Small Enterprise Finance Agency (SOC) Ltd.

CORPORATE ANNUAL PERFORMANCE PLAN

FOR

2023/24

REVISED PLAN – 13 OCTOBER 2023

To obtain additional copies of this document please contact:

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ACCOUNTING AUTHORITY STATEMENT

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

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

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

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

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

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

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

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

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Chairperson of the Board

STATEMENT BY THE ACCOUNTING OFFICER

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

A Cabinet resolution on the merger of **sefa**, Seda, and the Co-operative Banks Development Agency (CBDA) has been taken, with a target date of April 2023. However, it is understood that, until formal promulgation, each entity would still be required to produce and report against its own strategic and annual performance plan.

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

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

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

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

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

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

Mr. Mxolisi Matshamba

Chief Executive Officer

OFFICIAL SIGN-OFF

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

1) Was developed by the management team of the Small Enterprise Finance Agency, under the guidance of the Board of Directors.

2) Considers all the relevant policies, legislation, and other mandates for which the Small Enterprise Finance Agency is responsible.

3) Accurately reflects the outputs and targets which the Small Enterprise Finance Agency will endeavour to achieve over the 2023/24 financial year.

ABBREVIATIONS AND ACRONYMS

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

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

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

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PART A: OUR MANDATE

1. UPDATES TO RELEVANT LEGISLATIVE AND POLICY MANDATES

1.1. UPDATED LEGISLATIVE MANDATES

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

Figure 1: sefa Legislative Mandates

Constitutional Mandate	**The Constitution of the Republic of South Africa (Act No. 108 of 1996)** – specifically: ▪ Section 22 – Every citizen has the right to choose their trade, occupation, or profession freely and the practise of trade, occupation or profession may be regulated by law. ▪ Section 217 – When an organ of state contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive, and cost effective. ▪ 1995 White Paper – Identification of a national framework that will create an enabling environment for SMMEs.
sefa Establishment Mandate	▪ Industrial Development Corporation Act (No. 22 of 1940), as amended – **sefa** is established as a subsidiary of the IDC, as a development finance institution (DFI) in terms of Section 3(d) of the Act. Its primary object is to contribute towards job creation and economic growth by providing financial and non-financial support to SMMEs and co-operatives. ▪ Companies Act (No. 71 of 2008), as amended – the **sefa** Memorandum of Incorporation (MOI) is lodged as a state-owned company with limited liability ((SOC) Ltd.). ▪ Public Finance Management Act (No. 1 of 1999), as amended – as a subsidiary of the IDC, **sefa** is listed in terms of Schedule 2 of the PFMA.
Legislation Informing sefa's Operations	▪ National Small Business Act (No. 102 of 1996), amended by the National Small Business Amendment Act (No. 29 of 2004), as amended ▪ National Credit Act (No. 34 of 2005), as amended ▪ Financial Advisory and Intermediaries Services Act (No. 37 of 2002), as amended ▪ Financial Intelligence Centre Act (No. 38 of 2001), as amended ▪ Financial Sector Regulation Act (No. 9 of 2017), as amended ▪ Cooperatives Act (No. 14 of 2005), as amended ▪ Consumer Protection Act (No. 68 of 2008), as amended

	▪ Insurance Act (No. 18 of 2017), as amended ▪ Companies Act (No. 71 of 2008), as amended ▪ Promotion of Access to Information Act (No. 2 of 2000), as amended ▪ Protection of Personal Information Act (No. 4 of 2013), as amended ▪ Prevention and Combatting of Corrupt Activities Act (No. 12 of 2004), as amended ▪ Various legislation informing the **sefa** governance and institutional arrangements

1.2. UPDATED POLICY MANDATES

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

Figure 2: sefa Policy Mandates

National Policy Directing the Focus of sefa

- **National Development Plan, Vision 2030** – seeking to eliminate poverty and sharply reduce inequality and unemployment by 2030. The NDP recognises tourism as one of the main drivers of employment and economic growth.
- **Revised Medium Term Strategic Framework 2019-2024 (MTSF)** – giving effect to the electoral mandate and framed around seven national priorities for the period to 2024. **sefa** contributes to 2 MTSF priorities:
  - Priority 1: A capable, ethical, and developmental State - functional, efficient and integrated government.
  - Priority 2: Economic transformation and job creation - strengthen finance to SMMEs and co-operatives; increase in the number of competitive small businesses with the focus on township economies and rural development; Increased economic participation, ownership and access to resources and opportunities by women, youth, and persons with disabilities.
- **National Economic Reconstruction and Recovery Plan (October 2020) -** in response to the Covid-19 pandemic, the National Economic Reconstruction and Recovery Plan seeks to create jobs primarily through aggressive infrastructure investment and mass employment programmes, reindustrialise the economy by focusing on growing small businesses, accelerate economic reforms to unlock investment and growth, fight crime and corruption, and improve the capability of the State.
- **National Spatial Development Framework, 2050** – under the theme: *"Moving South Africa forward towards the desired Spatial Future"*, the national Spatial Development Framework proposes five national spatial action areas (NSAAs), which require urgent, focused, and integrated national spatial infrastructure investment and spending; and concerted and sustained intergovernmental collaboration, including the alignment of plans, budgets, and departmental plans in and between the spheres of government.

Foundational Policy Informing the Work of sefa

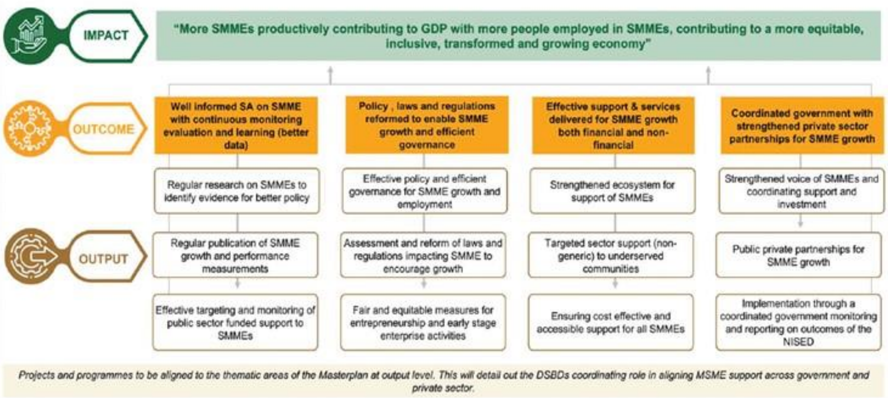
- National Strategy on the Development and Promotion of Small Business in South Africa (1995)
- Integrated Small Business Development Strategy (2004-2014)
- Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)
- National Industrial Policy Framework (issued in 2007) and Industrial Policy action plans
- Framework on Gender-responsive Planning, Budgeting, Monitoring, Evaluation and Auditing
- White Paper on an Integrated National Disability Strategy (INDS)

Sector-based Policy Informing the Work of sefa

- Co-operatives Development Policy (2004)
- Integrated Strategy on the Development and Promotion of Co-operatives (2012)
- National Informal Business Upliftment Strategy (2013)
- The Micro-economic Reform Strategy (published in 2002)
- Youth Enterprise Development Strategy 2013-2023 (2014)
- DTIC master sector plans

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

<table>
<tr>
<td>National Integrated Small Enterprise Development (NISED) Masterplan (2022)</td>
<td>
A key focus of the NISED Masterplan is to align programme areas of work across different role-players in government and the private sector in order to coordinate and drive MSME growth and performance. In partnership with business, labour, and civil society, the NISED Masterplan presents a coordination tool and repository of the action steps to be taken by numerous actors by and within government and the whole of society.



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

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

The **sefa** contribution to the 50 000 target is reflected in this Annual Performance Plan, led mainly by the Microlending and TREP programmes.
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<tr>
<td>National Annual Budget Prioritisation Framework</td>
<td>
The Annual Budget Prioritisation Framework continues to build on the stabilisation, recovery and reconstruction efforts adopted through the Economic Reconstruction and Recovery Plan (ERRP) in 2020/21, and which informs sefa's work and focus.
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<tr>
<td>Africa Continental Free Trade Agreement (AfCFTA)</td>
<td>
As a flagship project of AU Agenda 2063, South Africa is a party to the AfCFTA which was effective from 1 January 2021.

While, in terms of its Credit Risk Policy, **sefa** is restricted from cross border lending, it is aware of the immense opportunities that the AfCFTA presents for South African SMMEs. Through its support and business development offerings, and its close working relations with Seda in supporting access to markets, the opportunities of AfCFTA will be leveraged.

Further, **sefa** will actively explore opportunities to work with **the dtic**, and for example, their export readiness programme.
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2. UPDATES TO INSTITUTIONAL POLICIES AND STRATEGIES

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

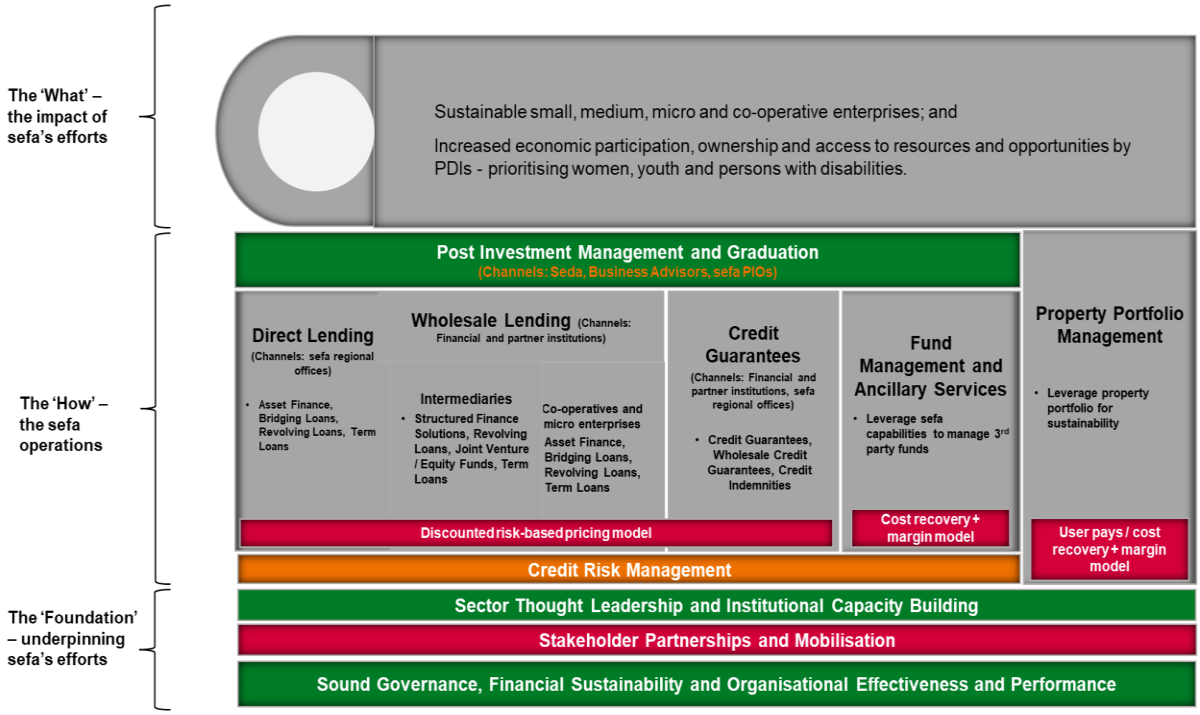
2.1. sefa OPERATING MODEL – AS A DEVELOPMENT FINANCE INSTITUTION

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

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

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

Figure 3: Revised sefa Operating Model



The revised operating model reflects the business operations:

1) The **CORE BUSINESS** of **sefa** in terms of providing efficient and sustainable access to finance for SMMEs and co-operatives throughout South Africa through:

   a) **Direct lending products and services, wholesale lending products and services,** and **credit guarantee products and services** (delivered through Khula Credit Guarantee who holds the necessary licenses). The lending and credit business operates predominantly on a discounted risk-based pricing model.

   b) The effectiveness of the lending and credit guarantee business is based upon the application of a **sound credit risk management policy and analysis**.

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

2) Complementing the core business, as a **VALUE-ADDING SERVICE**, **sefa** is able to leverage its capability and competence in managing the disbursement and distribution of funds to beneficiaries, to offer a **service to third party customers** to manage funds on their behalf.

   Importantly, any such service must contribute to **sefa** revenue generation by being fully cost recovering with an appropriate margin and must in no way undermine **sefa**'s core business operations or place its insurance or credit licenses at risk.

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

   As a **VALUE-ADDING OFFERING** and to support their operations, **sefa** can provide beneficiary SMMEs or co-operatives with access to well-managed and maintained industrial or commercial space by linking or cross-selling property rental to the lending or credit guarantee product.

   The property portfolio is managed on a user-pays or cost recovery model, with an appropriate margin.

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

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

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

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

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

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

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

Role of National Department (DSBD)	Role of DSBD Agencies (Seda, sefa)
▪ Provide direction and leadership to the small business and co-operatives sector broadly and across all three spheres of government. ▪ Provide oversight and governance of entities.	▪ Implement the delegated mandate from DSBD and develop and rollout implementation-level policy and protocols.
▪ Research, monitoring, and evaluation of the impact of investments made in small business development and its contribution to economic growth and job creation, so as to inform evidence-based decision-making. ▪ Develop and implement sector-wide databases and monitoring and evaluation (M&E) tools.	▪ Programme-level research that informs targeted programme design and packaging for a holistic sector view. ▪ M&E at programme implementation level, to inform refinements to programmes.
▪ Plan, coordinate, and mobilise resources for the implementation and delivery of small enterprises' development projects, programmes, and services.	▪ Implementation of well-conceptualised and targeted programmes aligned to the overall sector policy stance and sectoral indicators.
▪ Strengthen accountability, partnerships, and communication with sector stakeholders, communities, and key role-players, both nationally and internationally.	▪ Ensure a coordinated regional/provincial presence to support implementation. ▪ Development and management of partnerships and communication in support of the delivery mandate.

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

1) **sefa** aims to address market failure in the provision of finance to SMMEs and co-operatives.

2) **Sefa**, in collaboration with Seda, have a core focus to support and fund sustainable businesses.

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

    a) Services (including retail, wholesale, tourism, transport logistics, and ICT).

    b) Manufacturing (including agro processing).

    c) Primary agriculture funded through the accredited **sefa**-funded agricultural intermediaries.

d) Construction.

e) Mining services and processing; and

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

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

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

To this end, and to further enhance integration and collaboration in support of sustainable SMMEs and co-operatives, a Cabinet resolution on the merger of **sefa**, Seda, and the CBDA has been taken, with a target date of April 2023. However, it is understood that, until formal promulgation, each entity would still be required to produce and report against its own strategic and annual performance plan.

