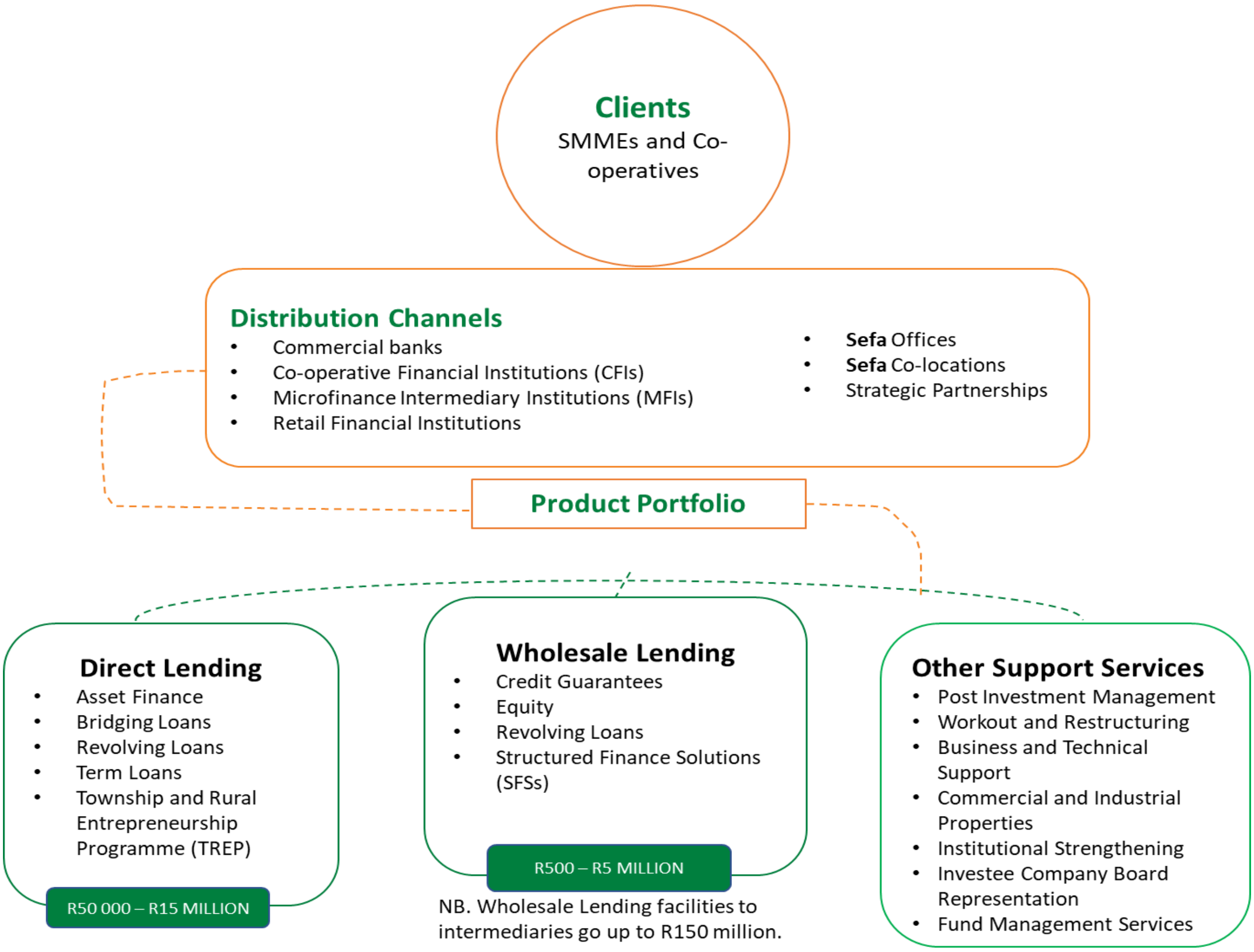
sefa's operating model makes provision for financing and business support **directly** to SMMEs and cooperatives through its regional office network and **indirectly** through its partnership with intermediary financial institutions such as retail finance intermediaries (RFIs), microfinance finance institutions (MFIs), funds, joint ventures (JVs) and cooperative financial institutions (CFIs).

In collaboration with Seda, **sefa** also provides non-financial support services to the SMMEs and cooperatives. Through its property portfolio comprising 47 properties across the country, **sefa** provides industrial and retail property rentals to SMMEs and cooperatives at discounted rates.

In addition, **sefa** administers a Credit Guarantee Scheme through its subsidiary, KCG, that indemnifies banks and other non-financial institutions which provide credit facilities to small businesses against a possible default. **sefa** also manages small business funds that support and promote the participation of SMMEs and cooperative enterprises in strategic value chains.

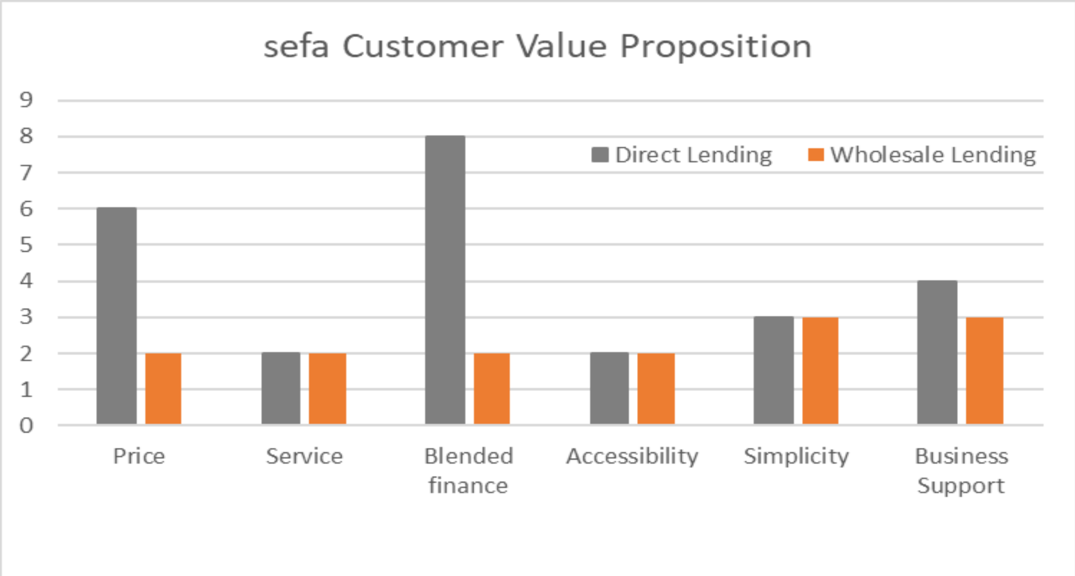
sefa has developed a strategic approach that blends grants with loans to reduce the burden and the risk. The blended loan portfolio has supported 212 SMMEs and cooperatives with a loan book of R212 million to date.

The diagram below provides an overview of **sefa's** operating model.



Value Proposition

The majority of sefa's target market is financially excluded from formal financial institutions. Through its product offering, the organisation has identified its primary customer as SMMEs and cooperatives and its secondary customers as financial intermediaries that facilitate finance to SMMEs. Core to **sefa**'s product offering is to increase and reduce the cost of access to finance to SMMEs and cooperatives.



The diagram above depicts **sefa**'s value proposition to its different customer segments, measuring dimensions of price, service, blended finance (a combination of grants and loans), accessibility, simplicity and business support. The market perceives the direct lending products as expensive in terms of price, whilst the other dimensions such as customer service, accessibility, simplicity and business support are considered unsatisfactory. The blended finance products are considered desirable by direct lending clients.

Wholesale lending customers regard the price as competitive relative to the market, however, the offering is unsatisfactory on the other evaluation dimensions.

Over the MTEF period, management intends to improve the customer perception of the **sefa** value proposition through various strategic initiatives and to position **sefa** as an efficient and customer-centric financial institution. These identified areas of improvement form an input to the strategic initiatives.

2 SITUATIONAL ANALYSIS

2.1 Economic Overview

The South African economy continues to operate under pressure and struggle to recover in an increasingly challenging global environment. During the past five years, the South African economy grew on average by about 0.9%. Consequently, this led to the high unemployment rate, increased poverty and inequality. The South African economy entered a recession in 2019 owing to the economic contraction experienced by struggling consumers and businesses.

Both South Africa and the world are experiencing a global crash owing to the Covid-19 pandemic. The South African Reserve Bank expects a GDP contraction of 7.1% in 2020 (from negative 8% projected previously). The Banking Association South Africa estimates that bad debts can reach 10% of the total bank lending during 2020 compared to 6% during the global financial crisis in 2008/09.

Economic recovery will be slow owing to the fragile state of the international and African economies as a result of factors present before the pandemic hit us. It will remain critical that the government continues using public procurement of locally produced goods to stimulate the economy and open market opportunities for the small business sector. In the medium- to long-term, the government will need to develop more coherent plans to support small businesses' key-value chains pro-actively.

2.2 SMME Stagnant Growth

The small business sector remains a critical component of the South African economy and a catalyst for economic recovery; despite the impact of Covid-19 on the sector.

	2016	2017	2018	2019	2020
Number Formal SMMEs and cooperatives	860 844	725 698	658 719	736 198	755 265
Number Informal SMMEs and cooperatives	1 368 704	1 658 522	1 714 233	1 754 443	1 748 031
SMME owners[3]	2 229 547	2 478 877	2 443 163	2 550 540	2 614 063
Annual growth estimate		11.2%	-1.4%	4.4%	2.5%
% of SMMEs Black-owned	71.5%	73.6%	74.9%	74.5%	74.8%

Total SMME count using StatsSA QLFS data, Source: Seda SMME quarterly reports[3] SMME quarterly reports Q1 (2017-2020).

The number of SMMEs and cooperatives grew by 2.5% year-on-year from 2.55 million in 2019 Q1 to 2.61 million in 2020 Q1 as depicted in Table 1. Comparative studies by the International Finance Corporation (IFC) and the Global Entrepreneurship Monitor (GEM) indicate a wide gap between South Africa's early-stage entrepreneurship rate compared to the African region and other developing economies. Relative to other economies across the world, the South African SMME sector is underperforming.

[3] This comprises the proxy measure of the number of SMMEs in South Africa consisting of employers and own account workers. Seda SMME quarterly reports Q1 (2017-2020).

2.3 Challenges Facing SMMEs and Cooperatives in South Africa

The small business sector struggles to advance the South African economy's inclusive growth and development (The World Bank, 2018). This is despite the different policies and programmes that the government has put in place.

Research studies on SMMEs in South Africa (GEM, 2018; Seda, 2016; BER, 2016, SME landscape survey, 2018) indicate that lack of finance, increased operating costs and inconsistent cash flow, excessive competition and lack of adequate premises and equipment, are the significant challenges facing both the formal and informal businesses.

The table below identifies the key challenges facing the SMME sector at stages of the business life cycle.

Start-up issues	**Growth issues**
Sourcing/raising funds	Lack of funding/Access to or cost of finance
Finding customers	Poor sales or inadequate technology
Competition from other firms	Competition from large businesses
Internal market burdens	Local economic conditions
Wearing too many hats	
Lack of guidance	
Government policies: tax and bureaucracy	Burdensome regulations
Entrepreneurship education: primary and secondary level, as well as government entrepreneurship programmes	Lack of adequate skills
	Cost of labour
Inadequate equipment	Growth and scale to meet client needs Space to operate Crime and theft

Source: International Finance Corporation (IFC) -2019

2.4 The Impact of Covid-19 on SMME Development

The pandemic has affected SMMEs and cooperatives disproportionately and has revealed their vulnerability to supply-and-demand shocks (particularly regarding their liquidity) with a serious risk that more than 50% of SMMEs will not survive the next few months (Nedbank Covid-19 Survey, May 2020).

Overall, the government's policy response included the following three phases to position the economy for more robust growth post the Covid-19 pandemic. These phases are:

- Phase 1 – Preserve the economy
- Phase 2 – Recover from the crisis
- Phase 3 – Position the economy for faster growth (National Treasury, 2020)

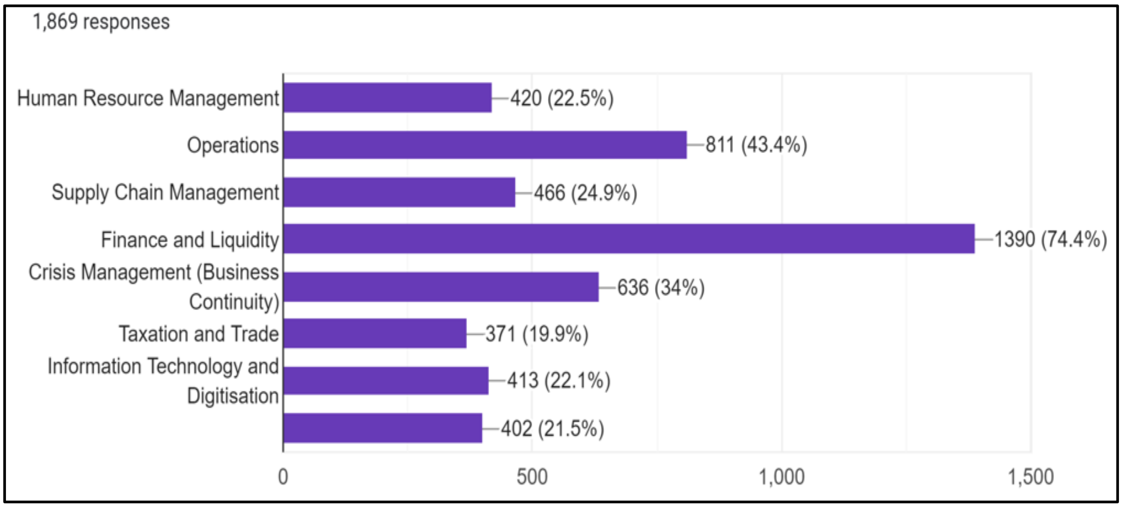
The Small Enterprise Development Agency (Seda) surveyed 1 869 respondents to understand the effect of Covid-19 on SMMEs and cooperatives.

The results indicated that finance and liquidity is the biggest issue for most SMMEs and cooperatives. Ninety percent (90%) SMMEs and cooperatives were unable to pay debts owing to Covid-19 and funders' stringent credit policies. SMMEs and cooperatives believed they were on the verge of closure if the government did not intervene. Key needs raised included:

- Government ring-fencing procurement for SMMEs
- Prompt payment for services provided by SMMEs
- Reduction of red tape when accessing the Unemployment Insurance Fund, Relief Fund, and other Covid-19 relief measures
- Focusing on rural and township SMMEs (SEDA, 2020).

The figure below depicts the main areas where SMMEs required assistance – the top needs being:

- Finance and liquidity
- Operations
- Business continuity – crisis management



SMME assistance required. *Source: (SEDA, 2020)*

The Finfind November 2020 *The SA SMME Covid-19 Impact Report*, which took a sample of 15 000 SMMEs across all sectors in all provinces with a response rate of almost 10%, found that the sectors hardest hit by the lockdown and with the most closures were: Construction (14.2%), Food and beverage (9.9%) and Hospitality (9.7%). The sectors with the highest percentage of businesses that remained open were: Retail and wholesale (10.5%), IT (10.4%) and Business consulting (9.9%). The report recommended that the top three priorities of the future in the small business funding space should be successful small business funding and equipping entrepreneurs to conduct business online.

ASSISTANCE THE BUSINESS OWNERS BELIEVE THEY NEED IN FUTURE

Source: Finfind (November 2020)

To address the impact of the Covid-19 pandemic on the small business sector, DSBD, in conjunction with its agencies **sefa,** and Seda, introduced a set of interventions aimed at providing financial relief and economic recovery. Through the implementation of the SMME Debt Relief Fund, **sefa** provided financial support to 1 164 SMMEs and cooperatives to the value of R316 million (disbursements) and in the process preserving 16 544 jobs.

In addition, 226 clients (220 direct lending and six wholesale lending) with existing loan facilities were given payment holidays to the value of R107 million, in the process preserving 3 741 jobs. During the period, 620 tenants occupying **sefa** properties were also given rental payment holidays totalling R23.5 million. The overall payment holiday ranged from two months to six months. **sefa** through its post-investment division is pro-actively monitoring funded clients given the COVID operating environment and also providing payment relief through restructuring of accounts.

sefa's total Covid-19 interventions through the above instruments amounted to R446.5 millon.

2.5 Economic Recovery Interventions to Stimulate Township and Rural Entrepreneurship

In support of the government's economic recovery plan, **sefa** will tailor its loan programmes to the stimulation of employment and support livelihood, especially in rural and township communities.

To support and encourage entrepreneurship and SMME development in townships and rural communities, DSBD, through **sefa** and Seda, has introduced targeted sector-focused programmes (reference table below). It will provide a multi-pronged intervention that will facilitate:

- Access to finance (developing innovative and tailored financing solutions that respond to the needs of the various segments of the township enterprises)
- Access to non-financial and technical business support
- Access to markets – investment in township markets that can serve as an outlet for locally produced products and linking township enterprises to corporates and different value chains
- Access to business facilities – to coordinate, consolidate, and refurbish the government business facilities portfolio in various townships for SMMEs and cooperatives.

sefa will implement the loan programmes as listed in the table below. These programmes aim to stimulate support to informal and micro-entrepreneurs and small and medium-sized businesses in the manufacturing sector in line with DSBD's localisation policy framework and programme.

The proposed manufacturing programme aims to support localisation, grow the manufacturing sector, provide small businesses opportunities to participate in core value chains, provide economic efficiency through value-added production, and stimulate domestic demand for South African manufactured goods.

The manufacturing programme will support priority sectors in agro-processing, petrochemical and chemical products, furniture and other manufacturing, green industry, automotive component manufacturing, steel manufacturing and clothing and textiles.

Township and Rural Entrepreneurship Programmes (TREP)

Programme	Description	Budget (MTEF)
Spaza Shops Support Programme	It's a cashflow facility in the form of credit guarantee administered via the commercial banks that enabled South Africa's spaza shop owners with a valid operating permit to buy the stock at accredited wholesalers	R450 million
Small Enterprise Manufacturing Support Programme	Support to small-scale manufacturers via blended financing with clients required to create a minimum of 10 jobs	R 320 million
Informal Clothing and Textiles	The joint **sefa**-Seda programme initiative focuses on skills enhancements and upgrading machinery and equipment of informal clothing and textile manufacturers	R210 million
Bakeries and Confectionaries	To provide access to markets through spaza shops, school nutrition schemes, hospitals, military and other social relief programmes. This will be in the form of working capital investment that includes bulk-buying facility on pre-approved products through pre-selected wholesalers, which would be leveraged on the Spaza and General Dealers Support Facility	R210 million
Autobody Repairers and Mechanics	A credit guarantee facility in the form of supplier guarantee to informal autobody repairers and mechanics to purchase stock and other relevant equipment in execution of their business activities	R900 million
Fruit and Vegetable Vendors	Micro-credit and business support to fruit and vegetable hawkers across the country	R39 million
Hairdressers and Personal Care	Micro-credit and business support to hairdressers and personal care entrepreneurs across the country	R144 million
Tshisanyama and Cooked Food Vendors	To provide business-relief support through start-up stock for cooked food businesses	R69 million
Total		**R2.342 billion**

2.6 Access to Finance for SMMEs and cooperatives in South Africa

Access to finance remains one of the primary challenges for start-ups, micro-, small- and medium-enterprises in South Africa (GEM, 2018). A contributing factor is the fact that most entrepreneurs do not know how to prepare business plans that are acceptable to potential funders, and the funders are offering support based only upon asset-based lending (GEM, 2018).

Finfind's 2017 *South African SMME Access to Finance Report* estimates the SMME credit gap[4] in South Africa to be between R86 billion and R346 billion. Furthermore, the study states that start-ups and micro-businesses are the most underserved by the formal commercial finance market and represent the most significant funding gap. Traditional credit risk assessment requirements continue to play a key role in excluding early-stage SMMEs and low skills of SMME owners and data gaps. The Finfind 2020 report demonstrates how this problem has worsened as a result of Covid-19.

The contributing factors are a result of the following challenges inherent in SMMEs:

- High failure rates
- High transactional costs
- High risks associated with small businesses in the early stages of development

The factors mentioned above provide the context of **sefa**'s operational environment and the target market's financial needs. **sefa** needs to enable access to finance for the SMMEs, especially the microenterprises, as they are the majority of enterprises excluded.

[4] SMME credit gap refers to an estimated number of SMMEs who are either underserved or unserved, and thus cannot access finance.

3 SEFA'S STRATEGIC FOCUS AREAS – 2021/22 to 2025/26FY

3.1 **sefa** Corporate Plan 2022 Assumptions and Insights

The **sefa** management team recognises the need to balance the contradictory and sometimes competing priorities that fulfil the unlimited demands of the organisation's mandate while deploying limited fiscal resources. The pandemic has drastically altered the status quo with declining GDP growth, tax revenue collection, increase in business closures and unemployment.

Not only are government resources severely limited, the SMME sector is likely to be distressed as business failures increase with more facing uncertainty. This implies that **sefa** exercises critical care in taking critical organisational and programme decisions, making the necessary trade-offs, and solving long-standing dilemma issues that would improve **sefa**'s impact and sustainability over the MTEF period and beyond.

From the series of internal strategic dialogues deliberating on the corporate plan, **sefa** management identified four key themes to focus on strategic goals and implementation programmes: "Impact", "Financial sustainability", "Efficient processes" and "Execution and high-performance and governance culture".

Over the MTEF period, **sefa** will improve the organisation's performance and market position by focusing on the following phases:

***Phase 1: Building the Core*: sefa** will focus on taking the organisation back to basics, placing the customer at the centre of what it does.

Phase 2: Scaling up Capabilities: focusing on cost and efficiency dimensions through digitisation of **sefa** channels and introducing market interface and engagement tools. This is vital in the current pandemic reality, which is likely to persist long into the MTEF period.

***Phase 3: Innovating the Delivery Model*:** As new, tech-driven platforms take shape in **sefa**'s operations, the need to maintain the innovation momentum will be fundamental towards the tail end of the MTEF. **sefa** will intensify its usage of 4IR tools such as machine learning and artificial intelligence (AI), improving decision-making all along the operational value chain.

3.2 **sefa**-Seda Collaboration

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 cooperatives. The collaboration between Seda and **sefa** depends on aligning Seda's pre-business support unit to the DSBD-approved programmes, sectors and target groups as per **sefa**'s corporate plan. This will ensure a consistent quality pipeline to **sefa**.

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

SMME Support Function	Seda	sefa
Pre-investment support	**Common funding template** – Facilitate applications for funding through the common funding template (business plans) Client assessment Provide all BDS interventions Compile quality applications that focus on **sefa** defines programmes, sectors and target groups	Conduct financial, technical and legal due diligence on funding applications (business plans) forwarded by Seda, approval and legal contracting
Post-investment (monitoring) support	Assist **sefa**-funded clients with mentorship, coaching and business performance diagnoses; assess clients' operating requirements and provide industry and standards certification; provide market access facilitation to **sefa**-funded clients for growth/to distressed businesses and provide occupation and health, and technical training to **sefa**-funded clients	**sefa** will focus on debtor management, including collections, rescheduling of loan instalments, restructures, and proactive portfolio management/monitoring, including analysis of management accounts, financial statements, stock, management, business operations client visits, and advice duties The Seda reports from various service providers will be utilised to assist **sefa** to effectively monitor the existing investments. The turnaround reports based on detailed diagnoses of distressed entities will help **sefa** effectively manage turnaround the distressed entities and debt restructures The access to market efforts by Seda will help strengthen the repayment capability of **sefa** clients. Additional markets will bring income stability to **sefa** clients, thus improving business cash flows
Township and Rural Enterprise Development (TREP)	Pre-funding support (business registration; training and capacity	Application due-diligence and adjudication; legal contracting and disbursement

SMME Support Function	Seda	sefa
	building; business plan development	
Strategic partnerships (priority groups)	Provide business development support services to partners in the ecosystems (targeting, among others, entrepreneurs with disabilities, youth entrepreneurs, women entrepreneurs)	Provide funding support (access to finance) to SMMEs and cooperatives to businesses that graduate from Seda's intervention
Marketing and business development	Joint marketing and outreach campaigns; co-locations in municipalities	
Monitoring and evaluation	Programme reporting, monitoring, and evaluation; programme impact assessment	
Systems	Shared information and application front-end; CRM; business advisers' database; call centre (National SMME support line)	

The strategic objective is to merge two entities' operations over the MTEF period to create a seamless delivery vehicle to implement financial and non-financial SMME support services. A strategic project will be established in the CEO's office to institutionalise the collaboration with Seda.

3.3 MTEF Strategic Objectives

Over the MTEF period, **sefa** will pursue the following strategic objectives:

- **Strategic Objective 1**- Achieve a high impact, high-performance through being responsive to the government's microeconomic policies and specifically the DSBD MTEF plan
- **Strategic Objective 2** - Improve sefa's financial sustainability, operational effectiveness, efficiency, and service delivery by streamlining business processes and deploying technology solutions
- **Strategic Objective 3** – Improve financial access and distribution reach and establish relevant value propositions and winning collaborative models
- **Strategic Objective 4** – Instill an outcomes orientated organisational culture supported by streamlined organisational structure and innovative delivery model that is aligned to the mandate and strategy.

3.4 Strategic Initiatives

Strategic initiatives are the means through which **sefa** will translate its objectives and purpose into practice. To be aligned with the business environment, **sefa** has systematically built a portfolio of strategic initiatives. These initiatives are aligned with **sefa**'s top strategic priorities, and their execution is critical to the organisation's realisation of the impact targets.

3.4.1 Accessibility, Simplicity and Automation

Improve accessibility through simplified, streamlined and automated processes, new channels, and distribution partners.

During the 2019/20 FY, **sefa** implemented several strategic initiatives to enhance organisational efficiencies, improve its loan programme accessibility and outreach, and collaborate with other organisations to strengthen support services to SMMEs and cooperatives.

Primarily, **sefa** aims to provide simple, efficient and sustainable access to finance to SMMEs and cooperatives throughout South Africa. Simple approval and payment rules and procedures, robust risk management capacity, and evaluation mechanisms to measure achievements in terms of outreach.

The enablers to the streamlined process include a well-designed Management Information System that can access external clients to have live interaction with the organisation.

In collaboration with Seda, which has a broader physical representation, **sefa** will increase its accessibility.

3.4.2 Investment Management and Business Support

Provide advisory and consulting business support services to increase clients' sustainability.

Pro-active investment monitoring, identification of businesses that are in distress, and providing timeous remedial measures in the form of restructuring of accounts (extension and re-scheduling of the repayment period and business mentorship support).

