



small business  
development

Department  
Small Business Development  
REPUBLIC OF SOUTH AFRICA

# ANNUAL PERFORMANCE PLAN 2020/21





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## EXECUTIVE AUTHORITY STATEMENT

I hereby present the Department of Small Business Development (DSBD) Strategic Plan for the fiscal year 2019-2024 and its first year implementation plan through the 2020/21 Annual Performance Plan. This Sixth administration is a period of implementation, which will catalyse South Africa on a faster trajectory to tackle the triple challenges of poverty, inequality and unemployment. We have come a long way since the proclamation of our Department in July 2014. The establishment of this Department signalled a commitment by the government to set the country on a path which will catalyse South Africa on a faster trajectory to defeating its triple challenges as highlighted in the National Development Plan (NDP) and the 25 Year Review Report.

On 11th February 2020, on the occasion of the State of the Nation Address of our sixth administration, President Cyril Ramaphosa affirmed the imperative to address our country's triple challenges by creating a favourable environment for inclusive economic growth and job creation specially for young people. In that address, our government made it clear that addressing the crisis of youth unemployment is an apex priority, and we need to make this country work for young people so that they can work for our country.

To set the tone I must repeat what the President has said. He first recognised the problem, in saying: ***"We are confronted by the crisis of youth unemployment. Of the 1.2 million young people who enter the labour market each year, approximately two-thirds remain outside of employment, education or training. More than half of all young people are unemployed. We need to make this country work for young people so that they can work for our country." He then led us towards a solution, in stating that: "The solution to this crisis must be two-pronged - we must all create opportunities for youth employment and self-employment. As part of this intervention, the National Youth Development Agency and the Department of Small Business Development will provide grant funding and business support to 1,000 young entrepreneurs in the next 100 days - starting today."***

The direction is clear, in the MTSF period, the most pressing problem facing South Africa today is the absence of faster and sustained inclusive growth. These dual imperatives are prerequisites for addressing the triple challenges. Over the next five years, we will prioritise economic transformation and job creation through a set of focused and interlinked programmes. The DSBD role is to lead a coordinate an integrated approach to the promotion and development of entrepreneurship, Small, Micro and Medium Enterprises (SMMEs) and Co-operatives, and ensure an enabling legislative and policy environment to support their growth and sustainability, and we will do our best to ensure this happens.

The NDP Vision 2030 set a target of reducing unemployment to 6 percent by 2030, resulting in a working labour force of 24 million. Over the last nine years, an additional 2.5 million jobs have been created. This has resulted in an employed population of 16.3 million and an official unemployment rate of 29.1 percent (Q3 2019). Creating jobs especially for the youth, will stop rising unemployment and break down the barriers for those excluded from the labour market. Government plans to facilitate the creation of at least 2 million jobs by 2024. The government itself does not create jobs but creates the enabling environment, which this the Department cannot achieve alone. It requires a collective effort through social compacts with the private sector, labour, and civil society.

This Plan has therefore taken into consideration the new administration priorities that are reflected in the 2019-2024 MTSF towards the achievement of the NDP's five-Year Implementation Plan, the Monitoring Framework for the NDP five Year Implementation Plan. In this regards the Department will contribute to priority 2: Economic Transformation and Job Creation and there are related sub-outcomes and interventions, as follows:

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## PRIORITY 2: Economic Transformation and Job Creation:

- Upscale and expand support to small businesses;
- Creating more jobs;
- Inclusive economic growth;
- Re-industrialisation of the economy and emergence of globally competitive sectors;
- Increased access to and uptake of ICT; and
- Competitive and accessible markets through reduced share of dominant firms in priority sectors.
- Mainstreaming of Youth, women, and Disabilities with minimum 40% target for Women, 30% for Youth and 7% for Persons with disabilities in the SMMEs and Co-operatives Sector.

We have worked tirelessly in pursuit of the vision to a transformed and inclusive economy driven by sustainable, innovative SMMEs and Co-operatives sector. Small businesses have been identified as crucial drivers of economic activity for they are the providers of goods and services. However, government also recognises that small businesses are faced with various challenges including lack of business experience, inadequate infrastructure and limited access to finance, among others. As a result, the Department will deploy several interventions to support sustainable SMMEs and Cooperatives that will contribute meaningfully to the economy over the medium-term. Most of these interventions will prioritise young people, women and persons with disabilities especially those that are from historically disadvantaged rural and township areas.

This is particularly important given the high rate of unemployment for young people in South Africa. Furthermore, most women continue to face economic exclusion, resulting in high levels of poverty, inequality and unemployment. This requires a concerted effort from government to overcome barriers to gender equality and women's empowerment in order to effect economic and social transformation. This also aligns with the National Development Plan's economic transformation agenda on broadening opportunities for all South Africans, but particularly for the historically disadvantaged.

The Department has developed the SMME Support Plan for the 2019 - 2024, which is in line with the sixth administration priorities. The Plan consists of Nine key deliverables/targets that will be implemented and coordinated during the 2019-24 period as follows:

**SheTrades platform:** The Department planned to connect at least 250 thousand women, entrepreneurs, to market by 2023. This is part of South Africa's contribution to the ITC target of 3 million women entrepreneurs connected to market by 2021. Through these initiatives, Women entrepreneurs must apply to be members of the SheTrades South Africa and they will be assisted to join the ITC SheTrades platform. Membership is free and open to South African citizens.

**100 Thousand Young Entrepreneurs:** The initiative entails supporting young entrepreneurs through (a) access to business skills training (b) access to funding (c) product/ service quality; and (d) market facilitation/ market access The intention is to (e) develop appropriate matching mechanisms to ensure a good fit between coachee/ mentee and coach/ mentor; (f) facilitate alternative financing methods such as guarantees, crowdfunding, peer-to-peer lending, and micro-financing (stokvels)).

**SMME Expansion/ Scale-Up:** This initiative coordinates efforts to support small and medium enterprises to scale-up/ expand their businesses and survive beyond their first 5 years through access to working capital, and markets for goods and services.

**Township and Rural Entrepreneurship:** A dedicated programme to transform and integrate opportunities in townships and rural areas into productive business ventures. The focus is to create platforms which provide the business support infrastructure and regulatory environment that enables entrepreneurs to thrive.

**Incubation & Digital Hubs:** Definition: Business and technology incubation centres that offer enterprises business and technology management skills, support and platforms for a minimum 3-year period. The incubation can either be in-house or remote. Enterprises that have completed an incubation programme must at least have: (a) Annual Turnover more than doubled, (b) Product/ service having more than 1 market (c) Business must be making a profit.

## EXECUTIVE AUTHORITY STATEMENT

**Cooperatives:** The initiative is aimed at supporting cooperatives as enterprises that are income and profit-generating that contribute to economic growth, and employment creation. The driving ethos is that cooperatives are enterprises/businesses and must be supported to become sustainable and competitive

**Informal businesses:** The initiative is aimed at supporting informal businesses with compliance support, business skills development, business infrastructure, and technical support.

**SMME Products:** An initiative to coordinate and direct the buy local campaign to be impactful by target a minimum number of enterprises that should benefit from the initiative. The intention is to set a minimum number of enterprises that must benefit from the Buy Local drive.

**Start-Up Nation:** The initiative seeks to promote innovation that can have a ripple effect on the national economy. Start-Ups in the designated categories must apply for support through the Common Application Template under a dedicated funding scheme for Start-Ups. Applicants must be South African nationals.

Government is committed to give greater support to the SMMEs and Co-operatives sector. We are prioritising the improvement of the regulatory and legal environment. The marginalised areas (townships and rural areas) need more resources owing to their structure and geographic location. Small businesses ordinarily require access to information, economic infrastructure, access to markets and skills irrespective of where they are located. Government and the private sector have always found it easier and less costly to provide support to enterprises based in urban areas resulting in uneven growth of enterprises based in urban areas versus those that are based in marginalised areas. The state will have to lead in investing significant resources in these areas in an integrated fashion to stand a chance of crowding in private sector investment. The District Development Model is designed to also bring

together other social partners to support the development of the Districts and the Forums are critical in enabling the department to deliver on its targets.

The government took the right decision of developing masterplans for certain key priority sectors and the masterplans are expected to bring together all sector stakeholders to ensure all-round buy-in and support for the sectors. The Department is entrusted with developing the Creative Industries Masterplan and National Small Enterprise Masterplan. The masterplans will display meaningful integration of small businesses so that they can also partake in accessing opportunities and dedicated support measures. The integration of small businesses must be realised at a value chain level and not just as providing services to the sector. This will enable the country to have competitive SMMEs that are involved in the mainstream economy and at the core of economic and sector participation.

We are confident our government will walk the journey with entrepreneurs as they realise their business vision. I would like to thank South Africans from all walks of life including the SMME and cooperatives ecosystem, and entrepreneurs whom since my appointment have offered valuable suggestions and support as we start this journey. I endorse this Strategic Plan and Annual Performance Plan and confirm that it is consistent with sixth administration priorities but given the recent Covid-19 pandemic and economic crisis the country is facing; we will be amending these two key documents to introduce economic relief measures as well as economic recovery interventions.



**MS. KHUMBUDZO NTSHAVHENI, MP**

**MINISTER OF SMALL BUSINESS DEVELOPMENT**

## ACCOUNTING OFFICER STATEMENT

The 2020-25 Strategic Plan and 2020/21 Annual Performance Plan covers the implementation of the Sixth Administration 2019-24 Medium-Term Strategic Plan. This Plan takes into consideration the weak economic outlook and high levels of unemployment especially youth unemployment and the resultant increase in the demand for public services. The mandate of the Department of Small Business Development is to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small businesses and co-operatives, and ensure an enabling legislative and policy environment to support their growth and sustainability. The realisation of this mandate will lead to a transformed and inclusive economy driven by sustainable, innovative small businesses. This Plan takes guidance from the 2019-24 MTSF priorities, the Gender Responsive Planning, Budgeting, Monitoring and Evaluation Framework, an overview of the Department's focus and key accomplishments during the previous planning period and the Department's strategic focus for the next planning period.

In the previous planning period, the work on reducing regulatory burdens and a conducive legislative and policy environment for SMMEs and Co-operatives entailed continuing to assist municipalities to roll out the Red Tape Reduction Programme (RTRP). The Department undertook assessments on the effectiveness of the RTRP in the selected municipalities and red tape municipal action plans were concluded. A key new assignment which the Department undertook in the previous planning period was the revision of Schedule 1 of the National Small Business Act which was gazetted. The Department will ensure that the amendments to the National Small Enterprise Act is finalised and implemented, which amongst other things is expected to facilitate the establishment of the Small Enterprise Ombud Service as a key focus during the Sixth administration.

One of the strategic objectives assigned to the Department was to ensure an integrated approach to planning, monitoring and evaluation of the Co-operatives

sector to inform policy decision making and to that end, the Department convened Co-operatives forums to ensure a shared and common vision and priorities across the Co-operatives sector. The Department supported municipalities to integrate Co-operatives development into their Integrated Development Plans (IDPs) as they have a major impact on the economic development of the broader community. The Department is a National State function, which has no concurrent jurisdiction with any multi-level jurisdiction, thus to drive the enterprise development, the Department needed to establish Inter-Governmental Relations (IGR) Forums to promote policy coherence in the SMMEs and Co-operatives sector.

In this planning period, the Department will increase the number of incubation centres/digital hubs to 270 by 2024 prioritising rural and township areas. These incubators will nurture new and existing small enterprises by providing them with relevant business support about the running of a business. The digital hubs will ensure that innovators and pioneers can access technology to develop their ideas/products for the market. The implementation of these initiatives will lead to the establishment of new and productive enterprises, growth, sustainability and competitiveness of existing enterprises that contribute meaningfully to the economy and the reduction of poverty and inequality especially in marginalised areas.

Furthermore, the Department has developed an SMME Support Plan which clearly indicates how many small enterprises should be supported per District if the country is to achieve an inclusive economic growth that addresses spatial disparities. This plan will be implemented in partnership with various departments, provinces and municipalities. The plan also assists the department to plan the distribution of resources and interventions in a way that redresses the imbalances of the past where there was always a bias towards urban areas leaving the rural and township areas behind.



More than 5 000 informal business were supported through the Informal Micro-Enterprise Development Programme (IMEDP) during the previous medium-term planning period. During 2019-24 Medium Term planning period, the Department intends to support around 100 0000 informal businesses through various interventions including the IMEDP. The Department will modernise its business processes by developing and implementing the SMME Database which will also enable the performance of the incentive programmes.

The Department will continue to administer a set of incentive programs that are targeting a wide range of micro, small and medium enterprises in line with the approved DSBD Delivery Model. The Department will ensure that there is broader participation in the mainstream economy by small businesses and Co-operatives owned by individuals from historically disadvantaged communities including the Women, Youth and Persons with Disabilities.

This plan is being submitted during the time when the country is going through Covid-19 crisis and we are in partnership with the entities developing responsive interventions that will continue to be implemented together with other economic recovery measures.

The Department will also continue to invest in improving its administration, systems, processes and capacities to provide an efficient and effective service. The values of equity and equality will continue to be entrenched to ensure that the dignity of our people is respected and restored where necessary through our efforts.

I wish to extend my sincere appreciation to the Minister, Ms Khumbudzo Ntshavheni, and Deputy Minister, Rosemary Capa for their leadership and guidance to the Department, the Departmental entities and the broader SMMEs and Co-operatives sector and stakeholders for their ongoing engagement and support. Lastly, I commit the Department staff to serve with the utmost respect, resolute and professional mannerism in providing public services to our society.



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**MR LINDOKUHLE MKHUMANE**  
**ACTING DIRECTOR- GENERAL:**  
**DEPARTMENT OF SMALL BUSINESS DEVELOPMENT**

## OFFICIAL SIGN-OFF

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the Department of Small Business Development, under the guidance of the Honourable Minister of Small Business Development, Ms. K. Ntshavheni;
- Takes into account all the relevant policies, legislation and other mandates for which the Department of Small Business is responsible;
- Accurately reflects the Impacts, Outcomes and Outputs which the Department of Small Business Development will endeavour to achieve over the period 2020 – 2021.

### RECOMMENDED BY:



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**Ms. SM Oosterwyk**  
**CHIEF FINANCIAL OFFICER**



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**Mr. W. Baatjies**  
**OFFICIAL RESPONSIBLE FOR PLANNING**



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**Mr. L. Mkhumane**  
**ACCOUNTING OFFICER**

### APPROVED BY:



**Ms. K. Ntshavheni, MP**  
**MINISTER: SMALL BUSINESS DEVELOPMENT**



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## Acronyms and Abbreviations

ADG	Acting Director-General
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ASGISSA	Accelerated and Shared Growth Initiative for South Africa
B-BBEE	Broad-based Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
CDA	Cooperatives Development Agency
CFO	Chief Financial Officer
CIGS	Cultural Industries growth Strategy
CIS	Cooperatives Incentive Scheme
DFIs	Development Finance Institutions
DG	Director-General
DDG	Deputy Director-General
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DSBD	Department of Small Business Development
ENE	Estimate of National Expenditure
EXCO	Executive Committee
GTAC	Government Technical Advisory Centre
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IT	Information Technology
IGR	Inter-Governmental Relations
IMEDP	Informal Micro Enterprise Development Programme
IPAP	Industrial Policy Action Plan
LED	Local Economic Development
LM	Local Municipality
MINEXCO	Ministers' Meetings with the Executive Committee (Exco)
MOA/ U	Memorandum of Agreement/ Understanding
MP	Member of Parliament

MPSA	Minister of Public Service and Administration
MTSF	Medium Term Strategic Framework
NDP	National Development Plan, Vision 2030
NGP	New Growth Path
NIBUS	National Informal Business Upliftment Strategy
NIPF	National Industrial Policy Framework
NMOS	National Macro Organisations of the State
NRF	National Research Foundation
NSBA	National Small Business Act
NT	National Treasury
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
PPPs	Public Private Partnerships
PWD	People With Disability
RDP	Reconstruction Development Programme
RTRP	Red Tape Reduction Programme
SBD	Small Business Development
SCOPA	Standing Committee On Public Accounts
SDIP	Service Delivery Improvement Plan
Seda	Small Enterprise Development Agency
sefa	Small Enterprise Finance Agency
SEIF	Shared Economic Infrastructure Facility
SETA	Sector Education and Training Authority
SITA	State Information Technology Agency
SMMEs	Small, Medium and Micro Enterprises
SMS	Senior Management Service
SONA	State of the Nation Address
the dtic	Department of Trade Industry and Competition
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organisation
WEO	World Economic Outlook



## PART A:

OUR MANDATE

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

The following is the legislative and policy mandates that the DSBD is directly responsible for implementing, managing or overseeing:

Legislation and Policy	Mandate and Primary Outputs
National Small Enterprise Act 1996, (No.102 of 1996), as amended.	To develop, support and promote small enterprises to ensure their growth and sustainability. seda provides non-financial business development and support services for small enterprises, in partnership with other role-players in the small business development environment.
Section 3 (d) of the Industrial Development Corporation Act, No. 22 of 1940 (IDC Act).	To provide access to finance to Survivalist, Micro, Small and Medium businesses throughout South Africa. sefa supports the development of sustainable SMMEs through the provision of finance.
Co-operatives Development Act, 2005 (No. 14 of 2005), as amended	To provide for the formation and registration of Co-operatives; the establishment of a Co-operatives Advisory Board; the winding up of Co-operatives; the repeal of Act 91 of 1981; and matters connected therewith.
Co-operatives Policy (2004)	To create an enabling environment for Co-operative enterprises which reduces the disparities between urban and rural businesses and is conducive to entrepreneurship. Promote the development of economically sustainable Co-operatives that will significantly contribute to the country's economic growth.