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

	Seda	sefa
Pre-investment support	▪ Common funding template – Facilitate applications for funding through the common funding template (business plans). ▪ Client assessment. ▪ Provide all Business Development Support (BDS) interventions. ▪ Compile quality applications that focus on **sefa** defined programmes, sectors, and target groups.	▪ Conduct financial, technical, and legal due diligence on funding applications (business plans) forwarded by Seda. ▪ Conduct approval and legal contracting.
Post-investment (monitoring) support	For Township and Rural Enterprise Programme (TREP) and SMME relief: ▪ Assist **sefa**-funded clients with mentorship, coaching, and business performance diagnoses. ▪ Assess clients' operating requirements and provide industry and standards certification.	▪ **sefa** will focus on debtor management, including collections; rescheduling loan instalments; restructures; proactive portfolio management/monitoring, including analysis of management accounts; financial statements; stock; business operations; client visits; and advice duties.

<table>
<tr><th></th><th>Seda</th><th>sefa</th></tr>
<tr><td></td><td>Provide market access facilitation to sefa-funded clients for growth/to distressed businesses; and
Provide occupation and health, and technical training to sefa-funded clients.</td><td>Seda reports from various service providers will be utilised to assist sefa to effectively monitor the existing investments. The turnaround reports, based on detailed diagnoses of distressed entities, will help sefa to effectively manage turnaround of the distressed entities and debt restructures.
Access to market efforts by Seda helps to strengthen repayment capability of sefa clients. Additional markets bring income stability to sefa clients, thus improving business cashflows.</td></tr>
<tr><td>Funding programmes (TREP, YCF, etc.)</td><td>Pre-funding support (business registration, training and capacity building, business plan development).</td><td>Application due-diligence and adjudication, legal contracting, and disbursement.</td></tr>
<tr><td>Strategic partnerships (priority groups)</td><td>Provide business development support services to partners in the ecosystem, targeting, among others, entrepreneurs with disabilities, youth entrepreneurs, and women entrepreneurs.</td><td>Provide funding support (access to finance) to SMMEs and co-operatives, and to businesses that graduate from Seda’s interventions.</td></tr>
<tr><td>Marketing and business development</td><td colspan="2">Joint marketing and outreach campaigns, co-locations in municipalities.</td></tr>
<tr><td>Monitoring and evaluation, and research</td><td colspan="2">An integrated Planning, Monitoring and Evaluation Framework and strengthened SMME and co-operatives sector research and knowledge hub.
Strategic partnerships with higher education institutions and research partners.</td></tr>
<tr><td>Systems</td><td colspan="2">Shared information and application front-end, customer relationship management, business advisers’ database, call centre (national SMME support line).</td></tr>
</table>

2.3. THE SMALL BUSINESS DEVELOPMENT SECTOR GAME CHANGERS

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

SBD Game Changer	DSBD Focus	sefa Response
GC1: New Economy Start-ups	National Entrepreneurship Strategy development currently underway. The strategy is expected to create synergy among the different policy and strategy initiatives in the country, as well as identify and address gaps in various policies, further providing guidance in creating an enabling environment for the development of entrepreneurship and start-ups. At the heart of the strategy is to create more enabling support needed to network and synergise the fragmented activities performed by development partners and other actors; and is aimed at retaining innovation and technological capabilities in South Africa. Stakeholders include National Treasury and Department of Science and Innovation to create an enabling environment for these kinds of start-ups.	Support Seda's New Economy Programme through technology start-up funding.
GC2: Township and Rural Economic Development	DSBD intends to engage the private sector to raise awareness regarding their support towards the development and growth of township and rural enterprises. These engagements would be informed by the working relations between DSBD and **the dtic** in strengthening the Broad-based Black Economic Empowerment (B-BBEE) Policy and its Codes of Good Practice. It is envisaged that the concept of the Enterprise Supplier Development (ESD) Fund would be revisited, so that private sector ESD funds could be used to	Leverage the R900 million TREP allocation to support 20 000 township and rural enterprises. Support the phased roll-out of township and rural economic zones.

SBD Game Changer	DSBD Focus	sefa Response
	leverage government incentive schemes, such as the TREP and other schemes aimed at enhancing the capacity of township and rural enterprises.	
GC3: Refuelled Incubator/ Accelerator Programme	The Incubation and Digital Hub Support Programme is committed to building an ecosystem of enhanced sector-focused support service centres to produce high-performance entrepreneurs. Collaborate with likeminded stakeholders in the incubation space using differentiated incubation models and approaches; and to partner with private to public/public to public; and review, harmonise, and subsequently package an Integrated Support Package for offer to small businesses. This is done through the integration of models to benefit the end user through enhanced services and products, allowing beneficiaries to experience an integrated approach in the delivery of small business support enabling enhanced learning, varied streams and options, and access to post-incubation support. Access and implementation of hybrid incubation support services that offer a combined improved service and a portfolio of financial and non-financial support will be prioritised as an added value to increase access and inclusivity.	Support Seda's Incubator Programme through funding.
GC4: Recapitalised SMME Funding Package	The DSBD to implement the SMMEs and Co-operatives Funding Policy to accelerate the achievement of the objectives of Game Changer 4. This game changer is going to be achieved by introducing targeted funding instruments, linked to the business development lifecycle,	▪ Recapitalise Khula Credit Guarantee as a funding mechanism to link to ESD initiatives for Black entrepreneurs and aimed at leveraging x6.6 funding from private banks. ▪ Develop a network of microfinance intermediaries to interface between wholesale

<table>
<tr><th>SBD Game Changer</th><th>DSBD Focus</th><th>sefa Response</th></tr>
<tr><td></td><td>including the Microfinance Intermediary Programme (MFIP).

DSBD will focus on implementing the recommendations of the World Bank diagnostic review pertaining to Khula Credit Guarantee (KCG), to address identified shortcomings with a view to:
1) Make the guarantee more responsive.
2) Raise more capital.
3) Remove access to finance barriers in the form of collateral requirements; and
4) Make SMMEs lending more attractive by mitigating the credit risk through KCG.

DSBD will continue to lobby National Treasury to recapitalise KCG, given that, so far, government has not invested in KCG and the past performance of KCG has shown that it is possible to leverage funding for SMMEs through a well-crafted credit guarantee scheme.</td><td>lenders and micro-enterprises. The MFIP will build an IT platform that provides the operating framework for microfinance institutions (MFIs) and a platform through which micro entrepreneurs can access bulk buying opportunities.
▪ Scale up sefa’s Direct Lending Programme. This will expand enterprise credit to businesses that do not qualify for commercial funding. These programmes would include:
1) Purchase order funding,
2) Bridging finance facilities, especially in construction and infrastructure projects,
3) Franchising,
4) Asset finance facilities.
▪ Pre-investment and post-investment support (through working with Seda and other incubators/accelerators) will decrease impairment risks.
▪ Enhance the sefa blended finance – the combination of loan and grant for high-risk early-stage entrepreneurs.</td></tr>
<tr><td>GC5: Supplier Development Partnership Programme</td><td>The department intends to scale up the supplier development initiative through raising awareness of the Localisation Policy.

The intention of this engagement is to work on the revision of the B-BBEE Policy, so that DSBD can have oversight of the ESD element and monitor the private sector’s compliance with its obligations.

This will ensure that big business contributes to the development of SMMEs by integrating SMMEs in their supply and value chains and</td><td>Major corporates will be engaged through the Public Private Partnership Platform which has been established to partner with and leverage ESD funds and programmes.</td></tr>
</table>

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

2.4. REVISED CREDIT AND INVESTMENT RISK POLICY

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

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

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

3. UPDATES TO RELEVANT COURT RULINGS

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

PART B: OUR STRATEGIC FOCUS

In giving effect to the legislative and policy mandates outlined in Part A, the strategic focus of **sefa** for 2020-2025 - its vision, mission, and institutional values - are amended as follows:

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

OUR MISSION
To provide simple access to finance, efficiently and sustainably, for SMMEs and co-operatives throughout South Africa by: ▪ Offering innovative funding facilities and credit guarantees. ▪ Promoting client sustainability through pre- and post-investment support and capacity building. ▪ Promoting financial inclusion and wealth creation through partnerships and innovative product development. ▪ Leveraging strategic assets to ensure sustainability and broadening support to beneficiaries.

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

1. UPDATED SITUATIONAL ANALYSIS

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

1.1. EXTERNAL ENVIRONMENT ANALYSIS

1.1.1. GLOBAL ECONOMIC OUTLOOK

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

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

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

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

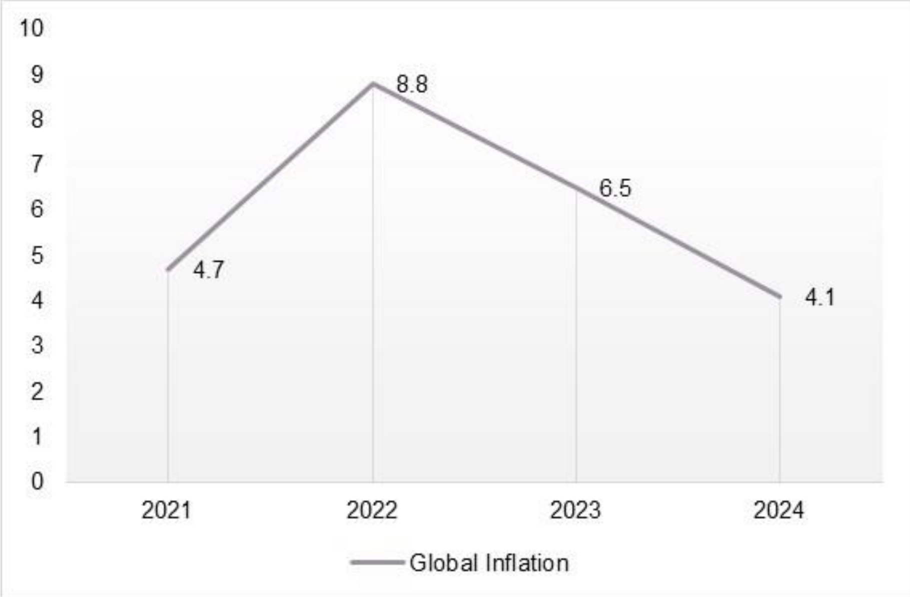
IMF World Economic Outlook, Countering the Cost-of-Living Crisis, October 2022

High Inflation

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

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

Figure 4: IMF Projected Inflation Rate 2021–2024



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

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

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

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

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

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

economies, (inflation) forecast errors are related to the size of Covid-19-related fiscal stimulus packages."[4]

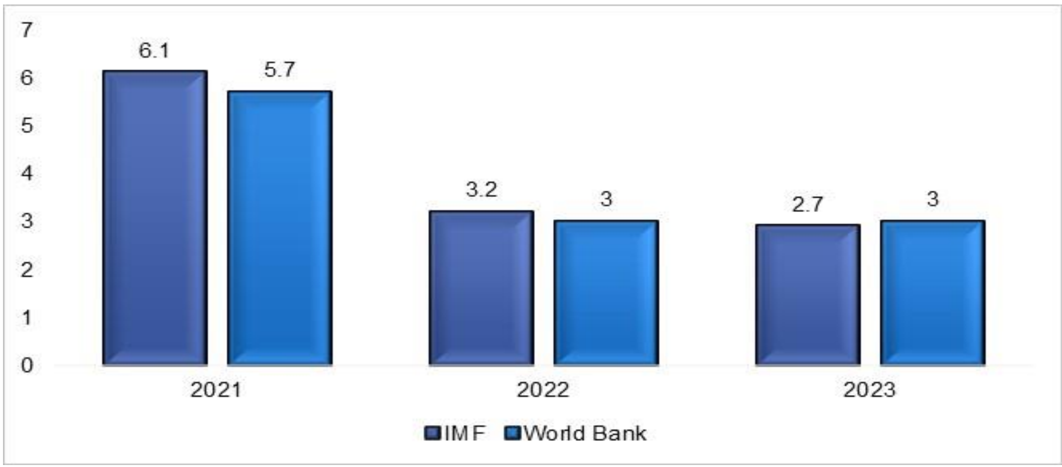
> **"Normalisation of monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction."**
>
> *IMF World Economic Outlook,*
> *Countering the Cost-of-Living Crisis, October 2022*

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

Low Growth

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

Figure 5: Global GDP Projections from IMF and World Bank



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

[4] *IMF World Economic Outlook, October 2022 Update*
[5] *IMF World Economic Outlook, October 2022 Update*
[6] *IMF World Economic Outlook, October 2022 Update*

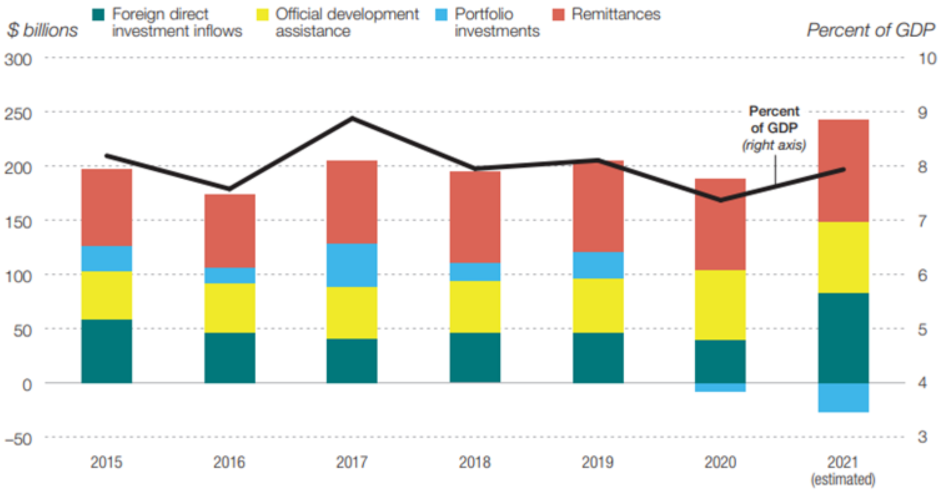
suggested that the consolidation of his power will lead China to pursue a path of increased self-reliance, partly in response to economically driven aggression from the US, like the broad ban announced in October 2022 blocking China's access to make or buy advanced semiconductor chips.