In collaboration with Seda, a package of business support services will be implemented to support clients with market access, industry accreditation, technical and other support services that will enhance the client competitiveness and business sustainability.

3.4.3 Policy Support and Strategic Alliances

The South African government has multiple policy implementation initiatives, and **sefa** must position itself as an execution partner. The core focus of the government dealing with economic recovery is implementing the industrial policy that emphasises localisation opportunities (import substitution), creating access and integrating SMMEs and cooperatives in core sectoral value chains.

sefa's geographic footprint enables national partnerships, funding support and stakeholder networks position **sefa** to perform its mandate. Mature value-chain-based private sector partnerships become the primary source of revenue expansion strategies for **sefa**, and a broader and deeper programme impact is achieved.

sefa will have to forge and cultivate strategic alliances with financial intermediaries, SOEs, black-owned start-up fintech organisations and corporates to leverage on their resource base (both skills and financial) to increase access to finance for SMMEs and cooperatives. To date **sefa** has successfully forged partnerships in:

- The tourism sector with the Department of Tourism on the implementation of the Tourism Enterprise Fund
- The agriculture sector with the Department of Rural Development and Land Reform through the Land Reform and Empowerment Programme implementation
- European Union Donor Funded Employment Promotion through SMMEs Support Programme

It is the strategic intention to further expand our partnerships to other national, provincial and local departments, private sector (ESD) and donor-funded programmes.

3.4.4 Build **sefa**'s Brand Visibility

To build client centricity and market positioning, **sefa** will implement dedicated and focused marketing and communication initiatives that position the organisation as a lender that promotes financial inclusivity and responds to government economic policies. The brand-building initiative will ensure that **sefa** builds brand equity among employees, customers and government departments.

3.4.5 Financial Sustainability

In the execution of **sefa**'s mandate, the organisation must strike and maintain a dedicated balance between financial sustainability and pursuing its developmental mandate. To ensure financial sustainability, a cost-to-income ratio of 100% or less will be pursued. **sefa** will implement a set of revenue and cost-containment initiatives to generate adequate cash resources to meet its obligations and expenses while ensuring compliance with all the legal and applicable frameworks.

The focus will be on the diversification and increasing sources of revenue through:

i. Growing the number of funds under **sefa** management
ii. Increased rental income
iii. Review of the **sefa** pricing model
iv. Scaling up (drive volumes through the increased deal pipeline)

To create an asset base and strengthen the **sefa** balance sheet and overall financial sustainability, emphasis will be to re-capitalise, re-capacitate, and re-develop **sefa**'s property portfolio. Alternative sources of funds will be sought through private-public partnerships and collaborations.

sefa will continue to ensure that it derives value for money spent on procurement of all goods and services and drive the **sefa** B-BBEE strategy which includes, mentorship, funding, training, human resources support, branding, marketing and financial management and financing of business awarded contracts with **sefa** in line with the **sefa** lending requirements.

sefa will strive to combat irregular, unauthorised, fruitless and wasteful expenditure to bring about compliance and obtain an unqualified audit opinion with a clean audit. IFRS 17 implementation project will commence in the 2021 financial year.

3.4.6 Execution Driven by High Performance and Governance Culture

sefa will invest in Investors in People's framework to cultivate a high-performance and governance culture and increase productivity levels. This framework will support the endeavor to empower team members to take the initiative, serve the collective interest and enable staff to participate in decision making and take responsibility for the organisational success. The Investors in People framework will comprise of:

- Leading and inspiring employees
- Living **sefa** values and behaviours towards a high level of governance
- Empowering and involving employees
- Managing performance
- Recognising and rewarding performance and living the values
- Structuring of work for improved governance
- Building capacity and capabilities
- Delivering continuous improvement and
- Creating sustainable success

As a financial institution regulated by financial regulation[5], **sefa** will strengthen its enterprise risks and compliance management framework.

[5] Refer to table on Policies and legislation that guide **sefa**'s Operations on p.11

4 sefa PeOrganisational Targets in relation to Pre-determined Objectives

The table below depicts the organisational targets against pre-determined objectives for the planning period.

BSC perspective	Measurement Indicator	Audited 2019/20	Projected Performance for 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	5-year Target	Weight
IMPACT	Strategic Objective 1– Achieve a high impact and high-performance through being responsive to the government's microeconomic policies and specifically the DSBD MTEF plan									
	Loan Book Performance									
	Total Approvals (R'000)	1 411 431	1 939 428	2 147 999	2 432 387	2 477 860	2 582 894	2 698 496	12 339 636	8%
	Total disbursements to SMMEs and cooperatives (R'000)	1 311 984	1 489 919	2 712 999	1 988 689	1 878 669	1 964 177	2 058 570	10 603 105	8%
	Number of SMMEs and cooperatives financed	74 472	80 162	191 433	195 641	211 439	229 117	248 740	1 076 370	3%
	Number of jobs facilitated	87 828	123 158	207 729	205 733	220 081	238 589	259 111	1 131 243	3%
	Development Impact/ Inclusion Index									
	Facilities disbursed to black-owned businesses (R'000)	921 243	1 121 193	1 899 100	1 392 082	1 315 069	1 374 924	1 440 999	7 422 174	3%
	Facilities disbursed to women-owned businesses (R'000)	446 084	744 959	1 085 200	795 476	751 468	785 671	823 428	4 241 242	3%

BSC perspective	Measurement Indicator	Audited 2019/20	Projected Performance for 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	5-year Target	Weight
	Facilities disbursed to youth-owned (18-35 years old) enterprises (R'000)	211 932	595 967	813 900	596 607	563 601	589 253	617 571	3 180 932	2%
	Facilities to people with disabilities (R'000)	6 340	44 698	189 910	139 208	131 507	137 492	144 100	742 217	2%
	Disbursements to township-based enterprises (R'000)	324 254	489 854	678 250	497 172	469 667	491 044	514 643	2 650 776	4%
	Facilities disbursed to enterprises to rural towns and villages (R'000)	448 055	670 463	1 085 200	795 476	751 468	785 671	823 428	4 241 242	4%
Sub-total Impact Perspective										**40%**
Financial Sustainability	Strategic Objective 2 - Improve **sefa**'s financial sustainability, operational effectiveness, efficiency and service delivery by streamlining business processes and deploying technology solutions									
Financial Sustainability	Cost to Income Ratio (excluding Impairments on loans and advances and KCG claims provision I/S movement relating to the SSSP and Autobody Programme)	91%	185%	106%	100%	85%	81%	79%	79%	6%
Financial Sustainability	Percentage growth in revenue (excl Grant income and MTEF)	N/A	N/A	21%	26%	10%	17%	13%	13%	5%
Financial Sustainability	Accumulated impairment provision as a percentage of total loans and advances	41%	40%	38%	36%	34%	32%	32%	32%	6%

BSC perspective	Measurement Indicator	Audited 2019/20	Projected Performance for 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	5-year Target	Weight
	Collection rate (All-in-cash collections)	87%	85%	85%	87%	89%	89%	89%	89%	5%
	Capital Leverage (KCG)	N/A	N/A	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6%
Sub-total Financial Perspective										**28%**
Organisational Business Processes	**Turnaround**									
	Automation of loan management business process		As-is analysis of the existing loan management business process	100% Automation of the **sefa** loan origination process	100% Automation of the due-diligence, PIM/WR and disbursement					4%
	Direct lending (avg days)	N/A	45 days	45 days	30 days	25 days	20 days	15 days	15 days	3%
	Wholesale lending (avg days)	N/A	70 days	60 days	60 days	50 days	40 days	40 days	40 days	3%
Sub-total Organisational Business Perspective										**10%**
Customer	Strategic Objective 3– Improve financial access and distribution reach through, and establish a relevant value proposition and winning collaborative models									
	Annual level of customer satisfaction	63%	64%	65%	70%	80%	80%	80%	80%	5%
	Number of strategic partnerships (new)	N/A	N/A	4	6	8	8	8	34	5%
	Customer growth - (number of **sefa** customers improving turnover with 5% or more in the financial year)	N/A	N/A	20	30	35	42	50	177	2%
Sub-total Customer Perspective										**12%**

BSC perspective	Measurement Indicator	Audited 2019/20	Projected Performance for 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	5-year Target	Weight
People	Strategic Objective 4 - Instil and outcomes-orientated organisational culture supported by streamlined organisational structure, and innovative delivery model that is aligned to the mandate and strategy									
	Percentage improvement in the Employee Engagement Index (EEI)	N/A	60%	62%	65%	70%	75%	80%	80%	5%
	Percentage of staff that scores 3.5 or more in the annual performance assessment*	N/A	N/A	50%	60%	70%	80%	80%	80%	5%
Sub-total People Perspective										**10%**
Total										**100%**

*** Measurement Indicator is new. It has been increased from 3.1 in 2020/21FY to 3.5 in the 2021/22FY**

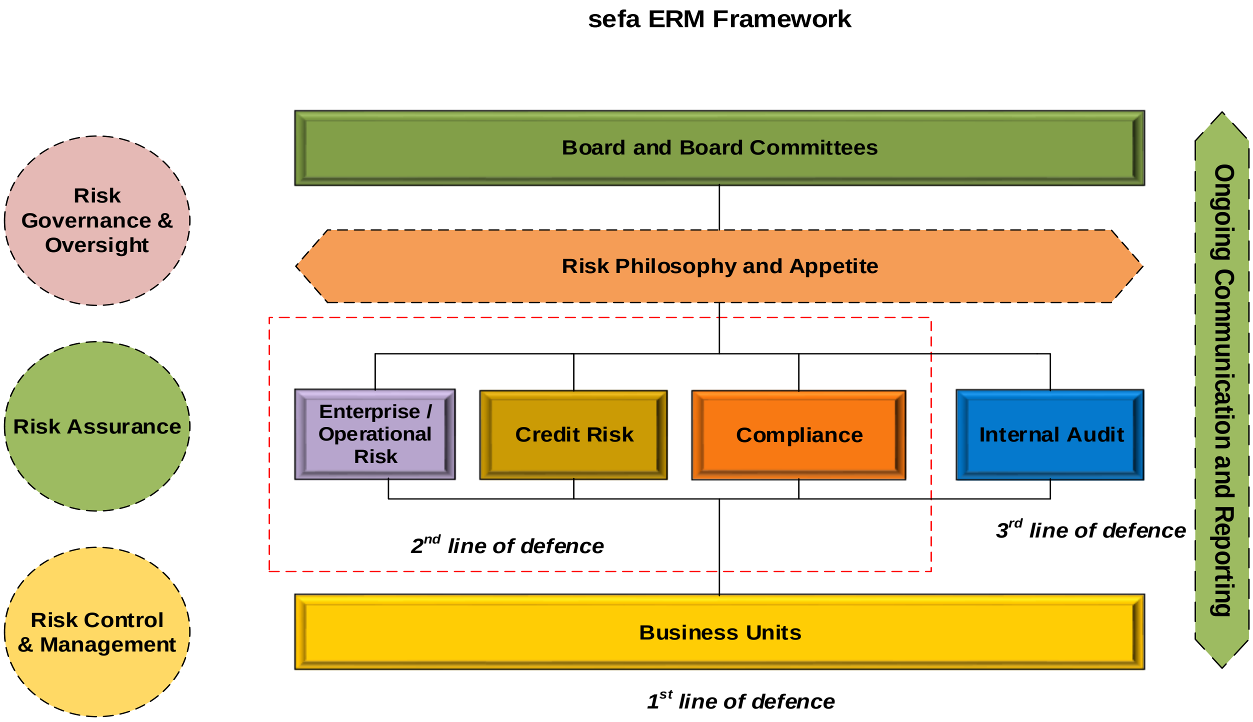
Note: Descriptive indicators for all measurements above are outlined in the Technical Indicator Descriptions in Annexure 1.

5 Risk Management

In line with best-practice and as required by the PFMA, Companies Act, Short-term Insurance Act, King IV, and the National Treasury Regulations, **sefa** will assess the risks it faces on an annual basis to identify emerging and critical risks. The results of this assessment will enable **sefa** to build and maintain its risk register continuously.

5.1 Risk Management Strategy

sefa adopted an integrated risk management strategy, based on international best practice, to ensure its stated objectives. This strategy incorporates an integrated model for risk management roles and responsibilities which were adapted from the internationally recognised three lines of defence model, as depicted in the diagram below:



Risk management strategy

5.2 Transaction and Counterparty Limit

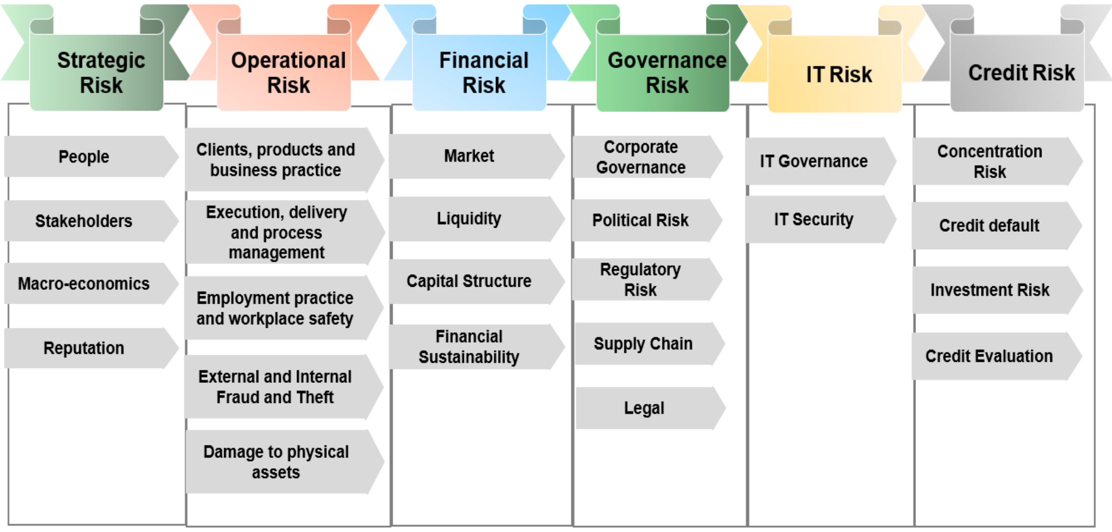
sefa's transaction and counterparty limit for direct lending is set at R15 million, driven by responsiveness to market / client demand for identified strategic sectors and will be reviewed regularly in line with authority delegation. Investment in intermediaries, funds and joint ventures via the wholesale lending products are limited to R150 million.

5.3 **sefa**'s Risk Universe

As a development finance institution, **sefa's** operating environment exposes it to many risks inherent in its business activities.

The universe of risk categories identified as core to **sefa** is reflected in the diagram below.

sefa's Risk Universe



From these risk categories, the following key strategic risks were identified and assessed as potentially having a strategic impact on the overall achievement of the **sefa** objectives:

5.4 Key Organisational Risks

The table below highlights the key strategic risks to **sefa**'s strategic objectives over the planning period.

Strategic Objectives	Strategic Initiatives	Risk Description	Risk Category	Root causes/Contributing Factors	Risk Mitigation
Strategic Objective 1- Achieve a high impact, high-performance through being responsive to the government's microeconomic policies and specifically the DSBD MTEF plan	Investment management and business support	Credit default risk originating from the quality of the loan book	Credit default	• High-risk target market – as a DFI, **sefa** provides loans to clients which exposes it to credit risks, ie clients may fail to make required payments • Performance of the economy and its negative impact on funded client's business performance and their ability to repay and honour their loan obligations • Moral hazard that is adversely affecting **sefa**'s ability to collect repayments timeously	• The implementation of revised business processes; procurement of collections system and portfolio monitoring system; adoption of the risk-rating system; improve portfolio reporting • A focused and specialised approach to manage the direct lending portfolio per sector and high-value exposures • Utilise service providers to partially collect the Covid-19 loan book debt • Implement a loan monitoring system to facilitate electronic and online monitoring of funded client's business performance and credit activity • Analysis of client data for timeous restructuring, payment rescheduling and business mentorship
	Policy support and strategic alliances	Macroeconomic conditions impacting on **sefa**'s ability to achieve its mandate and strategic objectives	Macro-economic risk	• The state of the South African economy (recession) impacts on the SMMEs and cooperatives desire to incur debt • Inability to define and secure the long-term sustainability of **sefa** to continue delivering developmental solutions to its stakeholders	• (Wholesale lending) Partner with intermediaries and the national government to drive policy implementation and promote the financial offering and targeted micro-enterprises, eg youth and micro-enterprises in townships etc • (Direct lending) Target various government departments, provincial governments, and municipalities to implement SMME support incentives and funding • Research and Information Management (sector summary publication, research briefs, quarterly **sefa** client business

Strategic Objectives	Strategic Initiatives	Risk Description	Risk Category	Root causes/Contributing Factors	Risk Mitigation
					condition survey) to improve **sefa** landscape
	Policy support and strategic alliances	Credit risk management	Governance risk	• Lack of documented risk acceptance triggers by product and segment • Lack of sector and industry-based benchmarking systems leading to inadequate risk assessments • The risk culture is still not entirely embedded in the organisation • Inadequate tools to enhance risk reporting and value add	• Development of risk tolerance parameters by product, market segment and Channel. • Implement sector-based benchmarks through archiving of credit risk reports and financial (cash flow) models • Implement actions recommended from the risk maturity roadmap • Review and enhance the credit risk policy
Strategic Objective 2 - Improve sefa's financial sustainability, operational effectiveness, efficiency, and service delivery by streamlining business processes and deploying technology solutions	Financial sustainability	Inefficient investment of unutilised funds – not maximising interest and risk of loss of the capital invested	Financial risk and liquidity risk	• The current state of the economy, poor returns on investments due to the low repo rate, the possibility of a loss of initial capital invested due to the possible of failure by financial institutions	• Updated investment policy states that as part of treasury management within the finance division excess funds must be invested in diversified investment bank accounts with multiple financial institutions with specific credit ratings, aiming to achieve the highest interest rates and initial capital invested is guaranteed
	Financial sustainability	Non-compliance with PFMA and treasury guidelines	Financial risk	• Irregular, unauthorised and wasteful expenditure • Unauthorised budget deviations	• Application of PFMA and Treasury guidelines and budget reallocations/transfers within the DOA guidelines • Strategic Medium-Term Budget to direct resources to objectives and budget monitoring and reporting
	Financial sustainability	Valuations and financial disclosure are not fairly presented in the financial	Financial risk	• The requirements exists for accurate, objective and independent valuations prepared by a suitably qualified professional	• Use of experts where required, eg independent actuaries in KCG for valuation of technical reserves, independent valuation of properties held in Khula Business Premises (KBP)

Strategic Objectives	Strategic Initiatives	Risk Description	Risk Category	Root causes/Contributing Factors	Risk Mitigation
		statements and may contain material misstatements			
Strategic Objective 3 – Improve financial access and distribution reach and establish relevant value propositions and winning collaborative models	Accessibility, simplicity, and automation	Lack of system automation for streamlined (end to end) processes	Operational risk	• There are currently limited automated processes and inadequate information management systems to bring efficiencies, effectiveness and decision-making	• Enhance automation of **sefa**'s loan management process, resulting in reduced turnaround times and improved customer satisfaction • Design and implementation of automated workflow and integration to the back-end systems • Employ data analysis capabilities to create early warning signal models based on the past repayment behaviour of clients. • Appropriate credit rating tool & pricing tool (to support the loan origination system)
	Policy support and strategic alliances	Compliance with laws and regulations	Governance risk	• There has been an increasing regulation within the financial services and focus of risks by regulators	• Compliance monitoring and reporting to regulatory bodies regularly • Internal controls reviewed regularly
	Build **sefa**'s brand visibility	Lack of customer-centricity, stakeholder focus and brand visibility	Strategic risk	• Electronic communication (eg cellphones) not optimised for customer feedback. • Availability of financial resources to support the initiatives	• Develop a **sefa** customer service app • Collaborate with front-end business in activating channel-to-consumer revenue-generating promotional events (ie, Pitch-For-Funding etc.)

Strategic Objectives	Strategic Initiatives	Risk Description	Risk Category	Root causes/Contributing Factors	Risk Mitigation
				• Collaboration/Cooperation with other stakeholders • Lack of customer-centricity strategy	• Continue collaboration with other **sefa** stakeholders • Develop an organisation-wide customer-centricity strategy and guidelines covering all customer touchpoints
Strategic Objective 4 – Instill an outcomes orientated organisational culture supported by streamlined organisational structure and innovative delivery model that is aligned to the mandate and strategy	• Execution driven by high performance and governance culture	Insufficient levels of adequately skilled, motivated and performance-driven human resources to execute on the organisation's mandate	People	• Lack of employee value proposition • Low change management capability • Low capability to manage poor performance resulting in inefficiencies in the high-performance execution	• Design and implement Employee Value Proposition interventions to attract and retain "fit for purpose" employees • Assess the extent to which **sefa** values are lived (Values Assessment Survey) • Design of **sefa** Competency Framework and implementation of learning programmes for targeted employees

6 Financial Implications

In the current economic environment, **sefa** must continue to balance financial sustainability and developmental impact. Finding the balance between the delivery of **sefa**'s key objectives, financial sustainability, and the need to be responsive to the economic environment changes will be key focus areas.

In the context of **sefa,** financial sustainability means that **sefa** can continue to fulfil its mandate to develop sustainable SMMEs and cooperatives through the provision of various sources of funding. To continue to do this **sefa** needs to build a solid loan book and a strong balance sheet. Operational expenditure needs to be carefully monitored while at the same time ensuring that operations run efficiently. It is key that **sefa** balances financial sustainability, developmental impact and overall operational efficiency.

The focus on financial sustainability for the next few years will be directed at the following:

a. Growth of **sefa**'s loan portfolio, and in particular paying special focus to the Township Rural and Entrepreneurial Programmes (R3.6 billion disbursements over five years), which will also be driven through the Khula Credit Guarantee scheme (R2.8 billion), however a corresponding increase in expenses of R80.3 million in indemnity claims paid and movement in reserves of in FY22 will be posted and in total, a net movement in reserves of R702 million over five years will be incurred.

b. Improve the cost-to-income ratio from 106% in FY2022 to 79% in FY2026 and strengthen its balance sheet.

c. Hold sufficient cash reserves to meet **sefa**'s obligations (maintain positive cash balances over the budget period). We want to emphasise that **sefa** remains highly dependent on the Township Rural and Entrepreneurial Programmes' reflows, Small-scale Manufacturing Programme, and other special programmes to remain cash positive.

d. In addition, over a period of five years, **sefa** has budgeted to transfer an amount of R313 million to KBP, which will be funded through the MTEF allocation and **sefa**. R2 billion transfers to KCG for Autobody, repairers and mechanics and the Spaza Shop Support Programme, funded by the TREP funding from the Department of Small Business Development.

e. Review of staffing and work-force planning (and continuation of headcount freezes and hiring of only critical staff) including a headcount rationalisation in FY22 and FY23 (resulting in cost savings in FY23 and going forward of R15 million per year).

f. Redirect resources to **sefa's** strategic objectives and projects such as the IT front-end automation projects, consultation costs for the merger process, special internal audit forensic projects, marketing, re-branding and advertising, and finance automation and IFRS 17 implementation in the year FY2022.

g. Prioritise the strategy of the properties to be housed in a wholly-owned subsidiary, Khula Business Premises and the implementation of the four-pronged properties strategy which will require an initial investment of approximately R84 million for the performance of conditional assessments,

h. critical repairs, minor refurbishments and remedial work for the first phase part of the project. A staggered approach will be followed with the first part of the project relating to the completion of conditional assessments and feasibility studies regarding each property. The outcomes will direct decisions on how best to use the property portfolio to benefit SMMEs and cooperatives by providing affordable and conducive accommodation ultimately. Ultimately **sefa** needs to ensure property capital value preservation and financial sustainability.

i. Continue to fulfil its mandate to develop sustainable SMMEs and cooperatives through the provision of various sources of funding demonstrated in the table below:

	2020 AUDITED (12 months)	DEC 2020 YTD (9 months)	2021 BUDGET (12 months)	2021 FORECAST (12 months)	2022 BUDGET (12 months)	2023 BUDGET (12 months)	2024 BUDGET (12 months)	2025 BUDGET (12 months)	2026 BUDGET (12 months)	5-year total BUDGET
Disbursements (R'000)										
Wholesale SME Lending	51 796	22 668	211 831	111 550	128 319	142 434	158 102	175 493	194 797	799 145
Wholesale Micro Lending	190 631	85 000	295 249	160 000	130 183	144 503	160 398	178 042	197 627	810 753
Direct Lending - Loans	237 359	267 211	149 058	283 025	178 217	197 821	219 581	243 735	270 546	1 109 900
SBIF	28 075	47 285	90 000	164 237	312 831	-	-	-	-	312 831
Business Viability Programme	-	-	-	97 500	479 493	305 991	305 991	305 991	305 991	1 703 457
ERP/TEF/Covid-19	-	316 200	637 659	655 703	624 223	350 900	350 900	350 900	350 900	2 027 823
EU Fund	-	-	150 000	65 450	84 550	-	-	-	-	84 550
Disbursements from sefa's balance sheet	**507 861**	**738 364**	**1 533 797**	**1 537 465**	**1 937 816**	**1 141 649**	**1 194 972**	**1 254 161**	**1 319 861**	**6 848 459**
Additional disbursements by Micro intermediaries	445 946	157 709	52 525	160 000	130 183	144 503	160 398	178 042	197 627	810 754
Khula Credit Guarantee - Guarantees taken up	247 413	104 417	340 037	104 417	585 000	665 037	523 299	531 974	541 082	2 846 392
WL_SME-Khula Land Reform	88 075	74 381	35 000	34 500	30 000	30 000	-	-	-	60 000
WL_SME-Godisa	22 688	7 497	25 200	32 049	30 000	7 500	-	-	-	37 500
Total disbursements recorded in corporate plan	**1 311 984**	**1 082 368**	**1 986 559**	**1 868 431**	**2 712 999**	**1 988 689**	**1 878 669**	**1 964 177**	**2 058 570**	**10 603 105**

Loan and advances

sefa is budgeting for an R2.6 billion loan and advances disbursements and guarantees taken-up to be made in the FY 2022 period and R10.6 billion over five years, of which R4.7 billion relate to the Township Rural and Entrepreneurial Programme.