Legislation and Policy	Mandate and Primary Outputs
	To increase the number and variety of economic enterprises operating in the formal economy. To increase the competitiveness of the Co-operative sector so that it is better able to take advantage of opportunities emerging in national, African and international markets. To encourage persons and groups who subscribe to the values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises and to register Co-operatives in terms of this Act. To enable such Co-operative enterprises to register and acquire a legal status separate from their members. To promote greater participation by black persons, especially those in rural areas, women, and persons with disability and youth in the formation of and management of Co-operatives. To establish a legislative framework that will preserve the co-operative as a distinct legal entity. To facilitate the provision of support programmes that target co-operatives, specifically those that create employment or benefit disadvantaged groups.

Legislation and Policy	Mandate and Primary Outputs
Co-operative Amendment Act, No 6 of 2013.	To provide for the establishment, composition and functions of the Co-operatives Tribunal; to ensure compliance with the principles of intergovernmental relations; to provide for intergovernmental relations within the Co-operatives sector; and to provide for the substitution of the long title and the Preamble.

In addition to the aforementioned acts, the DSBD is further mandated by acts not administered by the DSBD, including among others:

Name of Act	Consideration
Public Finance Management Act, 1999 (No. 1 of 1999), as amended.	To regulate financial management in the national and provincial governments and to ensure that the government resources are managed efficiently, effectively, economically and ethically.
Preferential Procurement Policy Framework Act, 2000 (No. 5 of 2000), as amended.	To ensure that government's preferential procurement procedures are aligned with the aims of the Broad-Based Black Economic Empowerment Act, 2003 and the associated Codes of Good Practice.*  The revised regulations were promulgated in 2017 and is also focusing on the implementation of 30% of the public procurement.
Broad-Based Black Economic Empowerment Act, 2003 (No. 53 of 2003), as amended.	Establishes a legislative framework for the promotion of black economic empowerment; and empowers the Minister to issue Codes of Good Practice and publish Transformation Charters, establish the Black Economic Empowerment Advisory Council; and to provide for matters connected therewith.

Name of Act	Consideration
Companies Act, 2008 (No. 71 of 2008), as amended.	Regulates the incorporation, registration, organisation and management of companies, including the fiduciary and "due care" duties and responsibilities of "directors" of a company.
National Credit Act, 2005 (No. 34 of 2005), as amended.	Aims to facilitate access to credit for all, while introducing measures to prevent over-indebtedness or the extension of credit to the vulnerable.
Consumer Protection Act, 2008 (No. 68 of 2008), as amended	Aims to protect consumers against unfair business practices, giving them greater recourse against companies that supply them with goods and services.
Financial Advisory and Intermediary Services Act, 2002 (No.37 of 2002), as amended.	Regulates the activities of all financial service providers who give advice or provide intermediary services to clients as regards certain financial products. The Act requires that such providers be licensed, and that professional conduct be controlled through a code of conduct and specific enforcement measures.
Protection of Personal Information Act, 2013 (No. 4 of 2013), as amended.	Promotes the protection of personal information by public and private bodies.



## 2. UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

The policy and strategy mandates informing the strategic posture and intent of the Small Business Development Portfolio are broadly summarised as follows:

Informing Policy/Strategy	Key Considerations
The National Development Plan, Vision 2030 (2012).	<p>The National Development Plan (NDP) envisions an economy that provides full employment by 2030 and serves the needs of all South Africans from different racial, social and economic backgrounds. As such, the economy will be more inclusive, grow faster, eliminate poverty and reduce inequality.</p> <p>The department and its entities play a major and direct role in coordinating and influencing the implementation of Chapters 3 and 6 of the NDP; which respectively, deal with the economy and employment, and inclusive rural development and growth.</p>
The Medium Term Strategic Framework (2019 – 2024).	<p>The Medium Term Strategic Framework (MTSF) defined as the combination of an NDP Five Year Implementation Plan for the Priorities outlined in the Election Mandate and an Integrated Monitoring Framework.</p> <p>With regard to the set seven priorities identified in the MTSF, the DSBD has a primary/lead role in relation to Priority 2: Economic Transformation and Job Creation and their related sub-outcomes and interventions, as follows:</p> <p><b>PRIORITY 2: Economic Transformation and Job Creation:</b></p> <ul style="list-style-type: none"> <li>Upscale and expand support to small businesses;</li> <li>Creating more jobs.</li> <li>Inclusive economic growth.</li> <li>Re-industrialisation of the economy and emergence of globally competitive sectors.</li> <li>Increased access to and uptake of ICT.</li> <li>Competitive and accessible markets through reduced share of dominant firms in priority sectors.</li> <li>Mainstreaming of Youth, Women, and Persons with Disabilities with minimum 40% target for Women, 30% for Youth and 7% for Persons with disabilities in the SMMEs and Co-operatives Sector.</li> </ul>

Informing Policy/Strategy	Key Considerations
The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005).	<p>Covers the entire continuum of needed support from pre-start up and start-up support measures to growing enterprises and enterprises in distress. It focuses on the following three strategic areas with aligned actions, as follows:</p> <ol style="list-style-type: none"> <li>1. Increase supply for financial and non-financial support services - Collaborative approaches to streamline resources from the public sector and crowding in private sector resources;</li> <li>2. Creating demand for small enterprise products and services - New policy directives, public sector procurement strategy and B-BBEE codes of good practice as a lever for increased demand; and</li> <li>3. Reduce small enterprise regulatory constraints - Enabling environment, establish a regulatory impact assessment framework and business environment monitoring mechanism.</li> </ol>
The Integrated Strategy on the Development and Promotion of Co-operatives (2012).	<p>Seeks to support the ongoing profiling of the Co-operatives, communication outreach, improving access to Co-operatives support, information, research and strengthening advocacy on Co-operatives by delivering effective service and monitoring impact.</p>
	<p>The strategy further introduces key Co-operatives development and support programmes, under 4 strategic pillars, namely:</p> <ol style="list-style-type: none"> <li>1. To increase the supply of non -financial support services to Co-operatives;</li> <li>2. To create demand for Co-operative enterprises products and services;</li> <li>3. To improve sustainability of Co-operatives;</li> <li>4. To increase the supply of financial support services to Co-operatives.</li> </ol> <p>These strategic pillars will be underpinned by efforts aimed at improving the availability of quality business information and knowledge through expanded research, communication outreach, education and training, and monitoring.</p>



Informing Policy/Strategy	Key Considerations
The National Informal Business Upliftment Strategy (NIBUS) and Implementation Framework (2014 and 2015).	<p>Adopted by Cabinet in 2014, is aimed at supporting the enterprising poor in the informal business sector and facilitating their participation in the mainstream economy through various policy and programmatic interventions.</p> <p>Particular focus on the four Implementation Thrusts that may inform other areas of DSBD work and focus:</p> <ol style="list-style-type: none"> <li>1. Enhance the quality of enterprise development, promotion and capacity building products and services.</li> <li>2. Strengthen the policy and regulatory environment to support an integrated and coordinated approach to informal business upliftment.</li> <li>3. Build the skills, capacity, systems and processes to drive an integrated and coordinated approach to informal business upliftment.</li> <li>4. Strengthened national, regional and international partnerships to support and promote the NIBUS development agenda.</li> </ol>

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

Informing International Convention or Policy	Key Considerations
The UN Sustainable Development Goals (SDG) (2015).	<p>Adopted by the UN Assembly in 2015. Specifically, the following SDG's are relevant to the DSBD and SBD Portfolio:</p> <ul style="list-style-type: none"> <li>• Goal 5. Achieve gender equality and empower all women and girls.</li> <li>• Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</li> <li>• Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</li> </ul>

Informing International Convention or Policy	Key Considerations
The AU Africa 2063 Agenda (AU 2063).	<p>Of particular relevance to the DSBD and the Portfolio are the following aspirations of the Agenda 2063:</p> <ul style="list-style-type: none"> <li>• Goal 1. A prosperous Africa based on inclusive growth and sustainable development.</li> <li>• Goal 6. An Africa where development is people-driven, unleashing the potential of its women and youth.</li> <li>• Goal 7: Africa as a strong, united and influential global player and partner.</li> </ul>
The ILO Recommendation 193 (R193) (2002).	<p>Seeks to promote the fullest participation in the economy and the social development of all people, while recognising that globalisation has created new challenges and opportunities for Co-operatives in terms of their ability to facilitate a more equitable distribution of the benefits of globalisation.</p> <p>In this context, R193 recognises the importance of Co-operatives in terms of job creation, mobilising resources, generating investment and their contribution to the economy.</p>
The ILO Resolution 204 (R204) (2015).	<p>The critical focus is to facilitate the transition of the informal to formal economy and to offer guidance to member states on how to facilitate the transition.</p> <p>Specifically, R204 outlines three key objectives:</p> <ul style="list-style-type: none"> <li>• Facilitate the transition to formality.</li> <li>• Promote the creation of enterprises and decent jobs.</li> <li>• Prevent the informalisation of formal jobs.</li> </ul>

Informing International Convention or Policy	Key Considerations
African Continental Free Trade Area Agreement	<p>It aims to achieve the following general objectives:</p> <ul style="list-style-type: none"> <li>• Deepen economic integration in Africa in accordance with Agenda 2063;</li> <li>• Create a continental customs union;</li> <li>• Liberalise intra-African trade;</li> <li>• Resolve the challenges of overlapping memberships in regional economic communities (RECs);</li> <li>• Enhance competitiveness;</li> <li>• Contribute to the movement of capital and natural persons and facilitating investment;</li> <li>• Promote sustainable and inclusive socio-economic development, gender equality and structural transformation; and</li> <li>• Promote industrialisation.</li> </ul>

### 3. UPDATES TO RELEVANT COURT RULING

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



## PART B:

OUR STRATEGIC FOCUS

## 4. UPDATED SITUATIONAL ANALYSIS

Based on the Department delivery model, sixth administration priorities, and before developing the Strategic Plan, focus turned to conducting a detailed Situational Analysis, so as to ensure the Strategic Plan is both informed by and responsive to the external, internal and performance environments.

### 4.1. External Environment Analysis

#### 4.1.1. The Global Economic Environment

According to the World Economic Outlook (WEO) January 2020 report, global growth is projected to rise from 2.9 percent in 2019 to an estimated 3.3 percent in 2020 and 3.4 percent for 2021 resulting in a downward revision of 0.1 percentage point for 2019 and 2020 and 0.2 for 2021 compared to those in the WEO October 2019 report. The downward revision primarily reflects historical norms for a group of underperforming and stressed emerging market and developing economies (including Brazil, India, Mexico, Russia, and Turkey). On the positive side, the growth profile also relies on relatively healthy emerging market economies maintaining their robust performance even as advanced economies and China continue to gradually slow down towards their potential growth rates. The effects of substantial monetary easing across advanced and emerging market economies in 2019 are expected to continue working their way through the global economy in 2020.

	Estimate		Projections		Difference from WEO October 2019 update	
	2018	2019	2020	2021	2020	2021
<b>Overview of the World Economic Outlook projections (WEO, April 2019)</b>						
<b>World Output</b>	3.6	2.9	3.3	3.4	-0.1	-0.2
<b>Advanced Economies</b>	2.2	1.7	1.6	1.6	-0.1	0.0
United States	2.9	2.3	2.0	1.7	-0.1	0.0
Euro Area (Germany, France, Italy and Spain)	1.9	1.2	1.3	1.4	-0.1	0.0
United Kingdom	1.3	1.3	1.4	1.5	0.0	0.0

	Estimate		Projections		Difference from WEO October 2019 update	
	2018	2019	2020	2021	2020	2021
Emerging Market and Developing Economies	4.5	3.7	4.4	4.6	-0.2	-0.2
Emerging and Developing Asia	6.4	5.6	5.8	5.9	-0.2	-0.3
Emerging and Developing Europe	3.1	1.8	2.6	2.5	0.1	0.0
Latin America and the Caribbean	1.1	0.1	1.6	2.3	-0.2	-0.1
Middle East, North Africa, Afghanistan, and Pakistan	1.9	0.8	2.8	3.2	-0.1	0.0
Sub-Saharan Africa	3.2	3.3	3.5	3.5	-0.1	-0.2
<b>South Africa</b>	0.8	0.4	0.4	1.0	-0.3	-0.4

Source: IMF, 2020 World Economic Outlook, IMF WEO Database

The emerging market and developing economic outlook is expected to increase to an estimated 4.4 percent in 2020 and 4.6 percent in 2021 from 3.7 percent in 2019 due to the following:

- Growth in emerging market and developing Asia to inch up slightly from 5.6 percent in 2019 to 5.8 percent in 2020 and 5.9 percent in 2021 due to a downward revision to India's projection, where domestic demand has slowed more sharply than expected amid stress in the non-bank financial sector and a decline in credit growth. On the other hand, the growth in China is projected to inch down from 6.1 percent in 2019 to an estimated 6.0 percent in 2020 due to the envisaged partial rollback of past tariffs and pause in additional tariff hikes as part of a "Phase One" trade deal with the United States which is likely to alleviate near-term cyclical weakness.
- Growth in emerging and developing Europe is expected to strengthen to around 2.5 percent in 2020 – 21 from 1.8 percent in 2019. The improvement is due to the continued robust growth in central and eastern Europe, a pickup in activity in Russia

and ongoing recovery in Turkey as financing conditions turn less restrictive.

- In Latin America, growth is projected to recover from 0.1 percent in 2019 to an estimated 1.6 percent in 2020 and 2.3 percent in 2021. The revisions are due to a downgrade to Mexico's growth prospects in 2020-21, including continued weak investment, as well as a sizable markdown in the growth forecast for Chile, which was affected by social unrest.
- Growth in the Middle East, North Africa, Afghanistan and Pakistan region is projected at 2.8 percent in 2020, firming up to 3.2 percent in 2021. The downgrade for 2020 mostly reflects a downward revision to Saudi Arabia's projection on expected weaker oil output growth following the OPEC+ decision in December to extend supply cuts.
- Growth in sub-Saharan Africa is expected to stagnate at 3.5 percent in 2020-21. This is due to the downward revisions for South Africa where structural constraints and deteriorating public finances are holding back business confidence and private investment and for Ethiopia, the public sector consolidation to contain debt vulnerabilities is expected to weigh on growth

### Risk to the World Outlook

- Key risk factors to the global economic outlook remains on the downside, however, less skewed toward adverse outcome than in the WEO October 2019 report. Rising geopolitical tensions, notably between the United States and Iran, could disrupt global oil supply, hurt sentiment and weaken already tentative business investment. Higher tariff barriers between the United States and its trading partners, notably China, have hurt business sentiment and compounded cyclical and structural slowdowns underway in many economies over the past year.

#### 4.1.2. The South African Economic Environment

The South African economy contracted an annualised 0.6 percent on the third quarter in the three months to September of 2019. The contraction follows an upwardly revised 3.2 percent growth in the previous quarter and much worse than market expectations of a 0.1 percent expansion. Mining, manufacturing and transport, storage and communication industries contributed the most to the Gross Domestic Product

(GDP) contraction. Considering the first 3 quarters of 2019, the economy expanded only 0.3 percent over a year earlier.

#### macroeconomic performance and projections

Percentage Change	2018	2019 Estimate	2020	2021	2022
Household consumption	1.8	1.3	1.3	1.5	1.7
Gross fixed-capital formation	-1.4	-0.8	0.8	1.3	1.8
Real GDP growth	0.8	0.5	1.2	1.6	1.7
GDP at current prices (R billion)	4 874.0	5 131.7	5 448.9	5 804.4	6 187.4
CPI inflation	4.7	4.3	4.9	4.8	4.8
Current account balance (% of GDP)	-3.5	-3.4	-3.5	-3.5	-3.5

Sources: National Treasury, Reserve Bank and Statistics South Africa

As depicted in the figure above, South Africa's GDP growth forecast for 2019 has been revised down from 1.5 per cent to 0.5 per cent, with growth expected to reach 1.7 per cent in 2022. Inflation is expected to remain within the 3 to 6 per cent target band over the medium-term. Weakening global growth, associated with rising trade conflicts alongside low levels of competitiveness, provides a moderate growth in the forecast. A gradual recovery in confidence and investment is expected over the medium-term.

##### 4.1.2.1. The Global Investor Perception

In December 2019, Fitch took a decision to affirm South Africa's long term foreign and local currency debt ratings at 'BB+' and maintain the negative outlook. South Africa's foreign and local credit ratings by Fitch remain one notch below investment grade.

According to Fitch, South Africa's ratings are constrained by low growth potential, high and rising government debt, large contingent liabilities as well as the risk of rising social tensions due to extremely high inequality. Nonetheless, the ratings remain supported by strong macroeconomic institutions, a favourable government debt structure and deep local capital markets. The negative outlook reflects uncertainty about the ability of the government to stabilise public debt over the medium term.

Government remains committed to the stabilisation and improvement of its fiscal position. The agency acknowledges government's plans to stabilise its finances in order to achieve a balanced primary budget balance. Furthermore, government will continue to work hand-in-hand with unions to manage the growth of the public sector wage bill in order to reduce government's debt burden.

Continued collaboration between government, labour, business and civil society is essential in order to successfully implement all fiscal measures and growth-enhancing reforms.

#### **4.1.2.2. South African Investment Conference**

South Africa hosted the second South African Investment Conference on the 5 and 7 November 2019. The second Investment Conference provided a platform to showcase growth and investment prospects in an economy with vast potential and enormous resources. Investors had the opportunity to hear from – and engage with – government representatives on its progress towards political and economic renewal, strengthening the credibility of public institutions and unlocking the latent potential and the innovative spirit of South Africa's economy.

South Africa is open for business and is the most diversified African economy, with a host of unique comparative advantages and unique features as an investment destination and trade partner. Low confidence and growth have weighed heavily on private investment activity. Commitments from the Investment Summit will continue to be implemented in partnerships with the private sector, labour and civil society.