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

1.1.2. REGIONAL ECONOMIC OUTLOOK

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

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



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

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

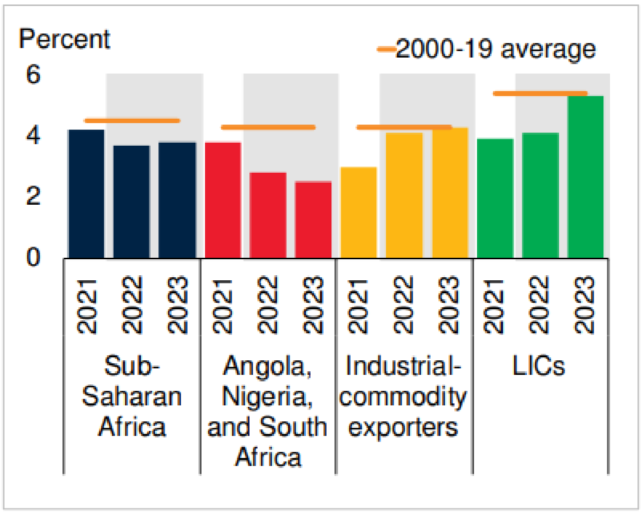
[7] *https://www.moneyweb.co.za/news/economy/70-chance-of-recession-in-the-coming-year-franklintempleton/?bid=120_10374_8401658*

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

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

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

Figure 6: Sub-Saharan GDP Growth



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

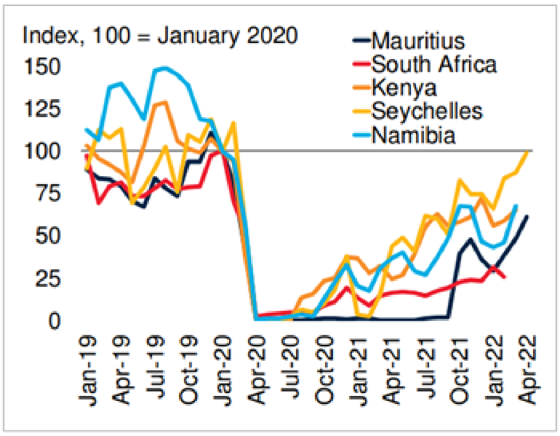
Pandemic-related economic losses were particularly acute in the region, and SSA is the only emerging market and developing economy (EMDE) region where per capita incomes are not expected to return to their 2019 levels by 2023[8].

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

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

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

Figure 7: Sub-Saharan Africa Regional Tourism Recovery



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

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

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

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

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

1.1.3. SOUTH AFRICAN SOCIO-ECONOMIC OUTLOOK

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

High Inflation

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

Figure 8: South African Inflation Rate 2010–2021

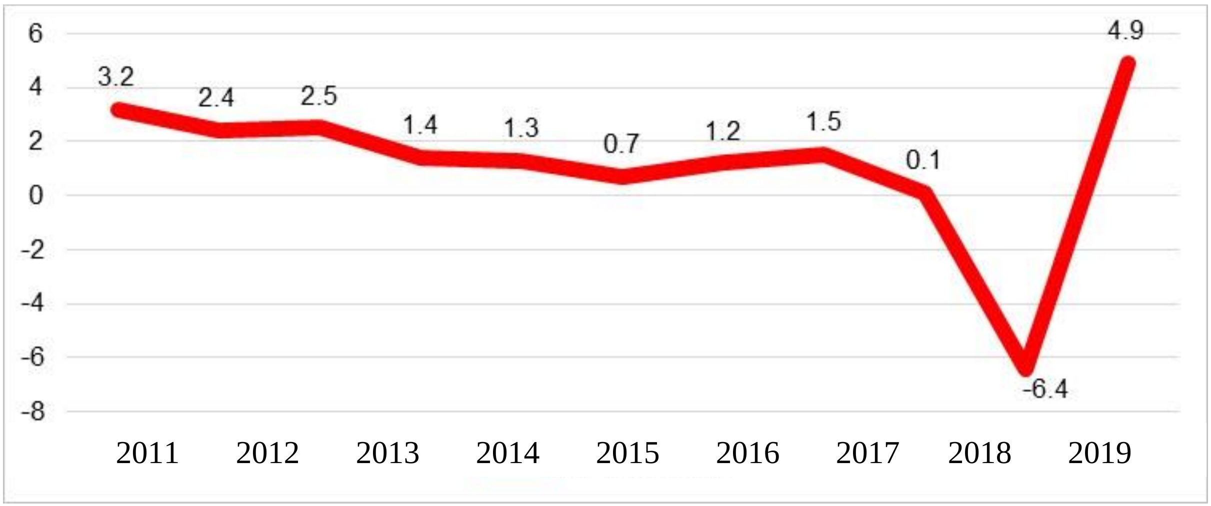
Headline inflation reached 7.4% in June 2022. The target range is 3% to 6%. The upper limit has been breached for some time, and indications are that it may take a while to bring back down. SARB has responded to the inflationary pressure by raising the policy rate four times during the current hiking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

Low Growth

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

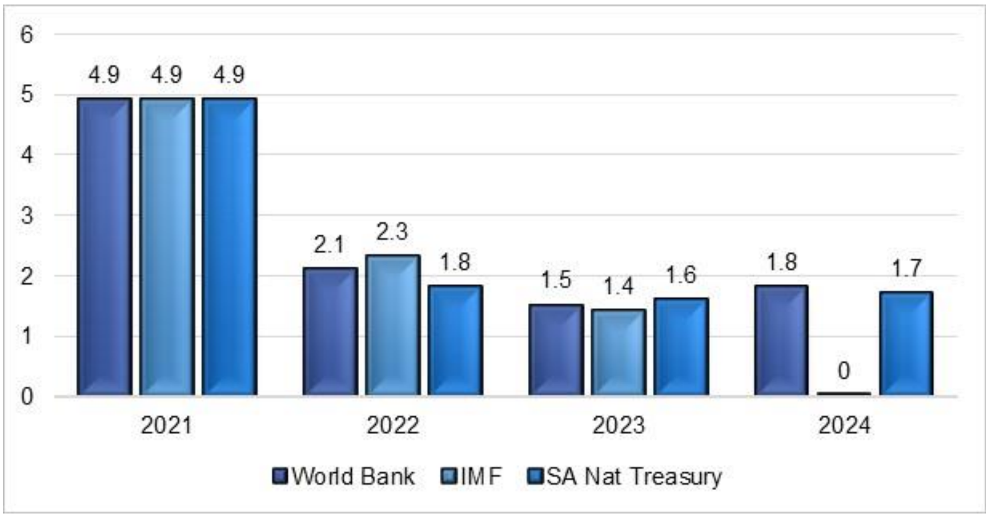
[9] World Bank. 2022. Global Economic Prospects, June 2022. Washington, DC: World Bank. doi: 10.1596/978-1-4648-1843-1. License: Creative Commons Attribution CC BY 3.0 IGO.

Figure 9: South Africa GDP Growth 2011–2021



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

Figure 10: South African GDP Growth Forecasts



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

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

[10] *Stats SA, Gross Domestic Product, Second Quarter 2022*

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

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

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

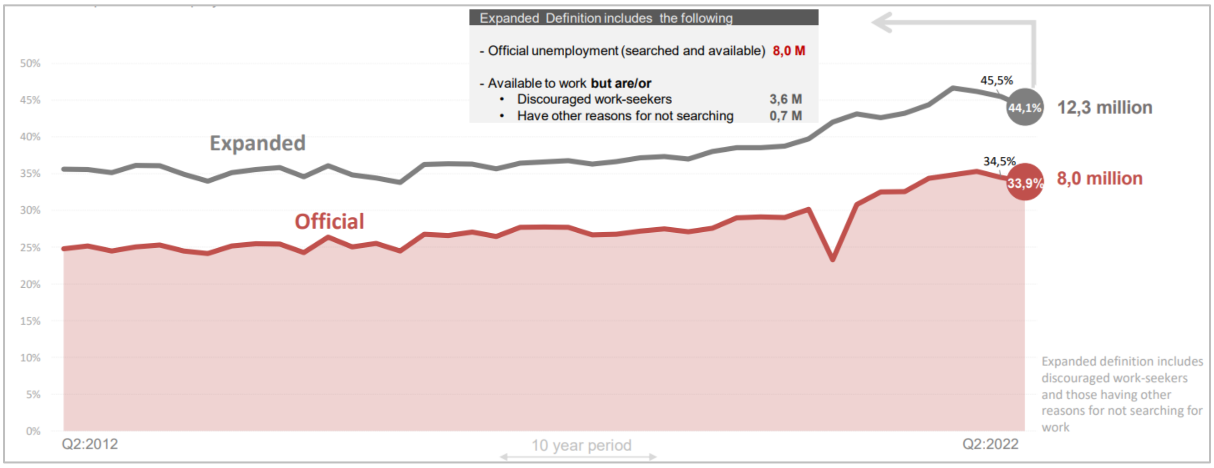
In the tertiary sector the second quarter of 2022 saw a slowdown of wholesale and retail trade, with trade, catering, and accommodation shrinking by 1.5%, which equated to a 0.2% drop in GDP growth for the nation. The transport, storage and communication industry increased by 2.4%. Finance and business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

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

High Unemployment

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

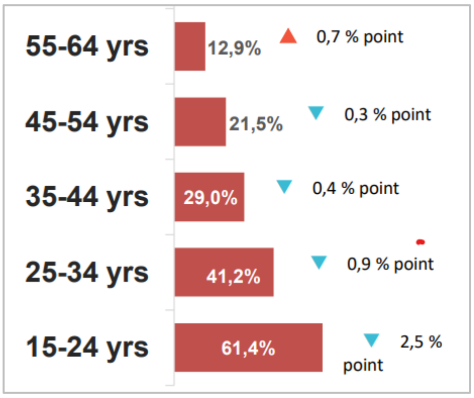
Figure 11: Expanded vs Official Unemployment Rate over the Last Ten Years



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

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

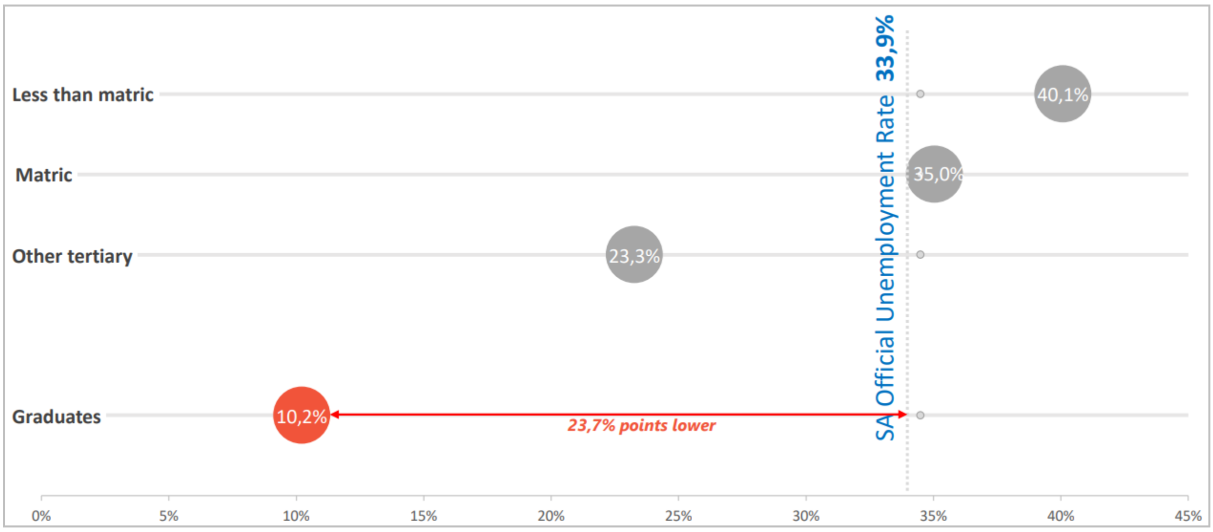
Figure 12: Unemployment Rate by Age, 2022 Q2



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

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

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

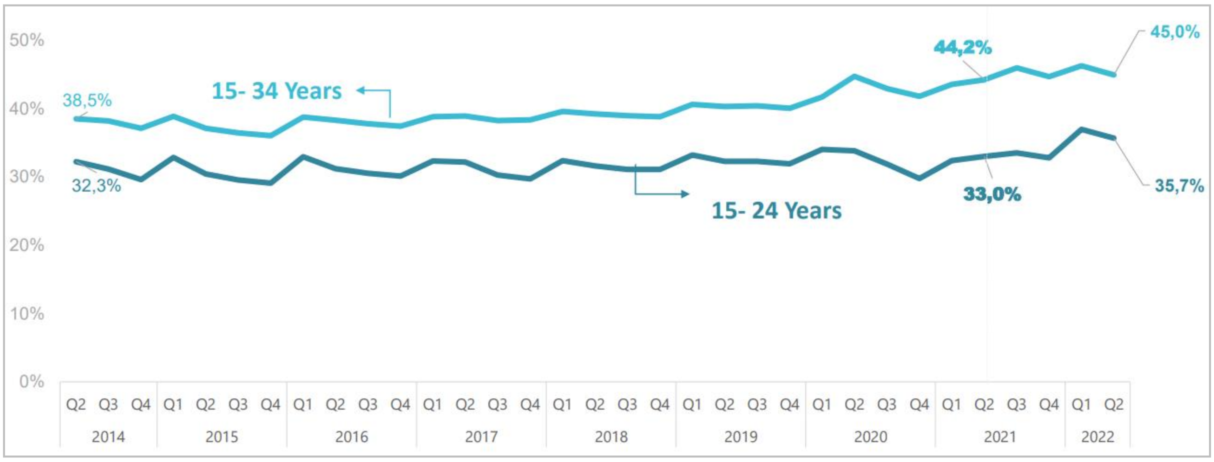


Source: Stats SA, Quarterly Labour Force Survey (QLFS), Q2:2022

There is an urgent need to strengthen education from bottom to top in the country: early childhood development, primary and secondary schooling, vocational training, and adult education. A greater percentage of the population possessing the required aptitude and foundational skills need access to a university education.

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

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



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

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

OTHER CURRENT CRITICAL ISSUES

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

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

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

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

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

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

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

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

Figure 15: Five Worst Performing Ports in the World

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

Source: The Container Port Performance Index 2020

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

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

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

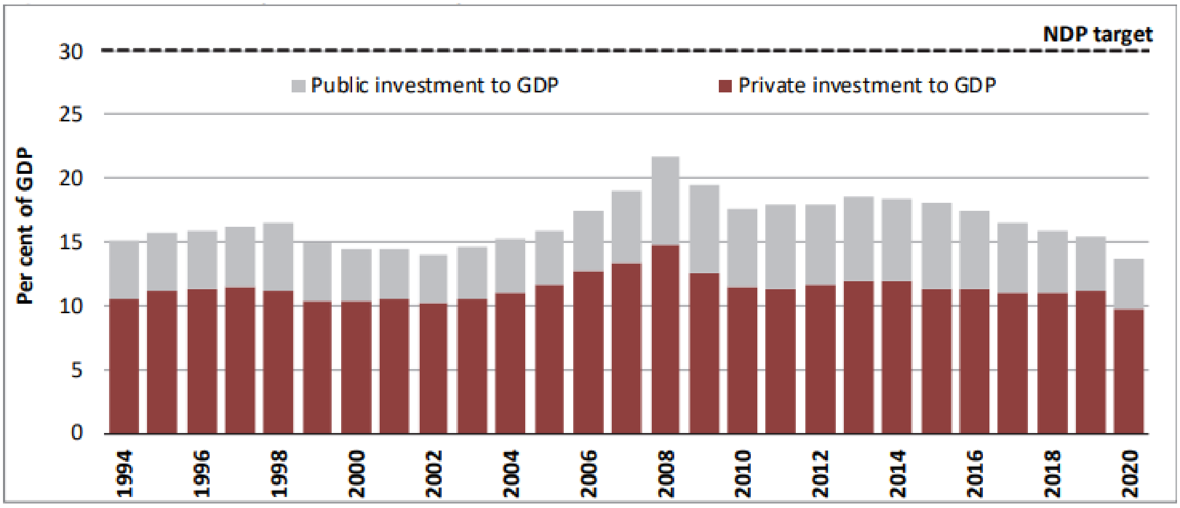
[13] *The World Bank, 2021. "The Container Port Performance Index 2020: A Comparable Assessment of Container Port Performance." World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO*

Infrastructure Development

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

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

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



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

Source: National Treasury, National Budget 2022, Annexure D

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

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

Tightening Monetary Policy and South African Debt

By mid-2022 there was serious downward pressure on the currency, with the Rand trading near its lowest level against the US dollar since 2020. Among other issues, this means that the country's dollar denominated debt becomes more expensive to service, putting further pressure on an already strained fiscus.