The Township Rural and Entrepreneurial Programme are made up as follows:

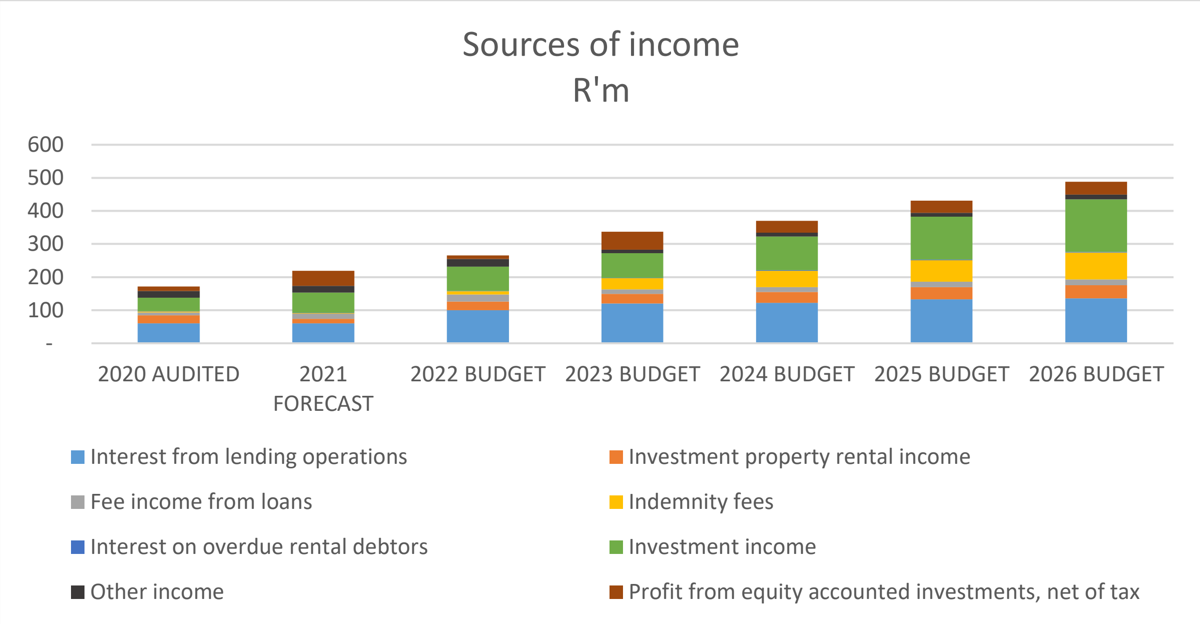
(R'000)	Dec YTD	2021 FORECAST	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET	5-year total BUDGET	Grants %	Loans/ Guarantees %
Disbursements on TREP products:										
Informal Textile and Clothing Programme	2 330	35 128	69 872	70 000	70 000	70 000	70 000	349 872	5%	95%
Small Enterprise Manufacturing Programme	39 842	175 641	254 534	106 900	106 900	106 900	106 900	682 134	20%	80%
Bakeries and confectionaries	2 963	33 455	69 045	70 000	70 000	70 000	70 000	349 045	5%	95%
Tshisanyama and cooked food	30	16 728	43 022	13 000	13 000	13 000	13 000	95 022	50%	50%
Business Viability Programme	-	97 500	479 493	305 991	305 991	305 991	305 991	1 703 457	0%	100%
Fruit and Vegetable Hawkers	-	40 000	13 000	13 000	13 000	13 000	13 000	65 000	100%	0%
Butcheries	-	47 500	102 750	42 000	42 000	42 000	42 000	270 750	5%	95%
Hairdressers and Personal Care	-	-	72 000	36 000	36 000	36 000	36 000	216 000	5%	95%
Total TREP Excl KCG disbursements	**45 165**	**445 952**	**1 103 716**	**656 891**	**656 891**	**656 891**	**656 891**	**3 731 280**		
Disbursements:										
Spaza Shop Support Programmes (Grants)	19 089	20 139	75 000	75 000	75 000	75 000	75 000	375 000	0%*	100%
Autobody repairers and mechanics	-	-	150 000	150 000	150 000	150 000	150 000	750 000	0%	100%
Total KCG disbursements	**19 089**	**20 139**	**225 000**	**225 000**	**225 000**	**225 000**	**225 000**	**1 125 000**		

Operational Income

Outside of MTEF, the interest income remains the largest contributor to income with the following assumptions made for the prime lending rates:

Prime lending rate*	FY22 – 6.75% FY23 – 7.75% FY24 – 7.75% FY25 – 7.75% FY26 – 7.75%

**Prime rate assumptions have been included based on the IDC Economic forecasts that were updated as at 20 October 2020.*



Interest income earned on lending operations in the budget assumes an increase year on year from FY2021 to FY2022 by 65% as a result of:

I. Six-month repayment moratoriums granted for Covid-19 relief programmes in FY2021 compared to a full 12-months of interest earned in FY2022.
II. Some of the Covid-19 Relief programmes attracted concessionary interest rates in FY2021
III. Improvements in impairments and suspended interest in FY2022.
IV. Increased interest earned due to growth in average loan book from FY2022 (Tourism Fund, TREP Programmes and Business Viability Programme).

Other revenue is expected to increase in FY2022 from FY2021, mainly due to the following:

I. Indemnity fees are expected to increase due to increased budgeted guarantees in KCG from the EU, Spaza and Autobody programmes.

II. Rental payment holidays were given to tenants for the first six months of FY2021 as a Covid-19 relief initiative. Investment property rental income is expected to increase in FY2022 compared to FY2021 due to no payment holidays in FY2022.

III. Investment income is expected to increase in FY2022 as a result of interest earned on KCG's increased bank balances (due to the capitalisation from EU, Spaza and Autobody programmes)

Operational Expenditure and Impairments

sefa's costs are primarily fixed, and lower growth in the loan book, reduced interest income earned, and MTEF allocations have been reduced compared to previous years. This has resulted in the cost-to-income ratio gradually worsening over time.

The main expenditure items related to:

1. Personnel costs
   During FY21 there has been a headcount freeze, as at the end of December 2020, which amounted to R64 million in savings when comparing actual spend to budgeted spend.

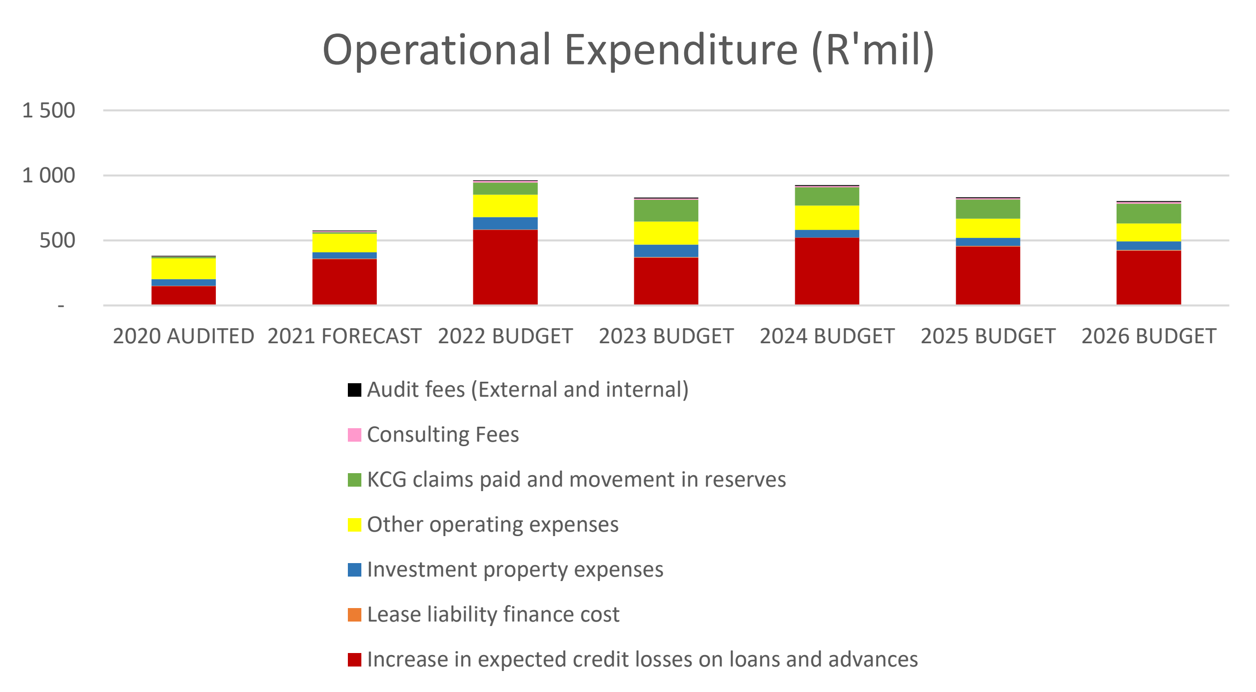
   Personnel costs are one of the main expenditures at **sefa**; however, human resources remain a critical asset to **sefa** due to its business nature. The 2020/21 financial year is unique at **sefa** given that the personnel costs were well-controlled through a moratorium placed on filling vacancies. This, however, has resulted in existing resources being stretched. The increased staff turnover and vacancies necessitated executives, managers, and other employees to go above and beyond to ensure continuity in their business areas.

   The 2021/22 personnel costs budget is higher than the actuals spent in FY2021, but it must be noted that **sefa** management has significantly reduced the budget from the previously approved budget by R90 million.

   The increase year-on-year from FY2021 to FY2022 is based on the following assumptions:
   i. Filling of critical vacancies in FY2022
   ii. Headcount rationalisation
   iii. Cost-of-living adjustment
   iv. Annual performance bonus provision
   v. Bursary funding for staff in line with the Learning and Development Policy approved by the Board.

	2020 AUDITED	2021 FORECAST	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
Personnel expenses (R'000)	(203 862)	(202 555)	(267 100)	(252 141)	(252 837)	(260 781)	(272 496)

2. Operational Expenditure



Other operating expenses

Operational expenditure includes a 4.7% inflation assumption for FY2022, 4.9% for FY2023, and 5.1% FY2024. The full inflation assumptions are tabulated below.

Inflation*	FY22 – 4.7% FY23 – 4.9% FY24 – 5.1% FY25 – 4.8% FY26 – 4.7%

The budget assumes that operational expenditure will be carefully monitored while at the same time ensuring that operations run efficiently.

3. KCG claims paid and movement in reserves
The budget assumes R2.8 billion in KCG disbursements over the five-year budget period, comprising R300 million for the EU programme, R984 million for registered financial institutions, R436 million for participating suppliers, R375 million for the Spaza Shop Programme, and lastly R750 million for the Autobody Programme, resulting in increased KCG claims paid and lower reserves.

Khula Credit Scheme R'000	**2022 BUDGET**	**2023 BUDGET**	**2024 BUDGET**	**2025 BUDGET**	**2026 BUDGET**	**Total Impact**
Guarantees taken up from EU programme	150 000	150 000	0	0	0	300 000
Guarantees taken up by registered financial institutions	150 000	199 792	205 483	211 459	217 733	984 467
Guarantees taken up by participating suppliers	60 000	90 245	92 816	95 515	98 349	436 924
Disbursements through Spaza Programmes	75 000	75 000	75 000	75 000	75 000	375 000
Disbursements through Autobody Programmes	150 000	150 000	150 000	150 000	150 000	750 000
Total Taken ups	**585 000**	**665 037**	**523 299**	**531 974**	**541 082**	**2 846 391**

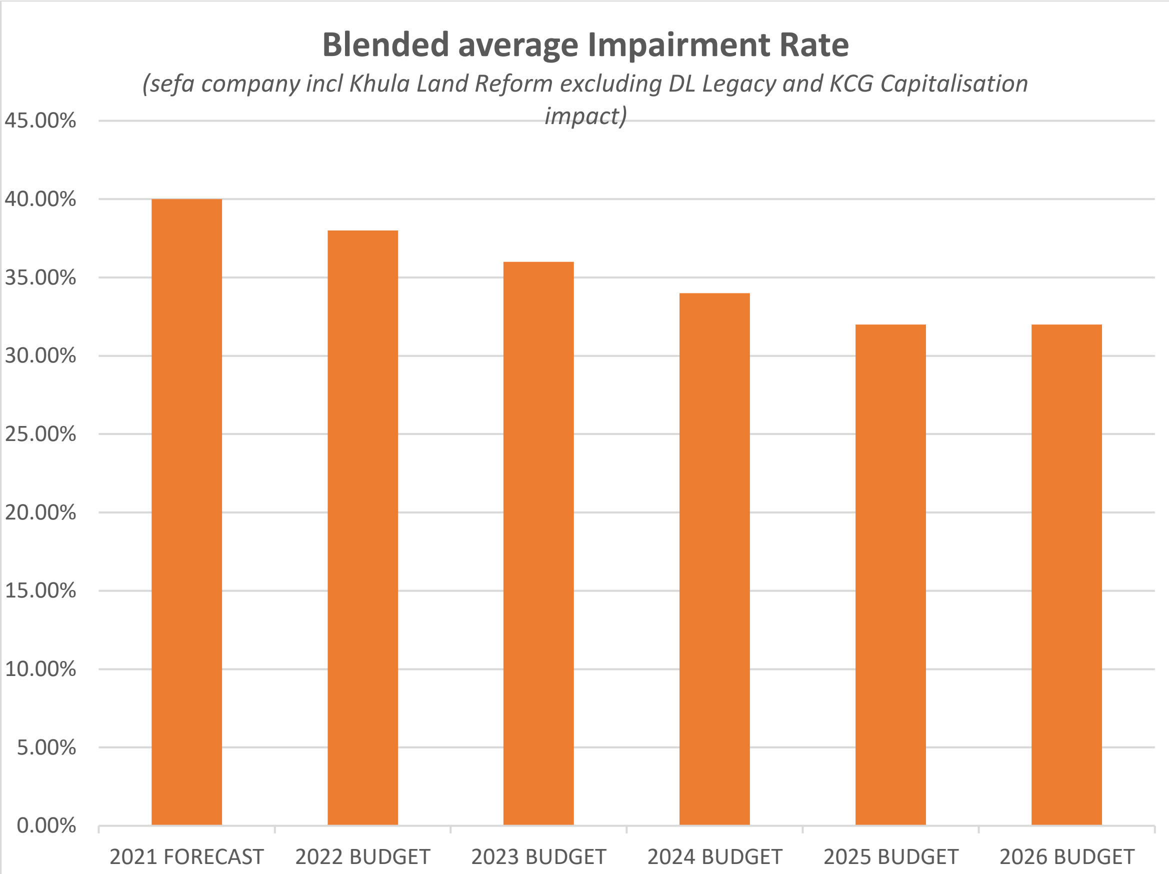
Other operating expenses R'm	**2022 BUDGET**	**2023 BUDGET**	**2024 BUDGET**	**2025 BUDGET**	**2026 BUDGET**	**TOTAL**
KCG claims paid and movement in reserves	93 081	168 748	139 959	146 467	153 287	701 542

4. Investment property expenses

   Investment property expenses have been budgeted to increase by R40 million in FY22 and another R40 million in FY23 for critical repairs (occupational health and safety) and other refurbishments that need to be done on certain prioritised buildings, as approved by the KBP Board at the inaugural board meeting. All repairs and refurbishment will be subject to the conditional building assessments/feasibility studies and the approved DOA matrix, board and minister approval, as needed.

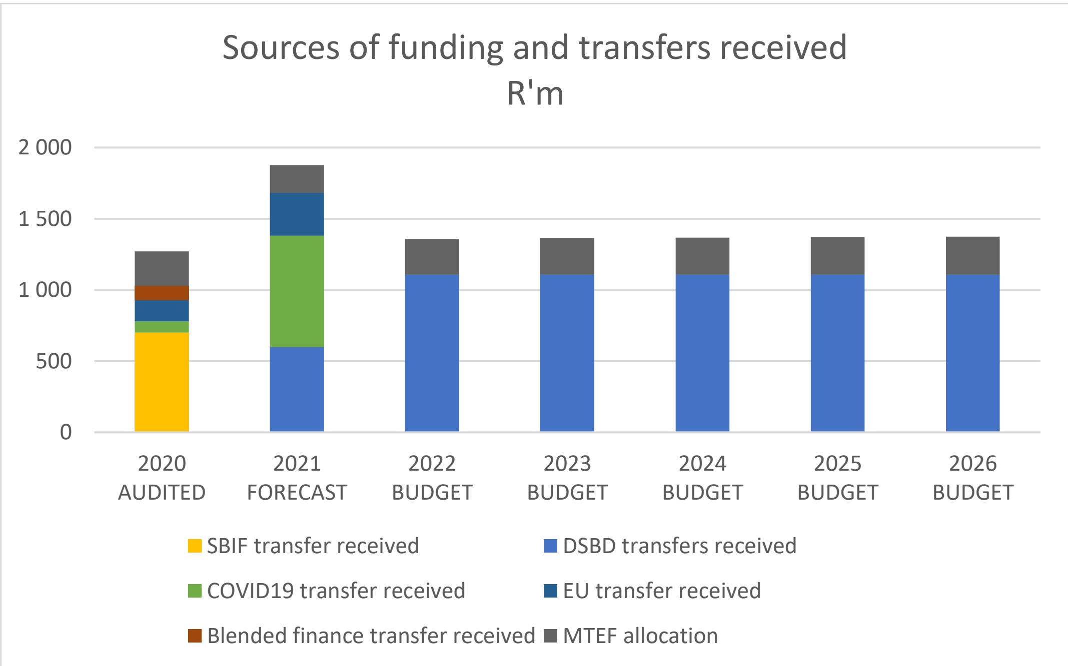
5. Impairments

   Impairments/increase in expected credit losses is forecasted to peak in FY2022 aligned to the peak in planned disbursements related to the various new initiatives. The **sefa** group's overall average impairment ratio is expected to be 38% in FY22, decreasing to 32% over the budget period to FY2026. This will be achieved by gross loan book growth and reductions in the expected impairment losses through the Post-Investment Monitoring (PIM) team's strategic initiatives from FY2021 levels. The PIM team will use various activities to pro-actively manage and monitor **sefa**'s loan investments to reduce the planning period's impairments.



6. Sources of funding

The table below represents graphically the funding sources for the previous years and the planning period, excluding shareholder funding.



Transfer received (R'mil)	2020 AUDITED	2021 FORECAST	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
SBIF transfer received	700	0	0	0	0	0	0
DSBD transfers received	0	600	1 107	1 102	1 108	1 119	1 119
Covid-19 transfer received	79	781	0	0	0	0	0
EU transfer received	150	300	0	0	0	0	0
Blended finance transfer received	100	0	0	0	0	0	0
MTEF allocation	241	197	252	259	261	264	266
TOTAL	**1 270**	**1 878**	**1 359**	**1 361**	**1 369**	**1 383**	**1 385**

The Industrial Development Corporation (IDC) – **sefa**'s shareholder – has made funding available to **sefa** to be used specifically for on-lending to support loan portfolio growth. The total facility amounts to R640 million, and the facility does not attract any fees nor interest. This loan facility is subject to a 60-month capital moratorium, and after that, the loan is payable over 120 months, with the first instalment being due on 31 July 2023. The first disbursement of R150 million on the facility from IDC was advanced to **sefa** in July 2018. Further, the drawdown of R180 million on this facility will be received before the end of FY2021, with the remaining amount of the facility planned to be drawn down in FY2022.

Borrowing plan					
2021 FORECAST	**2022 BUDGET**	**2023 BUDGET**	**2024 BUDGET**	**2025 BUDGET**	**2026 BUDGET**
R180 million	R310 million	R-	R-	R-	R-

7. Grant income and grant expense assumptions

Grant Recognition Assumptions	Actual YTD/Forecast Assumptions	Budget Assumptions (Original FY21 approved budget)
MTEF Grant – treatment	MTEF grant is still received through the IDC and has been recorded through the Balance Sheet (B/S) in Shareholder Reserve *(The current shareholder's loan agreement with the IDC and DSBD needs to be cancelled and possibly replaced)*	MTEF grant was budgeted to be received directly from DTIC and recognised in the Income Statement (I/S) as Grant Income

Grant Recognition Assumptions	Actual YTD/Forecast Assumptions	Budget Assumptions (Original FY21 approved budget)
Grants Disbursed/Paid to end-users (TEF/ERP, SBIF, Blended Finance)	Grants paid to end-users treated as "Conditional grants(B/S)" are released over the term of the related loan as this is a systematic basis on which the grant income and expense can be matched in terms of IAS 20	Grants paid/disbursed to end customers were assumed to recognised immediately as grants paid (I/S) with a related grant income (I/S) reducing the Deferred Grant (B/S). Grants were assumed to be unconditional
Grants used for the Capitalisation of KCG (Spaza, EU, Autobody)	Deferred grant in **sefa** relating to KCG can only be recognised in the I/S as and when the asset (investment in KCG) is realised	The Grant Income(I/S) was assumed to be recognised on the transfer of the grants from **sefa** (grant recipient) to KCG
Grants Paid by KCG to end-users (Spaza, Autobody)	Grants Paid (I/S) and related Grant Income (I/S) are recognised in KCG as grants are paid	The Grant Income (I/S) was recognised in **sefa** (grant recipient) to transfer the full grants to KCG

Grant Income (Amounts in R'm)	2020 Audited	Dec YTD	Budget YTD	2021 Forecast	2021 Budget – Full Year
MTEF	-	-	135	-	197
ERP/TREP/COVID-19	-	73	658	154	891
SBIF	28	3	100	43	141
EU	-	-	234	2	316
Blended Finance	1	7	62	9	80
TOTAL	**29**	**83**	**1 189**	**208**	**1 625**

Grants received by **sefa** are recorded as government grants and deferred as required by IAS 20. The grant income should be recognised in accordance with the standard.

Significant differences are noted above relating to the actual and budgeted Grant Income (I/S) are due to:

I. Differences in FY21 budget assumptions regarding recognition of Grant Income. Differences in the assumptions are explained in the assumptions table and are mainly due to the approach used in FY20 audited actuals only being finalised and reviewed by external audit after the FY21 budgets were finalised.

II. Loan disbursements were also lower than budgeted on the new fund programmes (EU, SBIF, ERP, Covid-19) leading to less grant income recognised year-to-date (timing differences in grant income).

Grant Expense (Amounts in R'm)	2020 Audited	Dec YTD	Budget YTD	2021 Forecast	2021 Budget – Full Year
MTEF	-	-	-	-	-
ERP/TREP/COVID-19	-	(20)	(624)	(93)	(766)
SBIF	(28)	(0.3)	(42)	(36)	(56)
EU	-	-	-	-	-
Blended Finance	(1)	(7)	(62)	(9)	(80)
TOTAL	**(29)**	**(27)**	**(728)**	**(137)**	**(901)**

Significant differences are noted above relating to the actual and budgeted Grant Expenses (I/S) are due to:

I. Differences in FY21 budget assumptions regarding recognition of Grant expenses. Grants disbursed to end-users were budgeted to be disbursed as unconditional grants in FY21 when budgets were compiled. However, during the audit, the nature of these grants was realised as conditional. Instead of the grants expensed in on disbursed (as budgeted in FY21), the actual grants have been expensed over the terms of the related loans (FY21).

II. Grant disbursements (part of loans) were lower than budgeted on the new fund programme (EU, SBIF, ERP, Covid-19) leading to less grant expenses recognised in actuals (timing differences of recognition of grant expenses).

Grant Recognition Assumptions	Budget Assumptions
MTEF Grant	MTEF grant is still received through the IDC and thus has been recorded through the Balance Sheet (B/S) in Shareholder Reserve. The MTEF has been budgeted in FY22 to be received through the IDC (in equity) for the first six months of the year while the last six months it has been budgeted through the Income Statement as Grant Income. For FY23-FY26, it has been budgeted under Grant Income
Grants Disbursed/Paid to end-users (TEF/ERP, SBIF, Blended Finance/Tourism)	Grants paid to end-users treated as "Conditional grants (B/S)" are released over the term of the related loan as this is a systematic basis on which the grant income and expense can be matched in terms of IAS 20.
Grants used for the Capitalisation of KCG (Spaza and Autobody (TREP))	Deferred grants in **sefa** relating to KCG have **not** been budgeted through the Income Statement as transferred but will be recognized in the Income Statement if an asset (investment in KCG) is realised.
Grants Paid by KCG to end-users (Spaza, Autobody)	Grants Paid (I/S) and related Grant Income (I/S) is budgeted to be recognised in KCG as grants paid in FY22. For FY23-FY26, the assumption is that the SSSP will cover indemnities only
Grant Income relating to the Loans Disbursements from Government Grants received (/TREP/ERP, SBIF, EU, Tourism)	Grants Income relating to Loans disbursements from government grants received is released over the term of the related loan as this is a systematic basis on which the grant income can be recognized as per IAS20.
Grants from Tourism Equity Fund to **sefa**	The unconditional grant due to **sefa** relating to the Tourism Equity Fund has been budgeted as Grant Income (FY22-FY24)

GRANTS INCOME RECEIVED (I/S)					
R'000	**2022 BUDGET**	**2023 BUDGET**	**2024 BUDGET**	**2025 BUDGET**	**2026 BUDGET**
ERP/TREP (incl Co-Op Dev scheme)	227 455	288 003	490 837	410 518	417 118
SBIF	59 347	86 045	86 045	86 045	81 320
COVID-19(incl KCG SSSP)	115 217	113 351	33 571	50	12
Tourism	23 250	61 725	111 600	102 600	102 600
BVP	71 445	148 548	209 746	270 944	329 705
EU	22 250	30 000	30 000	30 000	30 000
BLENDED	21 213	21 213	21 213	6 786	-
MTEF	125 853	258 658	261 204	263 775	266 371
TOTAL	**666 030**	**1 007 543**	**1 244 216**	**1 170 718**	**1 227 126**

GRANTS PAID (I/S)					
R'000	**2022 BUDGET**	**2023 BUDGET**	**2024 BUDGET**	**2025 BUDGET**	**2026 BUDGET**
ERP/TREP (incl Co-Op Dev scheme)	(92 878)	(113 303)	(117 240)	(121 165)	(128 313)
SBIF	(4 744)	(4 353)	(4 353)	(4 353)	(4 040)
Tourism	(10 500)	(38 850)	(75 600)	(75 600)	(75 600)
COVID-19 Grants paid(KCG SSSP	-	-	-	-	-
BLENDED	(21 213)	(21 213)	(21 213)	(6 786)	-
TOTAL	**(129 335)**	**(177 719)**	**(218 406)**	**(207 904)**	**(207 953)**

8. IFRS 16 implementation

During the previous financial year, **sefa** implemented IFRS 16 for the first time. The new international financial reporting standard sets out the principals for the recognising, measurement, presentation and disclosure of leases and now requires lessees to recognise most leases on the balance sheet. In prior year's **sefa**'s leased buildings (where **sefa** is the lessee) would have been reported as operating leases, and future lease commitments would need to be disclosed. IFRS 16 was introduced to increase the visibility of companies' lease commitments and better reflect economic reality. The new accounting standard will also make it easier for users of financial statements to compare companies that lease their assets with companies that borrow money to buy their assets, creating a more level playing field.