#### **4.1.2.3. The Performance of Sectors and Industries**

The latest available data from Statistics South Africa (StatsSA) on the GDP of Quarter 3 2019, indicates that the Mining, manufacturing and transport were the biggest drags on growth in GDP. After rebounding by a revised 3,2% in the second quarter of 2019, activity in the South African economy slipped slightly in the third quarter. Mining was down by 6,1% driven largely by a fall in the production of platinum group metals, coal and iron ore. Gold saw some positive movement in the third quarter. Manufacturing fell by 3,9%, but being a bigger industry than mining, its contribution to total GDP growth was just as large (-0,5 of a percentage point in both cases). The contraction was mainly due to decreases in the manufacturing of basic iron, steel, and machinery products, as well as products related to the

petroleum, chemicals and plastics division. Positive gains were reported in the third quarter for the food and beverages and transport manufacturing divisions. Agriculture saw its third consecutive quarter of contraction. Lower production was recorded for field crops such as maize, wheat, sunflower seeds, tobacco and soya beans.

The construction industry failed to pull itself out of recession, registering its 5<sup>th</sup> consecutive quarter of negative growth. Decreases were reported for activities related to residential and non-residential buildings, as well as construction works. The industry contributed R106 billion to total value added in the third quarter of 2019, lower than the R110 billion high recorded in the fourth quarter of 2018 (constant 2010 prices, annualised). The primary and secondary sectors recorded a negative growth in Q3: 2019 as indicated below.

The positive contributors to GDP growth in the third quarter were trade, government and finance. Positive growth in wholesale, motor trade and accommodation lifted the trade industry by 2,6%. A rise in civil service employment in provincial government and higher education institutions pushed general government services up by 2,4%.

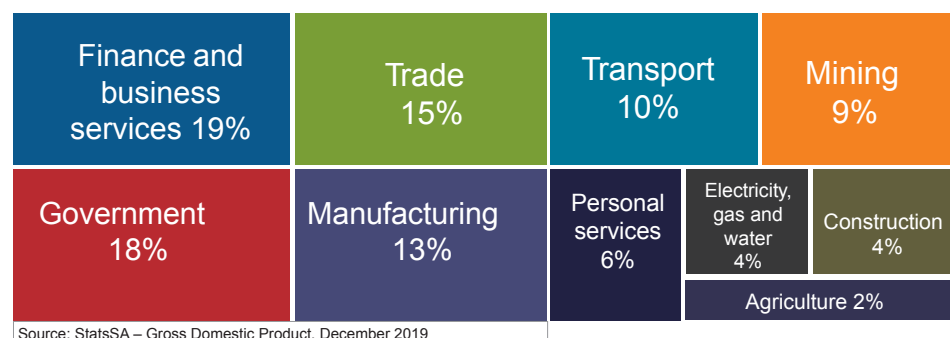
#### **Sector contribution to GDP growth – third Quarter 2019**

The next figure illustrates the nominal contribution of each sector to the GDP in Q3 2019, overall led by the Mining sector. In rand terms, nominal GDP for the third quarter was estimated at R1.29 trillion up by R31 billion in Q2: 2019.

1. Mining was up by R11 billion to R101 billion;
2. Electricity, gas and water was down by R5 billion to R46 billion;
3. Manufacturing was up by R8 Billion to R153 billion; and
4. Agriculture was down by R7 billion to R29 billion.



## Which are the largest (and smallest) industries in South African?



Source: StatsSA – Gross Domestic Product, December 2019

The finance and business services is the largest contributor with the contribution of 19%, followed by Government at 18%, trade at (15%), manufacturing at 13%, transport at 10%, mining at 9%, personal services at 6%, electricity at 4% and the least contributor being agriculture at 2%.

### In summary, the sector trend analysis reflects:

#### 1. Primary sector:

- **Agriculture:** Decreased production was reported for field crops.
- **Mining:** The fall was driven largely by decreases in the mining of platinum groups metals, coal and iron ore.

#### 2. Secondary sector

- **Manufacturing:** A fall in the production of basic iron and steel, non-ferrous metal products, metal products and machinery; and petroleum, chemical products, rubber and plastic products divisions contributed to the overall fall of manufacturing industry in Q3: 2019.
- **Electricity, gas and water:** A fall in the volume of electricity distributed dragged **Construction:** A decline in activity was reported for residential and non-residential buildings and construction works.

#### 3. Tertiary sector

- **Trade:** Growth in wholesale, motor trade, and accommodation contributed positively to the 2,6% rise.
- **Transport:** Decreased activity was reported for land transport and transport support services.

- **Finance:** Financial intermediation, auxiliary activities, real estate activities and business services contributed positively to growth
- **Government:** The rise was partly attributed to a rise in employment numbers in provincial government and higher education institutions

In addition to the above, 2019-24 MTSF ascribes plans to create a conducive environment that enables national priority sectors to support industrialisation and localisation, that will lead to increased exports, employment, and youth- and women-owned SMME participation. The Department is entrusted with developing the **Creative Industries Masterplan and National Small Enterprise Masterplan (NSEMP)**. To grow South Africa's economy and expand its productive sectors, master plans will need to be developed to refocus the South African industrial strategy as a central pillar of the country's economic recovery which will be key to growing the economy.

#### 4.1.2.4. SMMEs in South Africa

According to the Real Economy Bulletin publication, January 2019, small business encompasses a wide range of enterprises, from self-employed people eking out a precarious survival selling by the side of the road to high-level professionals providing well-paid services to big business. In those numbers a quarter of formal small business were own-account enterprises, with no employees. Over half had between one and nine employees, and a fifth had between 10 and 49 employees. In contrast, some 80% of informal enterprises had no employees, and virtually none had more than four<sup>1</sup>.

<sup>2</sup>In 2010 the number of formal business reported in the labour market survey climbed from around 600 000 to 640 000 in 2017. The number of informal business grew from 1,3 million to 1,5 million in the same period. In the year up to the first quarter of 2019, the number of SMMEs grew by 4.4% against a backdrop where economy-wide employment contracted by 0.4%. As such, the SMME option has become a natural alternative for people struggling to find a job. However, a smaller cake is now divided by ever more enterprises, as the combined turnover of SMEs stagnated despite inflation being above 4%. Of all employed people, 5.3% also employed others in 2019Q1, while 10.2% worked for themselves.

<sup>1</sup>The Real Economy Bulletin Published: January 2019

<sup>2</sup>seda 2019Q1 SMME report (August 2019)



Combined at 15.4% (or 2.55 million), this comprises the proxy measure for the number of SMMEs in South Africa.

### Employment provided by SMMEs

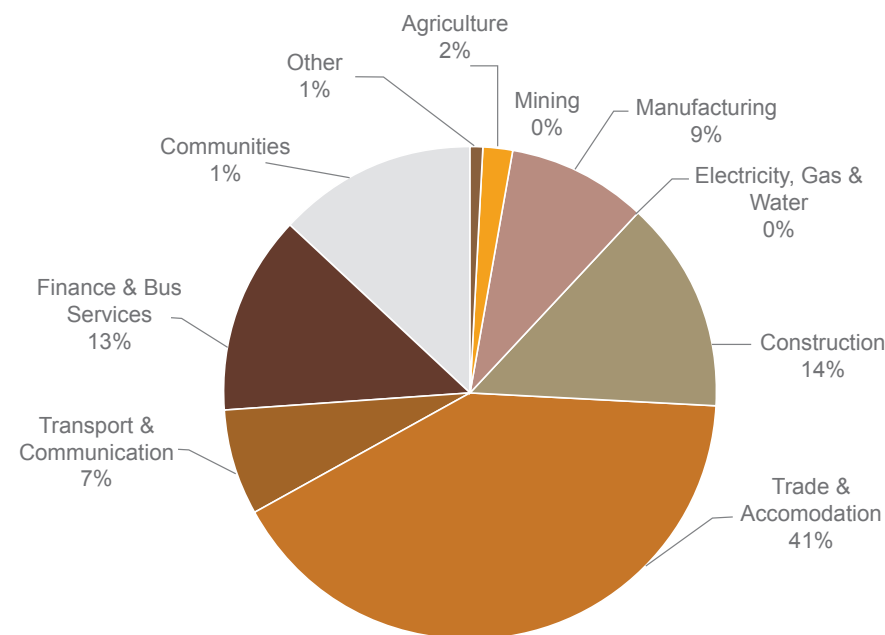
The National Development Plan (NDP) envisages that by 2030, 90% of the 11 million jobs will be created through small to medium enterprises, supported by government. It is realised that government itself does not create jobs, but creates the enabling environment, and even this the Department cannot achieve alone. It requires a collective effort from the private, civil and the public sectors. Partnerships with all critical stakeholders remain a fundamental prerequisite.

In the first quarter of 2019, the SMME sector provided employment to 10.8 million people in South Africa, which accounts for 66% of all jobs (16.5 million) in the country. Of these, only 2.55 million jobs were for the SMME owners themselves, while the balance of 8.3 million jobs (or 77%) were for their employees. The combined job creation of SMMEs (for others and the owners) was a staggering 2 million positions in this period, an increase of 22%. These numbers indicate a huge swing in the labour market from large employers to smaller ones, implying that large enterprises culled jobs at a high rate.

Closer inspection shows that the number of SMME employees (non-owners) grew by 29% over the year up to 2019 Q1. The majority of SMME employment (61%) is in the formal sector. Of all jobs provided to others by SMME owners, an estimated 38% is filled by female workers\*. This proportion was stable in the previous four quarters.

### SMMEs by industry

In the year up to 2019 Q1, there was an increase in the number of SMMEs active in only six of the ten main economic sectors. The trade and accommodation sector gained the most (accounting for close to 90% of the growth, i.e. 107 400 enterprises), followed by transport and communication at 22%. The number of SMMEs also increased significantly in the construction, manufacturing and financial & business services sectors. In contrast, the number of SMMEs in the community services sector declined sharply, as well as in agriculture. The industry mix changed slightly over the year to 2019 Q1, indicating that entrepreneurs are adjusting to economic signals and searching for the best opportunities.



Source: seda 2019 Q1 SMME report (August 2019)

### 4.1.2.5. 2016 Annual Review of Small Businesses and Co-operatives South Africa Findings

The Department conducted the 2018/19 Annual Review of Small Businesses and Co-operatives in South Africa, and it aims to contribute towards the promotion and development of small, medium and micro enterprises (SMMEs) as well as Co-operatives by building a better understanding of the complexities of the sector by reviewing and analysing available data as well as engaging SMMEs, Co-operatives, government departments and agencies and highlighting the challenges faced by SMMEs and Co-operatives in South Africa. The review places its emphasis on the development and improvement of the Small Enterprise Development ecosystem as a whole with the provision of the information that seeks to update the state of the sector.

The findings of the Annual Review allow for policy dialogue to stimulate even greater participation by all stakeholders in the design and implementation of future policy and programme interventions for the sector to create the optimal enabling ecosystem for the sector. The objective is to allow for evidence based research, policy and programme development.

The review determined that the challenges faced by SMMEs have been persistent over time, with lack of access to finances and premises, as well as burdensome regulations severely inhibiting SMME development. The review considered the SMME environment in a holistic manner, considering also the constraints and challenges faced by government entities mandated to support these enterprises. The finding is that these agencies remain disconnected, with poor systems and procedures and little leadership on a national scale. This reduces the positive impact of government programmes on SMMEs and results in inefficiencies in government programme development and implementation. The review recommends standardised systems and protocols to monitor government effectiveness and increase efficiency. Furthermore, it recommends the development of a standardised database to encourage collaboration and improve programme targeting. Finally, it recommends that assistance to SMMEs should be conceptualised as a part of a holistic business journey so as to improve the quality and relevance of assistance provided to SMMEs at each stage of the journey.

#### 4.2. SWOT Analysis Informing the Strategic Plan

Considering the above macro environment, the DSBD identified the following key strengths/opportunities and weaknesses/threats. The Strategic Plan and Annual Performance Plan then aims at leveraging the strengths and opportunities and ensuring an adequate response to mitigating the identified weaknesses and threats.

Strengths to be leveraged	Weaknesses to be mitigated
<ul style="list-style-type: none"> <li>▪ Sound government policies for the promotion of entrepreneurship and enterprise development, Co-operatives and informal businesses.</li> <li>▪ Sound governance framework (DSBD, seda and sefa).</li> <li>▪ Unqualified audit outcomes, and entities clean audit outcomes.</li> <li>▪ Dedicated human resource capacity to a very specific mandate.</li> <li>▪ Solid retention strategy in place in Portfolio, low staff turnover;</li> <li>▪ Increasing body of market intelligence to guide decision-making.</li> <li>▪ Financial resources available for SMMEs and Co-operatives development across the spheres of government;</li> <li>▪ 30 day payments commitment by government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unavailability of baseline data of SMMEs and Co-operatives.</li> <li>▪ Fragmentation of interventions for SMMEs and Co-operatives (lack of coordination).</li> <li>▪ Inconsistent and varied implementation of policies.</li> <li>▪ Lack of citizen-centric approach to addressing sector needs.</li> <li>▪ Productivity deficiency.</li> <li>▪ Shortage of the specialised skills, (Development Finance and Economic Modelling).</li> <li>▪ Lack of integrated service delivery support (duplication of programmes across the DSBD, seda and sefa).</li> <li>▪ Legacy practices – yet to demonstrate the value proposition of a separate DSBD, seda and sefa.</li> </ul>

Opportunities to be leveraged	Threats to be mitigated
<ul style="list-style-type: none"> <li>Strength in the mandate for SMME and Co-operatives development - willingness across the sector (within government and the private sector) to respond to effective leadership and coordination.</li> <li>Support from the fiscus, political support, broad societal buy-in and international support.</li> <li>Strategic public and private partnerships.</li> <li>Innovative beneficiaries, willing and able to grasp opportunities given appropriate support.</li> <li>Sound financial and non-financial instruments established – to promote and optimise access.</li> <li>Availability of technology to strengthen the competitiveness of the sector – and to create access.</li> <li>Public sector procurement – large purse to be leveraged, particularly for township and rural enterprises, and directed towards targeted groups.</li> <li>Enterprise supplier development networks, channels and processes.</li> <li>Better utilisation of the B-BBEE requirement and codes of good practice.</li> <li>Mentorship, incubation and cadet programmes at provincial and local level.</li> </ul>	<ul style="list-style-type: none"> <li>Differentiated sector definition of SMMEs and Co-operatives.</li> <li>Restrictive regulatory environment (constraints), including out-dated legislation dating back to the Apartheid-era.</li> <li>Segregation of the three spheres of government (non-unified approach).</li> <li>Heavy reliance on the government grant.</li> <li>Low level of early entrepreneurial activity.</li> <li>High failure rate of start-ups.</li> <li>Untransformed private sector lack of participating in the private sector by SMMEs.</li> <li>Inappropriate logistical infrastructure to facilitate balanced spatial development.</li> <li>Proliferation of the foreigners Macro and Micro businesses.</li> <li>Depressed economic climate.</li> <li>Low literacy and technical skills – the digital divide.</li> </ul>

#### 4.2.1 Women, Youth and Persons with Disabilities

According to the Section 3.1.1 of the **Framework on Gender-Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing** states that “*Women’s participation, representation, voice and agency at all levels of society has improved since the inception of democracy. However, the prevalence of patriarchal norms, compounded by women’s economic and social exclusion, means that women remain subordinate and under-represented in many spheres of social life, including those related to decision-making at a political and governance level, as well as within important social institutions such as faith-based organisations. The country’s legislative framework and justice system continues to disadvantage most women, particularly those from vulnerable sectors. Women and girls continue to suffer from harmful practices and discrimination in relation to inheritance rights*”.

The **White Paper on an Integrated National Disability Strategy (INDS)** vision is “A society for all, one in which persons with disabilities are actively involved in the process of transformation”. Informed by the United Nations Standard Rules for the Equalisation of Opportunities for Persons with Disabilities and the Disability Rights Charter developed by Disabled People South Africa in consultation with other representatives organisations of persons with disabilities.

The **Youth Policy 2015 – 2020**, suggested measures include industrial policy interventions to improve labour absorption in the economy; work exposure measures to provide young people with opportunities to gain on-the-job experience; linking young jobseekers to employers; interventions to support entrepreneurship; facilitating access to opportunities, business training and markets for youth-owned companies and cooperatives; and improved public employment schemes. Inequality of opportunity will be reduced through the implementation of redress measures such as BBBEE and land reform, as well as through the radical economic transformation agenda driven by the Government.

The NDP prioritises the significant role of women, youth and people with disabilities in our society. The 2019-24 MTSF suggested that If these three groups are strong, our whole society will be strong. These are cross-cutting focus areas that the Department will be mainstreamed across projects, programmes and interventions.

### 4.3. Internal Environment Analysis

In support of its strategic posture and focus, the Department reflected on its institutional and governance arrangements, with the aim of ensuring that internal processes, systems and arrangements are further enhanced and that it continues to move from an internal focus (on compliance) to focus increasingly on outcomes and impact in the lives of its beneficiaries – informal businesses, SMMEs and Co-operatives.

#### 4.3.1. Stakeholder Analysis Informing the Strategic Plan

The small business development portfolio places its stakeholders at the apex of its strategic thinking and resultant planning, and it is critical for the Department and its entities to effectively manage stakeholder relations and collaborative partnerships. These must address both stakeholders identified in terms of the DSBD, seda and sefa mandates and others that may influence the achievement of the collective vision and mission; and must include an enhanced focus on responding to the needs of its stakeholders. It must also include a focus on relations with aligned government functions, private sector partners and regional institutions and entities.

There is consensus that to achieve the desired state of a well-functioning and successful small business ecosystem, there is a need to leverage on what other government departments, agencies and the private sector at all levels are doing in the small business development space.