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

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

Source: National Treasury Budget Review, 2022

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

"We need to decrease our debt burden and debt service cost."

Minister of Finance Enoch Godongwana, MTBPS, October 2022

1.1.4. THE SMME ENVIRONMENT

NOTE:

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

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

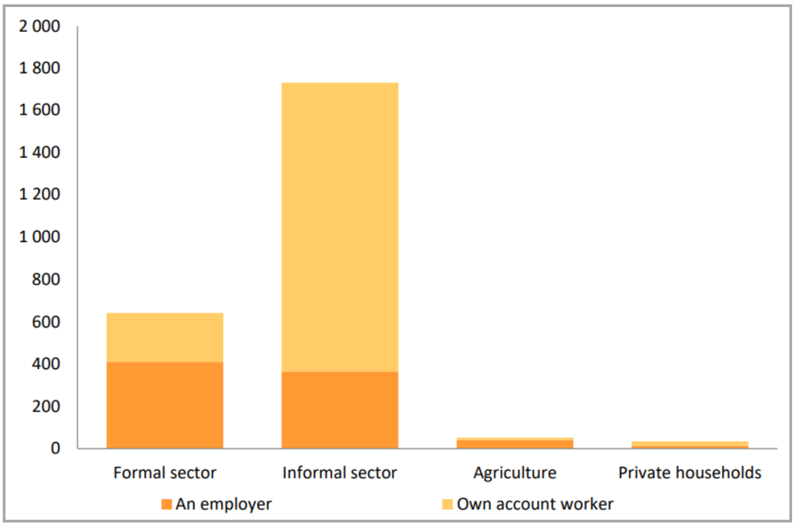
Covid-19 lockdown measures caused revenues in many SMMEs to fall precipitously, with many owners reporting that they were being forced to cut back on business spending to survive. The worst affected sectors were the best performing in the past: the services sector, tourism, hospitality, and retail.

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

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

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

Figure 18: Formal vs Informal SMMEs, 2022Q1



[14] *Seda SMME Quarterly Update 1st Quarter 2022*

Employment Provided by SMMEs

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

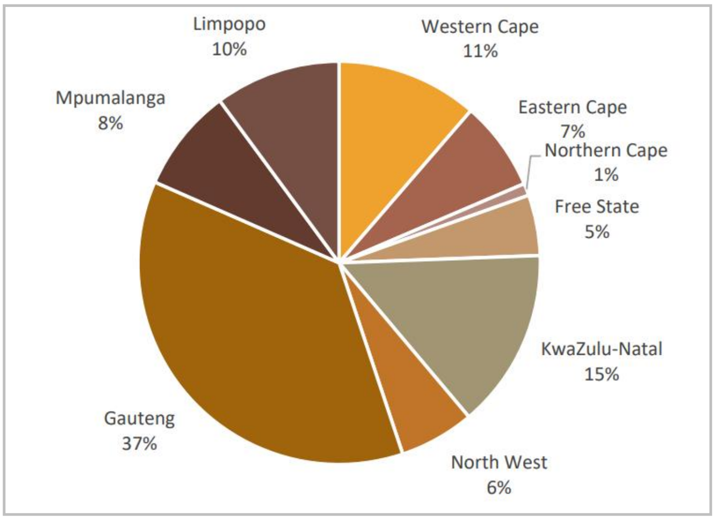
	2021Q1		2021Q4		2022Q1		Quarterly change		Yearly change	
	Number	Distrib.	Number	Distrib.	Number	Distrib.	Number	%	Number	%
Formal sector	5 081 610	52.1%	5 269 424	55.8%	3 757 122	47.6%	-1 512 301	-28.7%	-1 324 487	-26.1%
Informal sector	1 226 738	12.6%	843 111	8.9%	1 398 263	17.7%	555 152	65.8%	171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

Source: QLFS of Stats SA ** of all people working for private enterprises, of which 84% worked for SMMEs over the last 5 years*

SMMEs by Province

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

Figure 19: SMMEs by Province



Source: Seda SMME Quarterly Update, 1st Quarter 2022

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

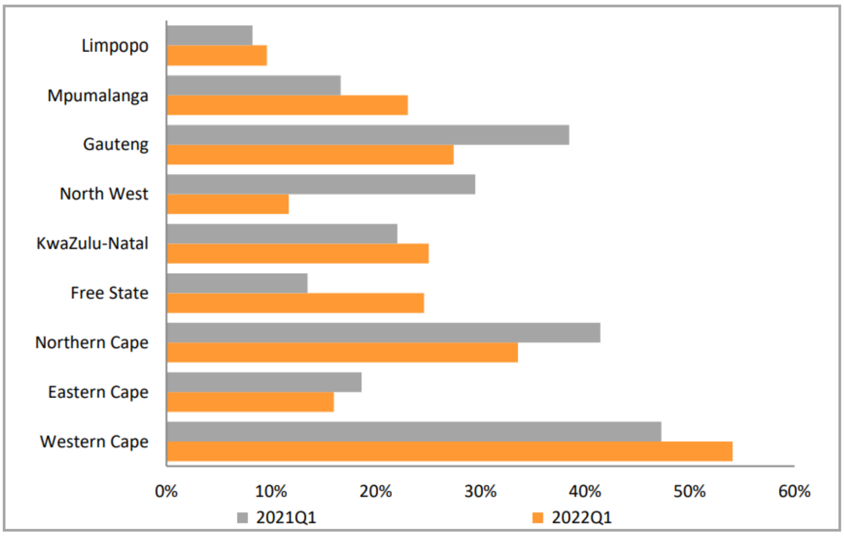
[15] *Seda SMME Quarterly Update, 1st Quarter 2022*

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

SMMEs by Province and Formal/Informal Sector

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

Figure 20: Formal Sector SMMEs by Province



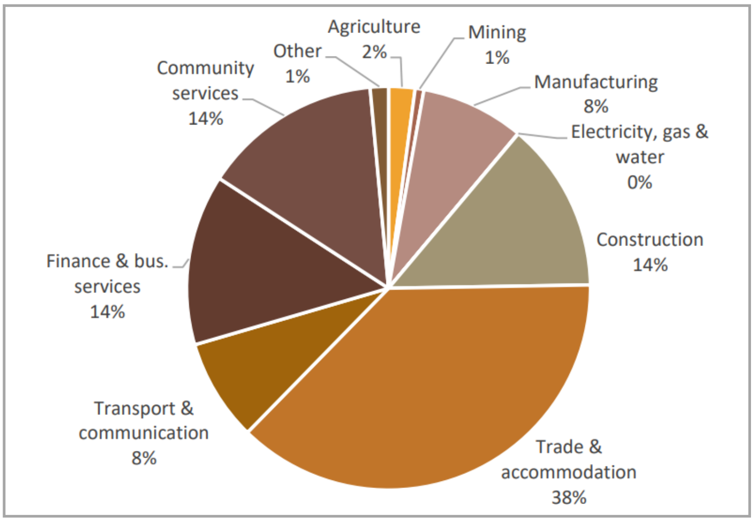
Source: Seda SMME Quarterly Update, 1st Quarter 2022

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

SMMEs by Industry

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

Figure 21: SMMEs by Industry, 2022 Q1



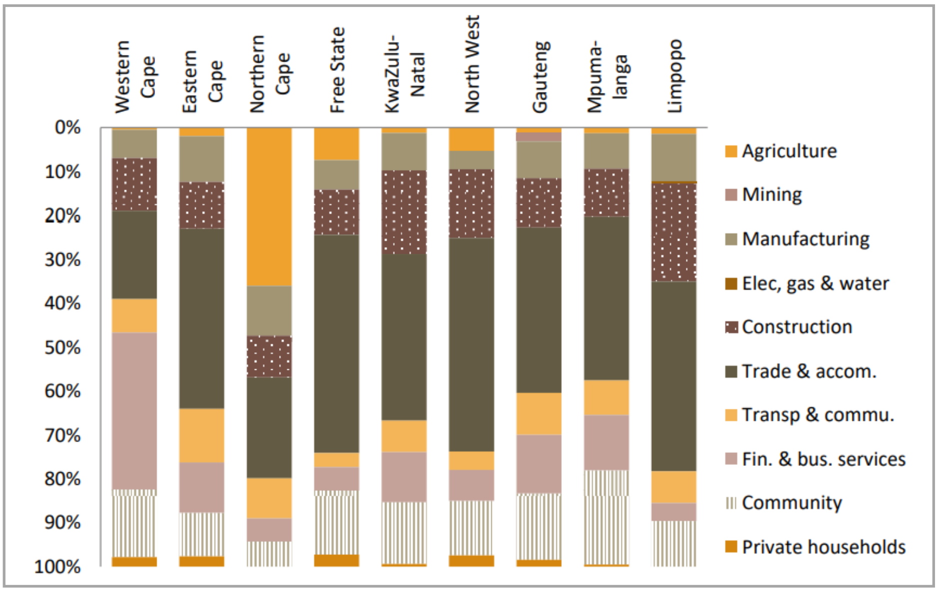
Source: Seda SMME Quarterly Update, 1st Quarter 2022

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

SMMEs by Industry and Province

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

Figure 22: SMMEs by Industry and Province



Source: Seda SMME Quarterly Update, 1st Quarter 2022

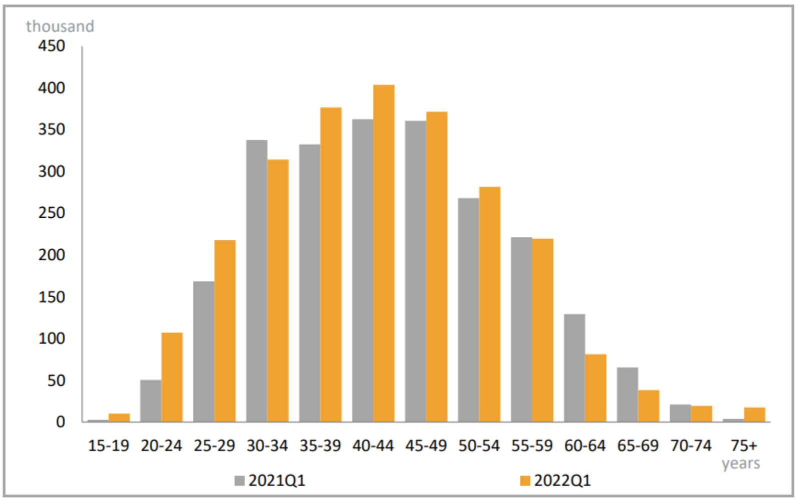
The Western Cape, where more than half of the province's SMMEs operate formally, has a relatively small trade and accommodation sector and, in contrast to other provinces, a large concentration of finance and business services SMMEs. Mpumalanga has the largest percentage of SMMEs in the community sector.

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

SMME Owners by Age

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

Figure 23: SMME Owners by Age



Source: Seda SMME Quarterly Update, 1st Quarter 2022

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

SMME Owners by Educational Attainment

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

Figure 24: SMME Owners by Educational Attainment

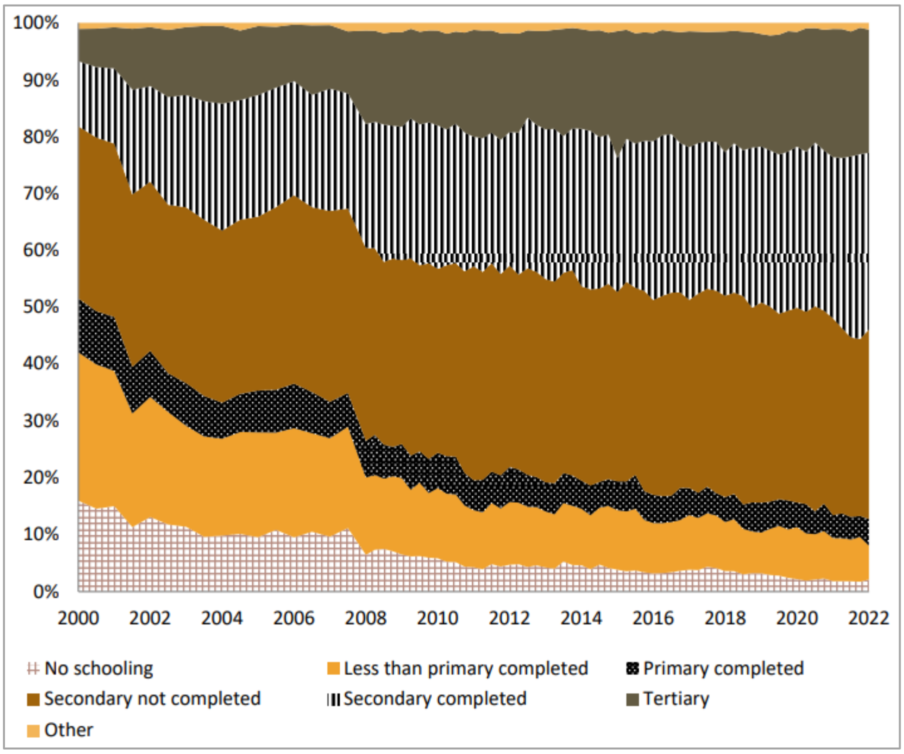


Figure 25: SMME Owners by Educational Attainment

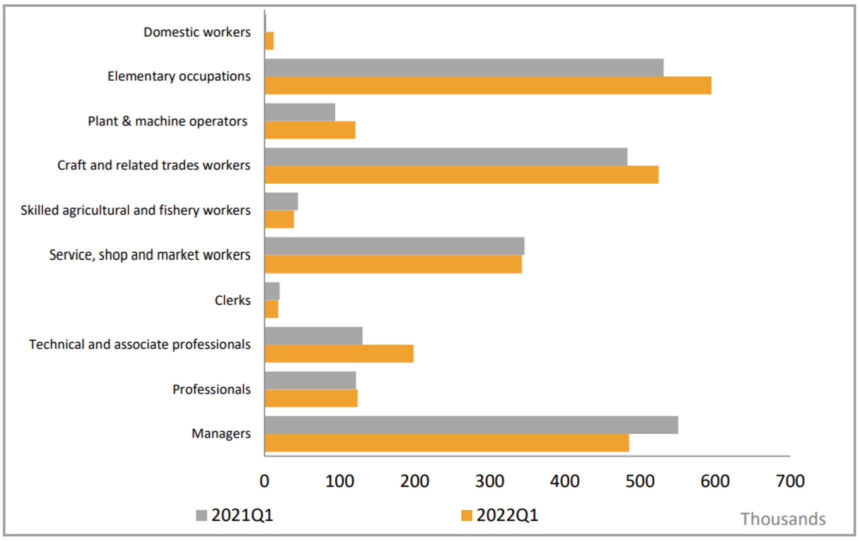
Schooling	2021Q1		2021Q4		2022Q1		Quarterly change		Yearly change	
	Number	Distrib.	Number	Distrib.	Number	Distrib.	Number	%	Number	%
No schooling	42 296	1.8%	42 292	1.7%	51 961	2.1%	9 669	22.9%	9 664	22.8%
Less than primary completed	176 054	7.6%	192 309	7.8%	146 397	5.9%	-45 912	-23.9%	-29 657	-16.8%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