In the previous year financial statements **sefa** has recognised a Right-of-use asset and a corresponding liability in the financial position statement. The adoption of IFRS 16 had a net impact of R 571 315 on the **sefa**'s retained earnings and a net effect of R2.9 million on profit and loss in the audited financial year. IFRS 16 requires that a rate be calculated to be used to discount lease payments to determine leases' present value. The discount rates that can be used are either the interest rate implicit in the lease or the Incremental Borrowing Rate. The incremental borrowing rate (9.5%) was determined by **sefa**'s actuarial team and re-assessed at the following financial year-end.

sefa GROUP

STATEMENTS OF COMPREHENSIVE INCOME R'000 *(Grouped)*

	GROUP R'000							
STATEMENTS OF COMPREHENSIVE INCOME R'000	**2020 AUDITED**	**2021 Forecast**	**2021 BUDGET**	**2022 BUDGET**	**2023 BUDGET**	**2024 BUDGET**	**2025 BUDGET**	**2026 BUDGET**
Interest from lending operations	68 060	59 952	50 063	99 952	119 556	121 837	132 647	136 106
Fee income from loans	8 339	14 509	7 725	20 983	13 723	14 770	16 068	17 357
Indemnity fees	2 823	1 912	3 017	10 359	33 987	49 242	64 947	81 125
Investment property rental income	25 405	14 288	17 463	25 943	28 503	32 560	37 017	39 537
Interest on overdue rental debtors	1 321	1 125	-	1 382	1 450	1 520	1 591	1 666
Investment income	41 160	61 283	59 094	73 541	74 279	101 759	130 405	158 609
Other income	19 968	20 599	7 616	23 030	10 760	11 053	11 167	14 198
Sub-total: Income	**167 076**	**173 668**	**144 978**	**255 190**	**282 258**	**332 741**	**393 842**	**448 598**
Personnel expenses	(203 862)	(202 555)	(312 104)	(267 100)	(252 141)	(252 873)	(260 781)	(272 496)
Investment property expenses	(50 968)	(49 370)	(58 671)	(94 559)	(96 425)	(58 752)	(61 639)	(65 074)
Other operating expenses	(62 167)	(67 649)	(67 972)	(82 864)	(73 216)	(76 693)	(80 174)	(83 816)
Sub-total: Expenses excl items that are linked to B/S	**(316 997)**	**(319 574)**	**(438 747)**	**(444 523)**	**(421 782)**	**(388 318)**	**(402 594)**	**(421 386)**
Net of income and expense excl items that are linked to the B/S	**(149 921)**	**(145 906)**	**(293 769)**	**(189 333)**	**(139 524)**	**(55 577)**	**(8 752)**	**27 212**
MTEF allocation	241 453	196 786	196 786	251 706	258 658	261 204	263 775	266 371
Net - income (incl MTEF alloc) and expense excl items that are linked to the B/S	**91 532**	**50 880**	**(96 983)**	**62 373**	**119 134**	**205 627**	**255 023**	**293 583**
Increase in expected credit losses on loans and advances	(148 303)	(356 007)	(596 201)	(580 401)	(368 080)	(520 728)	(453 883)	(421 516)
KCG claims paid and movement in reserves	(12 676)	(12 727)	(23 863)	(93 081)	(168 748)	(139 959)	(146 467)	(153 287)
Depreciation and amortisation	(4 406)	(4 931)	(7 178)	(9 654)	(12 057)	(12 375)	(13 816)	(14 386)
Depreciation - Right of use	(9 073)	(10 909)	(10 900)	(11 278)	(11 777)	(11 903)	(14 570)	(16 248)
Lease liability finance cost	(3 270)	(3 770)	(3 941)	(3 559)	(2 671)	(1 586)	(4 177)	(5 372)
Interest expense on shareholder's loan	(46 484)	(52 025)	(52 409)	(74 809)	(92 328)	(98 347)	(53 722)	(40 126)
Net fair value (loss)/gain on investment properties	(10 354)	(10 354)	-	5 000	(3 000)	(3 000)	5 000	5 000
Increase in impairments on investments and cash	(45 130)	(12 603)	-	(11 315)	(3 685)	(3 751)	(3 811)	(3 874)
Sub-total: Expenses items that are linked to B/S	**(279 696)**	**(463 326)**	**(694 492)**	**(779 097)**	**(662 346)**	**(791 649)**	**(685 446)**	**(649 809)**
Operating loss	**(188 164)**	**(412 446)**	**(791 475)**	**(716 724)**	**(543 212)**	**(586 022)**	**(430 423)**	**(356 226)**
Profit from equity accounted investments, net of tax	13 629	45 407	48 000	10 880	53 736	35 573	37 034	38 816
Grant paid	(28 524)	(137 521)	(900 976)	(129 336)	(177 720)	(218 406)	(207 904)	(207 953)
Grant Income Received	28 524	211 574	1 625 160	540 178	748 885	983 013	906 943	960 755
Loss before tax	**(174 535)**	**(292 986)**	**(19 291)**	**(295 001)**	**81 686**	**214 160**	**305 648**	**435 389**
Income tax credit/(charge)	(4 924)	-	(1)	(2)	-	1	(1)	-
Net Profit/(loss) for the year incl MTEF allocation	**(179 459)**	**(292 986)**	**(19 292)**	**(295 003)**	**81 686**	**214 161**	**305 647**	**435 389**

sefa GROUP

STATEMENTS OF FINANCIAL POSITION R'000

STATEMENTS OF FINANCIAL POSITION R'000	2020 AUDITED	2021 FORECAST	2021 BUDGET	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
	GROUP R'000							
ASSETS								
Cash and cash equivalents (Group)	565 376	768 872	787 906	1 210 120	1 330 243	1 379 292	1 341 143	1 324 942
Cash and cash equivalents (SBIF)	669 772	383 473	47 139	91 166	158 731	256 089	356 888	456 311
Cash and cash equivalents (TEF)	-	-	-	682	5 488	17 283	36 655	59 688
Cash and cash equivalents (BVP)	-	250 871	-	93 077	137 414	208 951	357 569	590 754
Cash and cash equivalents (COVID-19/ERP/TREP)	79 000	497 490	43 440	586 309	1 054 131	1 565 822	2 058 003	2 569 052
Cash and cash equivalents (EU)	149 998	94 287	6 082	21 887	49 035	78 678	109 222	138 674
Cash and cash equivalents (Managed Funds)	66 918	69 069	66 918	69 069	69 069	69 069	69 069	69 069
Trade and other receivables	38 825	173 927	48 746	358 488	405 278	408 039	297 869	186 876
Current tax asset	61	61	579	61	61	61	61	61
Loans and advances	433 898	633 904	577 346	577 172	553 857	603 508	735 926	841 688
Loans and advances (SBIF)	-	92 293	231 470	332 449	281 365	199 742	114 143	29 352
Loans and advances (TEF)	-	0	0	25 456	49 180	66 861	51 087	31 532
Loans and advances (BVP)	-	76 907	0	448 925	660 036	699 950	723 733	713 346
Loans and advances (EU)	-	54 474	102 529	114 494	88 380	60 637	32 893	7 167
Loans and advances (COVID-19/ERP/TREP)	-	315 112	486 913	492 536	457 984	397 929	376 164	353 636
Investment properties	177 115	166 761	151 070	171 761	168 761	165 761	170 761	175 761
Equipment, furniture and other tangible assets	7 772	7 689	12 905	16 032	13 841	12 574	10 858	9 562
Intangible assets	2 507	5 087	19 946	22 653	23 824	20 615	16 785	12 353
Right-of-use assets	39 104	29 405	28 820	19 440	13 265	3 867	50 641	40 582
Deferred tax asset	49	49	4 454	49	49	49	49	49
Equity investments	902 761	937 477	977 270	895 809	970 127	1 001 083	1 033 502	1 070 702
TOTAL ASSETS	**3 133 156**	**4 557 208**	**3 593 533**	**5 547 635**	**6 490 119**	**7 215 860**	**7 943 021**	**8 681 157**
EQUITY AND LIABILITIES								
Share capital	308 300	308 300	308 300	308 300	308 300	308 300	308 300	308 300
Shareholder reserves	2 103 996	2 403 608	2 234 570	2 695 995	2 695 995	2 695 995	2 695 995	2 695 995
Retained earnings and other reserves	(1 134 069)	(1 587 610)	(1 301 563)	(2 044 589)	(1 936 704)	(1 721 547)	(1 414 904)	(978 473)
Equity attributable to owners of the parent	**1 278 227**	**1 124 298**	**1 241 307**	**959 706**	**1 067 591**	**1 282 748**	**1 589 391**	**2 025 822**
Non-controlling interest	(184)	(184)	11	(184)	(184)	(184)	(184)	(184)
Total equity	**1 278 043**	**1 124 114**	**1 241 318**	**959 522**	**1 067 407**	**1 282 564**	**1 589 207**	**2 025 638**
Liabilities								
Trade and other payables/	147 423	135 368	180 666	203 881	206 459	214 186	216 531	218 891
Tax payable	-	-	-	-	-	-	-	-
Grants Received in Advance	1 000 980	2 460 902	1 253 103	3 251 915	3 834 221	4 182 400	4 426 648	4 617 084
Lease Liabilities	43 427	35 487	30 562	26 142	19 551	7 571	55 750	48 573
Outstanding claims reserve	5 557	17 291	9 342	37 286	76 839	116 682	157 497	199 370
Unearned risk reserve	28 220	25 889	37 050	92 306	216 579	309 050	404 257	502 337
Post-retirement medical liability	443	593	593	744	901	900	904	904
Shareholder's loans	629 064	757 562	840 899	975 838	1 068 163	1 102 507	1 092 229	1 068 361
Total liabilities	**1 855 114**	**3 433 092**	**2 352 215**	**4 588 112**	**5 422 713**	**5 933 296**	**6 353 816**	**6 655 520**
TOTAL EQUITY AND LIABILITIES	**3 133 157**	**4 557 206**	**3 593 533**	**5 547 634**	**6 490 120**	**7 215 860**	**7 943 023**	**8 681 158**

STATEMENTS OF CASH FLOWS R'000

	GROUP R'000							
	2020 AUDITED	2021 Forecast	2021 BUDGET	2022 BUDGET	2023 BUDGET	2024 BUDGET	2025 BUDGET	2026 BUDGET
Cash flows from operating activities								
Cash utilised by operations	(227 631)	(500 389)	(1 222 703)	(521 715)	(444 627)	(381 529)	(250 764)	(246 361)
Loans and advances awarded to customers or investees	(215 593)	(1 094 799)	(1 573 988)	(1 398 743)	(467 850)	(458 552)	(459 202)	(364 291)
Grant income received	1 029 000	1 686 203	1 877 786	1 457 044	1 589 849	1 592 395	1 414 966	1 417 562
Tax paid	518	-	-	-	-	-	-	-
Net cash utilised by operating activities	**586 294**	**91 015**	**(918 905)**	**(463 414)**	**677 372**	**752 314**	**705 000**	**806 910**
Cash flows from investing activities								
Purchase of equipment, furniture and other tangible assets	(5 534)	(3 649)	(9 100)	(13 283)	(3 800)	(3 982)	(4 169)	(4 365)
Purchase of intangible assets	(3 099)	(4 241)	(20 650)	(22 280)	(7 240)	(3 912)	(4 100)	(4 293)
Improvements on investment properties	-	-	-	-	-	-	-	-
Investment income	51 059	62 408	62 094	74 923	75 729	103 279	131 996	160 314
Acquisition of investments	6 373	36 370	2 354	7 964	3 000	3 000	3 000	-
Proceeds from sale of property and equipment	-	415	-	-	-	-	-	-
Proceeds from sale of investment properties	-	-	29 899	-	-	-	-	-
Net cash generated by investing activities	**48 799**	**91 303**	**64 597**	**47 324**	**67 689**	**98 385**	**126 727**	**151 656**
Cash flows from financing activities								
Dividends paid	-	-	-	-	-	-	-	-
Repayment of the lease liabilities	(6 131)	(9 151)	(14 826)	(10 659)	(12 192)	(14 485)	(13 165)	(13 366)
Capital funding received from shareholders	241 453	361 883	290 000	435 853	-	(64 000)	(64 000)	(64 000)
Net cash from financing activities	**235 322**	**352 732**	**275 174**	**425 194**	**(12 192)**	**(78 485)**	**(77 165)**	**(77 366)**
Net increase/(decrease) in cash and cash equivalents	870 415	535 050	(579 134)	9 104	732 871	772 212	754 562	881 199
Cash and cash equivalents at beginning of year	664 962	1 535 374	1 530 617	2 070 423	2 079 523	2 812 394	3 584 601	4 339 160
Cash and cash equivalents at end of year	**1 535 377**	**2 070 424**	**951 483**	**2 079 527**	**2 812 394**	**3 584 606**	**4 339 163**	**5 220 359**
Cash held on behalf of managed funds	(66 918)	(69 069)	(66 918)	(69 069)	(69 069)	(69 069)	(69 069)	(69 069)
Cash attributable to the Group	**1 468 459**	**2 001 355**	**884 565**	**2 010 458**	**2 743 325**	**3 515 534**	**4 270 094**	**5 151 290**

Annual Performance Plan: Financial Year 2021/22

7 Corporate Performance Scorecard

The organisational performance will be measured against the Corporate Performance Scorecard below. Progress on the corporate performance scorecard is monitored and reported quarterly to the Board of Directors, DSBD, IDC and Portfolio Committee on Small Business Development in the National Assembly.

BSC Perspective	Measurement Indicator	2021/22	Weight
	Strategic Objective 1- Achieve a high impact, high-performance through being responsive to the government's microeconomic policies and specifically the DSBD MTEF plan		
	Loan Book Performance		
	Total Approvals (R'000)	2 147 999	8%
	Total disbursements to SMMEs and cooperatives (R'000)	2 712 999	8%
	Number of SMMEs and cooperatives financed	191 433	3%
	Number of jobs facilitated	207 729	3%
	Development Impact/ Inclusion Index		
	Facilities disbursed to black-owned businesses (R'000)	1 899 100	3%
	Facilities disbursed to women-owned businesses (R'000)	1 085 200	3%
	Facilities disbursed to youth-owned (18-35 years old) enterprises (R'000)	813 900	2%
	Facilities to people with disabilities (R'000)	189 210	2%
	Disbursements to township-based enterprises (R'000)	678 250	4%
	Facilities disbursed to enterprises to rural towns and villages (R'000)	1 085 200	4%
Sub-total Impact Perspective			**40%**
Financial Sustainability	**Strategic Objective 2 - Improve sefa's financial sustainability, operational effectiveness, efficiency, and service delivery by streamlining business processes and deploying technology solutions**		
	Cost to Income Ratio (excluding Impairments on loans and advances and KCG claims provision I/S movement relating to the SSSP and Autobody Programme)	106%	6%
	Percentage growth in revenue (excl. Grant income and MTEF)	21%	5%
	Accumulated Impairment provision as a percentage of total loans and advances	38%	6%
	Collection Rate (All-in-cash collections)	85%	5%
	Capital Leverage (KCG)	6.25%	6%
Sub-total Financial Perspective			**28%**
Organisational Business Processes	**Turnaround**		
	Application Process Automation	100% automation of the loan origination processes	3%
	Direct Lending (avg days)	45 days	2%
	Wholesale Lending (avg days)	60 days	5%

Sub-total Organisational Business Perspective			**10%**
Customer	**Strategic Objective 3 – Improve financial access and distribution reach and establish relevant value propositions and winning collaborative models**		
	Annual Level of Customer Satisfaction	65%	5%
	Number of Strategic Partnerships	4	5%
	Customer Growth - (Number of **sefa** customers improving turnover with 5% or more in the financial year	20	2%
Sub-total Customer Perspective			**12%**
People	**Strategic Objective 4 – Instill an outcomes orientated organisational culture supported by streamlined organisational structure and innovative delivery model that is aligned to the mandate and strategy.**		
	Percentage improvement in the Employee Engagement Index (EEI)	62%	5%
	Percentage of staff that scores 3.5 or more in the annual performance assessment.	50%	5%
Sub-total People Perspective			**10%**
Total			**100%**

Quarterly Targets

Measurement Indicator	Q1	Q2	Q3	Q4	Annual Target
Strategic Objective 1- Achieve a high impact, high-performance through being responsive to the government's microeconomic policies and specifically the DSBD MTEF plan					
Total Approvals (R'000)	429 600	644 400	644 400	429 600	2 147 999
Total disbursements to SMMEs and Co-operatives (R'000)	542 600	813 900	813 900	542 600	2 712 999
Number of SMMEs and Co-operatives financed	38 287	57 430	57 430	38 287	191 433
Number of jobs facilitated	41 546	62 319	62 319	41 546	207 729
Development Impact/ Inclusion Index					
Facilities disbursed to black-owned businesses (R'000)	379 820	569 730	569 730	379 820	1 899 100
Facilities disbursed to women-owned businesses (R'000)	217 040	325 560	325 560	217 040	1 085 200
Facilities disbursed to youth-owned (18-35 years old) enterprises (R'000)	162 780	244 170	244 170	162 780	813 900
Facilities to people with disabilities (R'000)	37 982	56 973	56 973	37 982	189 910

Measurement Indicator	Q1	Q2	Q3	Q4	Annual Target
Disbursements to township-based enterprises (R'000)	135 650	203 475	203 475	135 650	678 250
Facilities disbursed to enterprises to rural towns and villages (R'000)	217 040	325 560	325 560	217 040	1 085 200
Strategic Objective 2 - Improve sefa's financial sustainability, operational effectiveness, efficiency, and service delivery by streamlining business processes and deploying technology solutions					
Cost to Income Ratio (excluding Impairments on loans and advances)	Annual Target				106%
Percentage growth in revenue	Annual Target				21%
Accumulated Impairment provision as a percentage of total loans and advances	38%	38%	38%	38%	38%
Collection Rate (All-in-cash collections)	85%	85%	85%	85%	85%
Capital Leverage (KCG)	Annual Target				
Automation of loan management business process	Development of the System Functional Specification	Development of Technical Architechture	Development and Deployment of Loan Origination System	Implementation and Change Management	100% Automation of sefa's loan Origination System
Direct Lending (avg days)	Annual Target				
Wholesale Lending (avg days)	Annual Target				
Strategic Objective 3 – Improve financial access and distribution reach and establish relevant value propositions and winning collaborative models					
Annual level of Customer Satisfaction	Design and develop customer improvement plan	• Implement the customer improvement plan • Implementation of touch points measurement instruments	• Implement the customer improvement plan • Implementation of touch points measurement instruments	• Implement the customer improvement plan • Implementation of touch points measurement instruments • Independent measurement	65%

Measurement Indicator	Q1	Q2	Q3	Q4	Annual Target
				of customer satisfaction	
Number of Strategic Partnerships (new)	Identify strategic partners based on the loan strategies	1 strategic partnership concluded	1 strategic partnership concluded	2 strategic partnerships concluded	4
Customer Growth - (Number of **sefa** Customers improving turnover with 5% or more in the financial year).	Annual Target				
Strategic Objective 4 – Instill an outcomes orientated organisational culture supported by streamlined organisational structure and innovative delivery model that is aligned to the mandate and strategy.					
Percentage improvement in the Employee Engagement Index (EEI)	• Feedback on 2020 Survey Results • Development of an employee engagement action plan	30% implementation on Action Plan	60% implementation on Action Plan	• 100% implementation on on Action Plan Employee Engagement Assessment	62%
Percentage of staff that scores 3.5 or more in the annual performance assessment*.	• Implementation of 3 Tier Performance Measurement • Employee Performance contracting	Mid-year reviews (80% employees rated	100% under performers improvement plans in place for identified under performers	Year-end assessments and divisional and organisational moderation	50%

8 sefa's PROGRAMMES STRATEGIES

The following listed programmes support the sefa corporate plan implementation and strategic objectives

Strategic Objective	Programme
Strategic Objective 1 - Achieve a high impact, high-performance through being responsive to the government's microeconomic policies and specifically the DSBD MTEF plan	Programme 1: Increase access and provision of finance to SMMEs and Cooperatives: Sub-programme: Informal Sector and Micro Enterprises Finance Sub-programme: Wholesale SME Lending Sub-programme: Co-operative Enterprise Lending Sub-programme: Credit Indemnity Scheme Sub-programme: Direct Lending Programme 6 – Property Management
Strategic Objective 2 - Improve sefa's financial sustainability, operational effectiveness, efficiency, and service delivery by streamlining business processes and deploying technology solutions	Programme 2 – Post Investment Monitoring/ Workout and Restructure Programme 3 – Corporate Service Sub-programme -Finance and Supply Chain Management Sub-programme – Information Communication Technology
Strategic Objective 3 – Improve financial access and distribution reach and establish relevant value propositions and winning collaborative models	Programme 4 – Marketing and Stakeholder Management
Strategic Objective 4 – Instill an outcomes orientated organisational culture supported by streamlined organisational structure and innovative delivery model that is aligned to the mandate and strategy	Programme 3 Corporate Services Sub-programme – Human Capital Management Sub-programme – Strategy, Planning g and Reporting Programme 5 – Governance, Risk and Compliance Sub-programme – Enterprise Risk Sub-programme – Credit Management Sub-programme -Legal Services Sub-programme - Internal Audit Sub-programme - Company Secreteriat

8.1 Programme 1: Access to Finance for SMMEs and Cooperatives

sefa will collaborate with Seda, other government entities and the private sector in utilising their grant/incentive offerings to develop a blended funding model that will directly benefit SMMEs and cooperatives. A blended finance model involves the mixing of grants and loans to lower the cost of capital for borrowers, increase access and improve the chances for the survival and sustainability especially for early-stage enterprises that require lower gearing and patient capital. By adopting a blended funding model, **sefa** will, in effect, strengthen SMME capital structures and consequently increase their chances of sustainability.

Further, the blended funding model will enable leveraging of **sefa**'s funding to achieve higher development impact through the crowding-in of investment to SMMEs and cooperatives.

8.1.1 Sub-Programme: Informal Sector and Micro-Enterprises Finance

Purpose of Programme
To increase and innovatively expand access, and reduce the cost of end-user financing, to informal and micro-enterprises, particularly those in rural and peri-urban areas.

As outlined in the NDP, one of the key government priorities is support for SMMEs and cooperatives. "Decent employment through inclusive growth" is a key priority of the Department of Small Business Development, and by extension, **sefa**. The informal and microenterprise loan programme accounts for more than 70% of **sefa**'s development indicators. However, as a result of Covid-19 and the subsequent lockdowns have almost crippled this sector as significant numbers of micro-entrepreneurs were unable to operate for extended periods. It has also been reported that the Microfinance intermediaries through which **sefa** has been reaching the 68 000-plus beneficiaries (2019/20 numbers) have seen their repayment rates plummet and impairments go up significantly. The fall in repayment rates from a high of more than 98% signifies that a sizable percentage of end-users have been negatively impacted. **sefa** must rework its financing strategy to include models that consider the challenges faced by the end-users.

An appropriate financing model for distressed informal and micro-enterprises is critical for **sefa.** Each loan that goes out to an informal or micro-enterprise either creates or maintains one or more jobs. Jobs are essential in this sector, especially after Covid-19, as more women in rural areas and youth in the townships have become more vulnerable. They will require assistance to either resuscitate their businesses or establish new ones to survive and take care of their families. The microfinance intermediaries that support these end-users will also need, over and above the credit, to increase their other non-financial offerings to women in rural areas, such as empowerment, business advisory services, health education (including the management and care for Coronavirus-infected family members). They will also need to coordinate with appropriate organisations to ensure that the supported end-users conform to the government health and safety standards on Covid-19. In the past nine years of **sefa**'s existence, numerous recipients of **sefa** loans through intermediaries have reported real benefits arising from the non-financial services offered by the intermediaries. They report that the non-financial services enhance their chances of succeeding in business and making regular loan repayments. Further, they acknowledge that the informal and micro-enterprise loans have afforded them the opportunities to build businesses that enable them to afford three meals per day for their families, decent housing, sending children to school and affording primary health care.

In the urban areas**, sefa**'s informal and microenterprise footprint is still insignificant. This means that the youth that operates informal enterprises in townships have limited access to **sefa**'s informal and microenterprise lending programme. Covid-19 has made this lack of support more conspicuous. As a result, **sefa** acknowledges that it must do more work to bring its informal and micro-enterprises support to townships and reach more youth and people with disabilities. The more youth and people with disabilities businesses reached, the more essential and critically needed jobs will be facilitated there.

In the current financial year, in addition to its general support to the broader informal and microenterprises, **sefa** will work closely with its executive authority, the DSBD, and its sister agency, Seda, to provide targeted support to two groups of informal and micro-enterprises across the republic: these comprise the personal care providers (eg, hair salons, nail care technicians, massage therapists etc.), and fruit and vegetable vendors.

Depending on the targeted programmes' success, **sefa** may integrate the programmes into its traditional informal and microenterprise support programmes through a network of intermediaries and other partnerships. In the next five years, therefore, **sefa**, through its Informal and Micro Enterprise Lending Department will dedicate significant resources to five activities to increase and innovatively expand access to finance for informal and micro-enterprises. These activities are:

a) Identifying technology platforms that can efficiently disburse credit to informal and microenterprises in diverse communities across the country.
b) Cooperating with the DSBD and Seda to provide targeted support to the informal personal care industry and informal fruit and vegetable vendors.
c) Developing new products that will enhance credit offerings by intermediaries to informal and microenterprises.
d) Going beyond the utilisation of traditional microfinance institutions and identifying and/or creating new lending channels to informal and microenterprises, especially those in peri-urban and township areas.
e) Working with the Credit Department to create flexible and tailored credit assessment processes for informal and microenterprises will significantly lower costs and ease access.

Successful implementation of the above activities will result in **sefa** reaching and supporting approximately 521 600 informal and microenterprises over the five years ending 2024/25. As previously stated, each of the loan recipients will represent either a job created or maintained. Most of the supported businesses will be in rural areas and will be funded through traditional MFIs. Women and youth, who are the most vulnerable, will be prioritised. In addition, efforts will be made to target associations representing people with disabilities, and tailored products will be designed for their businesses. It is also expected that **sefa** will expand its footprint in the rural areas of provinces, especially in the North West, Eastern Cape, Limpopo, Mpumalanga and the Northern Cape.