The following table reflects key stakeholder considerations and possible programme responses identified in the planning discussions:

External Stakeholders		
Key stakeholder group	What does the stakeholder expect from us?	What focus is required from us to meet / exceed this expectation?
<b>Beneficiaries - SMMEs and Co-operatives (formal and informal)</b>	<ul style="list-style-type: none"> <li>Execute the DSBD, seda and sefa mandate.</li> <li>Improved, efficient and effective services.</li> <li>Responsiveness and relevant programmes and services.</li> <li>Sound corporate governance.</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of the mandate.</li> <li>Red tape reduction interventions.</li> <li>Effective and efficient programmes that respond to real needs.</li> <li>Resources and tools to link SMMEs to markets – databases/systems;</li> <li>Ensure reliability and dependability of services.</li> <li>Enhance accessibility and availability of services.</li> </ul>
<b>Departments, Provincial and Local Departments</b>	<ul style="list-style-type: none"> <li>Execute the Department's mandate.</li> <li>Influence how over R17 billion small enterprise development budget that is available of the MTEF period across government is coordinated and spent.</li> </ul>	<ul style="list-style-type: none"> <li>Articulate and communicate a compelling small business agenda.</li> <li>Lead evidence based legislative and regulatory review.</li> <li>Transversal Agreements with sister departments.</li> <li>Meaningful participation in relevant fora.</li> <li>Intellectual leadership to the sector and more broadly - guidance in terms of trends and indicators in the sector.</li> </ul>

External Stakeholders		
Key stakeholder group	What does the stakeholder expect from us?	What focus is required from us to meet / exceed this expectation?
<b>Academia and research institutions</b>	Collaboration and joint research programmes.	<ul style="list-style-type: none"> <li>Proactively package and communicate opportunities for engagement and collaboration.</li> <li>Multi-year research agenda and programme.</li> </ul>
<b>Targeted Groups</b>	Ensure delivery on committed targets.	<ul style="list-style-type: none"> <li>Monitor and track sector-wide performance on committed targets and quotas.</li> </ul>
<b>Broader communities and general public</b>	A responsive and visible DSBD, seda and sefa role-players, supporting broader community upliftment.	<ul style="list-style-type: none"> <li>Better communicate the successes and impact of DSBD, seda and sefa programmes and involvement.</li> <li>Strengthen the petitions of management processes and responsiveness to issues and commitments.</li> </ul>
<b>ILO and socio-development organisations</b>	<p>Alignment to ILO R204 and the decent work agenda.</p> <p>Alignment to ILO R190 and the importance of Co-operatives.</p>	<ul style="list-style-type: none"> <li>Upscale and ensure implementation of the resolutions from the Annual Informal Economy Summit.</li> <li>Ensure implementation of the NIBUS.</li> <li>Promote the full participation of co-operatives in the economy and social development of all people, with a strong focus on human solidarity and a more equitable distribution of the benefits of globalisation.</li> </ul>
<b>Partners and the private sector</b>	Collaboration and opportunities for partnership.	<ul style="list-style-type: none"> <li>Strengthen points of interaction with partners and with the private sector.</li> </ul>

Internal Stakeholders		
Key stakeholder group	What does the stakeholder expect from us?	What focus is required from us to meet / exceed this expectation?
<b>Parliamentary and political oversight</b>	<ul style="list-style-type: none"> <li>Execute the DSBD, seda and sefa and mandate.</li> <li>Participate in broader planning structures and champion small business and Co-operatives agenda.</li> <li>Sound corporate governance.</li> <li>Return on Investment.</li> </ul>	<ul style="list-style-type: none"> <li>Implement an approach to reporting of cluster-wide and sectoral performance and impact.</li> <li>Collaboration and support for objectives of sister institutions.</li> <li>Sound and defensible performance reporting.</li> <li>Participate in broader planning structures and champion the SMME and Co-operatives agenda.</li> <li>Sound corporate governance.</li> </ul>
<b>Staff</b>	A suitable working environment, resources to deliver on roles. Opportunities for personal and professional development.	<ul style="list-style-type: none"> <li>Ensure a working environment which is conducive to achieve sectoral/organisational objectives.</li> <li>Provide opportunities for growth and development.</li> <li>Nurture a culture of recognition, communication and transparency.</li> <li>Implement and monitor the “living” of the Portfolio values.</li> <li>Investigate and realign the structures of DSBD, seda and sefa in line with the portfolio/aligned organisational strategies.</li> </ul>

Internal Stakeholders		
Key stakeholder group	What does the stakeholder expect from us?	What focus is required from us to meet / exceed this expectation?
Contractors, Suppliers, etc.	<ul style="list-style-type: none"> <li>Decisions to be made at agreed times.</li> <li>Adherence to terms of engagement.</li> <li>Payment for work done within 30 days of valid invoice.</li> </ul>	<ul style="list-style-type: none"> <li>Systems to ensure efficient and effective performance and compliance to the scope of work;</li> <li>Clearly defined procurement policies.</li> <li>Efficient supply chain processes – fair, transparent and effective.</li> <li>Focus on regional suppliers/ contractors development.</li> <li>Improve contract negotiation, management and reporting.</li> </ul>

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

The Department has developed a Business Delivery Model (BDM) to enhance the value of its services. The BDM will require adjustment to the DSBD Budget Programme Structure and organisational design, to ensuring that Programme 1 continue to focus on the department administration while other programmes will be defined based on the model. Product and Market development for the SMMEs and co-operative Sectors, as well as the Enterprise Development and Development Finance are the focal areas in the business model of the Department. In turn, the entities will ensure that they are appropriately aligned and orientated towards targeted programme implementation that is fully responsive to the BDM, MTSF and the policy stance and priorities of the Sixth Administration defined by the Government. This must include greater synergy and coherence, and a stronger interface between the entities, which is also highlighted to the DBM as **figure**.



**Figure: Business Delivery Model**

Furthermore, the Department has also embarked on a process to improve various internal policies, processes and systems to ensure that an enabling context is in place. The following sections highlight the Department's key actions with regards to its business improvement programme, as well as policies, processes, and systems.

### Reduction in fraud and corruption

The Department has an approved Fraud Prevention and Whistle Blowing Policy and Implementation Plan. The objective of this intervention is to ensure that the Department enhances the implementation of the holistic Fraud Prevention and Whistle Blowing Policy with the emphasis on the application of pro-active measures to enhance operational efficiency. During the revision of the Whistle Blowing Policy, the Department considered fraud indicators which were highlighted by the Auditor-General of



South Africa (AGSA) during the 2016/17 regulatory audit. The investigation was undertaken, and necessary action was taken to deal with the findings of the investigations. During the MTEF period, the Department implemented an efficient and responsive fraud prevention plan to mitigate the occurrence of fraud and corruption.

### **Service Delivery Improvement Programme**

Government has introduced a Service Delivery Improvement Programme (SDIP) to provide a mechanism for continuous, incremental improvement in service delivery that promotes efficiency and effectiveness. The Department has developed a three-year SDIP in order to continuously address the improvement of service delivery, in line with approved SDIP guidelines. It focusses on critical services within the Operational Plan of the Department that have been identified for special attention and improvement. The implementation of the approved SDIP incorporates revisions to operating procedures and processes that will enable the Department to be more responsive and efficient with clear lines of responsibility and accountability. The SDIP will be updated to align it with the new strategic Plan of the DSBD.

The Department has critical dependencies within the Operations Management Framework (OMF) that are still to be developed to support the implementation of the SDIP. The Service Delivery Model, Business Process Mapping of all services provided by the Department' Standard Operating Procedures (SOPs) and service standards have been prioritised and will be developed and implemented during the MTEF period.

### **Change Management**

The aim of the Change Management Programme is to facilitate readiness and to support stakeholders during the operationalisation of the Department. Change management is a by-product of the Turnaround Strategy and occurs in various areas in the Department. Thus, even though all employees inherently carry a responsibility in this regard, championing change (right from the top) is a key success factor. All identified Turnaround Strategy projects are change initiatives by nature. The main deliverables within the Change Management Strategy are as follows:

- The Department introduces and manages changes through different platforms and different means of communication. The Communication Strategy encapsulates change management as one of its key elements. Going forward, the Department will co-ordinate all change management interventions through various fora such as the Staff Assembly meeting, Management Committee (Manco), Executive

Management Committee (EXCO), Minister engagements, DSBDBlitz and other medium of communication. Creating a platform for Executive Management to engage, communicate and become transformation leaders, as well as an appropriate communication strategy. In this regard, the Department will facilitate Service Excellence Orientation culture change workshops to enable the adoption of the culture in the working environment.

- Ensures that each and every employee, regardless of his or her level, takes ownership of the change and that change be embedded in what they do on a daily basis. It provides the tools and techniques of what to do differently, when executing their duties in line with the new vision of the Department and what it means to be and practice customer centric. The Department will therefore prepare individuals to work according to the new processes, where new business processes are designed. This will further enable the successful adoption of the new systems when these actions are implemented.
- Change Management in the Department will be driven and owned / sponsored by not only the leadership (ADG and Exco) but is a responsibility of all Senior Management Service (SMS) as well - this in line with the CMC for Change Management.

### **Internal policies, processes and systems**

Various internal policies, processes and system improvements have been identified to improve the Department's performance and better manage its functions. Having formalised processes and procedures will increase efficiencies by ensuring that the Department is able to do more in less time. Having formal internal policies, processes and procedures in place will minimise the time spent overseeing the day-to-day running of the business. This will also improve the consistency of services delivery by the Department. The following processes, systems and internal policies will be developed and implemented over the MTEF:

### **Departmental APP Reporting Dashboard tool**

The Department will implement an online APP reporting Dashboard Tool which is a comprehensive, integrated quality solution for organisational performance management. The tool will be used to automate performance information for virtual reporting, monitoring and evaluation of information. The tool will enable the Department to not



only streamline its performance information, but also mainstream the management of performance information in line with legislative prescripts and related frameworks.

The solution provides integrated reporting from different source systems to effectively manage performance information. Once fully implemented throughout the Department, the solution will improve organisational effectiveness; create a central location to monitor the performance through reports and analysis of the data, perform various calculation, and drill down into detailed information to make well informed and insightful business decisions. It will also help to articulate strategy, set objectives, monitor performance and perform group analysis to support the Department's overall strategy.

Going forward, the tool will also include a functionality that will provide accurate, timely and fact-based risk management information to key stakeholders to facilitate decision-making and embed risk management in all operations, in accordance with the methodologies and best practices set by the Department.

#### **Implementation of the eDisclosure Framework**

In terms of the Public Sector Regulations (PSR) all SMS employees, Middle Management Service (MMS), certain Occupational Specific Dispensation (OSD) employees, and employees in Finance and Supply Chain are required to disclose their financial interest via the eDisclosure system. To further strengthen governance within the Department, officials in the BBDSP and CIS incentive schemes were also included within the eDisclosure framework. Furthermore, all departmental employees are required by law, and in terms of the departmental policy, to obtain approval from the Accounting Officer prior to conducting other remunerative work outside of the public service on an annual basis. The Department further requires the disclosures of interests at all meetings.

The Framework seeks to strengthen the processes for financial disclosure and interests of all applicable officials within the Department to manage conflicts of interests. By ensuring accurate disclosures, the Department will be able to demonstrate the integrity of its procurement processes by managing potential conflict of interests and collusion. The Framework identifies the officials who are required to comply with disclosure requirements, the requirements of disclosing and the timeframes for disclosure. It also provides the disclosure processes that officials need to follow in disclosing their private interests. Clear guidelines are provided for officials to declare gifts and donations received from service providers. In addition, the Framework outlines the processes to be followed when an official performs remunerative work outside the public services.

#### **The status of the institution regarding compliance with the BBBEE Act**

The Department is currently undergoing the BBBEE verification process. This is the first time that the verification is being undertaken. It has been a very steep learning curve for the Department and has highlighted areas that needs to be streamlined in order for this process to be streamlined. The BBBEE grading that will be used as a baseline against which the Department will measure its improvement in the next five years.

#### **Strategic Planning, Monitoring and Reporting Framework**

The Department will develop and implement the Strategic Planning, Monitoring and Reporting Framework and Standard Operating Procedure (SOP). The framework and SOP will outline the details of the Planning, Monitoring, Evaluation, Implementation and Reporting cycle at the Department, linking long-term planning with medium and short-term.

The framework will also be a tool of the Department to bring about and guide integrated Planning, Monitoring, Evaluation, Implementation and Reporting across programmes/Branches and its entities. It will set out a generic process for the medium and short-term Planning, Monitoring, Evaluation, Budgeting, Implementation and Reporting process. Furthermore, it is aimed at coordinating the performance and financial information reporting requirement of the Public Finance Management Act (PFMA), National Treasury Regulations, Department of Planning, Monitoring and Evaluation (DPME), Public Service Regulations, and Auditor General of South Africa (AGSA) and take the King IV report into account.

#### **Implementation of the Communication Strategy**

Through the implementation of the Departmental Communication Strategy, the Department aims to keep its internal and external stakeholders informed of programmes and projects executed by the Department. It also aims to correct any negative perceptions about the Department through editorial letters, advertorials, outdoor advertisement, public engagement programmes and media engagements. The Department will review its communication implementation plan to better support Public Participation Programmes, targeted media engagements and editorial pieces to improve the profile of the Department and ensure that the policy agenda is effectively communicated. The Communication Strategy itself will also be reviewed to ensure that the Department and its entities have a footprint in all service delivery areas to realise its gains and for its entities, to report in a proactive manner.

## Skills Development in the Department

The MTSF has placed the expectation of developing a skilled workforce. The Department has a function that is expected to assist the department to better respond to the expectation of the MTSF by creating the necessary capacity. Address skills development in a manner that accelerates the advancement of black people, women and designated groups with particular emphasis on internships, as well as technical and management training. The function will galvanise efforts toward capacity building of critical and scarce skills in the department. This will ensure central coordination of capacity building interventions, therefore ensuring the accelerated creation of technical skills that will support the delivery of the Department mandate.

Currently, the Department has launched an online survey to track the available skills within the department. The in-depth verification of information and analysis outcomes indicate that the department has the most critical and scarce skill seem to be available within the organisation. Current developmental initiatives are aligned to training request/ requirements; however, more emphasis will be placed on technical training. During 2014-24 MTSF period, the Department will continue to conduct an in-depth analysis to address the shortage of skills and develop interventions to address identified gaps.

## The oversight of Public Entities

The Small Enterprise Development Agency (seda) and the Small Enterprise Finance Agency (sefa), reports to the Department. The Department is therefore responsible to provide leadership to these entities as it pertains to political, strategic, administrative, financial, ethical and legal aspects. The oversight role exercised by the Department over public entities entails reviewing and monitoring quarterly performance reports in line with the set strategy, evaluating board or council effectiveness and ensuring adherence to legislative prescripts. The Agencies serve as an extension of and assist the DSBD in delivering its mandate: The Small Enterprise Development Agency (seda) and the Small Enterprise Finance Agency (sefa), responsible for non-financial and financial support services, respectively. Cabinet took a decision to consolidate entities (seda, sefa and NEF) to ensure delivery of integrated business development service to small businesses and this will be implemented during this current term of the sixth administration.

In order to achieve a collective vision and mission, it is necessary to define the respective roles and functions of the DSBD and its entities, and to delineate the role

of the Department as overall custodian, of small enterprises and that of the entities as implementing agents. This appreciation of roles and functions will in turn inform the informed the realisation of the Impact statements and Outcomes discussed later.

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

Role of National Department (DSBD)	Role of DSBD Entities (seda, sefa)
<p>Provide <b>DIRECTION and LEADERSHIP</b> to the small business and co-operatives sector broadly and across all three spheres of government:</p> <ul style="list-style-type: none"> <li>▪ Articulate and communicate a compelling small business development agenda.</li> <li>▪ Coordinate the enhanced integration of SMMEs and co-operatives into the economy (mainstreaming).</li> <li>▪ Lead evidence based legislative and regulatory review and refinement.</li> <li>▪ Strengthen MINMEC and Technical MINMEC.</li> <li>▪ Strengthen Inter Departmental Forum – towards an Integrated Planning Framework for joint indicators and targets.</li> <li>▪ Establish policy mechanisms and frameworks for others to follow.</li> <li>▪ Develop and enforce guidelines and sectoral indicators to promote coherence.</li> <li>▪ Define an approach to influence District based development model.</li> </ul> <p><b>OVERSIGHT and GOVERNANCE</b> of entities:</p> <ul style="list-style-type: none"> <li>▪ Ensure oversight and good governance of boards and institutions.</li> <li>▪ Strengthen integrated planning and streamlined reporting.</li> </ul>	<p><b>IMPLEMENT</b> the <b>DELEGATED MANDATE</b> from DSBD:</p> <ul style="list-style-type: none"> <li>▪ Deliver on roles and functions as outlined in Shareholder Compact.</li> <li>▪ Ensure alignment of strategy, budget and implementation programmes.</li> <li>▪ Ensure sound governance and effectiveness of delegated functions.</li> </ul> <p>Develop and roll out <b>IMPLEMENTATION LEVEL POLICY</b> and <b>PROTOCOLS</b>:</p> <ul style="list-style-type: none"> <li>▪ Develop implementation level policy and protocols.</li> </ul>

Role of National Department (DSBD)	Role of DSBD Entities (seda, sefa)
<p><b>RESEARCH, MONITORING and EVALUATION</b> of the impact of investments made in small business development and its contribution to economic growth and job creation, so as to inform evidence-based decision making:</p> <ul style="list-style-type: none"> <li>▪ Institutionalise implementation of the Small Business Act – conduct impact assessments of regulations on SB sector.</li> <li>▪ Identify lucrative opportunities and design high level policy interventions.</li> <li>▪ Provide intellectual leadership to the sector and more broadly - guidance in terms of trends and indicators in the sector.</li> <li>▪ Package research to inform decisions on location and spread of services and service points.</li> <li>▪ Monitor and evaluate the impact of government support in the whole sector.</li> <li>▪ Identify, package and communicate best practices that might be further modelled – share learning.</li> </ul> <p><b>DEVELOP and IMPLEMENT SECTOR WIDE DATABASES and M&amp;E TOOLS:</b></p> <ul style="list-style-type: none"> <li>▪ Ensure instruments and mechanisms are structured to be responsive, agile and adaptable.</li> </ul>	<p><b>PROGRAMME LEVEL RESEARCH</b> that informs <b>TARGETED PROGRAMME DESIGN and PACKAGING</b>, which supports a holistic sector view:</p> <ul style="list-style-type: none"> <li>▪ Programme specific research and intelligence.</li> <li>▪ Targeted programme design and development.</li> <li>▪ Implementation level programme design and packaging/development.</li> </ul> <p><b>MONITORING and EVALUATION AT PROGRAMME IMPLEMENTATION LEVEL</b>, to inform refinements to programmes:</p> <ul style="list-style-type: none"> <li>▪ Monitor and report on programme implementation.</li> <li>▪ Assess the impact and ongoing relevance of programmes.</li> </ul>