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

SMMEs by Occupation

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

Figure 26: SMMEs by Occupation



Source: Seda SMME Quarterly Update, 1st Quarter 2022

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

Growth Areas for SMMEs

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

Manufacturing

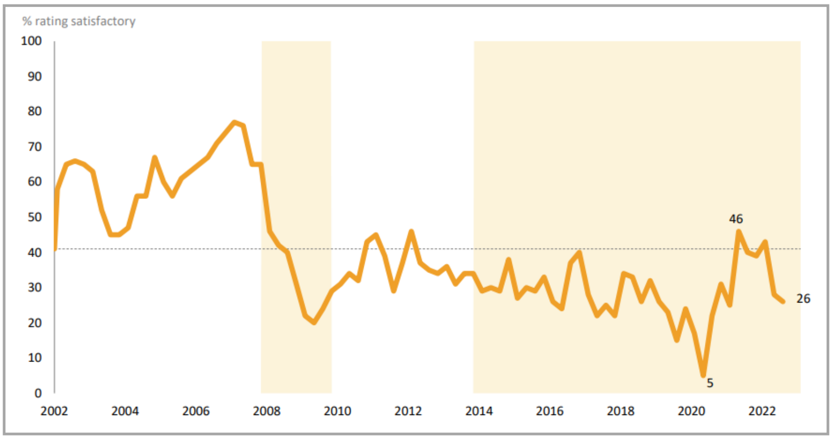
Manufacturing business confidence is well below the long-term average. According to the latest Absa Manufacturing Survey, 7 out of 10 respondents were unsatisfied with prevailing business conditions. Whilst this survey is conducted among larger businesses in the formal sector, SMMEs are likely to encounter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

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

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

[16] *Seda SMME Quarterly Update 1st Quarter 2022*

Figure 27: Manufacturing Business Confidence



Source: Seda SMME Quarterly Update, 1st Quarter 2022

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

Information and Communication Technology

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

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

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

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

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

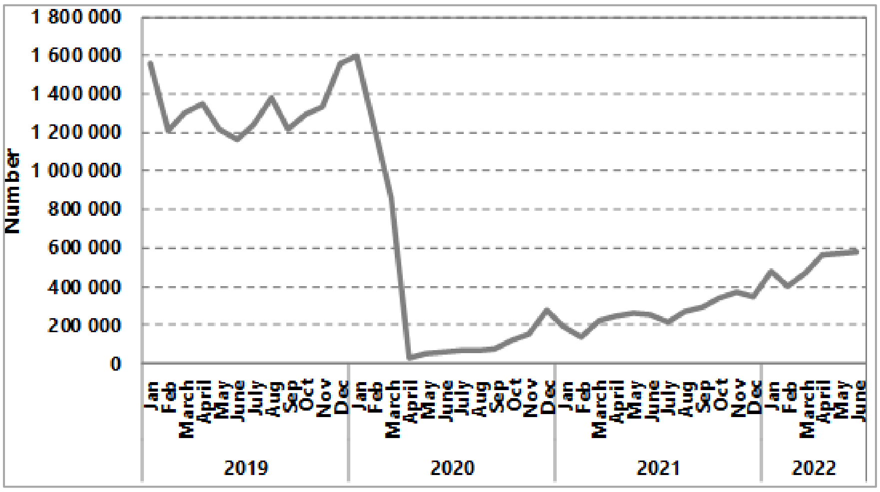
[17] *Seda SMME Quarterly Update 1st Quarter 2022*

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

Tourism and Hospitality

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

Figure 28: Foreign Travel Arrivals in South Africa



Source: IDC, compiled using Stats SA data

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

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

Key Challenges Facing South African SMMEs

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

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

[18] *Seda SMME Quarterly Update 1st Quarter 2022*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.1.5. UPDATED PESTEL ANALYSIS

P	**Political**	▪ Growing tension between the world's most powerful players threatens to disrupt the decades old economic and political status quo, reshaping global cooperation and trade patterns. ▪ Locally, as economic growth slows, joblessness rises, and the cost-of-living crisis intensifies, the public is tiring of the call *to "have hope and be patient".* ▪ The July 2021 unrest raised questions about the government's ability to enforce the law, protect property, and maintain public order. Runaway food inflation affects the unemployed and poor most dramatically and could spark unrest more widespread than previously seen. ▪ Policy uncertainty and a seeming lack of efficacy of economic recovery plans is further eroding the credibility of public institutions, along with unprecedented levels of loadshedding and chaotic politicking in coalition run municipalities.
E	**Economic**	▪ Having just begun to emerge from the massive disruption and economic losses caused by Covid-19 mitigation efforts, the global economy is again on shaky ground as longstanding geopolitical tensions boiled over into war in Ukraine. ▪ Global growth estimates have been revised downwards and are likely to contract further as high inflation persists for longer than forecast, creating concerns that constricting global growth will develop into a recession.

[19] *Seda Annual Performance Plan, 2022/23–2024/25*

		▪ Tightening monetary policy and rising interest rates in advanced economies will make debt more expensive for emerging markets and create downward pressure on their currencies. ▪ Global supply chains are likely to see more regular disruptions due to an increasingly fractious geopolitical environment, as well as bottlenecks in the system. Trade patterns are being rethought as fragilities and inefficiencies are exposed. ▪ South Africa needs to be cautious of an overreliance on buoyant commodity prices and focus on building a diverse and robust local economy poised to take advantage of recovery opportunities. ▪ Agriculture contributes around 2.5% of total GDP and employs around 5% of the workforce, so may be a sector with room to expand. The sector also provides significant opportunity for less highly skilled jobseekers. ▪ Poor economic growth means that supply opportunities to local and international businesses are reduced, which will suppress SMME growth and increase business failure. ▪ Widespread lawlessness seriously undermines the economic growth prospects of the country. Theft and vandalism of infrastructure, extortionist supply chain syndicates, building and land hijackers, and criminal gangs posing as 'business forums' drain value from the economy and add an unsustainable levy to the cost of doing business.
S	**Social**	▪ Mass unemployment creating widespread poverty is an urgent national challenge. Structural and socio-economic inequality was deepened by the pandemic, and gaps continue to widen. ▪ In a report compiled by the World Economic Forum *"social cohesion erosion"* was considered a short-term threat in 31 countries, including Argentina, France, Germany, Mexico, and South Africa. ▪ Socio-economic challenges are exacerbated by the underperformance of the education system, with low pass rates generally, and specifically poor results in STEM. As STEM subjects are key to employability in technical and professional occupations, the education system is not delivering the skills youth need to thrive in the current and future economy. Early childhood development is critical to successful outcomes later in the educational process.
T	**Technological**	▪ Despite being dominated by the global tech giants, the internet has dramatically improved access to information and to markets, and creates unprecedented opportunity for small, independent start-ups of all types. ▪ Automation of administrative, organisational, and management processes facilitate greater efficiencies, especially for SMMEs. ▪ In many industries technology has lowered barriers to entry, provided affordable business administration and support tools, and supplied access to global markets.

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

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

1.2. INTERNAL ENVIRONMENT ANALYSIS

1.2.1. REFLECTION ON MIDTERM LOAN BOOK PERFORMANCE

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

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

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

Figure 30: Efficiency Ratios

Efficiency of Approvals

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

Efficiency of Disbursements

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

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

Specifically, the loan book performance has been impacted by:

1) Unfavourable economic conditions are decreasing demand for **sefa** products and services.

2) Lack of funding readiness of applicants slows processes and turnaround times.

3) Owing to capacity challenges both at **sefa** and at intermediary level, and reliance on only two MFIs to achieve the desired organisational development impact, the Informal and Microfinance Programme have failed to reach targets.

4) There has been a low uptake of the KCG facility, and ongoing delays in the implementation of TREP.

5) Inadequate programme management and traction for targeted groups, such as women, youth, and PWDs.

1.2.2. REFLECTION ON FINANCIAL PERFORMANCE TO DATE

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

Abridged Income Statement

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

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

The year-to-date net loss (including MTEF) amounted to **R95.4 million** compared to a year-to-date budget net loss of **R52.8 million**. This was mainly driven by additional impairment movements, with the overall impairment rate increasing from 38.7% (Q2) to 42.7% (Q3). The lower collections on the debtors have been attributed to increased load-shedding and inflation.

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

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

Abridged Balance Sheet

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

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

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

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

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

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

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

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

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

1.2.3. REFLECTION ON HUMAN CAPITAL AND ORGANISATIONAL CAPABILITIES

In terms of its human capital management and development, **sefa** is facing several challenges, some exacerbated by the uncertainties arising from the merger. These include talent loss due to short-term contracts, a lack of accountability for underperformance, insufficient budget for marketing, and limited platforms for external and internal communication.

To address these challenges, **sefa** will focus on renewing existing short-term contracts, strengthening performance management training throughout the organisation, and implementing a non-compliance management process. It will also increase the budget allocation for marketing and seek to appoint a reputation/brand agency. Additionally, **sefa** will investigate alternative platforms for effective internal and external communication, and re-engineer its operations for better client response and performance optimisation.

In the ICT space, **sefa** is facing challenges, such as a lack of integrated product development methodology, the lack of an organisational culture to embrace innovation and creativity, and capability constraints within its IT operations.

To address these challenges, **sefa** will educate and instil a new product methodology, supporting business and governance process, and will seek to promote innovation and a culture of corporate entrepreneurship. In the year ahead, **sefa** will also review and implement the IT resource panel, capacitate IT by filling vacant posts within a reasonable timeframe, and implement standards and frameworks to improve IT governance to CMMI level 3.

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

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

In terms of risk management and compliance, **sefa** is facing challenges, such as slow investigation turnaround for reported fraud incidents, a lack of key stakeholder engagement to improve efficiencies, poor knowledge sharing and lesson implementation. Moving forward, **sefa** will implement integrated governance, risk, and compliance reporting, enhance the implementation of fraud prevention and anti-corruption interventions, and improve the quality of the service providers utilised for investigations.

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

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

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

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

1.2.4. UPDATED SWOT ANALYSIS

S STRENGTHS

- **sefa** is likely to continue obtaining budgetary allocations to issue loans and grants, as well as non-financial support due to its mandate aligning to the NDP.
- **sefa's** financial and corporate governance system is strong (the organisation has obtained a clean and unqualified audit for eight consecutive years).
- Specific customisation of deal structuring allows client-centric 'solutioning' of a **sefa** wholesale funding offering.
- Secure IT infrastructure and efficient software in place providing strong security for **sefa** systems.

W WEAKNESSES

- The **sefa**/Seda/CBDA merger is creating organisational uncertainty and increased resignation of key employees, which has an adverse impact on organisational performance.
- Lack of stability in the policymaking environment is leading to inconsistency in programme implementation.
- Growth in the loan book is leading to capacity challenges in Post-Investment Management.
- The target market is unaware of the services and benefits offered by **sefa**.
- Low skill levels of applicants influencing the quality of applications (funding readiness), as well as the lack of access to technology required for submissions.
- Inadequate staff capacity at **sefa** resulting in poor processing turnaround times.
- Lack of automation of certain business processes resulting in inefficiencies.
- Aged infrastructure in properties resulting in increased expenses in managing of the properties and difficulty in securing quality tenants.

O OPPORTUNITIES

- Competitive pricing and cross-sectoral funding provide **sefa** with a market advantage.

T THREATS

- Current national challenges, such as electricity supply constraints, water supply interruptions, and rail network challenges, pose a significant threat to the

O OPPORTUNITIES	T THREATS
▪ The merged entity can offer a one-stop-shop facility and efficiency enhancements. ▪ Leverage increasing level of involvement from the private sector to expand support to SMMEs and co-operatives (i.e., smaller players issuing loans to SMMEs with shorter turnaround times, etc.). ▪ Existing unbanked and underserved SMMEs can be expanded by **sefa**. ▪ **sefa** can leverage external funding, making it an implementor of choice for strategic partners, e.g., European Union (EU) Fund, Small Business Improvement Fund (SBIF). ▪ Collaboration with and lobbying of lending partners to relax certain credit extension rules to TREP clients. ▪ Utilisation of state transversal contracts to achieve efficiencies.	sustainability of **sefa** clients and their viability and competitiveness, leading to expected high loan default rates. ▪ Increasingly emerging is a blurring of the mandates of various DFIs, potentially arising from the **sefa**/Seda merger process. The IDC and the DBSA are moving rapidly to operate in the SMME wholesale lending environment or to establish SMME funds. ▪ High impairment rate and debt write-offs are leading to capital erosion. ▪ Rental boycotts in **sefa** properties obstruct the collections target. ▪ Political mistrust between the private sector and government negatively affects the execution of KCG programmes (e.g., banks require a due diligence on KCG). ▪ The highly regulated legal environment is affecting the KCG insurance license conditions. ▪ Staff attrition, loss of institutional knowledge, delayed decision-making, and staff concerns over remuneration and incentives have resulted in low staff morale and engagement.