Implementation of Corporate Strategic Initiative

Programme	Access to Finance for SMMEs and Co-operatives
Division	Informal Sector and Micro-Enterprises Finance
Strategic Initiative	Accessibility, Simplicity and Automation
Divisional/ Departmental Implementation of Strategic Activities	• Partner with intermediaries to promote the financial offering to targeted micro-enterprises, eg, youth and micro-enterprises in townships etc • Enhanced Loan Origination System for efficiency in wholesale transactions • Appropriate credit rating tool and pricing tool (to support the loan origination system) specific for the Microfinance Book • Increase access to budgetary support for institutional development and support, particularly of identified MFIs wanting to participate in the intermediary financial space as new entrants
Implementation Risk	• Budgetary support for acquiring a Loan Origination System and an appropriate credit rating tool and pricing tool • Increased budget for Institutional development and support and “risk-based” loan book subsidy is required (from a commercial sustainability perspective), especially with the drive to promote and increase participation of MFIs
Performance Indicator	• Number of new MFIs assisted with funding and signed up as **sefa**’s intermediaries with institutional support • Benchmarking outcome to assess **sefa** funded MFIs performance against the overall informal sector and micro-enterprises industry (both locally and internationally)

Programme	Access to Finance for SMMEs and Cooperatives
Division	Informal Sector and Micro-Enterprises Finance
Strategic Initiative	Policy Support and Strategic Alliances
Divisional/ Departmental Implementation of Strategic Activities	• The implementer of the TREP programmes of DSBD also from an end-to-end processing and programme management, i.e. initiation/approval to disbursement. • Collaborative partnerships with participants in fintech to form syndicated funds directed at informal sector and micro-enterprises finance in particular at geographical areas and targeted economic sectors in which **sefa** does not have sufficient reach and developmental impact
Implementation Risk	• Uptake of TREP programmes in the market by micro-enterprises that have a higher appetite for grants vs loans • **sefa**’s human capital capacity in the Microfinance unit is limited which may impact the implementation of programmes and partnerships
Performance Indicator	• Number of TREP programmes being implemented through the informal sector and micro-enterprises finance as a fund distribution channel • Number of new partnerships with fintech companies • Development impact in terms of reach and geographical spread

Divisional Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance -2021	MTEF Period		
		Approvals	2018	2019	2020		2022	2023	2024
Increase the value of approvals and disbursements year-on-year	Increase access to finance for SMMEs, cooperatives and targeted groups	Value of approvals: Micro-financial intermediaries (R'000)			R85 000	R393 497	R307 972	R331 839	R358 331
		Number of end-users supported			73 772	151 190	147 658	152 303	168 198
		Number of jobs facilitated (created and sustained)			73 764	151 190	147 658	152 303	168 198
		Disbursements to black-owned enterprises			R238 662	R340 290	R313 681	R266 004	R288 258
		Disbursements to women-owned enterprises			R236 216	R243 064	R179 246	R152 003	R164 719
		Disbursements to youth-owned enterprises			R43 398	R194 452	R134 435	R114 002	R123 539
		Disbursements to township-			R240 425	R121 532	R112 029	R95 002	R102 949

		owned enterprises							
		Disbursements to enterprises owned by people with disability			R4 500	R14 584	R31 368	R26 600	R28 826
		Disbursements to enterprises located in rural towns and villages			R224 217	R218 757	R179 246	R152 003	R164 719
		Disbursements to enterprises less than R500k (number of enterprises)					147 658	152 303	168 198
		Number of strategic partnerships Initiated to expand credit for informal sector lending and micro-enterprises					2	2	2
		Turnaround times					60 days	50 days	40 days

Divisional/ Departmental Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Value of approvals: Micro- finance intermediaries	147 658	R61 594	R92 392	R92 392	R61 594
Number of end-users supported	147 658	29 532	44 297	44 297	29 532
Number of jobs facilitated (created and sustained)	R313 681	29 532	44 297	44 297	29 532
Disbursements to black-owned enterprises	R179 246	R62 736	R94 104	R94 104	R62 736
Disbursements to women-owned enterprises	R134 435	R35 849	R53 774	R53 774	R35 849
Disbursements to youth-owned enterprises	R31 368	R26 887	R40 330	R40 330	R26 887
Disbursements to enterprises owned by people with disability	R112 029	R6 274	R9 410	R9 410	R6 274
Disbursements to township-owned enterprises	R179 246	R22 406	R33 609	R33 609	R22 406
Disbursements to enterprises located in rural towns and villages	147 658	R35 849	R53 774	R53 774	R35 849
Number of strategic partnerships initiated to expand credit for informal sector lending and micro-enterprises	2	0	1	1	0
Disbursements to enterprises less than R500k (number of enterprises)	147 658	29 532	44 297	44 297	29 532

8.1.2 Sub-Programme: Wholesale SME Lending and Cooperative Enterprise Lending

Purpose of the Programme

To increase and innovatively expand access to finance while reducing the cost of end-user financing for SMMEs and cooperatives, particularly those in rural towns and villages, as well as in peri-urban areas. The Wholesale Lending Programme (SME) crowds-in the financial, business support and technical resources of the public and private sector strategic partners, which share **sefa**'s strategic mandate. The Cooperatives Programme facilitates the growth of the social economy, collective ownership and economic participation through cooperative enterprises' funding. **sefa** supports both cooperative financial institutions (CFIs) as well as enterprising cooperatives.

The wholesale lending division focuses on specific products that complement direct lending offerings, extend the reach of **sefa** and deliver support to SMMEs and cooperatives in a cost-effective manner; its products and services include business loans, equity, fund management services and, to a limited extent, structured finance solutions. The wholesale lending distribution channels are diverse and serve the needs of end-users at different locations.

In addition to the **sefa** on-balance sheet responsibilities of this programme, wholesale lending assumes responsibilities to manage the Tourism Equity Fund (TEF) funded by the Department of Tourism and Land Reform Empowerment Facility (LREF), which is fully funded by the Department of Rural Development and Land Reform and is registered as a **sefa** wholly-owned Not-for-Profit company. **sefa** also has the fund management responsibility for the Godisa Supplier Development Fund (Godisa) which finances the Transnet ESD programme. Further, wholesale lending is tasked to manage the €30 million wholesale facility of the EU Employment Promotion through SMME Support Programme (EU EPSSP) as well as the Small Business and Innovation Fund (SBIF), which is earmarked to run over the MTEF period starting 2019/20 FY.

The Wholesale SME and Cooperatives Programme focuses on the following strategic sectors as set out in the table below:

Sector			**Source of capital during the 3-year plan**			
	WL SME	**EU ESD**	**EU IF**	**SBIF**	**Godisa**	**LREF**
Heavy manufacturing	X	x		x		
Light Manufacturing	X	x		x	x	
Green Industries	X	x	x	x		
Telecommunications	X	x		x		
Infrastructure development	X	x		x		
Tourism	X	x		x		
Primary Agriculture				x		x
Agro-processing	X	x	x	x		x

Implementation of Corporate Strategic Initiative

Strategic Initiative	Accessibility, Simplicity and Automation
Departmental Implementation of Strategic Activities	• Partner with intermediaries to promote the financial offering to targeted SMME groups, eg, persons with disabilities etc • Enhanced Loan Origination System for efficiency in wholesale transactions • Appropriate credit rating tool and pricing tool (to support the loan origination system) in specific for the Wholesale SME Lending Enterprise Book • Appropriate and enabling credit policy for Wholesale SME Lending and Cooperative Enterprise Lending Book noting the need to transform the industry and promote black-owned RFIs and fund managers • Increase access to budgetary support for institutional development and support, particularly of identified black-owned RFIs wanting to participate in the financial intermediary/fund management space as new entrants
Implementation Risk	• Budgetary support for acquiring a Loan Origination System and an appropriate credit rating tool and pricing tool • Increased budget for Institutional development and support and "risk-based" loan book subsidy is required (from a commercial sustainability perspective) especially with the drive to promote and increase participation of black-owned RFIs (same as in Informal Sector & Micro-Finance Lending unit) • Development of an appropriate specification and proper deployment of a suitable technology solution • Change management – user adoption and return on investment
Performance Indicator	• The number of new black RFIs assisted with Institutional development and support • Number of new funds established and managed within Wholesale SME Lending and Cooperative Enterprise Lending (in collaboration with the private sector) • Improved turnaround time from loan initiation to disbursement as an end-to-end process
Strategic Initiative	Policy Support and Strategic Alliances
Departmental Implementation of Strategic Activities	• Partner with national government departments to drive policy implementation with **sefa** as an effective implementation partner • Expand the portfolio of co-invested funds with corporates in wholesale lending to leverage investment to SMMEs and cooperatives
Implementation Risk	• Programme planning capacity: Strengthen internal capacity to interpret policy and develop cost-effective and responsive SMME finance programmes for government's policy initiatives • Responsiveness of targeted government departments to **sefa**'s proposed value proposition

	• Due to the resultant impact of Covid-19 on the South African economy, there may be limited appetite for corporates to invest in SMMEs and cooperatives as they are focusing on their own sustainability • Negative market perception in the private sector of partnership and collaboration with **sefa**
Performance Indicator	• Enhanced alignment with the government through policy implementation of national departments • Leveraged funding to SMMEs and cooperatives through private sector co-invested funds

Divisional Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance 2021	MTEF Period		
		Approvals	2018	2019	2020		2022	2023	2024
Increase the value of Approvals and Disbursements year on year	Increase Access to Finance for SMMEs, cooperatives and targeted groups	Value of Approvals: Retail Financial Intermediaries (R'000)			R570 400	R301 365	R301 365	R287 390	R263 503
		Value of Disbursements: Retail Financial Intermediaries (R'000)			R588 549	R585 000	R585 700	R179 934	R158 102
		No. of SMMEs and cooperatives financed			474	465	465	143	126
		No. of jobs facilitated (created and sustained)			7 849	7 321	7 321	2 249	1 976
		Disbursements to black-owned enterprises (R'000)			R228 771	R409 989	R409 990	R125 954	R110 671
		Disbursements to women-owned enterprises (R'000)			R84 937	R292 849	R234 280	R71 974	R63 241
		Disbursements to youth-owned enterprises (R'000)			R87 943	R234 279	R175 710	R53 980	R47 431

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance 2021	MTEF Period		
		Approvals	**2018**	**2019**	**2020**		**2022**	**2023**	**2024**
		Disbursements to enterprises owned by people with disability (R'000)			-	R17 570	R40 999	R12 595	R11 067
		Disbursements to township-owned enterprises (R'000)			R66 055	R146 424	R146 425	R44 984	R39 525
		Disbursements to enterprises located in rural towns and villages (R'000)			R298 767	R263 564	R234 280	R71 974	R63 241
		Disbursements to enterprises - value less than R500k (no of enterprises)					186	57	50
		Number of new strategic partnerships					5	6	6
		Turnaround times – Applications					60 days	50 days	40 days

Divisional/ Departmental Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Value of Approvals: Retail Financial Intermediaries (R'000)	301 365	60 273	90 410	90 410	60 273
Value of Disbursements: Retail Financial Intermediaries (R'000)	585 700	117 140	175 710	175 710	117 140
Number of SMMEs and cooperatives financed	465	93	140	140	93
Number of jobs facilitated (created and sustained)	7 321	1 464	2 196	2 196	1 464
Disbursements to black-owned enterprises (R'000)	409 990	81 998	122 997	122 997	81 998
Disbursements to women-owned enterprises (R'000)	234 280	46 856	70 284	70 284	46 856
Disbursements to youth-owned enterprises (R'000)	175 710	35 142	52 713	52 713	35 142
Disbursements to township-owned enterprises (R'000)	40 999	8 200	12 300	12 300	8 200
Disbursements to enterprises owned by people with disability (R'000)	146 425	29 285	43 927	43 927	29 285
Disbursements to enterprises located in rural towns and villages (R'000)	234 280	46 856	70 284	70 284	46 856
Disbursements to enterprises – value less than R500k (no of enterprises)	186	37	56	56	37
Number of new strategic partnerships	5	1	2	2	1

8.1.3 Sub-Programme: Khula Credit Guarantee (KCG)

Purpose of Programme

The Khula Credit Guarantee scheme's objective is to issue partial credit guarantees to lenders for SMME borrowers, whose access to finance is impeded by the lack of collateral required by lenders.

The guarantee scheme is classified as a short-term insurance product, and therefore it is governed by the Insurance Act 18 of 2017 and Financial Sector Regulation (FSR) Act No.9 of 2017. The respective regulatory and supervisory bodies are: the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA).

The core focus of the credit guarantee programme over the MTEF period is:

a) To expand the Credit Indemnity Scheme utilisation by increasing the number of participating institutions, introducing new products, and the streamlining of business processes and systems.
b) To implement the Covid-19 programmes as part of the economic recovery initiatives: Spaza Shop Support Programme and the Small-Scale Support Automotive Programme
c) To increase the capitalisation of the scheme to broaden its impact by reaching out to more participating institutions

Implementation of Corporate Strategic Initiatives:

Strategic Initiative	**Accessibility, Simplicity and Automation**
Departmental Strategic Activities	• Develop an online KCG application and claims system • Improve the accuracy and reporting systems of the credit guarantee production system (KIBS)
Implementation Risks	• The capacity of the IT Department to develop the envisaged system enhancements
Performance Indicators	• **Efficiency** - Improved on-boarding process turnaround times - Predictable claims process - Improved responsive MIS
Strategic Initiative	**Financial Sustainability**
Departmental Strategic Activities	• The EU Budget Support Innovation Fund (R300 million) implemented in identified sectors, ie, Agri, Green economy, ICT, Medical and Micro – Spaza and Automotive. • Enhance and implement the KCG product offering to meet customer requirements to address financial inclusion and increase access to funding for SMMEs and cooperatives o Implement guarantees which could be offered to single invoice discounting clients for covers less than a year

	o Provide hybrid guarantees which allow individual guarantees within a portfolio to be approved o Revise the pricing on portfolio guarantees existing approved transactions but not too excessive to discourage lenders from using the scheme • Sign up larger transaction amounts to secure upfront commencement fees • Manage the **sefa** allocation of R25 million to KCG on an annual basis • Restructure of the TREP funds R115 million (Spaza Shop Support Programme and Automotive Aftermarket Programme) • Implement guarantees to private sector ESD programmes to have access to run programmes jointly • Conduct training on the administration of KCG facility offered to the front-end officers at PFIs • Schedule quarterly information sessions with the Banking Association of South Africa to discuss implementation challenges and progress on the guarantee portfolio
Implementation Risk	• Availability of capital to capitalise KCG because of other competing **sefa** and DSBD loan programmes and priorities resulting in capital adequacy challenges • Difficulty in reaching out to rural-based co-operatives could be experienced if lenders do not have the appetite to fund these perceived high-risk clients
Performance Indicator	• An increase in KCG credit guarantee approvals and taken-ups leading to an increase in guarantee fees o Profitability - Increased indemnity fees (premium) collection - Interest generated from guarantee funds - Sustainable underwriting profit o Growth - Increased number of PFIs which will maintain the sustainability of KCG - Increased development impact – funded SMMEs and cooperatives and jobs - Increased value of loans guaranteed across sectors • Increase in developmental impact • Private sector capital leveraging

Divisional Outcomes, Outputs, Performance Indicators and Targets: KCG

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
An effective and efficient guarantee programme that is responsive to the market needs and facilitate increased participation of SMMEs and cooperatives in the commercial Financial Institution environment	Increased no. of lenders participating in the credit guarantee scheme	No. of registered FIs	5	2	2	3	7	7	7
		No. of supplier credit	-	-	1	3	2	2	2
	Increase in the performance of the guarantee programme	**Approvals:** EU IF, Banks, NBFI, TREP (R'000)	R110 000	R210 000	R310 000	R540 000	750 000	999 992	1 015 659
		Taken ups: EU IF, Banks, NBFI, TREP	R162 848	R119 510	R248 531	R197 790	585 000	665 037	523 299
	Increase in developmental impact	No. of SMMEs and cooperatives	851	322	101	87	41 869	42 023	41 937
		No. of jobs	105	1 018	4 114	4 200	32 250	35 897	34 350
		Black-owned businesses (R'000)	R13 680	R103 811	R227 019	R138 453	409 500	465 526	366 309
		Women-owned businesses (R'000)	R30 773	R28 747	R42 409	R98 885	234 000	266 015	209 319
		Youth-owned businesses (R'000)	R32 706	R11 160	R44 907	R79 116	175 500	199 511	156 990
		People with disability-owned businesses (R'000)				R5 933	40 950	46 553	36 631
		Township-owned businesses (R'000)	R4 114	R11 384		R49 447	146 250	166 259	130 825
		Rural-owned businesses (R'000)	R15 078	R12 889	R47 451	R89 005	234 000	266 015	209 319

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance	MTEF Period		
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
		Disbursements to enterprises – value less than R500k (number of enterprises)					16 747	16 809	16 775
		Turnaround times on guarantee applications					70 days	60 days	50 days

Divisional/ Departmental Indicators, FY 2021/22 Annual and Quarterly Targets: KCG

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Approvals: EU IF, Banks, NBFI, TREP (R'000)	750 000	150 000	225 000	225 000	150 000
Taken ups: EU IF, Banks, NBFI, TREP (R'000)	585 000	117 000	175 500	175 500	117 000
Number of registered FIs	7	1	2	2	1
Number of supplier credit	3	1	1	1	1
Number of SMMEs	41 869	8 374	12 561	12 561	8 374
Number of jobs	32 250	6 450	9 675	9 675	6 450
Black-owned businesses (R'000)	409 500	81 900	122 850	122 850	81 900
Women-owned businesses (R'000)	234 000	46 800	70 200	70 200	46 800
Youth-owned businesses (R'000)	175 500	35 100	52 650	52 650	35 100
Township-owned businesses (R'000)	40 950	8 190	12 285	12 285	8 190
People with disability-owned businesses (R'000)	146 250	29 250	43 875	43 875	29 250
Rural-owned businesses (R'000)	234 000	46 800	70 200	70 200	46 800
Disbursements to enterprises – value less than R500k (number of enterprises)	16 747	3 349	5 024	5 024	3 349

8.1.4 Sub-programme: Direct Lending

Purpose of Programme:

With the establishment of **sefa** in 2012, the Direct Lending Funding Programme was explicitly introduced to address the market failure in the provision of finance to SMMEs and cooperatives and facilitating a closer relationship between **sefa** and its target market to complement wholesale lending.

The direct lending programme has been designed to provide tailor-made solutions to SMMEs and cooperatives in the informal sector of the economy that requires support for business start-ups or expansions through finance for asset acquisition working capital.

Products offered are term loans, bridging loans, revolving credit, instalment sale agreements, and non-financial support services. Funding to SMEs ranges from R50 000 to R15 000 000. The funding is offered through the **sefa**'s regional offices, co-location network and the Finfind access to the finance portal.

Direct Lending Product Portfolio

1. **Contract Finance**
   Contract Finance responds to the government strategy of 30% set aside for SMMEs and cooperatives. As is currently experienced, a substantial number of SMMEs and cooperatives are accessing these contracts from the government. However, **sefa** needs to limit its exposure to fund only those government entities that will grant **sefa** cession of payment and ensure that the cession is honoured.

   Most of the funding provided in contract finance is short term in nature and single contract clients, therefore presenting various risks that are difficult to mitigate. **sefa**'s exposure will be capped to 30% of all new funding approved in the 2021/22 FY to diversify the portfolio.

2. **Franchise**
   Direct lending intends to invest in franchise outlets with a funding structure that addresses the 50% unencumbered funding required to invest in established franchises. This will ensure that the franchise outlets are not heavily geared from the commencement of operations and, therefore, whether the initial business start-up phase.

   sefa will target reputable franchise concepts to support entrepreneurs wishing to start new businesses and support existing enterprises with expansion capital. It will provide **blended finance** to provide an innovative funding solution to address the 50% unencumbered funding required by franchisors, where the business creates a minimum of 10 jobs.

   It is the strategic intention of **sefa**'s to increase its franchising portfolio to 30% of all new funding approved in the 2021/22 FY.

3. **Commercial**
   Direct lending recognises that there will be commercially viable opportunities that do not fit into the contract finance, franchise or manufacturing sectors. Therefore, there will be funding made available to these businesses. This funding will be ideal for the expansion capital of existing SMMEs and cooperatives with a track record and a demonstrable ability to service the financing required.

sefa's exposure in other sectors will be limited to 10% of all new funding approved in the 2019/20 FY to implement the targeted sector strategy. This will also allow direct lending to build skills in the core sectors it is targeting.

4. **Bakeries and Confectionaries Support Programme**
   This programme aims to provide access to markets through spaza shops, school nutrition schemes, hospitals, military and other social relief programmes. The support will come in the form of working capital investment that includes bulk buying facility on pre-approved products through pre-selected wholesalers, which would be leveraged on the Spaza and General Dealers Support Facility. The programme will provide funding for accounts payable such as rental expenses and utility expenses, on a once off basis. Funds will be made available for operating equipment and supplies costs (once-off and dependent on business needs).

5. **Informal Clothing and Textile businesses**

   The programme aims to improve SMME manufacturing capacities and capabilities by replacing ageing production facilities and obsolete technology. The programme will facilitate SME skills to participate in the public procurement processes (Department of Health, Department of Defence, South African Police Service, etc). The programme will improve SMEs' competitiveness and prepare them for domestic (private sector including retail, boutiques, etc.) as well as continental markets through the African Continental Free Trade Area (AfCFTA).

   The subsectors that are included in the programme are seamstresses, sewers, dressmakers, patternmakers, knitters, fabric manufactures, etc.

   The specific executed interventions are financial and non-financial support, which include working capital, inputs, business development support, equipment, technology, training, market access, etc.

6. **Tshisanyama and Cooked Food Vendors**
   This programme is geared towards objectives providing business relief support through start-up stock for cooked food businesses that lost income during the total lockdown as they were not allowed to trade during level 5 of lockdown. The programme will enable these enterprises to operate during level 4 lockdown, which does not allow for takeaways or sit-in. To facilitate business continuity, the programme will provide packaged business development support to such enterprises to sustain and grow their businesses during the lockdown and economic recovery phase and beyond.

   The programme makes available a broad assortment of interventions focused on developing a system (app) that will easily advance food delivery from the food outlets to any location. As part of the support, a once-off non-refundable working capital amount to bring relief, including the replenishment of stock for existing cooked food outlets is available. Further financial assistance interventions will be considered post Covid-19 lockdown, ie, protective clothing, masks, essential small-scale catering equipment. Business development support will also be included, and will consist of, but not limited to marketing and branding; customer care; financial and essential management; packaging resources for the takeaways; PPE for delivery personnel and food producers; health awareness.

7. Small Enterprise Manufacturing Support Programme

The programme intends to develop targeted interventions to support the manufacturing industry sub-sectors such as furniture and other manufacturing, basic iron and steel manufacturing, petroleum and chemical manufacturing, and food and beverages manufacturing (agro-processing). The level of manufacturing enterprises in townships and rural areas necessitates the provision of dedicated a support programme.

It is anticipated that this programme will contribute immensely to the government's efforts industrial policy objective on localization. The programme will support the implementation of localization by building the capacity of local small manufacturers.

The package of support is aimed at increasing productive capacity, competitiveness, sustainability and growth. The programme support will comprise financial and business development support (equipment, certification, testing, etc.), infrastructure provision, market access opportunities and facilitation of aggregate input costs for raw materials. The financial support will come in the form of blended finance of up to a maximum of R15 million per small enterprise.