Role of National Department (DSBD)	Role of DSBD Entities (seda, sefa)
<p><b>PLAN, COORDINATE and MOBILISE RESOURCES</b> for the implementation and delivery of small business and co-operatives development projects, programmes and services:</p> <ul style="list-style-type: none"> <li>▪ Propose policy at high level.</li> <li>▪ Engage partners for the piloting of programmes.</li> <li>▪ Coordinate implementation of programmes to support consistency.</li> <li>▪ Ensure coordinated systems and mechanisms to promote linkages and upliftment of SMMEs/co-operatives (resources and tools to link SMMEs to markets – databases/systems).</li> <li>▪ Identify mechanisms to tap into resources available in the small business space (public and private sector).</li> </ul>	<p><b>IMPLEMENTATION of WELL CONCEPTUALISED AND TARGETED PROGRAMMES</b>, aligned to overall sector policy stance and sectoral indicators:</p> <ul style="list-style-type: none"> <li>▪ Adhere to and comply with National policy and standards for programme implementation.</li> <li>▪ Implement sectoral programmes and interventions.</li> <li>▪ Ensure effective and efficient implementation of programmes and services.</li> <li>▪ Streamline and simplify processes and ensure increased access to services and online services.</li> </ul>

Role of National Department (DSBD)	Role of DSBD Entities (seda, sefa)
<p>Strengthen <b>ACCOUNTABILITY, PARTNERSHIPS and COMMUNICATION</b> with sector stakeholders, communities and key role-players in the sector, both nationally and internationally:</p> <ul style="list-style-type: none"> <li>Enhance stakeholder consultation and engagement to inform the responsiveness and ensure the relevance of the agenda and programmes.</li> <li>Support and enable the Executive Authority, and ensure alignment and delivery against mandate, priorities and commitments.</li> <li>Secure Transversal Agreements with departments and other stakeholders - to influence, mobilise and monitor the application of available resources for SMME and Co-operatives development.</li> <li>Lead and strengthen IGR mechanisms and fora – improve coordination with national departments, agencies, provinces and municipalities.</li> </ul>	<p>Ensure a <b>COORDINATED REGIONAL/ PROVINCIAL PRESENCE TO SUPPORT IMPLEMENTATION:</b></p> <ul style="list-style-type: none"> <li>Strengthen the governance arrangement between National agencies and the provincial offices – align a clear view on roles and integrated functions.</li> <li>Strengthen engagement with local sphere where implementation occurs.</li> </ul> <p><b>PARTNERSHIPS and COMMUNICATION</b> in support of delivery mandate.</p>

It is noted that this delineation of roles and functions will require adjustment to the DSBD Budget Programme structure and organisational design, to ensure that Programme 1 will be focused on DSBD administration. And other programmes will be defined based on the deliverable Model which include, Sector and Markets Development, Enterprise Development and Development Finance.

In turn, the entities must ensure that they are appropriately aligned and orientated towards targeted programme implementation that is fully responsive to the MTSF and the policy stance and priorities of the sixth Administration defined by the Government. This must include greater synergy and coherence, and a stronger interface between the entities.

### Capacity of the Department to deliver on the mandate

During the 2019/20 Planning cycle, the organisational structure and capacity requirements of the Department was found to be inadequate to deliver on the mandate. In order to effectively deliver on the new priorities of the 6th Administration priorities, as alluded above, the Department has developed a Business Delivery Model to enhance the value of its services. The Delivery Model will require an organisational structure of the Department to be refined. The latter process is aimed at streamlining the process and strengthen support in the delivery of services and in particular closing gaps in critical areas such as Development Finance and Economic Modelling in parallel. Furthermore, focus will also be at re-skilling staff in other important roles like Monitoring and Evaluation amongst the other.

Furthermore, the October 2019 Medium Term Budget Policy Statement highlighted that the Government Departments are spending more than they are allocated. The Department, as with all government departments in general, is working diligently on achieving more with less to ensure that there is no compromise on delivery in its core mandate.

The Department budget to implement its mandate in a nutshell, is expected to increase at an average annual rate of 4.5 per cent, from R2.4 billion in 2020/21 to R2.7 billion by 2022/23. This is anchored on providing support to SMMEs through the blended finance and Township Entrepreneurship Fund which will increase by R200 million between 2020/21 and year 2021/22 and it will remain the same in year 2022/23 at R1 billion. The bulk of the Department's spending over the medium-term is on transfers and subsidies mainly to the seda amounting to R2.8 billion and sefa for the Township Entrepreneurship Fund worth R2.8 billion, as well as the internally administered incentives amounting to R1.5 billion.

### 4.4. Performance Environment

The Department continues to demonstrate improvement in its financial and compliance audits which is evident in the Annual Report for the 2018/19 financial year. The Department managed to obtain an unqualified audit opinion consecutively, for the fourth year. The performance with regards to compliance with the PFMA's section 38(1)(f) of the PFMA, 1999 for the processing of payments within 30 days, has improved vividly, the Department managed to process 12 401 invoices to eligible creditors amounting to R75 390 787.71 and 1 496 incentives

payments amounting to R357 418 146.97 at an average of 10 days of receipt. None were paid after 30 days of receipt. In 2020/21 financial, the Department will continue to strive for full compliance regarding the processing of payments within 30 days, by maintaining the baseline target of valid creditors paid in under 20 days.

While improvements were reported across the Department, challenges were still experienced with the compiling of various policies and pieces of legislation and the management of performance information.

Taking cognisance of these audit outcomes and progress made by the Department towards its 5-year outcomes, the strategic interventions, explained below, have been identified as the most significant areas requiring a response from the Department:

#### **Departmental Information Communication Technology System Projects**

2019-24 MTSF emphasise the importance of modernising business processes in the public sector to ensure effective and efficient service provisioning to our people. The Department Information Communication Technology (ICT) system projects are defined in the Department ICT plan that was developed and implemented during the 2018/19 financial year, however, the projects were discontinued and deferred to the new financial year for implementation. The ICT system projects were carried over into the new financial year, as the Department was not affected by the reorganisation of the State. The Department developed and is in the process of implementing the SMME Database which will be rolled in 2020/21.

#### **The National Small Enterprise Act**

The Department has experienced delays in the finalisation of key policies, most significantly, the amendment of the National Small Enterprise Act. The Department was supposed to finalise the legislative process during the 2018/19 financial year, however, the stakeholder engagements and the development of policy positions which will inform the amendment to the Act (such as Alternative Dispute Resolution and the Institutional arrangements) is underway. These additional areas will inform the amendments of the Bill. During the MTSF period, the department will undertake comprehensive amendments to the Act and implement and monitor the National Small Enterprise Act. Key areas that will be covered in the amendment bill will amongst others include the establishment of the Ombud Office and Unfair business to business practices.

#### **Bi-annual analysis of Government Wide Procurement Trend**

Bi-annual analysis of Government Wide Procurement Trend was conducted for 8 months. The Trend Analysis for December 2018 to March 2019 was not conducted. This was due to the lack of data given that the service provider contracted to National Treasury ended in November 2018. The department has developed outcome indicator mechanisms to assess the percentage of government department and entities complying with the 30% procurement directive.

#### **Framework of standards for professionalisation of business Advisory services**

The Department did not manage to develop a draft framework of standards for professionalisation of business advisory services. Stakeholders agreed that there is a need to generate a Discussion Paper to document the status quo, options, processes and role players and to justify need for Business Advisory Services, identify legislations relevant to the Business Advisory Services, Services Standards Framework for South Africa.

The following controls will be put in place to ensure that the Business Advisory Standard is finalised:

- A multi-stakeholder Working Group comprising seda, sefa, DSBD, European Union & Services seta is meeting on a monthly basis to monitor the project (Processes leading to the development of the Standard for Business Advisory Services) performance
- Currently DSBD, seda and EU are in the process of developing a project plan or roadmap with clear timeframes and milestones to ensure that the project is completed within the 2019/20 financial year

#### **DSBD Performance Considerations**

#### **Summary of the Key Priorities Informing the 2020/21 Annual Performance Plan and 2020-25 Strategic Plan**

Based on the above, the key priority/ focus areas informing the balanced strategy framework of the DSBD have been identified and incorporated into the plan.

- a. Finalisation and implementation of the Township Entrepreneurship Fund



- b. Establishment of Fund of Funds in partnership with the private sector
- c. Review and implement Credit Guarantee Scheme
- d. Finalise and implement the SMME Funding Policy
- e. Finalise amendments to the National Small Enterprise Act to deal mainly with the establishment of the SME Ombud Office, regulations/licensing of businesses owned by foreign nationals and unfair business to business practices
- f. Implement National Incubation Policy and Incubation Standards
- g. Accelerate establishment of incubators and digital hubs in the townships and rural areas

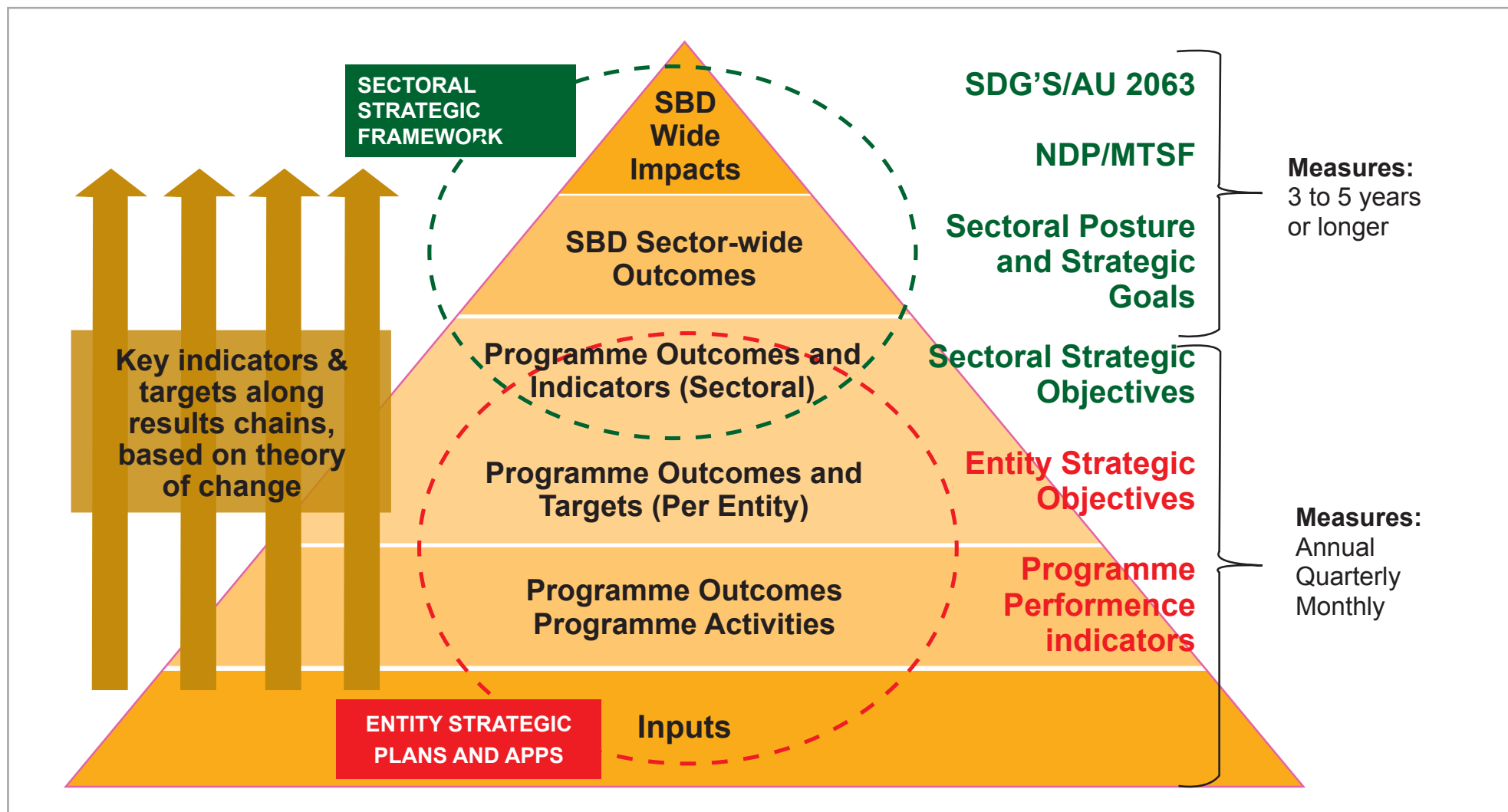
As part of the department's contribution to the MTSF priority 2: Economic Transformation and Job creation the department is expected to deliver on the following:

- **Grow small business contribution to GDP from 35% to 50% by 2024.** To achieve this target, the Department's plans are to upscale support to SMMEs and Co-operatives through the provision of blended finance instruments, the establishment of the Incubation centres and Digital Hubs just to mention but a few; include the MTSF priorities.
- **Percentage share on government spend increased for local firms;** the Department will monitor the implementation of government policy on the 30% public procurement programme for small businesses and work towards developing a monitoring tool and trend analysis to track performance and compliance. Monitoring of the 30 days' payments is also in place and in the period under review. The Department together with the Small Enterprise Development Agency (seda) will revive the SMME payment hotline based on the outcomes from the trends analysis reports measures to ensure that compliance and enforcement will be explored through the issuing of applicable Regulation/s under the National Small Enterprise Act (No. 102 of 1996) as amended.

- **Facilitate the increase in small businesses in historically concentrated economic sectors (township economies and rural development);** the department will work with key department such the Department of Trade Industry and Competition (the dtic) and the Competition Commission to open up entry for SMMEs in historically concentrated economic sectors. Consultative engagements with Sector Specific Captains of Industries and Business Associations will be undertaken to assess the effect and impact of legislation inhibiting the growth and sustainability of SMMEs key priority sectors such as agro-processing, gas and chemicals, tourism, automotive, steel, ICT & software and well as creative industries, etc.
- **Minimum 40% Target for women, 30% for Youth and 7% for PWDs:** The Department will develop, implement, support and monitor programmes for equitable job creation, representation and ownership by women, youth and persons with disabilities.

#### 4.5. Description of the Strategic Planning Process

Based on the Theory of Change logic model and the key performance information concepts underpinning government's approach to strategic planning in South Africa, the following model was conceptualised to guide the development of the portfolio level strategic framework, through which DSBD, Seda and sefa are able to find alignment to a common results chain.





The focus of this Portfolio Strategic Framework is on the green highlighted areas, reflecting:

1. At the Apex, the level of impact, an alignment of the small business development portfolio to the long-range impacts of national and international policy frameworks, including, the recently adopted UN Sustainability Development Goals, the AU 2063 Agenda, the National Development Plan (2012) and aligned 2014-2019 MTSF.
2. The impact of the work of the small business development portfolio is reflected by a common Vision, Mission and Values for adoption by the three key portfolio role-players.
3. At the outcome/sectoral posture level, a set of outcome-oriented strategic goals for adoption by the portfolio role-players. The goals articulate what the portfolio intends to achieve over the period to 2030, with each role-player contributing based on its core mandate/ focus. As a joined-up portfolio, the aligned individual contributions, cumulatively, are aimed at the portfolio progressing towards its Vision and Mission.
4. The level below outcomes – outputs – are then the specific products and services (stated as strategic objectives) of the portfolio, supported by a set of sectoral indicators for adoption by all role-players. The combined contribution of the portfolio role-players to these indicators are aimed at achieving the strategic goals (outcomes).
5. The sections highlighted in red are the strategic plans and annual performance plans of the individual entities making up the portfolio, fully aligned to the portfolio strategic framework discussed above.

The process towards the development of the Department of Small Business Development 2020-25 Strategic Plan and 2021 Annual Performance Plan, entailed:

1. New Operational Model developed for DSBD (26 June 2019);
2. DSBD Sixth Administration priorities consultations through engagement with the Minister;
3. EXCO presentation on the new DPME Framework for Strategic Planning and Annual Performance Plans and planning going forward in the Department;
4. Consultation workshops with Departmental Branches on the Framework for Strategic Planning and Annual Performance Plans (2 – 7 October 2019);
5. Pre-Strategic Planning session with Departmental Branches in preparation of

the main Departmental Strategic Planning Session (2 – 7 October 2019);

6. One-day Departmental Strategic Planning Session (10 October 2019) with DSBD Branche's senior managers;
7. Consolidation of inputs to the Draft 2020-25 Strategic Plan and 2020/21 Annual Performance Plan;
8. Post Strategic planning sessions with Departmental Branches (21 -23 October 2019);
9. Consolidation of the first Draft 2020-25 Strategic Plan and 2020/21 Annual Performance Plan;
10. The Draft were signed by DG and submitted to DPME for assessment on 31 October 2019;
11. The drafts were presented to the Extended EXCO on the 10 December 2019 and inputs were consolidated and on the 19 December 2019, the draft was deliberated at EXCO for finalisation.
12. 1-day Portfolio Strategic Planning Sessions with its Entities being Seda and sefa for the review of both documents on the 24 January 2020;
13. On the 31 January 2020, the Department receives the feedback from DPME;
14. Department attended the feedback session on the Drafts Plans and Performance Dialogue;
15. The draft 2020-25 Strategic Plan and 2020/21 Annual Performance Plan updated based on the feedback from DPME and Auditor-General South Africa;
16. Special Exco meeting for the finalisation of the drafts 2020-25 Strategic Plan and 2020/21 Annual Performance Plan (10 February 2020) for Minister approval;
17. Auditor-General South Africa review the documents and was updated accordingly;
18. Draft 2020-25 Strategic Plan and 2020/21 Annual Performance Plan presented to Technical and Extended MINMEC on 12 and 19 March 2020 respectively; and
19. On the 27 February drafts 2020-25 Strategic Plan and 2020/21 Annual Performance Plan were submitted to Minister for consideration and approval before tabling in Parliament end of March 2020.