1.2.5. STRATEGIC PRIORITIES INFORMING PLANNING FOR 2023/24

The 2023/24 Corporate Annual Performance Plan builds on both the achievements and challenges experienced in prior years. The following priorities have informed this Corporate Annual Performance Plan:

1) **Building a sustainable loan book:**

   a) Expansion of credit, e.g., microfinance.

   b) Investment and building of sustainable Black-owned financial intermediary base.

   c) Focus on building clients' sustainability (PIM and business support services).

   d) Decreasing impairments.

   e) Crowding-in the private sector, DFIs and other public sector resources through possible syndication of loans.

f) NISED response, finalise SMME and Co-operatives Funding Policy and Strategy.

g) Rethink Moratorium – replace with service interest only and strengthen client reporting.

h) Implement loan programmes that are responsive to government policies and programmes.

2) **Improving performance on key development indicators:**

a) Enhance targeted loan programmes to promote financial inclusion, and strengthen focus on enterprises owned by youth, women, PWDs, and those based in townships.

b) Strengthen capacity of microfinance division, and address dependence on just two microfinance intermediaries.

3) **Improving the cost structure:**

a) Implement revenue growth and drive cost efficiency (funding model, resource streamlining, etc.).

b) Fast-track systems development and digitisation.

c) Re-capitalisation of the KBP and implement the Turnaround Strategy for the Property Portfolio - design products to leverage the portfolio to respond to infrastructure requirements of SMMEs.

d) Implement profit and loss statements by division.

4) **Enhancing organisational capabilities across sefa value chain:**

a) Establish a project management office to drive organisational projects, including merger considerations.

b) Establish a Treasury function in the merged entity, to better manage capital raising and funds received.

c) Establish KCG as a fully operating subsidiary of **sefa**.

5) **Building the sefa brand and increasing sefa visibility:**

a) Increase investment in marketing and client outreach.

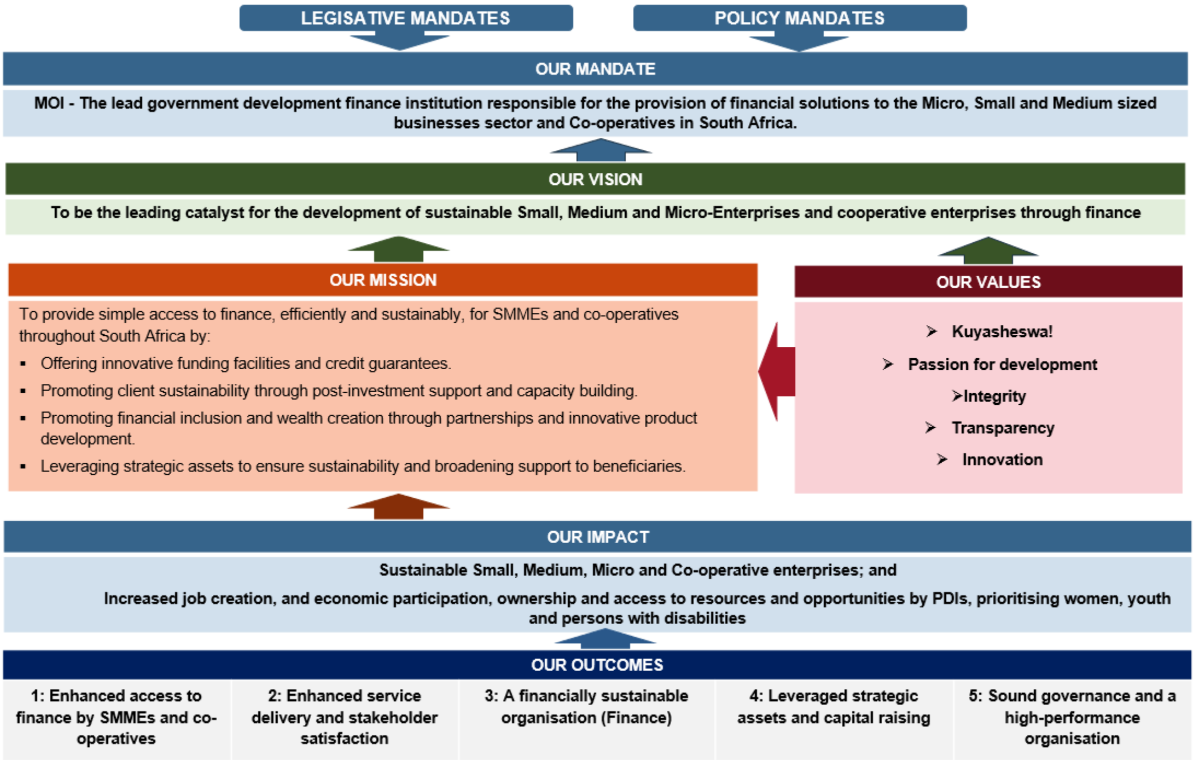
b) Strengthen collaboration with key participants (public and private sector, and donors) in the SMME ecosystem – for different parts of the value chain.

c) Strengthen **sefa** sectoral research and knowledge management capabilities – utilise the body of knowledge to strengthen programme design and implementation.

PART C: MEASURING OUR PERFORMANCE

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

Figure 31: The sefa Strategic Framework, 2020 to 2025



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

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

Contributing towards the achievement of the impact and adopting the Results-based Management Approach of the DPME Revised Framework for Strategic Plans and Annual Performance Plans, **sefa** has defined five 'outcomes', with outcome indicators and five-year targets to be tracked over the remainder of the term to 2024/25.

1. STRATEGIC PLAN OUTCOMES AND FIVE-YEAR TARGETS

ALIGNMENT TO NATIONAL PRIOITIES	ALIGNMENT TO DSBD OUTCOMES	sefa OUTCOME (The result we aim to achieve by 2025)	OUTCOME INDICATOR (How we measure the result over the five years)	BASELINE (Audited 2020/21)	FIVE-YEAR TARGET (By March 2025)	INDICATOR OWNER
MTSF Priority 2: Economic transformation and job creation: – Increased economic participation, ownership, access to resources and opportunities for women, youth, and persons with disabilities **NASP:** – Contribute to target of 50 000 small businesses and co-operatives supported per year, through Microlending and TREP programmes	1. Expanded access to financial and non-financial support and implement responsive programmes to new and existing SMMEs and co-operatives 2. Scaled-up and coordinated support for SMMEs, co-operatives, village, and township economies	**1. Enhanced access to finance by SMMEs and co-operatives**	Total Rand value of funding facilitated to economy (R'000)	R1 311 984	R9,7 billion	Executive Manager: Lending
			Total number of jobs facilitated	87 828	564 475	Executive Manager: Lending
			Percentage of **sefa** funded clients still in business during the contract period	New indicator	70%	Executive Manager: Post-Investment Management
		2. Enhanced service delivery and stakeholder satisfaction	Number of partnerships leading to growth in funded clients	4	25	Executive Manager: Human Capital, Marketing and Facilities
			sefa Brand Visibility Index	Development of the brand visibility instrument	80%	Executive Manager: Human Capital, Marketing and Facilities
MTSF Priority 1: A capable, ethical, and developmental State: – Strengthen the governance system of state-owned entities – Enhance productivity and functionality of public sector institutions in supporting people-centred service delivery	3. Improved governance and compliance	**3. A financially sustainable organisation**	Net asset value (R'000)	R927 104	R1 618 648	Chief Financial Officer
			Loan impairment ratio (rate of non-performing loans)	36%	32%	Executive Manager: Post-Investment Management
		4. Leveraged strategic assets and capital raising	Rand value of capital raised (R'000)	New indicator	R555 000	Chief Financial Officer, consolidating reporting from: – Lending – KCG – KBP
		5. Sound governance and a high-performance organisation	External audit outcome	Unqualified audit opinion	Maintain an unqualified audit outcome from the Auditor-General of	Office of the CEO

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

2. ORGANISATIONAL PERFORMANCE INFORMATION

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

2.1. FINANCIAL PERSPECTIVE

2.1.1. OUTCOMES, OUTPUTS, OUTPUT INDICATORS, AND MTEF TARGETS

CONTRIBUTION TO STRATEGIC PLAN			OUTPUTS	OUTPUT INDICATORS	AUDITED PERFORMANCE			ESTIMATED PERFORMANCE	MTEF TARGETS		
OUTCOME	OUTCOME INDICATOR	OUTCOME FIVE-YEAR TARGET			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
3. A financially sustainable organisation	Net asset value (R'000)	R1 618 648 as at 31 March 2025	Enhanced financial management and performance	Cost-to-income ratio (excluding impairments on loans, advances, and KCG claims provision I/S movement relating to the SSSP and Autobody Programme)	79%	84%	69%	80%	74%	66%	62%
				Percentage growth in revenue (excl. grant income and MTEF)	N/A	New indicator	41%	30%	11%	1%	4%
			Enhanced KCG financial	KCG capital leveraging ratio	N/A	New indicator	6.25 times	6.25 times	6.25 times	6.25 times	6.25 times

CONTRIBUTION TO STRATEGIC PLAN			OUTPUTS	OUTPUT INDICATORS	AUDITED PERFORMANCE			ESTIMATED PERFORMANCE	MTEF TARGETS		
OUTCOME	OUTCOME INDICATOR	OUTCOME FIVE-YEAR TARGET			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
			management and performance								
			Effectively managed property portfolio	Lettable area vacancy rate (target 10%)	New indicator	60%	60%	37%	30%	25%	20%
				Rental collections rate	New indicator	50%	40%	40%	50%	60%	70%
3. A financially sustainable organisation	Loan impairment ratio (rate of non-performing loans)	32%	Improved credit risk assessment and mitigation	Blended first default rate	N/A	New indicator	6%	6%	10%	12%	12%
			Enhanced loan portfolio performance	Percentage Portfolio at Risk	49%	38%	43%	42%	50%	43%	43%
				Accumulated impairment provision as a percentage of total loans and advances	41%	36%	35.4%	38%	50%	39%	38%
				Percentage collection rate (all-in cash collections)	New indicator	85%	85%	87%	75%	86%	86%
4. Leveraged strategic assets and capital raising	Rand value of capital raised (R'000)	R555 000 by 31 March 2025	Capital raising	Rand value of additional capital raised (R'000)	N/A	New indicator	R360 000	R85 000	R85 000	R25 000	R85 000
			sefa B-BBEE facilitator status	**sefa B-BBEE level**	N/A	N/A	N/A	New indicator	B-BBEE baseline established	Level 4 B-BBEE level attained	Level 1 B-BBEE level attained

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

2.1.2. OUTPUT INDICATORS, AND ANNUAL AND QUARTERLY TARGETS

RESPONSIBLE DIVISION	OUTPUT	OUTPUT INDICATORS	2023/24 ANNUAL TARGET	QUARTERLY TARGETS				WEIGHTING
				Q1 Apr - Jun 2023	Q2 Jul - Sep 2023	Q3 Oct - Dec 2023	Q4 Jan - Mar 2024	
Finance and Supply Chain Management	Enhanced financial management and performance	Cost-to-income ratio (excluding impairments on loans, advances, and KCG claims provision I/S movement relating to the SSSP and Autobody Programme)	74%	74%	74%	74%	74%	5%
		Percentage growth in revenue (excl. grant income and MTEF)	11%	Annual Target	Annual Target	Annual Target	11%	3%
KCG	Enhanced KCG financial management and performance	KCG capital leveraging ratio	6.25 times	6.25 times	6.25 times	6.25 times	6.25 times	4%

RESPONSIBLE DIVISION	OUTPUT	OUTPUT INDICATORS	2023/24 ANNUAL TARGET	QUARTERLY TARGETS				WEIGHTING
				Q1 Apr - Jun 2023	Q2 Jul - Sep 2023	Q3 Oct - Dec 2023	Q4 Jan - Mar 2024	
KBP	Effectively managed property portfolio	Lettable area vacancy rate (target 10%)	30%	40%	40%	35%	30%	2%
KBP		Rental collections rate	50%	45%	50%	50%	50%	2%
Direct reports to the CEO	Improved credit risk assessment and mitigation	Blended first default rate	10%	10%	10%	10%	10%	2%
Post-Investment Monitoring and Workout	Enhanced loan portfolio performance	Percentage Portfolio at Risk	45%	45%	45%	45%	50%	3%
Post-Investment Monitoring and Workout		Accumulated impairment provision as a percentage of total loans and advances	40%	40%	40%	40%	50%	3%
Post-Investment Monitoring and Workout		Percentage collection rate (all-in cash collections)	85%	85%	85%	85%	75%	3%
Finance and Supply Chain Management	Capital raising	Rand value of additional capital raised (R'000)	R85 000	-	R25 000	R60 000	-	3%
Direct reports to the CEO	**sefa** B-BBEE facilitator status	**sefa B-BBEE level**	B-BBEE baseline established. Improvement Plan implemented	BBEE evaluation conducted, and baseline established. Improvement Plan developed	Improvement Plan implemented	Improvement Plan Implemented	Improvement Plan Implemented	2%

2.2. CUSTOMER PERSPECTIVE

2.2.1. OUTCOMES, OUTPUTS, OUTPUT INDICATORS, AND MTEF TARGETS

CONTRIBUTION TO STRATEGIC PLAN			OUTPUTS	OUTPUT INDICATORS	AUDITED PERFORMANCE			ESTIMATED PERFORMANCE	MTEF TARGETS		
OUTCOME	OUTCOME INDICATOR	OUTCOME FIVE-YEAR TARGET			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
1. Enhanced access to finance by SMMEs and co-operatives	Total Rand value of funding facilitated to economy (R'000)	R9.7 billion	Broadened access to finance	Value of approvals to SMMEs and co-operatives (R'000)	R1 411 431	R1 900 666	R2 494 642	R1 891 361	R2 339 752	R2 573 727	R2 831 099
	Total number of jobs facilitated	564 475		Value of disbursements to SMMEs and co-operatives (R'000)	R1 311 984	R1 590 616	R2 322 121	R2 182 296	R2 346 589	R2 581 248	R2 839 373
				Number of SMMEs and co-operatives financed	74 472	72 799	76 129	85 585	93 671	R103 039	R113 342
				Number of jobs facilitated and sustained	87 828	99 112	96 589	114 820	120 022	R132 024	R145 227
				Disbursements to Black-owned enterprises (R'000)	R921 243	R1 374 073	R2 084 921	R1 776 185	R1 642 613	R1 806 874	R1 987 561
				Disbursements to women-owned enterprises (R'000)	R446 084	R604 177	R990 258	R780 439	R938 636	R1 032 499	R1 135 749

CONTRIBUTION TO STRATEGIC PLAN			OUTPUTS	OUTPUT INDICATORS	AUDITED PERFORMANCE			ESTIMATED PERFORMANCE	MTEF TARGETS		
OUTCOME	OUTCOME INDICATOR	OUTCOME FIVE-YEAR TARGET			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
				Disbursements to youth-owned enterprises (R'000)	R211 932	R315 103	R494 399	R674 973	R703 977	R774 374	R851 812
				Disbursements to enterprises owned by entrepreneurs with disabilities (R'000)	R6 340	R2 681	R37 872	R111 346	R164 261	R180 687	R198 756
				Disbursements to township-based enterprises (R'000)	R124 627	R274 349	R665 483	R614 234	R586 647	R645 312	R709 843
				Disbursements to enterprises located in rural towns and villages (R'000)	R371 151	R563 051	R977 100	R766 765	R938 636	R1 032 499	R1 135 749
			KCG - Broadened access to finance	Value of approvals to SMMEs and co-operatives (R'000)	R310 000	R148 225	R508 735	R250 000	R275 000	R302 500	R332 750
				Value of disbursements to SMMEs and co-operatives (R'000)	R247 413	R201 951	R285 749	R342 500	R376 750	R414 425	R455 868
				Number of SMMEs and co-operatives financed	85	5 224	4 654	623	686	755	830