Implementation of Corporate Initiatives

Programme	Access to Finance for SMMEs and Cooperatives
Division	Direct Lending
Strategic Initiative	Accessibility, Simplicity and Automation
Divisional/ Departmental Implementation of Strategic Activities	• Strengthen collaboration with district municipalities through the DDM model and enable LED offices, provincial DFIs and district development agencies to facilitate **sefa** services and deal flow • Ensure all **sefa** staff in the lending divisions are trained continuously on all **sefa** programmes and products • Reassess the regional office network to ensure that it is closer to the target market, considering the **sefa** property portfolio, eg, township satellite offices • Pilot a township delivery model using business services companies in townships that **sefa** accredits • Refine the overall loan origination process including technology support to enable customers to track their applications • Implement automated credit scoring for smaller loans • Simplify the loan application forms and all contracting documents
Implementation Risk	• Capacity at the provincial and municipal level to adequately support **sefa**'s programmes • The state of the South African economy (recession) impacts on the SMMEs and cooperatives desire to incur debt • Development of an appropriate specification and proper deployment of a suitable technology solution • Change management – user adoption and return on investment

Performance Indicators:	• Ensure that the district municipalities – LED officers are fully trained and enabled on **sefa**'s offering • Simplified application form and contracting documents • Training of **sefa** lending staff on all **sefa** programmes and products • Develop regional network optimal spatial framework with two pilot sites • An efficient online loan origination platform that will result in improved turnaround times from approval to disbursement
Strategic Initiative	• Policy Support & Strategic Alliances
Divisional/ Departmental Implementation of Strategic Activities	• Target various government departments, provincial governments and municipalities for the implementation of SMME support incentives and funding. • Formulate strategic partnerships in the SMME ecosystem that will generate viable deal-flow in direct lending
Implementation Risk	• Programme planning capacity: Strengthen internal capacity to interpret policy and develop cost-effective and responsive SMME finance programmes in relation to government's policy initiatives • Responsiveness of targeted government departments to **sefa**'s proposed value proposition • Due to the resultant impact of Covid-19 in the South African economy, there may be limited appetite for corporates to invest in SMMEs and cooperatives as they are focusing on their sustainability as corporates
Performance Indicator	• Improved quality deal-flow for direct lending through strategic partnerships • Enhanced alignment with government through policy implementation of provincial and municipal departments

Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicator	Audited Performance			Est Performance 2021	MTEF Period		
		Approvals	**2018**	**2019**	**2020**		**2022**	**2023**	**2024**
Increase the value of Approvals and Disbursements year on year	Increase Access to Finance for SMMEs and cooperatives and targeted groups.	Value of Approvals: small & medium enterprises (R'000)	R197 000	R272 643	R444 414	R697 429	R788 662	R813 167	R840 367
		Value of Disbursements: small & medium enterprises (R'000)	R119 000	R157 677	R237 358	R759 594	R1 094 183	R763 712	R785 472
		No. of SMMEs and cooperatives financed	175	190	141	1 843	1 441	1 173	1 178
		No. of jobs facilitated (created and sustained)	1 775	3 124	3 064	19 609	20 500	15 284	15 556
		Disbursements to black-owned enterprises (R'000)	R83 300	R110 374	R228 771	R531 715	R765 928	R534 598	R549 831
		Disbursements to women-owned enterprises (R'000)	R53 550	R70 954	R84 937	R379 797	R437 673	R305 485	R314 189

Outcome	Outputs	Output Indicator	Audited Performance			Est Performance 2021	MTEF Period		
		Approvals	**2018**	**2019**	**2020**		**2022**	**2023**	**2024**
		Disbursements to youth-owned enterprises (R'000)	R35 700	R47 303	R70 837	R303 837	R328 255	R229 114	R235 642
		Disbursements to enterprises owned by people with disability (R'000)	R2 261	R2 995	R6 335	R22 787	R76 593	R53 460	R54 983
		Disbursements to township-owned enterprises (R'000)	R29 750	R39 419	R56 217	R189 898	R273 546	R190 928	R196 368
		Disbursements to enterprises located in rural towns and villages (R'000)	R53 550	R70 954	R63 709	R341 817	R437 673	R305 485	R314 189
		Disbursements to enterprises - number less than R500k					576	469	471
		Application Approval Turnaround					36	30	25

Indicators, Annual and Quarterly Targets – Direct Lending

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Value of Approvals: small & medium enterprises (R'000)	R788 662	R157 732	R236 599	R236 599	R157 732
Value of disbursements: small & medium enterprises (R'000)	R1 094 183	R218 837	R328 255	R328 255	R218 837
Number of SMMEs and cooperatives financed	1 441	288	432	432	288
Number of jobs facilitated (created and sustained)	20 500	4 100	6 150	6 150	4 100
Disbursements to black-owned enterprises (R'000)	R765 928	R153 186	R229 779	R229 779	R153 186
Disbursements to women-owned enterprises (R'000)	R437 673	R87 535	R131 302	R131 302	R87 535
Disbursements to youth-owned enterprises (R'000)	R328 255	R65 651	R98 477	R98 477	R65 651
Disbursements to enterprises owned by entrepreneurs with disability (R'000)	R76 593	R15 319	R22 978	R22 978	R15 319
Disbursements to township-owned enterprises (R'000)	R273 546	R54 709	R82 064	R82 064	R54 709
Disbursements to enterprises located in rural towns and villages (R'000)	R437 673	R87 535	R131 302	R131 302	R87 535
Disbursements to enterprises – number less than R500k	576	115	173	173	115

8.2 Programme 2: Post-Investment/Workout and Restructuring Management

Purpose of the Programme

The Post-Investment Monitoring (PIM) and Workout and Restructuring Division manage all **sefa** investments through a pro-active portfolio management approach. There is an inherently high risk of default by SMMEs and cooperatives due to the nature of some businesses that are given a funding opportunity by **sefa**. It is therefore important that this risk is effectively managed, to:

- Protect **sefa**’s capital base through improved portfolio collections
- Build sustainable investee companies that will create value for the entrepreneurs and preserve the jobs that have been made
- Contain and reduce portfolio impairment rates

There are four main functions of PIM and Workout Division

a) Investment Monitoring

- Portfolio monitoring is about pro-active management and value-add to the investment from the hand over date until the investment has been exited

b) Debtors Management

- This involves general debtor management and collections which are imperative in ensuring that loans are fully repaid

c) Workout and Restructuring

- This is a dedicated function that focuses on providing customised solutions for financially distressed clients, intending to improve survival and sustainability chances

d) Business support

- The provision of technical (non-financial) support to improve the survival and sustainability of the client. The support includes and not limited to mentorship, business diagnostic analysis, turnaround strategy, marketing strategy, a compilation of management accounts, etc.

Implementation of sefa's Corporate Strategic Initiatives

Strategic Initiative	Investment management & Business Support
Divisional/ Departmental Implementation of Strategic Activities	• **Pro-active management of sefa investments** – focussed and specialised approach to manage the direct lending portfolio per sector and high-value exposures; utilise service providers to monitor the Covid-19 loan book; implement a loan monitoring system to facilitate electronic and online monitoring of funded client's business performance and credit activity; and subsidiaries; effective and timeous decision making on investments • **Workout and Restructuring** – functional financial analysis matrix to assist PIOs in assessing the client's financial health; development of a distressed clients' diagnostic tool to improve turnaround time restructuring • **The Management of the Legal Portfolio** – update service level agreements with external attorneys; terminate non-performing attorneys' services; improve turnaround times on the conclusion on legal matters; appointment of a panel of tracers • **Collaboration with Seda/Business support** – utilises a central database to support SMMEs and cooperatives; collaboration with Seda to facilitate market access for funded/to be funded clients, client industry accreditation, training, marketing and other activities) • **Debtors management** – collection; write-offs; postponement of instalments; arrears management • **System development** – The implementation of revised business processes; procurement of collections system and portfolio monitoring system; adoption of the risk rating system; improve portfolio reporting
Implementation Risk	• Performance of the economy and its negative impact on funded client's business performance and their ability to repay and honour their loan obligations • Lack of system automation to manage the growing book • Resource constraint both numbers and skills • Proposed merger • Moral hazard
Performance Indicator	• Collections 85% • Impairments 38% • Portfolio at Risk – 43% • Clients' growth rate 20

Outcomes, Outputs, Performance Indicators and Targets – PIM & Workout and Restructuring

Outcome	Outputs	Output Indicators	Audited/Actual Performance		Estimated Performance	MTEF Period		
			2018/19	2019/20	2020/21	(Projected) 2021/22	(Projected) 2022/23	(Projected) 2023/24
Impairments	Improved Impairment rates	Achieve Impairment rate	47%	41%	40%	38%	36%	34%
Collections	Efficient Collections Management	Collections	91%	85%	85%	85%	87%	89%
Portfolio at Risk	Reduced Portfolio at Risk	Portfolio at Risk	57%	49%	38%	43%	42%	41%
Client Growth Rate	Increased number of clients that are scaled up	Number of clients scaled up				20 Clients	30 Clients	35 Clients

Indicators, Annual and Quarterly Targets – PIM and Workout and Restructuring

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Impairments (including equities and excluding direct lending portfolio disbursed before 1 April 2016)	38%	38%	38%	38%	38%
Collections	85%	85%	85%	85%	85%
Client Growth Rate	20 clients	3	4	7	6

sefa's total all-in collections rate is targeted at 85%. This rate refers to the minimum cash that **sefa** collects out of total instalments raised on a monthly/quarterly/annual basis. This rate will be reviewed annually in line with proposed improvements on the on-time collection rate.

8.3 Programme 3: Corporate Services

8.3.1 Sub - Programme: Financial and Supply Chain Management

Purpose of the Programme

The **sefa** Finance Division is responsible for recording and reporting of the **sefa** Group of companies monetary transactions of the **sefa** Group of companies. These functions include Financial Accounting, Management Accounting and Budgeting, Financial Reporting and Analysis, Cost Accounting, Tax Accounting, management of bank accounts management and cash management. Finance also needs to ensure compliance with all legal and applicable frameworks.

The **sefa** SCM division has been established to undertake an essential centralised function of ensuring that all Business Units comply with the procurement policy and procedures and to assist in its implementation thereof. The approach adopted in developing **sefa** procurement policy is in pursuance with Section 217 of the Constitution of the Republic of South Africa, (Act No. 108 of 1996), which prescribes that goods and services must be contracted through a system that is fair, equitable, transparent, competitive and cost-effective.

Implementation of sefa Corporate Initiatives

Strategic Initiative	Accessibility, Simplicity and Automation
Divisional/ Departmental Implementation of Strategic Activities	• Automated reporting tool for annual financial statements and management accounts • Implementation of IFRS 17 for KCG
Implementation Risk	• Availability of resources (staff, IT support and budget) • Challenges on insurance policy data, modelling and compliance reporting
Performance Indicator	• Automated financial statements • Scoping and planning to be documented for IFRS 17
Strategic Initiative	Financial Sustainability
Divisional/ Departmental Implementation of Strategic Activities	• Prudent cash management and cash flow forecasting • Cost-containment • Maintain positive cash flow at year-end • Ensure that **sefa** derives value for money on procurement of all goods and services • Successful fund-raising exercises – IDC loan drawdown • Unqualified audit opinion • Development and implementation of **sefa**'s financial model
Implementation Risk	• Availability of accurate cash information (business requirements; interest rates, etc)

	• **sefa** is reliant on MTEF allocation (constraints in the Fiscus has led to reductions), and **sefa** has a high-cost base • Increased exchange rates as a result of Covid-19 • Unclear terms of reference/specifications (SCM)

Performance Indicator	• Quarterly management accounts submitted to the relevant committees detailing year-to-date operational expenditure and variances against budget.
	• Accurate cash flow information
	• Improve current cost to income ratio (Aim to attain a cost-income ratio of 79% by FY24)
	• The following drawdowns to be made on the IDC loan:
	  o R 180 million in FY21
	  o R 310 million in FY22
	• Unqualified audit opinion for the year ended 31 March 2021

Strategic Initiative	Execution (High Performance) Culture
Divisional/ Departmental Implementation of Strategic Activities	• Improve operational effectiveness, efficiencies and service delivery by streamlining business processes and deploying technology solutions • Implementation of the approved **sefa** procurement BEE strategy • Comprehensive review of SCM policies to ensure simplified and modernised SCM environment within **sefa**, including revised processes and procedures in line with the National Treasury prescripts • Combat irregular, fruitless and wasteful expenditure within the SCM environment
Implementation Risk	Availability of resources or budgetary constraints, proposed Seda/**sefa** merger
Performance Indicator	• Implementation of automated reporting tools • Implementation of the approved **sefa** procurement BEE strategy • Continuous enhancement of procurement governance and system enhancement

Divisional Outcomes, Outputs, Performance Indicators and Targets – Finance and SCM

Outcome	Output	Output Indicator	Audited Performance			Estimated Performance	MTEF Period		
			2018	2019	2020	2021	2022	2023	2024
Sound financial management system	Operational efficiency	Cost-to-income ratio	78%	75%	91%	85%	106%	100%	85%
	Statutory & regulatory compliance	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	No material misstatements	No material misstatements	No material misstatements
	Accurate and timeous financial reporting for management decisions	Development and Implementation of a **sefa** financial model	N/A	N/A	N/A	N/A	Development and implementation of the financial model		

Indicators, Annual and Quarterly Targets – Finance and SCM

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Cost-to-income ratio	106%	106%	106%	106%	106%
Unqualified audit opinion	No material misstatements	Compliance with Prudential Authority Regulations & PFMA	Compliance with Prudential Authority Regulations & PFMA	Compliance with Prudential Authority Regulations & PFMA	Zero adverse findings from external auditors: Clearing audit queries. No material misstatements. Unqualified audit opinion
Development and Implementation of a **sefa** financial model	Development of the financial model	Scoping and Development	Development and Testing	Implementation and Testing	Fully implemented financial model

8.3.2 Sub-Programme: Human Capital Management (HCM)

The Human Capital Management (HCM) Division is the key custodian of all matters relating to the people agenda within the organization. The role of the HCM Division it to attract, develop, and retain the best human resource capacity for **sefa**. The HCM's long-term action plan is to enable the organisation to execute its strategy and mandate whilst aiming to achieve a high performance organisation (HPO) status.

The Human Capital strategic work plan execution for fiscal year 2021/22 will be centred on transitioning **sefa** through the growth phase of the HPO status through focus on leadership development and culture transformation.

While the HCM strategic plan is centred around culture transformation, the execution of this plan will be primarily focus on realignment of interventions in response to the Covid-19 pandemic. The evolving Covid-19 pandemic has resulted in economic and business disruptions. The HCM strategic workplan has therefore been revised to focus on the implementation of interventions to mitigate business disruptions whilst ensuring employee wellbeing.

Implementation of Corporate Strategic Initiatives

Strategic Initiative	Execution (High Performance) Culture
Divisional/ Departmental Implementation of Strategic Activities	• **Culture Transformation – Investors in People Project (IiP)** o Assess the extent to which **sefa** values are lived (Values Assessment Survey) o Initiatives to improve employee behaviours towards a high-performance culture o Employee Engagement Index of 60% and above • **Improved Execution of Learning and Development Initiatives** o **sefa** Management Development Programme (MDP) to empower management teams on operationalising strategy execution o Design of **sefa** Competency Framework and implementation of learning programmes for targeted employees • **Design and implement Employee Value Proposition interventions to attract and retain "fit for purpose" employees** o Design of **sefa** Reward and Recognition Framework o Implementation of Reward and Recognition Programme

Implementation Risk	Low change management capability, low capability to manage poor performance resulting in inefficiencies in the high-performance execution
Performance Indicator	• Employee Engagement Index • Percentage improvement on organisational performance

HCM Divisional Outcomes, Outputs, Performance Indicators and Targets - HCM

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance 2021	MTEF Period		
			2018	2019	2020	2121	2022	2023	2024
Engaged High performing workforce	Improved Employee Engagement	Employee Engagement Index	49.5%	N/A	N/A	60% and more Employee Index	62%	65%	70%
High Performance Culture	Improvement of organisational performance	Percentage of staff that scores 3.5 or more on annual performance assessment			N/A	N/A	50%	60%	70%

HCM Divisional Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Employee Engagement Index	62%	• Feedback on 2020 Survey Results • Development of an employee engagement action plan	30% implementation on Action Plan	60% implementation on Action Plan	• 100% implementation on Action Plan • Employee Engagement Assessment
Percentage of staff that scores 3.5 or more on annual performance assessment	50%	• Implementation of 3 Tier Performance Measurement	Mid-year reviews (80% employees rated above 3.1)	100% poor performance improvement plans in place for identified under performers	Year-end assessments and divisional and organisational moderation

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
		• Employee Performance contracting			
		1st Intake MDP	Progress report on 1st intake of MDP	2nd Intake of MDP	Impact Assessment report on MDP

8.3.3 Sub-Programme: Information and Communication Technology (ICT)

The achievement of **sefa**'s strategic objectives is directly dependent on various Information Technology services, without which the core and supporting functions of **sefa** will not be able to operate. These services are delivered fit-for-purpose by Identifying and implementing technology that improves efficiency, through the provision and maintenance of sound network infrastructure, appropriate user IT innovations and user-friendly Management Information Systems (MIS) as and when required. The division also strives to continuously improve access to professional services, technical support, ICT resources, tools and skills. Due to the changed working environment caused by the Covid-19 pandemic, remote working technology improvements are continuously implemented and revived for uninterrupted service delivery.

Purpose of Programme

Provide reliable ICT support to **sefa** business through application development, network/infrastructure management, security management and end-user computing support.

Implementation of sefa Corporate Strategic Initiatives

Strategic Initiative	Execution (High Performance) Culture

Divisional/ Departmental Implementation of Strategic Activities	• Review and improvement of IT processes, policies and procedures
	• Maintenance of IT back-end infrastructure
	    o Improve regional network infrastructure
	• Implementation of customer automations
	    o Internet/Intranet improvements – automate content updating and functionality
	    o Customer portal – enhance and add automated processes for customers
	    o Online portal improvements and integration for the application process
	    o Mobile solution development for customers
	    o Automate entrepreneurial assessment and integrate risk rating to an initial credit risk rating model defined by Credit division.
	    o Improve automated credit risk ratings dependant on client behaviour and integrations to other credit rating partners
	• Enhancement and automation of **sefa** production and business systems
	• Improve computer literacy and cybercrime awareness

Implementation Risk	• Capacity and skills in IT department • Resistance from **sefa** staff to adopt new technology
Performance Indicator	• 99% Uptime of **sefa** critical IT infrastructure • Enhancements automation of **sefa**'s loan management process, resulting in reduced turnaround times and improved customer satisfaction

Divisional Outcomes, Outputs, Performance Indicators and Targets - ICT

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance 2021	MTEF Period		
			2018	2019	2020		2022	2023	2024
Robust and scalable ICT infrastructure	Availability of ICT systems and uptime	Network and telephony availability	99.9%			99%	99%	99%	99%
		Ensure 99% uptime of business-critical services during business hours	99.9%			99%	99%	99%	99%
Improve IT Business Resilience	Disaster recovery site available and backups performed	Number of disaster recovery tests per annum	1			2	2	2	2
Business System Automation	Improved processes and automation improvements	Number of newly automated processes/significant improvements on existing automations	>10			>10	>12	>14	>14

2 Divisional/ Departmental Indicators, Annual and Quarterly Targets - ICT

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Integration to SMMESA and Seda systems and processes	Integration to DSBD digital strategy, integration to SMMESA available integrations	Develop Scope of work (SOW) & project plan	Integration documentation	Integration and development	Integration and development
Ensure 99% uptime of business-critical services during business hours	99%	99%	99%	99%	99%
Number of disaster recovery tests per annum	2		1		1
Number of newly automated processes/significant improvements on existing automations	10	1	3	3	3

8.3.4 Sub-Programme: Corporate Strategy and Reporting

Purpose of Programme

Provide strategic support services to the line of business within **sefa**, using the implementation of the following functions:

- Corporate planning and reporting
- Research management, information dissemination and programme evaluation
- Strategic project management implementation and coordination
- New product development and pilot implementation

Implementation of Corporate Strategic Initiatives

Strategic Initiative	Accessibility, Simplicity and Automation
Departmental Implementation of Strategic Activities	• Improvement and automation of **sefa**'s business processes
	• Design and implementation of **sefa** integrated online application and customer portal • Design and implementation of automated workflow and integration to the back-end systems
Implementation Risk	• Divisional buy-in and ownership: Success of the project is depended on divisional ownership and demonstrable leadership by each division (executive and departmental managers). The project is not an IT project • Resistance to change: Use of a new system or process may result in initial resistance by **sefa** staff. Transitioning to automation may be perceived as "job losses"; may require process training to ensure that staff are appropriately knowledgeable • Resource and expertise: Resourcing the project with the correct information technology skills to be implement the To-Be design models (Microsoft Power platform skills)
Performance Indicator/ Output	• Integrated online customer application platform • Automated workflows – loan disbursements; payments, committee submissions, claims (travel re-imbursements, insurance claims) • HR – SharePoint Portal to be a one-stop for HR functions (performance management, leave management, training, integration and enhance functional of the existing HR back-end systems)
Strategic Initiative	Policy and Strategic Alliances

Departmental Activities	• Development and implementation of pro-active research and information to inform evidence-based decision making and performance monitoring as well as evaluation of **sefa**'s loan programmes • New product development: Implementation of **sefa**-initiated fintech intermediary
Performance Indicator/ Output	• Knowledge and management: 8 research brief publications, 24 sector summary publications • Research management: Quarterly conditions impact assessments reports • New product development: **sefa**-initiated intermediary (pilot implementation)
Strategic Initiative	Execution (High Performance) Culture
Departmental Strategic Activities	• Facilitation of divisional and corporate planning • Corporate performance reporting • Auditing of **sefa** corporate performance
Performance Indicator/ Output	• 2021/22 Corporate and Annual Performance Report • Quarterly Corporate Performance Stakeholder reports (BOD, DSBD, IDC, Portfolio Committee on Small Business Development) • Audit of **sefa** performance against pre-determined objectives

Divisional Outcomes, Outputs, Performance Indicators and Targets – Strategy and Reporting

Outcome	Outputs	Output Indicators	Actual Performance			Estimated Performance	MTEF		
			2018	2019	2020	2021	2022	2023	2024
Business Process Improvement and Automation		Automation of loan management business processes	N/A	N/A	N/A	As-is Analysis on existing loan processes Functional Specification	100% automation of **sefa** loan origination business process	100% automation of **sefa**'s due diligence & PIMWR	
Strategy, planning and reporting		Strategic plan and Reporting	Corporate and Annual Performance Plan	Corporate and Annual Performance Plan	Corporate and Annual Performance Plan	Corporate and Annual Performance Plan		Corporate and Annual Performance Plan	Corporate and Annual Performance Plan
Knowledge Management	Analytical report that informs decision-making	Annual and quarterly research publications and reports				Sector reports, research briefs and ad hoc research studies on sefa's loan programmes	Sector reports, research briefs and ad hoc research studies on sefa's loan programmes	Sector reports, research briefs and ad hoc research studies on sefa's loan programmes	Sector reports, research briefs and ad hoc research studies on sefa's loan programmes

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Automation of loan management business processes	Automation of sefa Loan Origination business process	Develop a functional and technical specification	Develop the system	Develop the system	Implement the system
Corporate and Annual Performance Plans and Reporting	2022/23 Corporate Plan and APPs,		Assessment of organasational operating environment	EXCO and Board's Strategy Sessions	Development of the Corporate and APPs
Organisational performance reporting	Quarterly reports and annual external audit of sefa's performance against pre-determined targets	Organisational performance reports	Organisational performance reports	Organisational performance reports	Organisational performance reports External audit on pre-determined targets report
Annual and quarterly research publications and reports	Research management	Two sector briefs	Two sector briefs	Two sector briefs	Two sector briefs Evaluation report of sefa's loan programmes

8.4 Programme 4: Marketing and Stakeholder Management

Purpose of Programme

The role of Marketing and Communication is to position and market **sefa**, its products and services to SMMEs and cooperatives and to facilitate strategic engagements with key stakeholders.

The market serviced by **sefa** is heterogenous and is primarily connected by one thread which is "a need for access to funding" to make their dreams a reality. The distribution channels are also extremely wide and diverse to cater for this heterogenous market. This ranges from funding directly the entrepreneurs to funding via intermediaries like banks and microfinance intermediaries.

Over the MTEF period the Marketing Department will pursue the following objectives:

- Strategically communicate and market the **sefa** brand and product offerings to all relevant client segments through various mediums and channels
- Develop a vibrant stakeholder engagement culture
- Create a positive **sefa** brand image across all platforms
- Develop a **sefa** brand experience framework
- Collaborate with internal partners to define and enhance **sefa** culture
- To develop a succinct Communication Strategy for consistency and uniformity of messaging

The **sefa** marketing strategy is customer-centric, emphasising awareness and high **sefa** brand visibility with clear messaging through various channels and market segments.

The implementation of the marketing programme across the four phases defined by marketing will be messaging theme-driven for each phase and its marketing objectives.

- Direct data-base campaigns: These will be the delivery method of choice in communicating the Covid-19 Relief Funds in the social-distancing dominated market space as the country weathers the storm of the pandemic. All SMME databases internal and external to **sefa** are critical sources to be mined for the right profile SMME data that can be matched to the right relief solutions for Covid-19 packages
- Social media campaigns: This is a critical platform that gives **sefa** customer reach and segmented targeting for generating product-specific Covid-19 funding solutions while navigating the social distancing limitations on face-to-face campaigns. Further, social media integration into the **sefa** communications mix adds a non-traditional communications channel that prepares **sefa** for a digital migration to technology-driven customer engagement processes that may well be a key success factor in the post-Covid-19 era
- Above-the-line media campaigns: For generating generic stimulus product awareness during the Covid-19 period, media channels like radio, television and print will be employed to provide bursts of packaged solutions information at strategic times. These will mainly be focused on generating awareness and promoting stimulus funds uptake by SMMEs and cooperatives.
- The medium phase of the marketing campaigns will start integrating non-media-based methodologies like public relations campaigns, mainly in the post-Covid-19 period assuming a further relaxing of social distancing measures

- Direct region-specific campaigns: Covid-19 may impact different provinces in different ways depending on their economic profile and the mix of industries that will suffer the most due to subdued economic demand. **sefa** marketing will work with its distribution channels in formulating region-specific campaigns that push certain types of solutions necessary to resurrect local SMME businesses within their local regional economies
- Collaboration campaigns: These are mainly **sefa**-Seda and DSBD-led collaboration campaigns and may be driven across all the marketing platforms outlined above as well as through **sefa**'s direct and wholesale lending channels

sefa needs to intensify the brand presence and awareness in targeted customer segments across townships and rural areas. This will be achieved through local brand-building campaigns, which will cross-sell **sefa** products to the various customer segments. The campaigns will be focusing on generating awareness for the products by allowing the SMMEs and cooperatives to directly interact with the **sefa** brand; allowing existing and potential **sefa** clients to touch and feel the brand. The below-the-line strategy will be deployed to achieve a high reach but cost-effective approach to marketing to clients. This will be executed through various programmes including, but not limited to, sponsorships, exhibitions, brand activations.

The Marketing Department intends to support **sefa** trade channel programmes with necessary requirements and focused customer messaging. The distribution channels that support the **sefa** business operating model vary from direct interaction to utilising intermediaries. The strategy will support these diverse channels through sales and activations campaigns, and direct call-to-action messaging. Clear call-to-action messaging will be communicated through the various channels in order to drive the potential clients to the relevant channels.

A stakeholder engagement programme is key in ensuring that the agency stays abreast of stakeholder requirements. An annual calendar will be developed which will contain the various activities required by various stakeholders with timeframes. The activities in the calendar will be informed by operational requirements.

The **sefa** brand will be built from within utilising internal communication strategies, in collaboration with the Human Capital Management department. The campaigns will focus on building the brand, while entrenching the **sefa** values and culture in line with the "one culture" theme.

The existing platforms will have to be enhanced and more interactive platforms explored to continuously keep the staff engaged. Support staff will be immersed with live content of **sefa** external activities. These will give support staff a sense of an ideal client and what happens at the coalface of interaction outside the office. This will allow the support and internal staff to travel virtually and interact with clients. The aim is to build a strong, integrated **sefa** culture where there is a common understanding of the client, both internally and externally.

Going forward the plan is to coordinate a **sefa**-wide brand customer campaign management programme. This will further be implemented with segment-driven, channel-based campaigns focusing on direct lending, intermediaries and the new funding programmes. To give impetus to these campaigns **sefa** will employ the services of a professional PR company that will assist in changing negative attitudes around the brand and creating a positive public perception for **sefa**. This will assist in rejuvenating the brand and repositioning it as a top-of-mind brand within the SMME and cooperative sector nationally.

In order to ensure that the department can assist the operations efficiently, the department's resources and efforts will be apportioned based on identified requirements within the corporate structure. The resources will be apportioned as follows: corporate level (20%), product level (70%) and communications plans (10%).

Customer centricity will be at the core of **sefa**'s marketing strategy. Internally (operations), teams will be compelled to thoroughly understand the customer in order to deliver value. The Marketing Department will work with the Research Department to embark on an in-depth customer research exercise in order to provider invaluable customer insights to operations. The current CRM survey will be enhanced to address more relevant issues and focus on the current acute need and gaps identified. In order to create efficiencies around customer-data collation must be automated in order to provide immediate reports for issues to be addressed. This will further guarantee that **sefa** will have credible data which will allow for better planning.

Key to achieving the goal of a customer-centric organisation will the implementation of a digital strategy. The immediacy of digital platforms to direct interaction and feedback to and from customers will keep **sefa** informed of customer needs.