#### 4.6. 2019-24 MTSF Priorities

##### Alignment of Department's 2020-25 Strategic Plan/ 2020-21 Annual Performance Plan with the NDP and 2019-24 MTSF

The DSBD has aligned its 2020-25 Strategic Plan outcomes towards the achievement of the NDP's five-year Implementation Plan, the Monitoring Framework for the NDP five-year Implementation Plan that directly and indirectly affects it, as follows:

##### 4.6.1. Direct Links to the 2019-24 MTSF Priority

Departmental Impact Statement	Department Outcomes	2019-24 MTSF Targets Priority		DSBD Programme
		Linkages to the NDP five-Year Implementation Plan	Linkages to the Monitoring Framework for the NDP five Year Implementation Plan	
Sustainable SMMEs and Co-operatives contributing meaningfully to the economy.	1. Increased participation of SMMEs and Co-operatives in domestic and international markets.	Localisation policy paper on SMMEs development and adopted by 2021.		<b>Programme:</b> Sector and Markets Development.
	2. Increased contribution of the Creative Industries Sector to GDP.	• All master plans developed by end of 2021 (Creative Industries Masterplans).		
	3. Increased contribution of SMMEs and Co-operatives in Priority Sectors.	• Minimum 40% target for Women, 30% for Youth and 7% for persons with disabilities.		
	4. Scaled-Up and coordinated support for SMMEs, Co-operatives, Village and Township economies.	270 incubation centres/digital hubs in townships and rural areas established.		<b>Programme:</b> Enterprise Development.
	5. Designed and implemented responsive targeted financial and non-support programmes to new and existing SMMEs and Co-operatives.	• 100 000 start-up youth business per annum. • Minimum targets as defined for women, youth and persons with disabilities.		
	6. Expanded access to finance for SMMEs and Co-operatives through innovative service offerings.	• At least 50% of national and provincial DFI financing to SMMEs and Co-operatives.  • 200 000 competitive small business and Co-operatives supported by 2024.		<b>Programme:</b> Development Finance.

#### 4.6.2. Indirect links to the 2019-24 MTSF Priority

In addition to the national outcomes mentioned above, the Department indirectly contributes to the following Government priorities in the MTSF as indicated in the table below:

MTSF outcome	MTSF Interventions	DSBD Description
1. Sustainable Land Reform.	Land acquired for redistribution, restitution and tenure reform. Land reform projects provided with post settlement support.	<ul style="list-style-type: none"> <li>The Department, through the sefa to provide financial support for the SMMEs and Co-operatives in the Agricultural Sector. The Department, through seda to provide business development supports.</li> </ul>
2. Agrarian Transformation and Effective regulatory framework of agricultural produce and exports.	Livestock handling and auction facilities mapped and established. <ul style="list-style-type: none"> <li>Commodity organisations provide technical support.</li> <li>NAMC to provide Marketing and Advisory services.</li> <li>ARC to provide Research and advisory services.</li> <li>Land Bank and other financial institutions to provide production loans and other financial services.</li> </ul>	
	Agri-hubs and agro-processing facilities established.	
	Migrate cultivation of land to conservation agriculture methods.	
	Review the inhibit standards on SAGAP and Global GAP to enable small holder farmers' participation in the domestic and global GAP. Governance and operational Review of the National Fresh Produce Markets, and Agency role in market access for small farm holders' participation.	
3. Improved governance and accountability.	Strengthen the governance system of SOEs.	<ul style="list-style-type: none"> <li>The Department will strengthen shareholder compact with its entities to improve governance systems and align it with the sixth Administration priorities. To date, the Accounting Officer, CEO's and senior management engage quarterly - prior to and after the performance reporting to the Portfolio Committee. Decisions and resolutions arising from these engagements are monitored to ensure their implementation.</li> </ul>
4. Functional, Efficient and Integrated Government.	Modernise business processes in the public sector.	<ul style="list-style-type: none"> <li>The Department will modernise its business processes by developing the SMME Database to ensure effective and efficient service provisioning.</li> </ul>
	Improve coordination between national, provincial and local government for an integrated approach to service delivery.	<ul style="list-style-type: none"> <li>The Department through its Coordination Structure will revolutionise the way the department together with its entities interact with local and provincial governments. The department will act towards improving the coherence, efficiency and effectiveness in the implementation of its programmes.</li> </ul>
5. Investing for accelerated inclusive growth.	Improve the ease of doing business.	<ul style="list-style-type: none"> <li>The Department through regulatory reforms and interventions will improve Ease of Doing Business Ratings in the targeted local government authorities.</li> </ul>

MTSF outcome	MTSF Interventions	DSBD Description
6. Menstrual health and hygiene management for all women and girls achieved.	Provide sanitary towels to indigent girls and women in schools (quintile 1, 2 and 3; farm schools and special schools) and TVET colleges and public universities.	<ul style="list-style-type: none"> <li>The Department through its programmes will prioritise the development of the opportunities for women with a minimum of 40% target and girls (youth) with a minimum of the 30% target.</li> </ul>



## PART C:

### MEASURING OUR PERFORMANCE

## 5. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

### 5.1. Programme 1: Administration

**Purpose:** To provide strategic leadership, management and support services to the Department.

### 5.2. Sub-programme and Sub-Purpose:

- **Ministry** – to provide for administrative and logistical support to the Minister and Deputy Minister, as well as support staff and make provision for their salaries;
- **Departmental Management (Office of the DG)** – to provide strategic leadership, management and support services to the Director General and the Department;
- **Corporate Services** – to provide enterprise-wide support services comprising of human resources, legal services, learning and development and transformation policy and coordination;
- **Financial Management** – To provide strategic leadership and advice on supply chain, financial and asset management related services to the department; and
- **Communications and Marketing** – to provide coherent, communications, marketing and stakeholder management support to the Department and its agencies.

### 5.3. Outcomes, Outputs, Output Indicators and Targets

Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1. Improved Governance and Compliance.	AGSA audit report.	Unqualified audit outcome for both financial and non-financial data maintained.	Unqualified audit outcome for the 2015/16 financial year.	Annual target achieved: DSBD received an unqualified audit opinion by AGSA for the 2016/17 financial year, with only 1 correction to the prior year.	Target Achieved: Unqualified audit outcome for both financial and non-financial performance data for 2017/18.	Unqualified audit outcome for both financial and non-financial performance data for 2018/19.	Unqualified audit outcome for both financial and non-financial data for 2019/20.	Unqualified audit outcome for both financial and non-financial data for 2020/21.	Unqualified audit outcome for both financial and non-financial data for 2021/22.
	Payment register.	% of valid creditors paid in under 20 days on average.	98% of payments to eligible creditors processed within 30 days.	100% of valid creditors paid in under 20 average days.	Target Achieved: 100% payment to eligible creditors were processed within 30 days.	100% of valid creditors paid in under 20 average days.	100% of valid creditors paid in under 20 days on average.	100% of valid creditors paid in under 20 days on average.	100% of valid creditors paid in under 20 days on average.



Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Expenditure Report.	% expenditure on cash flow projections.	<5% variance on annual budget.	Annual Target Achieved: DSBD spent R1.4 billion of the projected R1.4 billion, resulting in a variance of R16.3 million (1.1%).	Target Achieved: 4.6 DSBD spent R1.420 billion of R1.488 billion with a variance of R69 million.	<5% variance on annual budget.	<5% expenditure on cash flow projections.	<5% expenditure on cash flow projections.	<5% expenditure on cash flow projections.
	90% filled posts.	Percentage vacancy rate in funded posts.	9.8% vacancy rate achieved.	Annual target not achieved: 11,9% Vacancy rate achieved.	Target Achieved: 7,7% vacancy rate in funded posts.	< 10% Vacancy rate in funded posts.	< 10% vacancy rate in funded posts	<10% vacancy rate in funded posts.	<10% vacancy rate in funded posts.
	50% women in SMS employed.	Percentage of female SMS representation.	53.5% of women in SMS employed in the Department.	Annual Target Exceeded: 51,3% of female SMS.	Target Achieved: 53,8% of female SMS representation.	50% of women SMS representation.	≥ 50% of female SMS representation.	≥ 50% of female SMS representation.	≥ 50% of female SMS representation.
	7% representation of PWDs.	Percentage representation of PWDs.	2.5% of people with disability employed in the Department.	Annual Target Exceeded: 2,8% PWD employed.	Target Achieved: 3,1% people with disabilities employed.	≥2% of PWD employed	7% representation of PWDs.	7% representation of PWDs.	7% representation of PWDs.
	Launch and implement DSBD and its Agency(ies) programme in Municipalities.	Number of District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.	N/A	25 facilitated interactions that deliver meaningful engagements with communities and the public.	Target Achieved: 39 facilitated interactions that delivered meaningful engagements with communities and the public were held.	25 facilitated interactions that delivered meaningful engagements with communities and the public.	23 District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.	23 District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.	23 District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.

Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
2. Improved integrated and streamlined business processes and systems.	Modernised SMME Database.	SMME Database – Primary Government Departments and Agency integrated data produced.	Revised DSBD ICT Plan approved by Exco.	Annual Target partially achieve: DSBD managed to approve systems specifications and define roadmap.	2 ICT system projects defined in the DSBD ICT Plan Implemented.	Phase 1 - SMME Database Implemented • Informal Business Portal Designed and Implemented.	Phase 2: SMME Database - Primary Government Departments and Agency integrated data implemented.	SMME Database & Implemented.	Optimisation – New value add services implemented.

#### 5.4. Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target 2020/21	Quarterly Targets			
		Q1	Q2	Q3	Q4
Unqualified audit outcome for both financial and non-financial data maintained.	Unqualified audit outcome for both financial and non-financial data for 2019/20.	N/A	N/A	Unqualified audit outcome for both financial and non-financial data for 2019/20.	N/A
% of valid creditors paid in under 20 days on average.	100% of valid creditors paid in under 20 days on average.	100% of valid creditors paid in under 20 days on average.	100% of valid creditors paid in under 20 days on average.	100% of valid creditors paid in under 20 days on average.	100% of valid creditors paid in under 20 days on average.
% expenditure on cash flow projections.	<5% expenditure on cash flow projections.	<5% expenditure on annual budget expenditure on cash flow projections.	<5% expenditure on cash flow projections.	<5% expenditure on annual budget expenditure on cash flow projections.	<5% expenditure on cash flow projections.
Percentage vacancy rate in funded posts.	<10% vacancy rate in funded posts.	<10%	<10%	<10%	<10%
Percentage of female SMS representation.	≥ 50% of female SMS representation.	≥ 50%	≥ 50%	≥ 50%	≥ 50%
Percentage representation of PWDs.	7% representation of PWDs	3%	4%	5.5%	7%
Number of District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.	23 District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.	6 District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.	6 District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.	5 District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.	6 District Municipal initiatives to launch and implement programmes of the DSBD and its Agencies.

Output Indicator	Annual Target 2020/21	Quarterly Targets			
		Q1	Q2	Q3	Q4
SMME Database - Primary Government Departments and Agency data integrated produced.	Phase 2: SMME Database - Primary Government Departments and Agency integrated data implemented.	Approved systems specification and roadmap defined for Phase 2.	Specification workshops conducted with departments and agencies.  Specifications approved and ToR defined.	Functional Design and Specifications approved and ready for development.	Phase 2: SMME Database - Primary Government Departments and Agency integrated data implemented.

### 5.5. Explanation of planned performance over the medium-term period

The Department over the medium-term period through its support programme will undertake various initiatives to strengthen governance and compliance. This will ensure that medium-term outcomes of having sustainable SMMEs and Co-operatives that contribute meaningfully to the economy resulting in the long-term impact being achieved. Targets like unqualified audit opinion; payment of credit within 20 days on average, less than 5% expenditure report, 90% filled posts, a minimum of 50% women in SMS employed, 2% representation of PWDs, development of an SMMEs and Co-operatives database, etc are all expected to contribute in improving the performance of the department as well as the impact of its interventions. The department will also lead engagements at the municipalities to ensure that entrepreneurs and small businesses are able to access financial and non-financial support even in the marginalised areas.

Ethics Policy and Strategy will be implemented to instil a culture of ethical conduct and assure the Accounting Officer that the operations of the Department are in line with ethical standards. This will ensure effective management of ethics-related functions such as disclosure of financial interests, conducting remunerative work outside the public service, disclosure of gifts and donations etc. and consequently, reduce the prevalence of fraud and corruption in the Department. These functions will be funded through the Administration Programme, which has an allocation of R409 million over the medium-term.

### 5.6. Programme Recourse Considerations

Sub-programme (R'000)	Total MTEF	Projections		
		MTEF		
		2021/22	2021/22	2022/23
Ministry.	81 875	25 802	27 329	28 744
ODG.	56 680	17 852	18 878	19 950
Corporate Services.	185 219	58 199	62 029	64 991
Financial Management.	62 587	19 907	20 887	21 793
Communication and Marketing.	23 013	7 306	7 674	8 033
<b>Total</b>	<b>409 374</b>	<b>129 066</b>	<b>136 797</b>	<b>143 511</b>

## 5.7. Updated Key Risks

Outcome	Key Risk	Risk Mitigation
1. Improved Governance and Compliance.	1.1. Non-compliance with legislative prescripts.	1.1.1. Compile the Compliance Universe register. 1.1.2. Implement, Monitor, Correct and Report. 1.1.3. Consequence management.
	1.2. Dependency on service providers.	1.2.1. Strengthen and monitor service level agreements with service providers.
	1.3. Internal capacity.	1.3.1. Employ additional resources to manage outcomes.

## 5.8. Programme 2: Sector and Market development

### Purpose:

To facilitate and increase access to markets for SMMEs through business information, product development support and value chain integration.

### 5.9. Sub-Programme and Sub-Purpose:

- **Business Information and Knowledge Management** - To provide evidence based (economic analysis, econometrics, research) business information to direct sector thought leadership.
- **Ease of Doing Business** – To reduce the administrative and regulatory burden of document business for SMMEs.
- **Access to Market Support** – To provide domestic and international market support services to SMMEs.
- **Sector Specific Support** – To support the entry and growth of SMMEs in prioritized and designated sectors of the economy.

## 5.10. Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1. Increased participation of SMMEs and Co-operatives in domestic and international markets.	Annual Trend analysis report on the minimum 30% public procurement spend directive for SMMEs and Co-operatives.	Number of reports on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% Youth and 7% for person with disabilities.	N/A	Annual target partially achieved:  A monitoring framework was developed.	Target not Achieved:  Bi-annual analysis of Government Wide Procurement Trend were not conducted.	Annual Trend analysis report on 30% public procurement spend directive for SMMEs and Co-operatives.	Annual Trend analysis report on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% Youth and 7% for PWDs.	Annual Trend analysis report on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% Youth and 7% for PWDs.	Annual Trend analysis report on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% Youth and 7% for PWDs.
	Increased designated products sourced from and produced by SMMEs and Co-operatives	Number of the designated products sourced from and produced by SMMEs and Co-operatives.	N/A	N/A	N/A	N/A	1000 of the designated products sourced from and produced by SMMEs and Co-operatives.	1000 of the designated products sourced from and produced by SMMEs and Co-operatives.	1000 of the designated products sourced from and produced by SMMEs and Co-operatives.
	Approved Localisation policy paper on SMMEs development.	Localisation policy paper on SMMEs development produced.	N/A	N/A	N/A	N/A	Localisation policy paper on SMMEs development approved.	Localisation policy paper on SMMEs development Implemented.	Localisation policy paper on SMMEs development Implemented.
	Provisions made in accords and interventions for SMMEs implemented.	Produced National Accord to drive the development of Small Business Mandate.	N/A	N/A	Draft National Accord to drive the Small Business Mandate.	Consultation with key stakeholders on the Draft Accord conducted.	National Accord to drive the development of Small Business Mandate finalised and submitted to Minister.	Implementation of the National Accord to drive the development of Small Business Mandate.	Implementation of the National Accord to drive the development of Small Business Mandate.
	Companies complying with the BBBEE Codes of Good Practice. Sector Codes (procurement and ESD components).	Number of private companies complying with the BBBEE Codes of Good Practice and Sector Codes (procurement and ESD) components).	N/A	N/A	N/A	N/A	75 of private companies complying with the BBBEE Codes of Good Practice and Sector Codes (procurement and ESD components).	75 of private companies complying with the BBBEE Codes of Good Practice and Sector Codes (procurement and ESD components).	75 of private companies complying with the BBBEE Codes of Good Practice and Sector Codes (procurement and ESD components).

Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Product markets for SMMEs and Co-operatives Implemented.	Number of the Product markets for SMMEs and Co-operatives Implemented.	N/A	N/A	N/A	Four (4) Product markets roll out plan for SMMEs and Co-operatives developed.	Five (5) Product markets for SMMEs and Co-operatives Implemented.	Six (6) product markets for SMMEs and Co-operatives Implemented.	Seven (7) product markets for SMMEs and Co-operatives Implemented.
	At least 250 thousand women entrepreneurs connect market by 2023.	Number of women owned businesses registered on SheTradesZA platform.	N/A	N/A	N/A	N/A	25 000 women owned businesses registered on SheTradesZA platform.	75 000 women owned businesses registered on SheTradesZA platform.	150 000 women owned businesses registered on SheTradesZA platform.
		Number of women owned businesses of assisted to access global value chains.	N/A	N/A	N/A	N/A	1200 women owned businesses assisted to access global value chains.	25 000 women owned businesses assisted to access global value chains.	50 000 women owned businesses assisted to access global value chains.
	Increased number of the SMMEs and Co-operatives exposed to international market opportunities.	Number of SMMEs and Co-operatives exposed to international market opportunities.	N/A	N/A	N/A	N/A	500 SMMEs and Co-operatives exposed to international market opportunities.	500 SMMEs and Co-operatives exposed to international market opportunities.	500 SMMEs and Co-operatives exposed to international market opportunities.
2. Increased contribution of the Priority Sector to GDP.	Approved Creative Industries Master Plan.	Creative Industries Master Plan produced.	N/A	N/A	N/A	N/A	Creative Industries Masterplan finalised and submitted to Cabinet for consideration.	Creative Industries Master Plan Implemented and Monitored.	Creative Industries Master Plan Implemented and Monitored.
3. Increased contribution of SMMEs and Co-operatives in Priority Sectors.	Increase in shared national turnover of SMMEs and Co-operatives participating in priority sectors	Number of Quarterly Reports on the participation of SMMEs and Co-operatives in priority sectors.	N/A	N/A	N/A	N/A	Fours (4) Quarterly Reports on the participation of SMMEs and Co-operatives in priority sectors.	Fours (4) Quarterly Reports on the participation of SMMEs and Co-operatives in priority sectors.	Fours (4) Quarterly Reports on the participation of SMMEs and Co-operatives in priority sectors.



Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
4. Reduced regulatory burdens of Small Enterprises.	Registered municipalities attended the ease of doing business awareness.	Number of districts in a province assisted with EODB Pilot Administrative Simplification Programme for SMMEs and Co-operatives Baseline.	N/A	Annual Target Exceeded: 42 municipalities assisted in 12 workshops to roll out small enterprises Red-Tape Reduction Programme.	Twelve (12) municipalities assisted to roll out small enterprises Red-Tape Reduction Programme.	Red-Tape Reduction Awareness Programme rolled out in 16 municipalities.	Five (5) Districts in a province assisted with EODB Pilot Administrative Simplification Programme for SMMEs and Co-operatives - Baseline.	Implementation EODB Programme for five districts.	Best Practises EODB for five districts.

### 5.11. Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target 2020/21	Quarterly Targets			
		Q1	Q2	Q3	Q4
Number of reports on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% Youth and 7% for person with disabilities.	Annual Trend analysis report on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% youth and 7% for PWDs.	Progress report on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% youth and 7% for PWDs.	Progress report on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% youth and 7% for PWDs.	Progress report on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% youth and 7% for PWDs.	Annual Trend analysis report on the minimum of 30% public procurement spend directive on SMMEs and Co-operatives of which a minimum target of 40% women, 30% youth and 7% for PWDs.
Number of the designated products sourced from and produced by SMMEs and Co-operatives.	1000 of the designated products sourced from and produced by SMMEs and Co-operatives.	Identification and analysis of products to be designated for sourcing from SMMEs and Co-operatives.	Conduct engagements with key stakeholders to determine the feasibility of designating products for sourcing from SMMEs and Co-operatives.	Analysis and discussions with the relevant parties i.e. DTIC and NT as per PPPFA directive.	Package 1000 products for designation by relevant authorities.
Localisation policy paper on SMMEs development produced.	Localisation policy paper on SMMEs development approved.	Consultations with stakeholders.	Consultations with stakeholders and a first draft policy paper produced.	Draft policy paper on the localisation paper discussed with stakeholders.	Localisation policy paper on SMMEs development approved.

Output Indicator	Annual Target 2020/21	Quarterly Targets			
		Q1	Q2	Q3	Q4
Produced National Accord to drive the development of Small Business Mandate.	National Accord to drive the development of Small Business Mandate finalised and submitted to Minister.	Consultation with key stakeholders on the Draft Accord conducted.	Consultation with key stakeholders on the Draft Accord conducted.	Draft National Accord with inputs from public and private sector finalised.	National Accord to drive the development of Small Business Mandate finalised and submitted to Minister.
Number of private companies complying with the BBBEE Codes of Good Practice and Sector Codes (procurement and ESD components).	75 of private companies complying with the BBBEE Codes of Good Practice and Sector Codes (procurement and ESD components).	Consultations with stakeholders on determination on identification of 20 of private companies complying with the BBBEE Codes of Good Practice and Sector Codes.	Consultations with the 25 of private companies complying with the BBBEE Codes of Good Practice and Sector Codes.	Consultations with the 25 of private companies complying with the BBBEE Codes of Good Practice and Sector Codes.	Five (5) of private companies complying with the BBBEE Codes of Good Practice and Sector Codes (procurement and ESD components)
Number of product markets for SMMEs and Co-operatives implemented.	Five (5) Product markets for SMMEs and Co-operatives Implemented.	Initiate the process of appointing an implementing agent.	Finalise the appointment of the implementing agent.	Two (2) product markets implemented.	Three (3) product markets implemented.
Number of women owned businesses registered on SheTradesZA platform.	25 000 women owned businesses registered on SheTradesZA platform.	Conceptualise and design the SheTradesZA initiative.	Develop the online platform and registration process to the SheTradesZA initiative.	5000 women owned businesses registered on SheTradesZA platform.	20 000 women owned businesses registered on SheTradesZA platform.
Number women owned businesses of assisted to access global value chains.	1200 women owned businesses assisted to access global value chains.			200 women owned businesses assisted to access global value chains.	1000 women owned businesses assisted to access global value chains.
Number of SMMEs and Co-operatives exposed to international market opportunities.	500 SMMEs and Co-operatives exposed to international market opportunities.	125 SMMEs and Co-operatives exposed to international market opportunities.	125 SMMEs and Co-operatives exposed to international market opportunities.	125 SMMEs and Co-operatives exposed to international market opportunities.	125 SMMEs and Co-operatives exposed to international market opportunities.
Creative Industries Master Plan produced.	Creative Industries Masterplan finalised and submitted to Cabinet for consideration.	Draft creative Industries Master Plan developed.	Creative Industries Masterplan submitted to Cabinet.	Revised and updated Creative Industries Masterplan in line with Cabinet inputs finalised.	Creative Industries Masterplan finalised and submitted to Cabinet for consideration.
Number of Quarterly Reports on the participation of SMMEs and Co-operatives in priority sectors.	Fours (4) Quarterly Reports on the participation of SMMEs and Co-operatives in priority sectors.	Quarterly report on the participation of SMMEs and Co-operatives in priority sectors.	Quarterly report on the participation of SMMEs and Co-operatives in priority sectors.	Quarterly report on the participation of SMMEs and Co-operatives in priority sectors.	Quarterly report on the participation of SMMEs and Co-operatives in priority sectors.
Number of Districts in a province assisted with EODB Pilot Administrative Simplification Programme for SMMEs and Co-operatives - Baseline.	Five (5) Districts in a province assisted with EODB Pilot Administrative Simplification Programme for SMMEs and Co-operatives - Baseline.	Recruitment and Selection of the municipalities.	EODB Challenges for SMMEs identified in five Municipalities and Co-operatives.	EODB Challenges identified with small businesses in the region.  Baseline Measures of EODB for SMMEs in the five Municipalities and Co-operatives.	Development of the EODB for SMMEs Programme Concept and implementation Plan for the five Municipalities and Co-operatives.

## 5.12. Explanation of planned performance over the medium term period

Access to markets is at the core of the establishment and growth of any enterprise, as no enterprise can survive without access to markets. The more existing small enterprises are provided with an opportunity to access markets, the more the revenue of these enterprises will increase, which will result in creation of more jobs, due to business growth and expansion. One of the critical success factors is to enhance the competitiveness of the small enterprises through product testing, improvement and design. It has been proven difficult for small enterprises to enter any market if the quality of their products is perceived to be poor. Armed with products of good quality, small enterprises will be able to access public sector procurement opportunities through the minimum of 30% procurement spend directive. Other opportunities will be presented by the private sector through the Codes of Good Practice as well as exposure to domestic and international markets. Assistance to municipalities to rollout the red tape reduction programmes becomes an important component of the work as government aims to creating a conducive environment for the establishment of new enterprises and growth of the existing ones. Information received from National Treasury shows that even though the 30 % procurement directive was issued in 2014 there has been little movement from government departments in implementing this directive. The Department will take the responsibility of monitoring the implementation of this important intervention aimed at creating market access opportunities for SMMEs and Co-operatives.

Over the MTEF the Department will intensify its commitment to deliver the required infrastructure that would provide marketplaces for small enterprises to trade their products. An overarching plan is to make a call to all District Municipalities to work with DSBD in establishing product markets in townships and villages. The product markets will provide affordable, safe and modernised spaces where small enterprises meet the buyers of their products. Enhanced products that comply with both domestic and international standards will provide an opportunity for small enterprises to access markets beyond their communities including exposure to international markets. The increase in uptake of SMMEs and Co-operatives participation in existing and newly established SEZ will be pursued by the Department working in partnership with DTIC and with all the SEZ. These functions will be funded through the Sector and Market Programme, which has a budget allocation of around R165 million over the medium-term. This programme is also charged with the responsibility of developing a Creative Industries Masterplan which is one of the key economic sectors that has been prioritised for economic growth and job creation.

## 5.13. Programme Recourse Considerations

Sub- <sup>3</sup> programme:	Total MTEF	Projections		
		MTEF		
		2021/22	2021/22	2022/23
Co-operatives Development.	40 707	12 569	13 794	14 344
Co-operatives Programme Design and Support.	63 038	20 874	20 766	21 818
Supplier Development and Market Access Support.	61 393	19 303	20 450	21 640
<b>Total</b>	<b>165 138</b>	<b>52 746</b>	<b>55 010</b>	<b>57 802</b>

<sup>3</sup>Sub-programme budget is in line with the old budget structure of the Integrated Co-operative Development Budget

## 5.14. Key Risks

The Department fully understands its statutory obligations in respect of risk management. To that end, the Department will continue to enhance the risk management culture as contemplated in section 38(1) (a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended. The Department is guided by the Public Sector Risk Management Framework, 2008, which aims to support institutions to improve and sustain their performance by enhancing their systems of risk management.

Outcome	Key Risk	Risk Mitigation
1. Increased participation of SMMEs and Co-operatives in domestic and international markets.	1.1. Lack of appetite to procure from SMMEs and Co-operatives by the public sector and SOEs.	1.1.1. Issue a Practice Note to instruct the entities to procure from SMMEs and Co-operatives – as well as require Heads of Departments and CEOs of SOEs to include the implementation of the 30% as part of their performance agreement; and the reporting of this in the Annual Reports. 1.1.2. Lobby the Minister to engage other Ministers for their buy in. 1.1.3. Publish a list of government departments and entities that are not complying.
2. Increased contribution of the Creative Industries Sector to GDP.	2.1. Lack of commitment from partners to include SMMEs and Co-operatives into their value chains. 2.2. Poor quality that is non-compliant with industry standards. 2.3. Lack of infrastructure and technology amongst the SMMEs and Co-operatives.	2.1.1. Monitor the ESD and socio-economic elements of the BBBEE Codes of Good Practice and engage the non-compliant companies and publish them in red and green books in conjunction with the dtic. 2.2.1. Invest in improving the quality and facilitate the product testing by relevant authorities 2.3.1. Incentivise the SMMEs and Co-operatives and partner with other entities.
3. Reduced regulatory burdens of small enterprises.	3.1. Inability to promote coherent planning through legislation and policies.	3.1.1. Amendment of National Small Enterprise Act. 3.1.2. Implementation of ease of doing business programme.

### 5.15. Programme 3: Enterprise Development

**Purpose:** To oversee the promotion of an ecosystem that enhances entrepreneurship and the establishment, growth and sustainability of small businesses and Co-operatives as well as coordinating business development support interventions across various spheres of government.

### 5.16. Sub-Programmes:

The Enterprise Development Programme comprises of the following sub-programmes:

- **Enterprise and Supplier Development:** To drive the transformation of the economy through the formulation of policy instruments and advocacy work aimed at the inclusion of SMMEs in the mainstream economy.
- **Entities Performance:** To exercise oversight including overseeing the execution of programmes by the implementing agencies that report to the Department, namely seda and sefa.
- **SMME Competitiveness:** To work with Municipalities through their integrated Development Plans to develop, enhance and implement enterprise development programmes toward improved Local Economic Development (LED).
- **Entrepreneurship:** To coordinate the provision of an entrepreneurship development and support service infrastructure by government in general and the DSBD in particular. Drive implementation of youth focused entrepreneurship interventions in partnership with various stakeholders.
- **Policy and Legislation Support (IGR and Coordination):** to develop and review policies and legislation to create and promote sustainable growth opportunities for small businesses and Co-operatives and to advance coordination and cooperation amongst the different spheres of government.

### 5.17. Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2017/16	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1. Designed and implemented responsive targeted financial and non-financial support programmes to new and existing SMMEs and Co-operatives.	Approved Small Enterprise Development Master Plan.	Small Enterprise Development Masterplan produced.	N/A	N/A	N/A	Small Enterprise Development Masterplan developed.	Small Enterprise Development Masterplan approved and implemented.	Small Enterprise Development Masterplan Implemented.	Small Enterprise Development Masterplan Implemented.
	Supported start-up youth businesses.	Number of start-up youth businesses supported.	N/A	N/A	N/A	N/A	100 000 start-up youth businesses supported.	100 000 start-up youth businesses supported.	100 000 start-up youth businesses supported.
	Supported youth entrepreneurs.	Number of youth entrepreneurs supported.	N/A	N/A	N/A	N/A	33 332 of youth entrepreneurs supported.	33 332 of youth entrepreneurs supported.	33 333 of youth entrepreneurs supported.

Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2017/16	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
2. Scaled-Up and coordinated support for SMMEs, Co-operatives, Village and Township economies.	Established productive Incubation centres prioritising townships and rural areas.	Number of Consolidated Impact assessment reports on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.	N/A	N/A	N/A	Four (4) incubation centres/digital hubs in townships and rural areas established.	One (1) Consolidated Impact assessment report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.	Annual Impact assessment report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.	Annual Impact assessment report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.
	SMME Support Plan implemented.	Number of reports on the implementation of SMMES Support Plan.	N/A	N/A	N/A	N/A	Four (4) reports on the implementation of SMMES Support Plan.	Four (4) reports on the implementation of SMMES Support Plan	Four (4) reports on the implementation of SMMES Support Plan
	National Small Enterprise Index Framework established.	Number of progress reports on the SMMES Index Pilot survey produced.	N/A	N/A	N/A	Measurement Framework for the SMMES Index developed.	Progress Reports on the SMMES Index Pilot Survey Produced.	Progress Reports on the SMMES Index Pilot Survey Produced.	Progress Reports on the SMMES Index Pilot Survey produced.
3. Reduced regulatory burdens for Small Enterprises.	National Small Enterprise Act amended.	National Small Enterprise amended Act approved.	Stakeholder consultations on the amendment of the National Small Enterprise Act of 1996 as amended. Submission of draft proposed amendments to EA.	Annual target not achieved: The Bill was not developed and submitted to Minister for approval.	Amendment of the National Small Enterprise Act through legislative process	Consolidated proposed amendment of the National Small Enterprise bill (content) document finalised.	Proposed Amendment Bill Submitted and taken through Parliamentary processes.	The amendment Act implemented.	Implementation of the National Small Enterprise Act monitored.



## 5.18. Indicators, Annual and Quarterly Targets

Output Indicator	Annual Target 2020/21	Quarterly Targets			
		Q1	Q2	Q3	Q4
Small Enterprise Development Masterplan produced.	Small Enterprise Development Masterplan approved and implemented.	Consultations with key stakeholders on the draft Masterplan conducted.	Draft Masterplan submitted for approval.	Masterplan approved.	Masterplan approved and implemented.
Number of start-up youth business supported.	100 000 start-up youth business supported.	20 000 start-up youth business supported.	20 000 start-up youth business supported.	30 000 start-up youth business supported.	30 000 start-up youth business supported.
Number of youth entrepreneurs supported.	33 332 of youth entrepreneurs supported.	8 333 of youth entrepreneurs supported.	8 333 of youth entrepreneurs supported.	8 333 of youth entrepreneurs supported.	8 333 of youth Entrepreneurs supported.
Number of Consolidated Impact Assessment Reports on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.	One Consolidated Impact Assessment Report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.	Quarterly Impact Assessment Report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.	Quarterly Impact Assessment Report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.	Quarterly Impact Assessment Report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.	One Consolidated Impact Assessment Report on the performance of incubation centres and digital hubs prioritising those in Townships and Rural areas.
Number of reports on the implementation of SMMEs Support Plan.	Four (4) reports on the implementation of SMMEs Support Plan.	Reports on the implementation of SMMEs Support Plan.	Reports on the implementation of SMMEs Support Plan.	Reports on the implementation of SMMEs Support Plan.	Reports on the Implementation of SMMEs Support Plan.
Number of progress reports on the SMMEs Index Pilot survey produced.	Progress report on the SMME Index Pilot Survey produced.	Consultations with key stakeholders on SMMEs Index Measurement Framework. (dimensions and indicators).	Consultations with key stakeholders on SMMEs Index Measurement Framework. (dimensions and indicators) Pilot Survey on the SMMEs Index Conducted (Phase I).	Pilot Survey on the SMMEs Index Conducted (Phase II). Progress Report on the SMMEs Index Pilot Survey Produced.	Progress Report on the SMMEs Index Pilot Survey Produced.
National Small Enterprise amended Act approved.	Proposed Amendment Bill Submitted and taken through Parliamentary processes.	Consolidate contents and consult on amendments into draft bill.	Consolidate contents and consult on amendments into draft bill.	Consolidate contents and consult on amendments into draft bill.	Proposed Amendment Bill Submitted taken through Parliamentary processes.