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

CONTRIBUTION TO STRATEGIC PLAN			OUTPUTS	OUTPUT INDICATORS	AUDITED PERFORMANCE			ESTIMATED PERFORMANCE	MTEF TARGETS		
OUTCOME	OUTCOME INDICATOR	OUTCOME FIVE-YEAR TARGET			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
2. Enhanced service delivery and stakeholder satisfaction	Number of partnerships leading to growth in funded clients	25	Strategic stakeholder relations with key constituencies	Number of leads generated	N/A	N/A	New indicator	100 Leads generated	120 Leads generated	140 Leads generated	150 Leads generated
	sefa Brand Visibility Index	70%	Enhanced **sefa** brand visibility	Annual Brand Visibility Index	New indicator	Development of the brand visibility measurement instruments	40% Brand Visibility Index	50% Brand Visibility Index	60% Brand Visibility Index	80% Brand Visibility Index	85% Brand Visibility Index
			Customer satisfaction	Annual Customer Satisfaction Index rating	N/A	New indicator	80% Customer Satisfaction Index rating	83% Customer Satisfaction Index rating	85% Customer Satisfaction Index rating	85% Customer Satisfaction Index rating	87% Customer Satisfaction Index rating

2.2.2. OUTPUT INDICATORS, AND ANNUAL AND QUARTERLY TARGETS

RESPONSIBLE DIVISION	OUTPUT	OUTPUT INDICATORS	2023/24 ANNUAL TARGET	QUARTERLY TARGETS				WEIGHTING
				Q1 Apr - Jun 2023	Q2 Jul - Sep 2023	Q3 Oct - Dec 2023	Q4 Jan - Mar 2024	
Direct Lending Wholesale Lending Microfinance	Broadened access to finance	Value of approvals to SMMEs and co-operatives (R'000)	R1 533 232	R80 550	R212 682	R755 000	R485 000	6%
Direct Lending		Value of disbursements to	R2 181 375	R384 510	R517 765	R812 450	R466 650	6%

RESPONSIBLE DIVISION	OUTPUT	OUTPUT INDICATORS	2023/24 ANNUAL TARGET	QUARTERLY TARGETS				WEIGHTING
				Q1 Apr - Jun 2023	Q2 Jul - Sep 2023	Q3 Oct - Dec 2023	Q4 Jan - Mar 2024	
Wholesale Lending Microfinance		SMMEs and co-operatives (R'000)						
Direct Lending Wholesale Lending Microfinance		Number of SMMEs and co-operatives financed	72 973	8 149	2 698	56 082	6 044	3%
Direct Lending Wholesale Lending Microfinance		Number of jobs facilitated and sustained	93 923	14 572	5 888	61 979	11 484	3%
Direct Lending Wholesale Lending Microfinance		Disbursements to Black-owned enterprises (R'000)	R1 526 295	R331 100	R325 708	R542 833	R326 655	4%
Direct Lending Wholesale Lending Microfinance		Disbursements to women-owned enterprises (R'000)	R822 688	R129 777	R196 061	R310 190	R186 660	3%
Direct Lending Wholesale Lending Microfinance		Disbursements to youth-owned enterprises (R'000)	R554 047	R75 252	R89 911	R232 643	R156 242	3%
Direct Lending Wholesale Lending Microfinance		Disbursements to enterprises owned by entrepreneurs with disabilities (R'000)	R43 627	R1 688	R2 333	R42 295	R25 087	2%

RESPONSIBLE DIVISION	OUTPUT	OUTPUT INDICATORS	2023/24 ANNUAL TARGET	QUARTERLY TARGETS				WEIGHTING
				Q1 Apr - Jun 2023	Q2 Jul - Sep 2023	Q3 Oct - Dec 2023	Q4 Jan - Mar 2024	
Direct Lending Wholesale Lending Microfinance		Disbursements to township-based enterprises (R'000)	R540 352	R66 886	R110 248	R226 991	R136 228	2%
Direct Lending Wholesale Lending Microfinance		Disbursements to enterprises located in rural towns and villages (R'000)	R856 336	R122 391	R207 020	R328 235	R198 690	3%
KCG	KCG - Broadened access to finance	Value of approvals to SMMEs and co-operatives (R'000)	R275 000	R55 000	R82 500	R82 500	R55 000	
KCG		Value of disbursements to SMMEs and co-operatives (R'000)	R376 750	R75 350	R113 025	R113 025	R75 350	
KCG		Number of SMMEs and co-operatives financed	686	137	206	206	137	
KCG		Number of jobs facilitated and sustained	8 744	1 749	2 623	2 623	1 749	
KCG		Disbursements to Black-owned enterprises (R'000)	R263 725	R52 745	R79 118	R79 118	R52 745	
KCG		Disbursements to women-owned enterprises (R'000)	R150 700	R30 140	R45 210	R45 210	R30 140	

RESPONSIBLE DIVISION	OUTPUT	OUTPUT INDICATORS	2023/24 ANNUAL TARGET	QUARTERLY TARGETS				WEIGHTING
				Q1 Apr - Jun 2023	Q2 Jul - Sep 2023	Q3 Oct - Dec 2023	Q4 Jan - Mar 2024	
KCG		Disbursements to youth-owned enterprises (R'000)	R113 025	R22 605	R33 908	R33 908	R22 605	
KCG		Disbursements to enterprises owned by entrepreneurs with disabilities (R'000)	R26 373	R5 275	R7 912	R7 912	R5 275	
KCG		Disbursements to township-based enterprises (R'000)	R94 188	R18 838	R28 256	R28 256	R18 838	
KCG		Disbursements to enterprises located in rural towns and villages (R'000)	R150 700	R30 140	R45 210	R45 210	R30 140	
Human Capital, Marketing and Facilities	Strategic stakeholder relations with key constituencies	Number of leads generated	120 Leads generated	30	30	30	30	1%
Human Capital, Marketing and Facilities	Enhanced **sefa** brand visibility	Annual Brand Visibility Index	60% Brand Visibility Index	Development and approval of a Brand Visibility Index Improvement Plan	Implement improvement actions according to the plan	Implement improvement actions in line with the plan Draft TOR to appoint a service provider to measure progress	Appoint service provider and measure Brand Visibility Index	1%
Human Capital, Marketing and Facilities	Customer satisfaction	Annual Customer Satisfaction Index rating	60% Customer Satisfaction Index rating	Implement customer survey report recommendations	Implement customer survey report recommendations	Implement customer survey report recommendations.	Appointment of the service provider to conduct the customer satisfaction survey.	1%

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

2.3. BUSINESS PROCESS PERSPECTIVE

2.3.1. OUTCOMES, OUTPUTS, OUTPUT INDICATORS, AND MTEF TARGETS

CONTRIBUTION TO STRATEGIC PLAN			OUTPUTS	OUTPUT INDICATORS	AUDITED PERFORMANCE			ESTIMATED PERFORMANCE	MTEF TARGETS		
OUTCOME	OUTCOME INDICATOR	OUTCOME FIVE-YEAR TARGET			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
1. Enhanced access to finance by SMMEs and co-operatives	Percentage of **sefa** funded clients still in business during the contract period	70%	SMME and intermediary institutional capacity building	Number of client and funding partner interventions	92	76	140	165	190	220	230
				Number of **sefa** clients improving turnover by 5%	N/A	New indicator	20 Clients	30 Clients	35 Clients	35 clients	40 clients
2. Enhanced service delivery and stakeholder satisfaction	Number of partnerships leading to growth in funded clients	25	Efficient and effective lending	Turnaround time for Direct Lending (days)	N/A	New indicator	45	40	30	25	25
				Turnaround time for Wholesale Lending (days)	N/A	New indicator	60	55	50	45	40

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

2.3.2. OUTPUT INDICATORS, AND ANNUAL AND QUARTERLY TARGETS

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

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

2.4. LEARNING AND GROWTH PERSPECTIVE

2.4.1. OUTCOMES, OUTPUTS, OUTPUT INDICATORS, AND MTEF TARGETS

CONTRIBUTION TO STRATEGIC PLAN			OUTPUTS	OUTPUT INDICATORS	AUDITED PERFORMANCE			ESTIMATED PERFORMANCE	MTEF TARGETS		
OUTCOME	OUTCOME INDICATOR	OUTCOME FIVE-YEAR TARGET			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
3. A financially sustainable organisation	N/A	N/A	Monitoring and evaluation of **sefa** loan programme performance and commissioning of strategic research projects	Number of publications produced	N/A	New indicator	6 Sector and value chain analysis reports Bi-annual business conditions survey	6 Sector and value chain analysis reports Bi-annual business conditions survey Loan Programme Performance Report	6 Sector and value chain analysis reports Bi-annual business conditions survey Loan Programme Performance Report	6 Sector and value chain analysis reports Bi-annual business conditions survey Loan Programme Performance Report	6 Sector and value chain analysis reports Bi-annual business conditions survey Loan Programme Performance Report

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

2.4.2. OUTPUT INDICATORS, AND ANNUAL AND QUARTERLY TARGETS

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

RESPONSIBLE DIVISION	OUTPUT	OUTPUT INDICATORS	2023/24 ANNUAL TARGET	QUARTERLY TARGETS				WEIGHTING
				Q1 Apr - Jun 2023	Q2 Jul - Sep 2023	Q3 Oct - Dec 2023	Q4 Jan - Mar 2024	
Human Capital, Marketing and Facilities	Improved employee engagement	Employee Engagement Index (EEI)	65% Employee Engagement Index (EEI)	Employee Engagement Survey Completed	Employee Engagement Survey Action Plan 40% completed	Employee Engagement Survey Action Plan 60% completed	Employee Engagement Survey Action Plan 100% completed	3%
Human Capital, Marketing and Facilities	Improvement of organisational performance	Percentage of staff that scores 3.5 or more in the annual performance assessment	55% Staff that scores 3.5 or more in the 2022/23 annual performance assessment	Achievement of 60%of staff with scores of 3.5 and more on FY 2022/23 annual performance	Performance improvement plans in plans for underperformers	Mid-year reviews completed	Report on status of Performance improvement plans	2%
Human Capital, Marketing and Facilities	Productivity improvement	Productivity Index	Productivity Index increases by 5% from baseline	Achievement of quarterly divisional productivity targets	Achievement of quarterly divisional productivity targets	Exceed divisional quarterly productivity target by 5%	Productivity Report and recommendations produced	2%

3. EXPLANATION OF PLANNED PERFORMANCE

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

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

<table>
<tr><th colspan="2">FINANCIAL PERSPECTIVE</th></tr>
<tr><td colspan="2">Contribution to achieving the intended sefa impact:</td></tr>
<tr><td colspan="2">▪ Driving commercialisation, ensuring return on investment, and strengthening of the balance sheet; and
▪ Mobilising strategic partners and funding.</td></tr>
<tr><td colspan="2">Contribution to MTSF 2019-2024 and national priorities:</td></tr>
<tr><td>MTSF 2019-2024:
Priority 1 – A capable, ethical, and developmental State</td><td>Improve financial management capability in the public sector; and measures taken to reduce wasteful and fruitless expenditure, and irregular expenditure in the public sector.
Contributing outputs are:
▪ Improved credit risk assessment and mitigation.
▪ Enhanced loan portfolio performance.
▪ Enhanced financial management and performance.
▪ Capital raising.</td></tr>
<tr><td>DSBD Outcome</td><td>3. Improved governance and compliance.</td></tr>
<tr><td colspan="2">Planning priorities for the MTEF period:</td></tr>
<tr><td colspan="2">▪ Improving the cost structure:
– Drive cost efficiency (funding model, right-sizing, etc.).
– Fast-track systems development and digitisation.
– Implement the Turnaround Strategy for the Property Portfolio - design products to leverage the portfolio to respond to infrastructure requirements of SMMEs.
– Implement profit and loss statements by division.
▪ Package sefa as a commercial programme implementor of choice, noting from the endorsement on how sefa managed LREF, SBIF, and EU ESD.
– Strengthen backend systems to drive improved collections:
– Develop and implement an automated collections workflow, aligned to approved Write-off Policy.</td></tr>
</table>

FINANCIAL PERSPECTIVE
▪ Establish an automated reporting tool for annual financial statements and management accounts. ▪ Develop a business case and roadmap for investment/growth in the property portfolio, including sources of capital.
Specific priorities related to women, youth, and PWDs:
B-BBEE thresholds for procurement to be implemented.

CUSTOMER PERSPECTIVE	
Contribution to achieving the intended sefa impact:	
▪ Supporting sustainable small, medium, micro, and co-operative enterprises; and ▪ Contributing to increased job creation, and economic participation, ownership, and access to resources and opportunities by PDIs, prioritising women, youth, and PWDs.	
Contribution to MTSF 2019-2024 and national priorities:	
MTSF 2019-2024: Priority 2: Economic transformation and job creation	Increased economic participation, ownership, access to resources and opportunities for women, youth, and PWDs. Contributing outputs are: ▪ Broadened access to finance. ▪ Efficient and effective lending. ▪ SMME and intermediary institutional capacity building. ▪ Monitoring and evaluation of **sefa** Loan Programme performance and commissioning of strategic research projects. ▪ Strategic stakeholder relations with key constituencies.
National Annual Strategic Plan (NASP)	Contribute to target of 50 000 small businesses and co-operatives supported per year, through Microlending and TREP programmes. Contributing outputs are: ▪ Broadened access to finance.
DSBD Outcomes	1. Expanded access to financial and non-financial support and implement responsive programmes to new and existing SMMEs and co-operatives. 2. Scaled-up and coordinated support for SMMEs, co-operatives, village, and township economies.
Planning priorities for the MTEF period:	
▪ Development and implementation of an Energy Fund. ▪ Building a sustainable loan book: – Expansion of credit, e.g., microfinance. – Investment and building of sustainable Black-owned financial intermediary base. – Focus on building clients' sustainability (PIM and business support services).	