The department will also be utilising various touchpoints to test the customer- and brand-satisfaction index. The data collated will be invaluable for informing business processes, which in turn will improve customer satisfaction.

Implementation of sefa Corporate Strategies

Strategic Initiative	Accessibility, Simplicity and Automation
Departmental Implementation of Strategic Activities	• Strategically communicate and market the **sefa** brand and product offerings to all relevant client segments through various mediums and channels • Simplify Application forms • Develop a succinct Communication Strategy for consistency and uniformity of messaging • Develop a two-way communication application page where potential applicants can apply and check progress on application. (Product Brochures) • Have a **sefa** call-back number • Have a toll-free line
Implementation Risk	Financial resources to sustain the project beyond FY21/22 Cooperating with Lending Division
Performance Indicator	• Simplified Application forms • Improve brand visibility

	• Increased customer engagement resulting in improved service levels
Strategic Initiative	Policy Support and Strategic Alliances

Departmental Implementation of Strategic Activities	• Develop and implement a vibrant stakeholder engagement culture
	  ○ Webinars: - General – introduction of **sefa** products to the target market via Webinars.
	  ○ Continue collaboration with DSBD/ Seda on similar initiatives.

Implementation Risk	• Reputation of **sefa** in its collaboration efforts with stakeholders • Pending merger between **sefa** and Seda
Performance Indicator	• Increase in the number of collaborative partnerships to grow **sefa** loan book
Strategic Initiative	• Build **sefa**'s brand visibility
Divisional/Departmental Implementation of Strategic Activities	• Improved brand awareness and visibility to its target market • Expand **sefa** brand reach and penetration of its lending products across all its market segments • Consistent **sefa** brand identity and positioning across all marketing properties. • Relevant messaging to be crafted for each media platform targeted and specific to market segments • Run campaigns targeted at relevant target markets • Implement channel-driven and segment-specific campaigns • Customer outreach and business development • Increase penetration of **sefa** products into targeted groups (ie, youth, women, township, rural and people with disability) through targeted outreach initiatives • Radio infomercial campaigns • Social media campaigns • Channel campaigns • Infographic mobile posters
Implementation Risk	• Availability of resources to support initiatives
Performance Indicator	• Improve overall **sefa** brand exposure, customer engagement and call to action through effective high impact brand communication
Strategic Initiative	• Execution (High Performance) Culture

Divisional/ Departmental Implementation of Strategic Activities	• Develop and launch employee brand-value proposition in collaboration with HC • Develop an organisation-wide customer-centricity strategy and guidelines covering all customer touchpoints • Develop internal brand campaigns linking to external campaigns and themes to build the affinity between the brand performance and delivery aspects for customers, staff and **sefa**'s institutional values
Implementation Risk	• Low staff engagement – negative pandemic environment weighing down morale • Time and investment required to embed a customer-centric business culture
Performance Indicator	• Staff rating of **sefa** "brand to work for" surveys • Customer ratings of "results" created by customer touchpoints • Customer-service satisfaction level results

Outcomes, Outputs, Performance Indicators and Targets - Marketing and Stakeholder Management

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance	MTEF Period		
			2018	2019	2020	2021	2022	2023	2024
Increased customer satisfaction		Annual customer satisfaction	64.1%	67.5%	63.1%	64%	65%	70%	80%
Improve **sefa**'s brand visibility.	Implement brand building campaigns. Run campaigns targeted at relevant target markets.	Annual brand measurement index	N/A	N/A	N/A	Development of the brand visibility measurement instruments	40% achievement on brand visibility index	50% achievement on brand visibility index	60% achievement on brand visibility index
Stakeholder engagement	Maintain strategic stakeholder relations with key constituencies	The number of strategic partners				N/A	4 strategic engagements	6 strategic engagements	8 strategic engagements

Indicators, Annual and Quarterly Targets - Marketing and Stakeholder Management

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Customer satisfaction survey	65%	Design and develop customer improvement plan	• Implement the customer improvement plan • Implementation of touch points measurement instruments	• Implement the customer improvement plan • Implementation of touch points measurement instruments	• Implement the customer improvement plan • Independent measurement of customer satisfaction • Implementation of touch points measurement instruments

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Build **sefa** Brand visibility	40% improvement in **sefa** brand visibility	Design the measurement instrument	Develop and implement brand visibility instruments (campaigns, social media, online webinars, radio & TV, etc)	Implement brand visibility instruments (campaigns, social media, online webinars, radio & TV, etc)	• Implement brand visibility instruments (campaigns, social media, online webinars, radio & TV, etc) • Measure **sefa**'s brand visibility against the brand visibility index
Stakeholder engagements	4	Develop **sefa**'s stakeholder engagement framework	Facilitate two stakeholder engagements sessions	Facilitate one stakeholder engagement session	Facilitate one stakeholder engagement session

8.5 Programme 5: Compliance, Governance, Enterprise Risk Management and Internal Audit

8.5.1 Sub Programme: Governance, Risk and Compliance

Purpose of Programme

The purpose of this programme is to ensure that **sefa** fully comprehends the compliance obligations that are inherent in its business. Furthermore, it is to promote aspects that enhance financial sustainability in the **sefa** loan book portfolio. Monitoring exercises are conducted in a form of compliance reviews and control self-assessments to determine the level of compliance within business units. The Compliance Management Department provides compliance advisory and research services for all regulatory matters within **sefa**.

- Review of business policies for regulatory alignment
- Provide compliance oversight, support and guidance – compliance research and ongoing update of bills and emerging trends in the compliance environment
- Advise and monitor compliance governance
- Compliance statutory reporting – liaison and reporting to regulators
- Embed the compliance culture within the organisation

Implementation of **sefa** Corporate Strategic Initiatives

Strategic Initiative	Execution (High-Performance) Culture
	1. Effective risk reporting to **sefa** governance structures (Strategic & Operational risks) 2. Enterprise-wide risk assessments, monitoring and reporting of risk exposure 3. Align strategy planning & reporting with risk management, monitoring and reporting
Departmental Implementation of Strategic Activities	• Implement Risk Management o Embed a risk aware and responsive culture to enable **sefa** to respond appropriately to risk imperatives o Integrated risk reporting through combined assurance initiatives o Promote resilience of **sefa** through business continuity. • Implement Compliance Management o Embed the compliance culture within the organisation o Provide compliance oversight, monitoring, support, and guidance
Implementation Risk	• Inadequate business and industry knowledge

	• Inadequate capacity to effectively carry out the Risk Management function • Covid-19 disruptions impacting on availability of stakeholders • Inadequate tools to enhance risk reporting and value add • Non-adherence to legislated reporting timelines • Inadequate Compliance Management system to ensure adherence to legislation • Insufficient Human Resource to fulfil the compliance function

Performance Indicator	• Strategic and departmental risk reports
	• Embedded risk awareness and risk responsive culture and practice
	    o Satisfaction surveys
	    o Monitor the risk maturity improvement plan
	• Risk and Compliance Monitoring reports

Outcomes, Outputs, Performance Indicators and Targets – Enterprise Risk

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance of 2021	MTEF Period		
			2018	2019	2020		2022	2023	2024
Effective Risk and Compliance Management	Embed risk and compliance management culture and improve the maturity of risk and compliance in **sefa**	Risk and compliance reports	Quarterly risk and compliance reports	Quarterly risk and compliance reports	Quarterly risk and compliance reports	Quarterly risk and compliance reports	Annual risk assessment Risk & compliance reports	Annual risk assessment Risk & compliance reports	Annual risk assessment Risk & compliance reports
		Risk maturity report and roadmap				Development of the risk maturity roadmap	Implementation of the risk maturity roadmap	Implementation of the risk maturity roadmap	Evaluation of the organisational risk maturity

Divisional/ Departmental Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Risk Maturity Report and roadmap	Risk Maturity Assessment	• 1x quarterly report	• 1x quarterly report	• 1x quarterly report	• 1x quarterly report
Risk and Compliance reports	Risk assessment Business continuity and Compliance reports	• Risk and compliance report • Statutory returns	• Risk and compliance report	• Risk and compliance report	• Risk and compliance report

8.5.2 Sub-Programme: Enterprise Credit Management

Purpose of Programme

The primary objective of the unit is to ensure that **sefa**'s risk is in line with the institution's risk appetite and threshold and ensure that all risks inherent in **sefa**'s lending decisions are mitigated and managed. The unit performs an independent credit-risk assessment of all transactions and indicates "support or no support" and the basis thereof. The risk assessment critically identifies and assesses the risks and proposes appropriate additional mitigation plans. Since its formation, the unit has been able to embed foundational policies, processes and systems.

Implementation of Corporate Strategic Initiatives

Programme	Access to Finance for SMMEs and Co-operatives
Division	Credit Risk Management Unit
Strategic Initiative	Accessibility, Simplicity and Automation
Divisional/Departmental Implementation of Strategic Activities	• Improved credit risk assessment and identification through effective analytics • Continuous recalibration and integration of predictive credit risk models • Implement sector-based benchmarks through archiving of credit risk reports and financial (cash flow) models
Implementation Risk	• Time constrains due to the process involved in securing outside agency
Performance Indicator	• Maintenance and improvement of portfolio portal to enhance portfolio analysis at deal origination • Ongoing maintenance and improvement of credit risk models to improve reliability and the predictive power of models. • Quantification of credit risk profile and efficiency in the estimation of provisions and impairments • Building and a portfolio cashflow forecast and benchmarking portal • Allowing applications at origination to be mapped to a portfolio and sector • Indicating the significant impact and contribution of a transaction to a respective portfolio and sector at origination
Strategic Initiative	Investment management & Business Support

Divisional/Departmental Implementation of Strategic Activities	• Review and enhance credit risk policies and procedures • Optimisation of relationship between Credit and Business, as well as PIM
Implementation Risk	• Spread of Covid-19 • Delay of relevant information from client • Lack of quality data and information from clients
Performance Indicator	• The Credit Risk Policy will provide detailed standards as well as bespoke directives and guidelines to facilitate the continuous enhancement of the operationalisation of the day-to-day credit activities within the institution. • Continuous enhancement of the minimum standards and key approaches to identify, measure, monitor and control credit risk at both individual and portfolio levels. • Help line managers to continuously ensure that all business policies are aligned to the credit and investment policies, for purposes of consistency. • Continue to allocate credit managers to respective regions • Improve turnaround times through regional visits and training workshops
Strategic Initiative	Policy Support and Strategic Alliances
Divisional/Departmental Implementation of Strategic Activities	• Enhance relationship with credit bureau in order to access data sets residing within the credit bureau
Implementation Risk	• Staff turnover at TransUnion
Performance Indicator	• Improvements in level of data obtained from credit bureau to provide more principal exposures as well as linked company exposures • Develop a customised SME sector scorecard based on TransUnion data
Strategic Initiative	Execution (High Performance) Culture
Divisional/Departmental Implementation of Strategic Activities	• Continuous professional development through skills training, enhancements, and knowledge sharing with key stakeholders • Manage divisional resource by attracting and retaining the appropriate skill set
Implementation Risk	• Staff resignations

Performance Indicator	• Improve skillset of credit managers through training initiatives and imparting that skill to business • Continuous improvement of effective challenge through peer review • Ensure that the credit risk structure is fully capacitated • No vacancy for more than 3 months

Outcomes, Outputs, Performance Indicators and Targets - Enterprise Credit Management

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance 2021	MTEF Period		
			2018	2019	2020		2022	2023	2024
Accessibility, Simplicity and Automation	• Improved credit risk assessment and identification through effective analytics	Build portfolio benchmarks and sectorial Cashflow model that will enhance risk assessment and reporting	N/A	N/A	N/A	Indexing of historical cashflow model onto **sefa** loan management system using sectoral classification	• Sectoral cashflow model • Pilot implementation	Implementation of the sectoral cashflow model	Validation and calibration of the portfolio model
	• Continuous recalibration and integration of predictive credit risk models	Reliable quantification of Client risk profile and efficiency in the estimation of provisions and impairments			Improving the predictive power of Expected loss model	Calibration and validation of Credit Risk model to Improve the predictive power of Expected loss model	Back testing of the model and recalibrating model due to the effects of COVID 19 and reporting findings to **sefa** management	Maintenance of model. Model will only go through validation if there is significant shift in credit risk in the economy	Continue maintenance of the models

Indicators, Annual and Quarterly Targets - Enterprise Credit Management

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Improved credit risk assessment and identification through effective analytics	Build portfolio benchmarks and sectorial Cashflow model that will enhance risk assessment and reporting	Publication and adjudication of tender	Awarding and contracting of the successful bidder	Design and building of the portfolio model by the successful bidder	Implementation of the model
Continuous recalibration and integration of predictive credit risk models	Reliable quantification of Client risk profile and efficiency in the estimation of provisions and impairments	Design methodology to calibrate model and discussion of methodology with the Analytics team	Discussing methodology with PWC and getting their approval regarding methodology	Start calibrating and validating model. Discuss the validation and calibration results within the Credit team	Submit results of validation and calibration to Exco

8.5.3 Sub-Programme: Internal Audit

sefa's Internal Audit function is an independent, objective assurance and consulting activity. It focuses on the evaluation and improvement of the effectiveness of risk management, control and governance processes. Internal Audit activity provides audit coverage, in conjunction with independent auditors, of significant operational and financial reporting risk activities in **sefa** and assists management in ensuring that proper controls are in place.

Internal Audit monitors and follows up on the implementation of agreed action plans to ensure an improved control environment. It performs forensic investigations, special assignments as well as consulting activities as requested by management and the Board as part of Fraud Risk Management. Internal Audit is also responsible for the management of the organisation's anonymous fraud hotline and follow up on all potential fraud activities.

Strategic Initiative	Execution (High Performance) Culture
Divisional/ Departmental Implementation of Strategic Activities	1. Provide assurance and consulting services to the Board, management on the adequacy, effectiveness and efficiency of internal controls, governance and risk management processes, in line with the IIA Standards 2. Provide fraud risk management services and conduct investigations to assist management in the prevention, detection and resolution of fraud activities within **sefa** 3. Automation of the Internal Audit (IA) processes for efficiency and effectiveness 4. Develop and implement a Combined Assurance Framework that is in line with the King Code, in collaboration with other assurance providers
Implementation Risk	1. Covid-19 pandemic 2. Availability of auditees and lack of cooperation which results in long lead-times on audit execution 3. Lack of internal resources – forensic capabilities 4. Lack of Integrated Risk and Audit tool to improve efficiency 5. Budget limitations impacting on fraud management and IT audits
Performance Indicator	• 100% completion of planned Assurance audits – signed off Audit Reports issued to Audit Committee • Percentage of completion of forensic investigations and ad hoc or special assignments:

	- Old investigations - 100% completion of special investigations - New investigations - completion within 3 months of date of receipt of investigation - Fraud and corruption management processes implemented including Hotline Services and awareness campaigns/ workshops: 12 awareness communications programmes. 2 awareness workshops 1 workshop for training on the Fraud and Corruption Prevention Plan - Development of the Combined Assurance Framework - Upskilled current team members – - Continuous Professional Development (CPD) implemented - Quality Assurance and Improvement Programme developed and implemented - Internal Quality Review Assessments

Outcomes, Outputs, Performance Indicators and Targets – Internal Audit

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance - 2021	MTEF Period		
			2018	2019	2020		2022	2023	2024
Provide assurance and consulting services to management & Board of Directors, on the effectiveness of internal controls, governance, and risk management processes.	Internal Audit reports	• Internal Audit Reports • Fraud and Corruption Prevention Plan and awareness programs				• 80% implementation of Internal Audit Coverage Plan • Increased Fraud awareness campaigns	• 100% implementation of Internal Audit Coverage Plan • Implement a Combined Assurance Model	• 100% implementation of Internal Audit Coverage Plan • Zero Tolerance on fraud and corruption •	100% implementation of Internal Audit Coverage Plan Zero Tolerance on fraud and corruption

Internal Audit Departmental Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Percentage of completed assurance audits in accordance with Annual Approved Plan	100% completion of planned audits	30% completion of planned audits	60% completion of planned audits	75% completion of planned audits	• 100% completion of planned audits • Develop the Quality Assurance and Improvement Program Framework.
Integrated Assurance Reporting	• Development and Approval of the Combined Assurance Framework	Identify assurance providers.	Map all assurance activities then develop a framework.	Integrated Assurance Reporting	Integrated Assurance Reporting
Fraud and Corruption Prevention Plan and awareness programs	• Implement Twelve (12) Awareness Programs.	• Implement Four (4) Awareness Programs.	• Implement four (4) Awareness Programs	Implement two (2) Awareness Programs	Implement two (2) Awareness Programs

8.5.4 Sub-Programme: Legal Services

Purpose of the Programme

The main functions of Legal Services include the following:

- Drafting/vetting of loan agreements
- Drafting/vetting corporate affairs agreements
- Legal advisory and support to internal clients (provide legal opinions, including conducting legal due diligence at the client's offices)
- Monitoring of registrations of security for all loan facilities
- Perfection of security (special and general notarial bonds, mortgage bonds) through court orders
- Initiate litigation process against **sefa**'s defaulting clients
- Defending any legal action instituted against **sefa** by third parties (including handling complaints by **sefa**'s clients lodged with statutory bodies)

Strategic Initiative	Investment Management and Business Support
Divisional/Departmental Implementation of Strategic Activities	• The implementation of efficient processes to enable quality, timely legal support to **sefa**
Implementation Risk	• Lack of adequate resource due to freezing of recruitment, therefore Legal Services is not adequately capacitated • Absence of a permanent and effective unit head to provide technical support
Strategic Initiative	• Execution (High Performance) Culture • Efficient Legal Services Structure/Organogram to provide adequate legal support to the entire **sefa** value chain • Effective and efficient litigation management • The implementation of efficient processes to enable quality, timely legal support to **sefa** • Quality legal support to Direct Lending and Wholesale Lending business units within **sefa** • Contingent liabilities management and reporting • Legal support – Board, subcommittees and management committees
Performance Indicator	• Ensuring the Legal Services structure is capacitated • Where posts are funded, no vacancies for more than 4 months • Litigation policy: Submission to Exco and approval • Review two processes eg, SLA, with business

Divisional Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicators	Audited /Actual Performance		Estimated Performance		2021/22	2022/23	2023/24
			2018	2019	2020	2021			
Effective and efficient legal services that contributes to improvement of loan turnaround times as well as corporate and litigations	Mitigate the risk that sefa faces	• Legal opinion • Legal contracting / agreement • Litigation and legal representation • Corporate support					• DL and WL Loan Agreements • Corporate service level agreements • Property rental agreements • Legal collections • Legal representation and advisory services	• DL and WL Loan Agreements • Corporate service level agreements • Property rental agreements • Legal collections Legal representation and advisory services	• DL and WL Loan Agreements • Corporate service level agreements • Property rental agreements • Legal collections Legal representation and advisory services

INDICATORS, ANNUAL AND QUARTERLY TARGETS - LEGAL SERVICES

Output Indicators	Annual Target	Q1	Q2	Q3	Q4
Legal opinion	3 days from request	3 days from request	3 days from request	3 days from request	3 days from request
Legal contracting / agreement	7 days (WL) 1 day (DL)	7 days (WL) 1 day (DL)	7 days (WL) 1 day (DL)	7 days (WL) 1 day (DL)	7 days (WL) 1 day (DL)

8.5.5 Sub-Programme: Company Secretariat

Established in accordance with Section 86 of the Companies Act No 71 of 2008, as amended, the primary role of Company Secretariat is, among others, to provide directors of the company, collectively and individually with guidance as to their duties, responsibilities and powers, making directors aware of any law relevant or affecting the company and maintaining the minutes of all shareholders', Board and committee meetings in accordance with the Companies Act.

The Company Secretariat services and activities extend to the company's Executive Committee and its sub-committees, as such, a concerted effort is required to rid the governance processes of inefficiencies, to enable effective planning and enhancement of the Delegation of Authority Matrix (DoA), which in turn enhances the flexibility and quick decision making.

In collaboration with business, the Company Secretariat office will assist and enable effective meeting planning, relevant, concise and timeous submissions for efficient meetings, quicker turnaround times for finalisation of minutes of meetings and providing the company directors with adequate information for informed decisions, effective monitoring and oversight of the company. Furthermore, proper planning will reduce the number of meetings held and, therefore, time spent in meetings.

Implementation of sefa's Corporate Strategic Initiatives

Strategic Initiative	Accessibility, Simplicity and Automation
Divisional/Departmental Implementation of Strategic Activities	• Revise the DoA Matrix to empower management for ease of decision making • Meetings Management System (automated through BoardPad) for efficiency and simplified dissemination of Board papers
Implementation Risk	• Capacity and Accountability of delegated Employees to execute the DOA • Lack of buy-in by users to utilise the Meetings Management System
Performance Indicator	• Revised DoA Matrix • Meetings Management System
Strategic Initiative	• Execution (High Performance) Culture
Divisional/Departmental Implementation of Strategic Activities	• Governance Structures Management (Boards, Committees) o Meetings Management, Minutes and Resolutions • Shareholder's Compact Implementation • Management and Retention of **sefa** Records
Implementation Risk	• Ineffective Meeting Management • Failure to comply with the provisions of the Shareholder's Compact • Quality of submissions to governance structures

	• Non-adherence to the **sefa** Records Management Policy and Procedures
Performance Indicator	• Effective recording of minutes and implementation of Meeting Resolutions • Resolutions provided to the business within 72 hours after the meeting • Signed Shareholder's Compact • Accessible, complete and updated records

Divisional Outcomes, Outputs, Performance Indicators and Targets – Company Secretariat

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance of 2021	MTEF Period		
			2018	2019	2020		2022	2023	2024
Enable effective decision making	Meetings and Reporting	Governance and oversight				All Meetings held in line with Corporate Calendar	Quarterly meetings as per the Governance Charter	Quarterly meetings as per the Governance Charter	Quarterly meetings as per the Governance Charter
	Integrated Meeting Management System procured/developed	i. An integrated meetings management system for ii. Effective meetings and planning Reduced number of special meetings	I (PDF)	I (PDF)	I (PDF)	Integrated Meeting Management System	Procurement and related activities (SCM)	N/A	N/A
Effective records management	Safe-keeping and disposal of records as per the National Archives of South Africa Act (NASAA) and sefa records management policy	Implementation of enterprise content management				N/A	Development of the enterprise content strategy Phase I implementation of the strategy	Phase 2 implementation of the strategy	Phase 2 implementation of the strategy

Divisional/ Departmental Indicators, Annual and Quarterly Targets – Company Secretariat

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Governance and oversight	Scheduled meetings held and Annual Work Plans are executed.	All scheduled Board and Committees Meetings held, and scheduled reports tabled for oversight	All scheduled Board and Committees Meetings held, and scheduled reports tabled for oversight	All scheduled Board and Committees Meetings held, and scheduled reports tabled for oversight	All scheduled Board and Committees Meetings held, and scheduled reports tabled for oversight
An integrated meetings management system for effective meetings and planning; and Reduced number of special meetings held	Implement system by 30 June 2022.	Define scope and Specification, Cost-benefit analysis (procure or develop inhouse); Systems design and Development. Procurement process or Development of system	Test the system against functional specifications. Pilot the system. Change management processes. Implementation of the system	Deployment/ Rollout of System. Assess effectiveness of System	Review and Improve based on end-user feedback.

8.6 Programme 6: Property Management

Purpose of the Programme

sefa's Property Department aims to efficiently manage the properties to support SMMEs by providing affordable and conducive accommodation. The department seeks to ensure property capital value preservation and financial sustainability.

The **sefa** property portfolio comprises 46 properties (36 industrial properties and 19 retail, commercial properties and one vacant land) in seven provinces: Gauteng; KwaZulu-Natal; Western Cape; Eastern Cape, Mpumalanga, Free State and Northern Cape. The 46 properties are being occupied by 641 businesses.

In managing the property portfolio, **sefa** is confronted with the following challenges:

- **Property maintenance** – due to losses incurred on the property portfolio, there has been a lack of investment in the maintenance of the properties and **sefa** faces compliance challenges regarding building occupancy (ie, Occupational Health Safety etc)
- **Ownership disputes** – some of the properties in the portfolio are under ownership disputes, which arose from agreements where there was no mutual understanding among the affected parties. As a result, the Tenants Associations have embarked on rental boycotts and prevent **sefa** from managing the properties
- **Losses and arrears** – owing to rental boycotts and non-profitability of tenants, the portfolio's performance has resulted in losses incurred, which is subsidised from **sefa**'s balance sheet
- **Human Capital** – inadequate human capital resourcing of the portfolio

The Board of Directors approved a turnaround strategy to improve the performance of the property portfolio. The turnaround plan includes the following:

- Refurbishment of retail and industrial properties with high occupancy and income potential
- Redeployment of properties in partnership with the private sector
- Disposal of non-strategic properties with few tenants and where the cost to manage is high

Implementation of Corporate Strategic Initiatives

Strategic Initiative	Policy Support & Strategic Alliances
Divisional/Departmental Implementation of Strategic Activities	Collaborations with Seda, DSBD, the dtic, provincial DFIs, municipalities, public-private partnerships for redevelopment/refurbishment opportunities
Implementation Risk	Economic climate or conditions (eg, negative growth), Covid-19, budgetary constraints, government policies and elections

Performance Indicator	• Partnership agreements and/or MOUs concluded with at least one and/or 2 provincial DFIs, municipalities and government departments for revenue generation and refurbishment • Conditional assessment performed for at least 50% of properties • Refurbishment or revitalisation of at least 2 properties
Strategic Initiative	**Financial Sustainability**
Divisional/ Departmental Implementation of Strategic Activities	• Management of existing portfolio to improve rental revenue • Investment in refurbishment and redevelopment based on an approved priority matrix • Disposal of Board-approved non-strategic and non-core investment property portfolio • Litigation and eviction of tenants with high rental arrears and non-cooperative tenants
Implementation Risk	• Economic climate or conditions (e.g. negative growth) Covid-19, budgetary constraints, government policies and elections
Performance Indicator	• Occupancy rate – (60%) • Rental collection ratio - (50%)
Strategic Initiative	**Execution Culture**
Departmental Implementation of Strategic Activities	• Improve operational effectiveness, efficiencies and service delivery by streamlining business processes and deploying technology solutions • Continuous training and enhancement of staff
Implementation Risk	• Availability of resources or budgetary constraints proposed Seda/**sefa** merger
Performance Indicator	• Registration with SAPOA (South African Property Owners' Association).