## 5.19. Explanation of planned performance over the medium term period

It is acknowledged that small enterprises are the engine and a critical part of the national economy with the government's National Development Plan (NDP) 2030 looking to small enterprises to be major sources of employment and driver of inclusive economic growth. Therefore, there needs to be a consented effort by government and its social partners to ensure the country produces more SMMEs that are innovative, job drivers and competitive enough to contribute meaningfully to the economy. To achieve these goals, the programme aims to scaled-up and coordinate support for SMMEs, Co-operatives, Village and Township economies and increase the number of competitive small enterprises by intensified support. Deliberate interventions will be implemented to support start-ups particularly those that are owned by young people and women. There will also be an emphasis on expansion of financial and non-financial support as well as provision of infrastructure to enterprises and entrepreneurs that are based in townships and rural areas. Support interventions will focus on enterprises owned by women, youth and people with disabilities that operate in underserved areas such as townships and villages.

Through seda, the programme will increase the number of incubation centres/digital hubs to 270 in a period of five years. These incubators will nurture new and existing small enterprises by providing them with financial and technical advice pertaining to the running of a business. The digital hubs will ensure that small enterprises access technology to improve their operational efficiencies and productivity. The programme intends to fund these initiatives within the current baseline allocation, reprioritisation of funds from non-priority programmes and where possible through additional funding.

The Department has the mandate to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small enterprises, and ensure an enabling legislative and policy environment to support their growth and sustainability. Critical to this mandate is to work on reducing regulatory burdens and creating a conducive policy and legislative environment for SMMEs and Co-operatives. During the 2020-21 financial year, the programme will ensure that proposed Amendment Bill is submitted to Parliament and Small Enterprise-Ombud Service is established. The provision of relevant and appropriate information is important to enable the SMME development ecosystem to measure the performance of the sector based on specific indicators agreed upon by stakeholders. The Department plans to develop a measuring tool in the form of an Index to provide for an accurate information and data on the state of small business in the country. This tool will assist in measuring the performance and advocating for the design of interventions that are impactful to the growth and sustainability of SMMEs to enable their competitiveness as outlined in the NDP.

To ensure the development of an enabling policy, legal and regulatory environment for small enterprises, the Department will develop the first Small Enterprise Development Masterplan which will enable small enterprises to realise their full potential. The Masterplan will ensure the delivery of an integrated, targeted and effected support interventions aimed at promoting entrepreneurship as well as providing financial and non-financial support to qualifying small enterprises, using the life cycle approach. The Masterplan will stipulate the measures that will be taken to execute the Graduation Model from informal businesses to competitive, sustainable and growing small enterprises that will contribute meaningfully to the GDP, job creation and inclusive growth.

The development of the Masterplan is in line with the Re-imagined Industrial Strategy, which focus on national key sectors that will be vigorously supported to grow the economy and seek to create space for small enterprises to be provided with market access opportunities in all sector Masterplans of the national priority sectors identified in the Industrial Strategy. In line with District Development Model, the Department has developed an SMME Support Plan that will ensure even distribution of business development support across all District Municipalities. These functions will be funded through the Enterprise Development Programme, which has an estimated budget of around R2.9 Billion over the medium-term.

## 5.20. Programme Recourse Considerations

Sub-programme		Projections		
		MTEF		
		Total MTEF	2021/22	2022/23
Small Enterprise Development Agency	2 798 983	889 140	937 368	972 475
Research	61 163	19 817	19 413	21 933
Policy and Legislation	14 102	4 211	4 801	5 090
International Relations	0	0	0	0
Monitoring and Evaluation	13 249	4 016	4 448	4 785
<b>Total</b>	<b>2 887 497</b>	<b>917 184</b>	<b>966 030</b>	<b>1 004 283</b>

## 5.21. Key Risks

The Department fully understands its statutory obligations in respect of risk management. To that end, the Department will continue to enhance the risk management culture as contemplated in section 38(1) (a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended. The Department is guided by the Public Sector Risk Management Framework, 2008, which aims to support institutions to improve and sustain their performance by enhancing their systems of risk management.

Outcome	Key Risks	Risk Mitigation
1. Designed and implemented responsive targeted non-financial support programmes to new and existing SMMEs and Co-operatives.	1.1. The formulation of support programmes including the associated policies and strategies could be inconsistent with the needs of the intended SMMEs and Co-operatives resulting in high mortality rates.	1.1.1 Constantly review the targeted support programmes to ensure that they are relevant and respond to the needs of the beneficiaries (SMMEs and Co-operatives).
2. Scaled-Up and coordinated support for SMMEs, Co-operatives, Village and Township economies.	2.1. Support to SMMEs concentrated in urban areas.	2.1.1 Adopt a district approach focusing on SMMEs and Co-operatives situated in underserved areas more especially Villages and Townships.

## 5.22. Programme 4: Development Finance

**Purpose:** To develop and review SMME Funding policy to ensure broadened access to finance for SMMEs and Co-operatives. The programme will also design, review and implement instruments that are aligned to the broader participation in the mainstream economy by small businesses and Co-operatives owned by individuals with preference to historically disadvantaged communities.

### 5.23. Sub-Programmes:

- **Programme Policy:** To develop and review policies to create and promote financial support interventions aimed at supporting small businesses and Co-operatives and advance coordination and cooperation amongst the different sphere of government.
- **SMMEs Design and Support:** To design programmes, models and mechanisms to support businesses throughout their lifecycles. The Sub-programme also review existing programmes, models and mechanisms as well as designing and pilot new and improved programmes.
- **Risk Cover & Business Rescue:** To provide for interventions that are aimed at supporting those enterprises that can still recover.
- **Co-operative Support:** To review existing programmes and design new programmes based on the review outcomes and changes in the Co-operative's development landscape and economic conditions.
- **Monitor and Report on entity transfers:** To guide development of programmes sitting with the entities and report on the impact of the interventions.

## 5.24. Outcomes, Outputs, Performance Indicators and Targets

Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2017/16	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1. Expanded access to finance for SMMEs and Co-operatives through innovative service offerings.	SMMEs funding Policy approved.	SMMEs funding Policy produced.	N/A	N/A	N/A	N/A	SMMEs funding Policy approved.	SMMEs funding Policy Implementation Monitored.	SMMEs funding Policy Implementation Monitored.
	Competitive SMMEs and Co-operatives supported.	Report on the number of competitive SMMEs and Co-operatives supported.	N/A	N/A	N/A	N/A	Report on 40 000 competitive SMMEs and Co-operatives supported.	Report on 40 000 competitive SMMEs and Co-operatives supported.	Report on 40 000 competitive SMMEs and Co-operatives supported.
	Township and Rural enterprises supported.	Number of Township and Rural enterprises supported.	N/A	N/A	N/A	N/A	100 000 Township and Rural enterprises supported.	100 000 Township and Rural enterprises supported.	100 000 Township and Rural enterprises supported.
	Blended Finance Programme implemented	Number of SMMEs and Co-operatives supported through blended finance programme.	N/A	N/A	N/A	SMMEs and Co-operatives supported through blended finance to the value of R100 Million.	100 SMMEs and Co-operatives supported through blended finance programme.	120 SMMEs and Co-operatives supported through blended finance programme.	150 SMMEs and Co-operatives supported through blended finance programme.
	SMMEs in the craft sector supported through customised sector programme	Number of Crafters supported through the Craft Customised Sector Programme.	N/A	N/A	N/A	700 Crafters supported through the Craft Customised Sector Programme.	700 Crafters supported through the Craft Customised Sector Programme.	800 Crafters supported through the Craft Customised Sector Programme.	900 Crafters supported through the Craft Customised Sector Programme.
	Co-operatives supported through financial and non-financial support programmes.	Number of Co-operatives supported through financial and non-financial programmes.	370 Co-operatives supported through CIS.	265 Co-operatives supported through CIS.	122 Co-operatives supported financially through the CIS.	Co-operatives supported financially through the CIS to the value of the R87.9 million.	1000 Co-operatives supported through Financial and non-financial programme.	1000 Co-operatives supported through financial and non-financial programme.	1000 Co-operatives supported through financial and non-financial programme.

Outcome	Outputs	Output Indicators	Annual Target						
			Audited/Actual Performance			Estimated Performance	MTEF Period		
			2017/16	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Majority black-owned SMMEs supported through BBSDP.	Number of majority black-owned SMMEs supported through BBSDP.	600 Black SMMEs supported through BBSDP.	508 SMMEs supported through the BBSDP.	677 SMMEs supported through the BBSDP.	Majority black-owned SMMEs supported financially through the BBSDP to the value of R286,1 million.	700 Majority black-owned SMMEs supported through BBSDP.	800 Majority black-owned SMMEs supported through BBSDP.	900 Majority black-owned SMMEs supported through BBSDP.
	Informal businesses supported through the IMEDP	Number of Informal businesses supported through the IMEDP	570 Informal businesses supported through the IMEDP	1000 Informal businesses supported through the IMEDP.	1000 Informal businesses supported through the IMEDP.	1000 Informal businesses supported through the IMEDP.	150 000 Informal businesses supported through the IMEDP.	300 000 Informal businesses supported through the IMEDP.	300 000 Informal businesses supported through the IMEDP.
2. Designed and implemented responsive targeted financial and non-financial support programmes to new and existing SMMEs and Co-operatives.	Businesses in distress supported.	Number of reports reflecting % disbursement of the funds set-aside for the businesses in distress.	N/A	N/A	N/A	N/A	Report reflecting 100% disbursement of the funds set-aside for the businesses in distress.	Report reflecting 100% disbursement of the funds set-aside for the businesses in distress.	Report reflecting 100% disbursement of the funds set-aside for the businesses in distress.



## 5.25. Indicators, Annual and Quarterly Targets

Output Indicator	Annual Targets	Quarterly Targets			
		Q1	Q2	Q3	Q4
SMMEs funding Policy produced.	SMMEs funding Policy approved.	Consultations with key stakeholders.	Draft SMMEs funding Policy developed.	Draft SMMEs funding Policy developed.	SMMEs funding Policy approved.
Report on the number of competitive SMMEs and Co-operatives supported.	Report on the 40 000 competitive SMMEs and Co-operatives supported.	Report on the 10 000 competitive SMMEs and Co-operatives supported.	Report on the 10 000 competitive SMMEs and Co-operatives supported.	Report on the 10 000 competitive SMMEs and Co-operatives supported.	Report on the 10 000 competitive SMMEs and Co-operatives supported.
Number of Township and Rural enterprises supported.	100 000 Township and Rural enterprises supported.	25 000 Township and Rural enterprises supported.	25 000 Township and Rural enterprises supported.	25 000 Township and Rural enterprises supported.	25 000 Township and Rural enterprises supported.
Number of SMMEs and Co-operatives supported through blended finance programme.	100 SMMEs and Co-operatives supported through blended finance programme.	25 SMMEs and Co-operatives supported through blended finance programme.	25 SMMEs and Co-operatives supported through blended finance programme.	25 SMMEs and Co-operatives supported through blended finance programme.	25 SMMEs and Co-operatives supported through blended finance programme.
Number of crafters supported through the Craft Customised Sector Programme.	700 crafters supported through the Craft Customised Sector Programme.	Approved Business Plans from Craft Hubs/ Agencies.	200 crafters supported through the Craft Customised Sector Programme.	250 crafters supported through the Craft Customised Sector Programme.	250 crafters supported through the Craft Customised Sector Programme.
Number of Co-operatives supported through financial and non-financial programme.	1000 Co-operatives supported through financial and non-financial programme.	250 Co-operatives Supported through financial and non-financial programme.	250 Co-operatives supported through financial and non-financial programme.	250 Co-operatives Supported through Financial and non-financial programme.	250 Co-operatives Supported through financial and non-financial programme.
Number of majority black-owned SMMEs supported through BBSDP.	700 Majority black-owned SMMEs supported through BBSDP.	175 Majority black-owned SMMEs supported through BBSDP.	175 Majority black-owned SMMEs supported through BBSDP.	175 Majority black-owned SMMEs supported through BBSDP.	175 Majority black-owned SMMEs supported through BBSDP.
Number of informal businesses supported through IMEDP.	150 000 Informal businesses supported through the IMEDP.	37 500 Informal businesses supported through the IMEDP.	37 500 Informal businesses supported through the IMEDP.	37 500 Informal businesses supported through the IMEDP.	37 500 Informal businesses supported through the IMEDP.
Number of reports reflecting % disbursement of the funds set-aside for the businesses in distress.	Report reflecting 100% disbursement of the funds set-aside for the businesses in distress.	Report reflecting 25% disbursement of the funds set-aside for the businesses in distress.	Report reflecting 50% disbursement of the funds set-aside for the businesses in distress.	Report reflecting 75% disbursement of the funds set-aside for the businesses in distress.	Report reflecting 100% disbursement of the funds set-aside for the businesses in distress.

## 5.26. Explanation of planned performance over the medium term period

During the MTEF period, the programme will ensure SMME Funding Policy and Fund of Funds programme is developed and implemented to promote broader participation in the mainstream economy by small businesses prioritising on enterprises owned by women, youth and PWDs that operate in underserved areas such as townships and villages. The Department provides direct and indirect support to small enterprises through the seda, sefa and internal support programmes such as the Co-operatives Incentive scheme (CIS), Black Business Supplier Development Programme (BBSDP), Craft Customised Sector Programme (CSP), Township and rural areas' based enterprises through Township Entrepreneurship Fund and the National Informal Business Upliftment Scheme (NIBUS). Accordingly, over the medium-term the Department will focus on supporting 200 000 competitive SMMEs and Co-operatives to access financial and non-financial support.

The Township Entrepreneurship Fund is a new programme put in place with the aim of supporting enterprises that are based in marginalised areas - townships and villages - and will be operational from 01 April 2020. This programme will be delivered through sefa and will provide financial support to entities based in these areas. The blended finance model which is being implemented will be upscaled from year 2020/21 and this intervention entails de-risking enterprises that are traditionally not supported by commercial banks and existing Development Finance Institutions through matching a loan facility to a grant. These functions will be funded through the Enterprise Development Programme, which has an estimated allocation of around R4.3 billion over the medium-term.

## 5.27. Programme Recourse Considerations

Sub-programme	Total MTEF	Projections		
		MTEF		
		2021/22	2021/22	2022/23
Township Entrepreneurship Fund	2 800 000	800 000	1 000 000	1 000 000
Black Business Supplier Development Programme	893 594	283 751	299 357	310 486
Co-operative Incentive Scheme	274 799	87 254	92 052	95 473
Craft Customised Sector Programme	35 086	11 141	11 754	12 191
National Informal Business Upliftment Instrument <sup>4</sup>	251 340	79 810	84 200	87 330
Entrepreneurship	20 684	6 727	7 118	6 839
<b>Total</b>	<b>4 275 503</b>	<b>1 268 683</b>	<b>1 494 481</b>	<b>1 512 319</b>

<sup>4</sup> The budget will be amended when the budget is split and a portion allocated to Sector and Product Division for the implementation of the Products Markets which replaces the Shared Economic Infrastructure Facility

## 5.28. Key Risks

The Department fully understands its statutory obligations in respect of risk management. To that end, the Department will continue to enhance the risk management culture as contemplated in section 38(1) (a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended. The Department is guided by the Public Sector Risk Management Framework, 2008, which aims to support institutions to improve and sustain their performance by enhancing their systems of risk management.

Outcome	Key Risks	Risk Mitigation
1. Expanded access to finance for SMMEs and Co-operatives through innovative service offerings.	1.1. Duplication of efforts with other government programmes resulting in an inefficient and effective approach to small business development.	1.1.1. Strengthen partnerships with the relevant government Departments, Public Entities and Development Finance Institutions (DFIs).
	1.2. Inadequate and lack of private sector support for enterprise development programmes.	1.2.1. Engagement with private sector partners to identify possible collaboration areas and available support instruments.
2. Designed and implemented responsive targeted financial and non-financial support programmes to new and existing SMMEs and Co-operatives.	2.1. The formulation of support programmes including the associated policies and strategies could be inconsistent with the needs of the intended SMMEs and Co-operatives resulting in high mortality rates.	2.1.1. Constantly review the targeted support programmes to ensure that they are relevant and respond to the needs of the beneficiaries (SMMEs and Co-operatives).
	2.2. Support to SMMEs concentrated in urban areas.	2.2.1. Adopt a district approach focusing on SMMEs and Co-operatives situated in underserved areas more especially Villages and Townships.

## 5.29. Public Entities

Currently the Department has two entities (seda and sefa) reporting to it but a Cabinet decision has been taken to consolidate them including the National Empowerment Fund. During the 2020/21 financial year the Department will work on finalising the process of consolidating the three to form one entity that will offer both financial and non-financial support to small enterprises increasing efficiencies for the benefit of SMMEs.

Name of Public Entity	Mandate	Outcomes	Current Annual Budget (R'000.00)
Small Enterprise Development Agency (seda)	To provide non-financial business development and support services for small enterprises, in partnership with other role players in the small business development environment.	<ul style="list-style-type: none"> <li>Improved service access for SMMEs.</li> <li>Increased number of people employed in the small enterprises.</li> <li>Increase in turnover for SMMEs.</li> <li>Reduced mortality rate of assisted small enterprises.</li> <li>Improved operational excellence.</li> </ul>	R882 763

Name of Public Entity	Mandate	Outcomes	Current Annual Budget (R'000.00)
Small Enterprise Finance Agency (sefa)	To support the development of sustainable SMME's through the provision of finance.	<ul style="list-style-type: none"> <li>• Ensure sefa is a high impact, high performance DFI that is responsive to government's macroeconomic policies and specifically the DSBD MTSF plan.</li> <li>• Align sefa's organisational structure, culture and innovative delivery model to be responsive to its mandate and strategy.</li> <li>• Develop the sefa brand value-proposition for our target markets, improve distribution reach and establish winning collaborative models.</li> <li>• Improve sefa's sustainability, operational effectiveness, efficiencies and service delivery by streamlining business processes and deploying technology solutions.</li> </ul>	<b>R700 000</b>

### 5.30. Infrastructure Projects

Not Applicable

### 5.31. Public Private Partnerships

Not Applicable

#### Annexures to the Annual Performance Plan

Not Applicable

#### Annexure A: Amendments to the Strategic Plan

Not Applicable

#### Annexure B: Conditional Grants

Not Applicable

#### Annexure C: Consolidated Indicators

Not Applicable



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