Properties Programme Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicator	Audited Performance			Estimated Performance 2021	MTEF Period		
			2018	2019	2020		2022	2023	2024
Financial sustainability	Occupancy	Occupancy rate	-	-	-	60%	65%	75%	75%
	Rent revenue	Rental collection rate	-	-	-	50%	60%	70%	70%

Properties Programme Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target	Q1	Q2	Q3	Q4
Occupancy rate	n/a	60%	60%	60%	60%
Rental collection rate	n/a	50%	50%	50%	50%

9 Annexure I – Technical Indicator Descriptions as per sefa's Performance Against Pre-Determined Targets

The tables below outline the description of the performance indicators, data collection processes and the accountable process owners.

1. BSC Perspective – Impact

Indicator Title	**Approvals**
Definitions	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. *Please see footnote of loan programmes at the bottom.*
Calculation Method	Cumulative Rand value
Calculation/Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Approvals through Wholesale and Direct Lending portfolios.
Purpose/Importance	Measures **sefa** contribution to the implementation of government policy (MTSF, nine-point plan, NDP, NGP and Economic Recovery Programmes) Facilitate access to credit to targeted groups and build inclusive growth
Limitations	**sefa**'s level of capitalisation and organisational footprint are a constraint in the growth of its approval levels and growth of its loan book.
Indicator Type[6]	Performance - Economy
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative year-to-date (YTD)
Source	**sefa**LAS Modules: 1) Applications management
Role	• Ensure that approvals information is captured accurately and timeously.

[6] *Indicator type is defined as: It identifies whether the indicator is measuring inputs, activities, outputs, outcomes or impact, or some other dimension of performance such as efficiency, economy or equity*

	• Conduct an audit on a sample of approvals and check for data correctness /accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: HoDs (DL, SME WL, WL Microfinance and KCG) **Approve**: Committees (SME Credit, Mancom, EXCO Investment, CIC, and Board) as defined in **sefa's** DoA.

Indicator Title	**Disbursements**
Definitions	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. The disbursement amount is the amount approved as per the decision record exclusive of the client initiation fees and VAT
Calculation Method	Cumulative Rand value
Calculation/Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements through Wholesale and Direct Lending portfolios.
Purpose/Importance	Measures the investment that the **sefa** loan disbursement has in the economy through investing in an individual SMMEs and Co-operative Enterprises
Limitations	Completeness of the disbursements is dependent on accurate reporting by funded intermediaries and timeous capturing of disbursement information onto **sefa**LAS
Indicator Type	Performance - Economy
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS and Intermediary Portal
Role	• Ensure that disbursements information is captured on time and correctly. • Conduct an audit on a sample of disbursements and check for data correctness/accuracy for each reporting cycle

Responsibility	**Capture**: Investment Officer (IO) or Portfolio Manager (PM) or NPD Manager **Review**: HoDs (DL, SME WL, WL Microfinance and KCG)
Accountable (Designation)	WL HoD: PIM HoD: KCG Manager: Ops Hub DL: Head of Operations (North and South) Head of Strategy, Planning and Reporting

Indicator Title	**Number of SMMEs and cooperatives financed**
Definitions	A measurement, against the set target, of the number of SMMEs and cooperatives financed through all loan programmes and credit guarantees NOTE: Count first disbursement to or first instance of each SMME or cooperative (ie, unique ID number and unique company registration number of the beneficiary or end-user) per financial year
Calculation Method	Cumulative value
Calculation	CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Number of SMMEs and cooperatives Financed (first disbursements)
Purpose/Importance	Measures the progress that the organisation is making with its core mandate
Limitations	Funding SMMEs that are not viable and non-sustainability of intermediaries
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefaLAS**
Role	• Ensure that information related to the SMMEs or cooperatives financed for the first time by **sefa** is correctly captured • Conduct an audit on a sample of number of SMMEs or cooperatives financed for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: HoDs (DL, SME WL, WL Microfinance and KCG) **Approval** Committees as per DoA.

Accountable (Designation)	WL PIM: HoD DL PIM: HoD WL SME: HoD KCG: HoD DL: Head of Operations (North & South)

Indicator Title	**Number of Jobs Facilitated**
Definitions	A measurement, against the set target, of the number of jobs that are facilitated via the **sefa** loan programmes and credit guarantees. Jobs facilitated relate to new and maintained jobs as a result of the funding intervention. Measurement include – informal and formal sector jobs Rules: 1. Jobs facilitated for direct lending are based on approvals and information captured must align with the decision record 2. Jobs facilitated for wholesale lending are based on disbursements 3. Only consider the first instance of each SMME or cooperative (ie, unique ID number and unique company registration number of the beneficiary or end-user) per financial year 4. Actual jobs facilitated must be verified
Calculation Method	Total number of facilitated jobs
Calculation/Formula	Jobs Facilitated = Maintained Jobs + New Jobs (at approval stage) Jobs Facilitated_{WL} = Maintained Jobs + New Jobs (at disbursement stage) **Number of Jobs Facilitated** = Jobs Facilitated_{DL} + Jobs Facilitated_{WL}
Purpose/Importance	**sefa** contributes to one of the key objectives of the NDP to create 11 million jobs by 2030. **sefa** through its financing of the SMMEs and cooperatives creates and maintains jobs
Limitations	Seasonal and temporary jobs
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefaLAS**

Role	• Ensure that information related to jobs created/maintained for enterprises financed is correctly captured. • Conduct an audit on a sample of job created/maintained for enterprises for correctness/accuracy for each reporting cycle
Responsibility	Capture: Investment Officer (IO) or Relationship Manager (RM) Review: HoDs (DL, SME WL, WL Microfinance and KCG) **Approval** Committees as per DoA
Accountable (Designation)	WL PIM: HoD DL PIM: HoD WL SME: HoD KCG: HoD DL: Head of Operations (North & South)

Indicator Title	**Facilities disbursed to black-owned businesses**
Definitions	A measurement, against the set target, of black-owned enterprises where most of the shareholding percentage (50+1) is owned by previously disadvantage individuals (PDIs). PDI is defined in terms of the B-BBEE Act (African, Indian and Coloured)
Calculation Method	Cumulative Rand value
Calculation/Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to Black-owned Enterprises through Wholesale and Direct Lending portfolios.
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs • Broaden ownership of assets to historically disadvantaged groups.
Limitations	Black-owned enterprises often lack business management and entrepreneurial skills
Indicator Type	Impact

Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS
Role	• Ensure that information related to the black-owned enterprises financed is correctly captured. • Conduct an audit on a sample of black-owned enterprises for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: HoDs (DL, SME WL, WL Microfinance and KCG) **Approval** Committees as per DoA.
Accountable (Designation)	WL PIM: HoD DL PIM: HoD WL SME: HoD KCG: HoD DL: Head of Operations (North & South)

Indicator Title	**Facilities disbursed to women-owned enterprises**
Definitions	A measurement, against the set target, of women-owned enterprises where most of the shareholding percentage (50+1) is owned by females.
Calculation Method	Cumulative Rand value
Calculation	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to Women-owned Enterprises through Wholesale and Direct Lending portfolios.
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs and cooperatives • Broaden ownership of assets to historically disadvantaged groups.
Limitations	Women-owned enterprises are traditionally focused on certain industries such as health & beauty, catering, clothing, retail etc.
Indicator Type	Impact
Calculation Type	Cumulative Rand value
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefaLAS**
Role	• Ensure that information related to the women-owned enterprises financed is correctly captured. • Conduct an audit on a sample of women-owned enterprises for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: HoDs (DL, SME WL, WL Microfinance and KCG) **Approval** Committees as per DoA
Accountable (Designation)	WL PIM: HoD DL PIM: HoD WL SME: HoD KCG: HoD DL: Head of Operations (North & South)

Indicator Title	**Facilities disbursed to youth-owned businesses**
Definitions	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
Calculation Method	Cumulative Rand value
Calculation/Formula	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to Youth-owned Enterprises through Wholesale and Direct Lending portfolios.
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs and cooperatives • Broaden ownership of assets to historically disadvantaged groups.
Limitations	• Lack of enough, viable applications from youth-owned enterprises • Lack of skills in business management and entrepreneurship
Indicator Type	Performance – Economy
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefaLAS**
Role	• Ensure that information related to the youth-owned enterprises financed is correctly captured. • Conduct an audit on a sample of youth-owned enterprises for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: HoDs (DL, SME WL, WL Microfinance and KCG) **Approval** Committees as per DoA
Accountable (Designation)	WL PIM: HoD DL PIM: HoD WL SME: HoD

	WL MICRO: HoD KCG: HoD IT: HoD DL: Head of Operations (North & South)

Indicator Title	**Facilities Disbursed to Enterprises Owned by Entrepreneurs with Disabilities**
Definitions	• A measurement, against the set target, of facilities disbursed to enterprises where disability shareholding is 25% or more • Disabilities are defined as per the Department of Labour codes and the individual(s) must be declared by a medical doctor as disabled
Calculation Method	Cumulative Rand value
Calculation/Formula	CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Disbursements to Enterprises owned by Entrepreneurs with Disabilities (where disability shareholding is 25% or more)
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which among others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs and cooperatives • Increase the share of national income of the bottom 40 percent from 6 percent to 10 percent. • Broaden ownership of assets to historically disadvantaged groups.
Limitations	The lower number of enterprises owned by people living with disabilities are often since they are generally disadvantaged in access to education and business opportunities
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS

Role	• Ensure that information related to disbursements to enterprises owned by entrepreneurs living with disabilities is correctly captured • Conduct an audit on a sample of disbursements to enterprises owned by entrepreneurs living with disabilities for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: HoDs (DL, SME WL, WL Microfinance and KCG) **Approval** Committees as per DoA
Accountable (Designation)	WL PIM: HoD DL PIM: HoD WL SME: HoD WL MICRO: HoD KCG: HoD DL: Head of Operations (North & South)

Indicator Title	**Disbursements to township-owned enterprises**
Definitions	A measurement, against the set target, of the Rand amount of the predetermined percentage of disbursements to enterprises located in townships as per **sefa** approved definition of a township.
Calculation Method	Cumulative Rand value
Calculation/Formula	Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements to Township-owned Enterprises through Wholesale and Direct Lending portfolios.
Purpose/Importance	A measurement, against the set target, of the Rand amount of the predetermined percentage of disbursements to enterprises located in townships as per **sefa** approved definition of a township.
Limitations	Township-owned enterprises often do not have access to other market. The location prohibits them from being accessible to potential clients across all races.
Indicator Type	Impact
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefa**LAS

Role	Ensure that information related to the township-owned enterprises financed is correctly captured. • Conduct an audit on a sample of township-owned enterprises for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: : HoDs (DL, SME WL, WL Microfinance and KCG) **Approval** Committees as per DoA
Accountable (Designation)	WL PIM: HoD DL PIM: HoD WL SME: HoD WL MICRO: HoD KCG: HoD DL: Head of Operations (North & South)

Indicator Title	**Facilities disbursed to enterprises in rural towns and villages**
Definitions	A measurement, against the set target, of disbursements to enterprises based in rural towns and villages using the StatsSA definition of rural municipalities.
Calculation Method	Cumulative
Calculation/Formula	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.
Purpose/Importance	The development impact targets are important in fulfilling the goals of the National Development Plan (NDP) which amongst others are: • Contribute to alleviation of poverty and reduction of inequality. • Growing an all-inclusive economy, building capabilities, and enhancing the capacity of the state in promoting the development of SMMEs and cooperatives • Broaden ownership of assets to historically disadvantaged groups.
Limitations	Low economic activity • Geographical location of potential clients • Visibility of **sefa**

Indicator Type	Performance – Economy
Calculation Type	Cumulative
Reporting Cycle	Quarterly, cumulative YTD
Source	**sefaLAS**
Role	• Ensure that information related to disbursements to enterprises in priority rural provinces is correctly captured. • Conduct an audit on a sample of disbursements to priority rural provinces for correctness/accuracy for each reporting cycle
Responsibility	**Capture**: Investment Officer (IO) or Relationship Manager (RM) **Review**: HoDs (DL, SME WL, WL Microfinance and KCG) **Approval** Committees as per DoA
Accountable (Designation)	WL PIM: HoD DL PIM: HoD WL SME: HoD WL MICRO: HoD KCG: HoD DL: Head of Operations (North & South)

2. BSC Perspective - Financial Sustainability

Indicator Title	**Cost-to-Income ratio**
Definitions	A measurement, against the set target, of the amount of operating expenses incurred in generating operating income. The ratio measurement excludes impairments, interest on shareholder loans, government grant income and grant expenses. The ratio includes the MTEF allocation. ***sefa** must strive to achieve a lowest rate possible.*
Purpose/Importance	• Measures the efficiency of the **sefa** business operations • Financial objectives and monitoring thereof is important to drive down costs, increase revenues, and reduce **sefa**'s dependence on government grants. The financial health of an organisation is a critical for managers to track.

Indicator Type	Performance - Efficiency
Calculation Type	Cumulative indicator
Reporting Cycle	Monthly, cumulative YTD
Source	ACCPAC
Role	Track costs against income
Responsibility	**Calculate & Capture**: Management Accounts General **Review**: Line Manager
Calculation Method	It is calculated by dividing operating income by operating expenses

Indicator Title	**Growth in Revenue**
Definitions	Percentage growth in income year-on-year. Excluding grant income and MTEF allocation.
Purpose/Importance	• Measures the level of growth in the loan book and the revenue derived from such growth. • In addition, revenue growth also contributes to profitability and sustainability. • The financial health of an organisation is a critical for managers to track.
Indicator Type	Performance - Efficiency
Calculation Type	Cumulative indicator
Reporting Cycle	Monthly, cumulative YTD
Source	ACCPAC
Role	Track revenue
Responsibility	**Calculate & Capture**: Management Accounts General **Review**: Line Manager
Calculation Method	It is calculated by comparing the current percentage growth in revenue relative to the previous financial year.

Indicator Title	**Accumulated Impairments provision as a percentage of total loans and advances**
Definitions	A measurement, against the set target, of the accumulated impairments. This is the Expected Credit Loss (ECL) provision, or an expense set aside as an allowance for bad/delinquent loans expressed in a percentage form.
Calculation Method	It is calculated by dividing accumulated impairment by cost of loans outstanding.
Calculation/Formula	Accumulated Impairments provision = (accumulated impairment ÷ gross loan book) x 100
Purpose/Importance	• Measures the efficiency of the **sefa** business operations • Financial objectives and monitoring thereof is important to drive down costs, increase revenues, and reduce **sefa**'s dependence on government grants. • The financial health of an organisation is a critical for managers to track.
Limitations	Timeous and accurate reporting of the indicator
Indicator Type	Performance - Efficiency
Calculation Type	Cumulative indicator
Reporting Cycle	Monthly, cumulative YTD
Source	ACCPAC
Role	Track costs against income
Responsibility	**Calculate & Capture**: Management Accounts General **Review**: Line Manager
Accountable (Designation)	Head: Financial Management Management Accounts General

Indicator Title	**Collection Rate**
Definitions	A measurement on actual quarterly collections against the quarterly collections target (collections due).
Purpose/Importance	• Measures the quality of the loan book and loan impairments • Tracks the sustainability of **sefa** funded clients and their ability to honour their loan obligations • Quarterly collections also contribute to financial sustainability
Indicator Type	Performance - Efficiency

Calculation Type	Cumulative indicator
Reporting Cycle	Quarterly, cumulative YTD
Source	ACCPAC & **sefa**LAS
Role	Track quarterly loan repayments against instalments raised
Responsibility	**Calculates** the collections ratio based on instalments received **Review**: Collections Manager
Calculation Method	Quarterly Receipts divided by instalment raised expressed as a percentage

Indicator Title	**Capital Leverage (KCG)**
Definitions	The additional investment in access to finance for SMMEs and cooperatives that is leveraged through credit guarantee programme through guarantee taken ups by partner institutions.
Purpose/Importance	• **sefa** crowds-in and leverages on the private sector resources for SMME development • Introduce SMMEs and cooperatives into the credit value chains by mitigating lender's risk
Limitation	The uptake of the credit guarantee scheme
Indicator Type	Financial
Calculation Method	Leverage ratio – the value of taken-ups/rand value guarantee approved
Calculation Type	Cumulative indicator
Reporting Cycle	Quarterly
Source	**sefa**LAS
Role	Track quarterly taken ups against approved guarantees
Responsibility	HoD KCG

3. **BSC Perspective – Organisational Business Processes**

Indicator Title	**Level of Organisational Process Automation**
Definitions	Analysis, improvement and digitisation of **sefa**'s core lending (loan origination, due diligence, approvals, disbursements and post investment) and back office business processes (finance and procurement, human capital and facilities, governance, risk and compliance)
Calculation Method	The automation of the business process at work instruction level and measurement thereof
Calculation/Formula	CCYY-YY Achievement Number of Processes = Count of Automated Processes (% of …)
Purpose/Importance	Introduces automated systems to fast track internal processes to increase efficiency and effectiveness and thus reduce operational costs and enhance customer satisfaction through turnaround times
Limitations	Lack of sufficient IT resources
Indicator Type	Performance – Efficiency
Calculation Type	Non-cumulative
Reporting Cycle	Annually
Source	To-be process documentation, functional design and automated process/system
Role	Count the number of automated processes that are key in the organisational core/primary functions
Responsibility	Head of Project Office
Accountable (Designation)	Head of Strategy

Indicator Title	**Loan Approval Turnaround Times**
Definitions	The average number of days it takes to approve an application
Calculation Method	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.
Calculation/Formula	Total number of business days per applications/total number of applications for DL and WL
Purpose/Importance	Turnaround times measure the efficiency of the **sefa** loan operations, customer centricity, identifies bottlenecks in the business process and establish accountability.

Limitations	• Turnaround times might be accurately captured by investment officers • Organisationally not structured optimally for efficiency • Low process optimisation • Silo mentality
Indicator Type	Performance – Efficiency
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly
Source	**sefaLAS**
Role	System calculates the turnaround times for direct lending, from loan application capture to approval
Responsibility	**Calculation**: system
Accountable (Designation)	DL: Head of Regions, WL SME HoD, Micro Finance HoD, KCG HoD

2. BSC Perspective – Customer

Indicator Title	**Level of Customer Satisfaction**
Definitions	A measurement, against the set target, of the level of customer satisfaction based on a pre-formulated customer measurement satisfaction index.
Calculation Method	The annual customer satisfaction survey is undertaken by an independent external party.
Calculation/Formula	An independent survey
Purpose/Importance	Provides **sefa** management with a metric on the customer experiences. Information can then be used to improve business processes and ultimately the customer journey and operational efficiency.
Limitations	Dedicated measurable action plans to improve customer experience
Indicator Type	Performance – Efficiency
Calculation Type	Survey report at the end of the FY
Reporting Cycle	Annually
Source	Customer Satisfaction Survey (conducted by an independent service provider)
Role	Survey is conducted by an independent service provider timeously.
Responsibility	Head: Marketing & Communication
Accountable (Designation)	Head: Marketing & Communication

Indicator Title	**Number of Strategic Partnership**
Definitions	The number of partnerships entered into through which **sefa** manages loan programmes on behalf of third parties (Enterprise Development Programme, Government's Small Business Programmes & Donor Programmes)
Calculation Method	Count of the number of partnerships for a financial year
Calculation/Formula	CCYY-YY Achievement Number of Processes = Count of number of strategic partners
Purpose/Importance	It diversifies and increases **sefa**'s revenue base and position **sefa** as a strategic facilitator of SMME lending in the economy
Limitations	Reputation and reliability of **sefa** as a trusted and strategic partner
Indicator Type	Financial
Calculation Type	Cumulative
Reporting Cycle	Annual
Source	The number of strategic partnerships signed
Role	The identification and entering into agreements with partners to manage programmes on their behalf
Responsibility	Executive Direct Lending and Acting Executive Wholesale Lending
Accountable (Designation)	Executive DL and WL

Indicator Title	**Customer Growth**
Definitions	The number of **sefa** customers who improve their annual turnover with 5% or more
Calculation Method	Percentage growth in customer turnover in any given financial year
Calculation/Formula	Currently year's turnover less previous year's turnover)/previous year's revenue, expressed as a percentage
Purpose/Importance	Measures the effectiveness of **sefa**'s intervention in stimulating SMME growth and client sustainability
Limitations	External factors such as the state of the economy negatively impacting on the performance of the SMME sector
Indicator Type	Impact
Calculation Type	Non-cumulative
Reporting Cycle	Quarterly
Source	sefaLAS

Role	Quarterly Analysis of customer financial statements
Responsibility	HoDs PIM
Accountable (Designation)	Executive PIM

3. **BSC Perspective – People**

Indicator Title	**Employee Engagement Index**
Definitions	• A measurement, against the set target, of the level of employee engagement and satisfaction. • The annual employee engagement survey will be undertaken by an independent external party.
Calculation Method	Annual Survey
Calculation/Formula	A survey that measures employee satisfaction and engagement against Investor in People Standard
Purpose/Importance	• Track and measure staff engagement levels. It provides insights into motivational levels as well as broader organisational and workforce health issues. If they are low, they are not committed to the organisation • The survey assists employers to measure and understand their employees' attitude, feedback, motivation, and satisfaction • It helps the organisation to identify and introduce interventions to increase staff engagement
Limitations	• Lack of staff engagement • Lower quality feedback
Indicator Type	People
Calculation Type	N/A
Reporting Cycle	Annual
Source	Employee Engagement Survey (conducted by an independent service provider)
Role	Survey is conducted by an independent service provider timeously.
Responsibility	OD Specialist
Accountable (Designation)	Executive Human Capital Management & Facilities

Indicator Title	**Percentage of staff (P band and above) that scores 3.5 or more in the annual performance assessment**
Definitions	A measurement of performance of employees who have attained a final performance score of a 3.5 or more
Calculation Method	Staff Performance = (Total Number of employees ÷ Number of employees with Performance Score of 3.5 or more) x 100
Calculation/Formula	Same as above
Purpose/Importance	To drive a culture of high performance
Limitations	Timeous measurement and feedback to staff on performance
Indicator Type	Performance – Efficiency
Calculation Type	Bi-annually and Annually
Reporting Cycle	Bi-annually and Annually
Source	VIP
Role	Calculate the number of employees in the P-Band and above.
Responsibility	HoD HCM
Accountable (Designation)	HCM Executive

10 Annexure 2 – Material and Significance Framework

PFMA requires that an entity must on request, disclose to its executive authority, all material facts that may influence decisions made by the executive authority.

PFMA states that Treasury approval is required before entering significant or material transactions. The act also requires that material irregular expenditure and fruitless and wasteful expenditure be reported in the annual report. The act does not define material and significant as such; an entity is required to develop a materiality framework that is applied to both significant transactions and irregular expenditure.

Materiality levels for significant and material transactions:

The practice notes on the applications under section 54 of the PFMA provides the following parameters for calculating materiality:

Element

Element	% range to be applied against R value
Total assets	1% - 2%
Total revenue	0.5% - 1%
Profit after tax	2% - 5%

The materiality and significance framework of **sefa** is based on Total Assets due to the nature of **sefa**'s business being asset-based.

Total group assets as per 2019/20 audited annual financial statements: R3,133,156,00, 1.5% of total assets: R46,997,340.

The materiality is in line with materiality used for external audit purposes.

In addition to the above, section 17 of the Shareholder compact requires that:

- The Accounting Authority will develop and agree on a framework of acceptable levels of materiality and significance with the Shareholder and the Executive Authority
- The Accounting Authority will promptly and in writing request approval from the Shareholder and the Executive Authority for each funding transaction where its total exposure to the company being funded will increase to above R150 million or where **sefa** equity stake in the company will exceed 50%
- Section 54(2) of the PFMA considers the following transactions to be significant, and an entity must inform the relevant treasury of the transaction and submit relevant information of the transaction to its executive authority for approval concluding the transaction
- The establishment or participation in establishing a company (this type of transaction is significant by nature)
- Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement (significance is determined by the value of the transaction)

- Acquisition or disposal of a significant shareholding in a company (this will be significant where ownership control is affected or where the entity's control over a special resolution is affected, or the change in shareholding exceeds 20% or any transaction that will result in an ultimate shareholding exceeding 20%)
- Acquisition or disposal of a significant asset (significance is determined by the value of the transaction)
- Commencement or cessation of significant business activity (this applies to activities that are non-core in nature and the amount thereof must be significant)
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement (this will be significantly based on the amount or where the nature of the relationship changes or where the cumulative interest exceeds 20% or any transaction that results in an aggregate interest of 10%)

Materiality levels for irregular expenditure:

Materiality levels for reporting irregular expenditure are set at 0.5% of materiality levels for significant and material transactions, hence amounting to R234, 987 (2019/20) on a transactional level.

Borrowing Limitations

sefa has the following borrowing limitations imposed:

- Funds may only be borrowed or guarantees issued through the Accounting Authority
- The Memorandum of Incorporation prescribes that Shareholder's approval is required before concluding a transaction where the entity borrows funds or issue guarantees
- **sefa** may not borrow money in a foreign currency above a prescribed limit

11 Annexure 3 – Fraud Prevention Plan

In the efforts to ensure appropriate Fraud Risk Management, **sefa** has the following policies and systems in place: -

- Fraud Risk Policy
- Fraud Response and Prevention Plan
- Anonymous Tip-Off Hotline Robust Fraud

Awareness will be done within **sefa** to ensure the effectiveness of **sefa**'s mechanisms in the combatting of fraud and corruption.

12 Annexure 4 – Strategic Initiatives in support of SMME Plan

sefa will be implementing the government's District Development Model across the 44 districts in the country. To that end, dedicated interventions will be rolled out through the following initiatives and the impact will be reported, quarterly to demonstrate the number of SMMEs and cooperatives supported in each district per quarter.

- **100 Thousand Young Entrepreneurs:** Direct Lending will continue to host provincial **Youth Pitch for Funding Sessions** in various districts across the country through the Small Business and Innovation Fund (SBIF) in support of the target of the **100 000 Youth owned enterprises** to be support over three years. In addition, **sefa** will further collaborate with NYDA and SEDA to develop further support to youth entrepreneurs. These will supplement the youth-owned businesses that **sefa** supports through its various lending channels.

- **SMME Expansion/ Scale-Up: sefa** supports SMMEs and coopertatives that have been in existence for four years or more with at least five employees across all its product channels. Increased emphasis will be placed on ensuring that this support is spread and measured across all 44 districts in order to contribute to the SMME Support Plan.

- **Township and Rural Entrepreneurship:** As indicated in the **sefa** Corporate Performance Scorecard above, **sefa** has set targets to support SMMEs and cooperatives in townships and rural towns and villages. Increased emphasis will be placed on ensuring that this support is spread and measured across all 44 districts in order to contribute to the SMME Support Plan. In addition, through the SBIF, **sefa** will dedicatee further funds to the support of SMMEs and cooperatives in townships and rural areas in the FY2021/22.