CUSTOMER PERSPECTIVE
– Decreasing impairments. – Crowding-in the private sector resources. – NISED response, finalise SMME and Co-operatives Funding Policy and Strategy. – Centralise large deal due diligence function. – Rethink Moratorium – replace with service interest only and strengthen client reporting. – Explore Treasury offer for funding to support solar and gas in hospitality sector. – Implement loan programmes that are responsive to government policies and programmes. ▪ Improving performance on key development indicators: – Introduce targeted loan programmes to promote financial inclusion, and strengthen focus on enterprises owned by youth, women, PWDs, and those based in townships. – Strengthen capacity of Microfinance division, and address dependence on just two microfinance intermediaries.
Specific priorities related to women, youth, and PWDs:
▪ Women-, youth-, and PWD-owned enterprises are the priority focus for sefa's lending products. ▪ These are reported on, as developmental indicators, quarterly and annually.

BUSINESS PROCESSES PERSPECTIVE	
Contribution to achieving the intended sefa impact:	
Ensuring sound governance and a high-performance organisation.	
Contribution to MTSF 2019-2024 and national priorities:	
MTSF 2019-2024: Priority 1 – A capable, ethical, and developmental State	Strengthen the governance system of state-owned entities. Contributing outputs are: ▪ Enhanced risk maturity. ▪ Electronic crowd-funding platform for early-stage start-ups. ▪ Automation/digitisation of **sefa** business processes. ▪ Efficient and effective lending. ▪ SMME and intermediary institutional capacity building. ▪ Customer satisfaction.
DSBD Outcome	3. Improved governance and compliance.
Planning priorities for the MTEF period:	
▪ Enhancing organisational capabilities across the **sefa** value chain: – Establish a project management office to drive organisational projects, including merger considerations.	

BUSINESS PROCESSES PERSPECTIVE
– Establish a Treasury function in the merged entity to better manage capital raising and funds received. – Conclude the organisational review process and optimise the functioning of **sefa**. – Establish KCG as a fully operating subsidiary of **sefa**. ▪ Building the **sefa** brand and increasing **sefa** visibility: – Increase investment in marketing and client outreach. – Strengthen collaboration with key participants (public and private sector, and donors) in the SMME ecosystem – for different parts of the value chain. – Strengthen sefa sectoral research and knowledge management capabilities – utilise the body of knowledge to strengthen programme design and implementation.
Specific priorities related to women, youth, and PWDs:
Not applicable

LEARNING AND GROWTH PERSPECTIVE	
Contribution to achieving the intended sefa impact:	
Ensuring sound governance and a high-performance organisation.	
Contribution to MTSF 2019-2024 and national priorities:	
MTSF 2019-2024: Priority 1 – A capable, ethical, and developmental State	Enhance productivity and functionality of public sector institutions in supporting people-centred service delivery. Contributing outputs are: ▪ Improved employee engagement ▪ Improvement of organisational performance ▪ Productivity improvement
DSBD Outcome	3. Improved governance and compliance.
Planning priorities for the MTEF period:	
▪ Towards merger - ensure clarity on roles and funding priorities. ▪ Enhancing organisational capabilities across **sefa** value chain: – Conclude the organisational review process and optimise the functioning of **sefa**.	
Specific priorities related to women, youth, and PWDs:	
Achieve **sefa** Employment Equity Plan targets.	

4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND 2023/24 MTEF BUDGET ESTIMATES

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

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

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

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

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

4.2. STATEMENT OF CASHFLOW FOR THE 2023/24 MTEF

STATEMENTS OF CASH FLOWS R'000

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

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

STATEMENTS OF COMPREHENSIVE INCOME R'000

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

4.4. EXPENDITURE PER DIVISION

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

5. UPDATED KEY RISKS AND MITIGATIONS FROM THE STRATEGIC PLAN

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

Outcome	Key Risk	Risk Mitigation
1. Enhanced access to finance by SMMEs and co-operatives.	Inadequate programme management and traction for targeted groups, such as women, youth, and People living with disabilities. Low skill levels of applicants influencing the quality of applications (funding readiness), as well as the lack of access to technology required for submissions.	1) Evaluate the regional office network to ensure its closer to its target market considering **sefa** property portfolio. 2) Introduce targeted loan programmes to promote financial inclusion, and strengthen focus on enterprises owned by youth, women, PWDs, and those based in townships. 3) Strengthen capacity of microfinance division, and address dependence on just two microfinance intermediaries.
	Lack of automation of certain business processes resulting in inefficiencies.	1) Design and implementation of an automated workflow and integration to the back-end systems (loan origination and its streamlining; 100% automation of loan origination). 2) 100% automation of due diligence, PIM/WR and disbursements. 3) Fast-track systems development and digitisation. 4) Conclude the organisational review process and optimise the functioning of sefa
	Lack of alternate power supply to mitigate the impact of Loadshedding causing loss of revenue and production to clients, leading to expected high loan default rates.	1) offering additional finance for alternative power sources to clients in support of their businesses.
	5. Inability to generate a desired uptake by new and existing clients due to similar product offerings by other DFIs, which could ultimately threaten the existence of sefa. (The IDC and the DBSA are moving rapidly to operate in the SMME wholesale lending environment or to establish SMME funds.)	1) Expanded access to financial and non-financial support and implement responsive programmes to new and existing SMMEs and co-operatives 2) Initiate visibility campaigns such as pop-up shops /express offices to appeal and attract new clients

Outcome	Key Risk	Risk Mitigation
2. Enhanced service delivery and stakeholder satisfaction	Inadequate customer centricity, stakeholder focus, and brand visibility. The target market is unaware of the services and benefits offered by sefa.	1) Increase investment in marketing and client outreach. 2) Strengthen collaboration with key participants (public and private sector, and donors) in the SMME ecosystem – for different parts of the value chain. 3) Strengthen sefa sectoral research and knowledge management capabilities – utilise the body of knowledge to strengthen programme design and implementation.
	Lack of clarity and uncertainty surrounding how merger with Seda will be managed. The **sefa**/Seda/CBDA merger is creating organisational uncertainty and increased resignation of key employees, which has an adverse impact on organisational performance.	1) Establish a project management office to drive organizational projects, including merger considerations. 2) Identify one stop shop facility and efficiency enhancements. 3) Conclude the organisational review process and optimise the functioning of sefa. 4) Capitalise & capacitate KCG as a fully operating subsidiary.
3. A financially sustainable organisation	Inability to define and secure long-term sustainability of **sefa** to meet **sefa**'s mandate and strategic objectives (financial sustainability).	1) Develop the financial model, which will guide the funding methodology and interest rates to be charged. 2) Establish a Treasury function in the merged entity, to better manage capital raising and funds received. 3) Drive cost efficiency (funding model, right-sizing, etc.). 4) Implement profit and loss statements by division
	Inadequate recovery of invested funds – low collections and high impairments, particularly on old debt book.	1) PIM to identify scalable businesses that can be grown from programmes through capacity building, such as SEMSP. 2) Centralise large deal due diligence function. 3) Procuring and deploying an appropriate credit rating tool and pricing tool (to support the Loan Origination System), specifically for the Wholesale SME Lending Enterprise Book to determine appropriate risk appetite. 4) Monitoring and improvement of the rate of first default through the

Outcome	Key Risk	Risk Mitigation
		acquisition of a new transaction cashflow projection model.
4. Leveraged strategic assets and capital raising	Inability to meet properties portfolio objectives and achieve market-related tenant occupancy.	1) Leasing - Develop and implement a strategic letting plan for rental enterprise. 2) Collections and recoveries - Achieve a desired recovery to expense ratio (over 60%). 3) Implement the Turnaround Strategy for the Property Portfolio - design products to leverage the portfolio to respond to infrastructure requirements of SMMEs. 4) Develop a business case and a roadmap for investment or growth in the property portfolio including sources of capital.
5. Sound governance and a high-performance organisation	The risk of not meeting legal, contractual, and regulatory obligations.	1) Ongoing training and awareness on key legislation applicable to **sefa**. 2) Ongoing review of key policies for alignment. 3) Conduct a compliance maturity assessment.
	Inadequate capabilities and capacity to achieve levels of impact, performance, and innovation. Growth in the loan book is leading to capacity challenges in Post-Investment Management. Talent loss due to short-term contracts	1) Enhance culture transformation plans and change management. 2) Ongoing employee engagement. 3) Effective performance management system and leadership capacitation to support culture transformation.
	13. IT security and cyber risks.	1) Improve cybersecurity hygiene to comply with the ISO/IEC 27001 family of Information Security Standards, COBIT 19, and the National Institute of Standards and Technology (NIST) Framework.
	Financial crimes and unethical business practices.	1) Develop and implement Know Your Customer (KYC) Policy. 2) Ongoing review of Anti-Money Laundering Policy and Fraud Prevention Policy.

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

6. PUBLIC ENTITIES

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

7. CAPEX PROJECTS

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

8. PUBLIC / PRIVATE PARTNERSHIPS (PPPs)

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

PART D: TECHNICAL INDICATOR DESCRIPTIONS

1. BSC PERSPECTIVE – FINANCIAL

Finance and Supply Chain Management

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

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

Khula Credit Guarantee (KCG)

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

Khula Business Premises (KBP)

Indicator Title	Lettable area vacancy rate (target 10%)
Definition	Measures the percentage of total lettable space that is available to be rented out but is vacant
Source of Data	Lease register/ MDA Tenancy and Vacancy Schedule
Method of Calculation / Assessment	Total sq. metre of vacant lettable space divided by the total square metre of gross lettable space, expressed as a percentage
Means of Verification	Lease register/MDA Tenancy and Tenancy Schedule
Assumptions	None

Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Prioritise the provision of infrastructure that supports industrialisation, localisation, and exports for SMMEs and co-operatives, with a focus on township and rural economies
Calculation Type	Cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head of Khula Business Premises

Indicator Title	Rental collections rate
Definition	To improve the due (billed) rental collected
Source of Data	MDA Portal
Method of Calculation / Assessment	Rand value of due (billed) rental collected, divided by the total Rand value of due (billed) rental, expressed as a percentage
Means of Verification	Verify data reflected on MDA Portal
Assumptions	▪ Lease renewals are formalised ▪ Panel of attorneys is appointed ▪ Rental collection strategy is aligned with industry standards ▪ Repairs and maintenance budget is available
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head of Khula Business Premises

Direct Reports to the CEO

Indicator Title	Blended first default rate
Definition	The proportion of loans (exposure weighted) that goes into ageing status 90+ days (i.e., non-performing loan) without servicing the loan
Source of Data	**sefa** historical information (\\sefafs\userdata\ECL) or **sefa**LAS Ageing Report
Method of Calculation / Assessment	Kaplan Meier Survival Analysis - Stratify **sefa** historical information data on months to default or months on book if data is right censored. Determine the likelihood that exposure survives past a given time period.
Means of Verification	Verify data reported in **sefa** historical information (\\sefafs\userdata\ECL) or **sefa**LAS Ageing Report
Assumptions	▪ Average grace/moratorium period ▪ Kaplan Meier related assumptions about censoring
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head of Credit Risk

Post-Investment Monitoring and Workout

Indicator Title	Percentage Portfolio at Risk
Definition	The Portfolio at Risk (PAR) is a technical measure that accounts for the exposures that are 60 + 1 day in arrears
Source of Data	**sefa**LAS – age analysis report
Method of Calculation / Assessment	Sum of the total outstanding balance on clients' accounts, where the ageing balances are in excess of 60 days overdue on the age analysis, expressed as a percentage
Means of Verification	Verify data reported in **sefa**LAS – age analysis report
Assumptions	None

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

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

Indicator Title	**Percentage collection rate (all-in-cash collections)**

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

Finance and Supply Chain Management

Indicator Title	Rand value of additional capital raised (R'000)
Definition	Monitoring the Rand value amount of additional capital raised outside of **sefa**'s MTEF allocation The CFO consolidates, and reports organisationally, on capital raised by the Lending Division and Khula Business Premises
Source of Data	ACCPAC
Method of Calculation / Assessment	Sum of the additional capital amounts raised outside of the MTEF allocation
Means of Verification	Review of bank statements and MOUs concluded
Assumptions	The Lending Division and Khula Business Premises secure the capital raising target set for their division

Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Chief Financial Officer, consolidating reporting from: – Executive Manager – Lending – Head: Khula Credit Guarantee – Head: Khula Business Premises

Direct Reports to the CEO

Indicator Title	**sefa B-BBEE level**
Definition	To enable **sefa** to facilitate various Enterprise Supplier Development funds and funding instruments, **sefa** needs, and appropriate B-BBEE facilitator status. This is dependent on **sefa**'s B-BBEE level, as verified by an approved verification agency.
Source of Data	▪ Quarterly progress reports on implemented improvement plan targets ▪ B-BBEE certificate
Method of Calculation / Assessment	BEE verification conducted and certificate issued.
Means of Verification	▪ Quarterly progress reports on implemented improvement plan targets ▪ B-BBEE certificate
Assumptions	Not applicable
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation	Not applicable

(where applicable)	
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head: Legal

2. BSC PERSPECTIVE – CUSTOMER

Lending (Direct, Wholesale and Microfinance)

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

Indicator Responsibility	Executive Manager – Lending

Indicator Title	**Value of disbursements to SMMEs and co-operatives (R'000)**
Definition	A measurement, against the set target, of the Rand amount of disbursements, through the different loan types and credit guarantees issued to end users (beneficiaries) through Direct Lending and intermediaries' channels The disbursement amount is the amount approved as per the decision record exclusive of the client initiation fees and VAT
Source of Data	**Sefa**LAS and Intermediary Portal
Method of Calculation / Assessment	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Disbursements through Wholesale and Direct Lending portfolios.
Means of Verification	**sefa**LAS and Intermediary Portal
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Reflected as standalone KPIs
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Executive Manager – Lending

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

Source of Data	**sefa**LAS
Method of Calculation / Assessment	CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of number of SMMEs and co-operatives financed (first disbursements)
Means of Verification	**sefa**LAS
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Reflected as standalone KPIs
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Executive Manager – Lending

Indicator Title	Number of jobs facilitated and sustained
Definition	A measurement, against the set target, of the number of jobs that are facilitated and sustained via the **sefa** loan programmes and credit guarantees. Jobs facilitated relate to new and maintained jobs as a result of the funding intervention. Measurement includes – informal and formal sector jobs Rules: 1. Jobs facilitated and sustained for Direct Lending are based on approvals and information captured must align with the decision record 2. Jobs facilitated and sustained for Wholesale Lending are based on disbursements 3. Only consider the first instance of each SMME or co-operative (i.e., unique ID number and unique company registration number of the beneficiary or end user) per financial year 4. Actual jobs facilitated must be verified
Source of Data	**sefa**LAS

Method of Calculation / Assessment	Jobs facilitated = Maintained jobs + new jobs (at approval stage) Jobs facilitated (WL) = Maintained jobs + new jobs (at disbursement stage) **Number of jobs facilitated = Jobs facilitated (DL) + jobs facilitated (WL)**
Means of Verification	**sefa**LAS
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Executive Manager – Lending

Indicator Title	Disbursements to Black-owned enterprises (R'000)
Definition	A measurement, against the set target, of Black-owned enterprises where most of the shareholding percentage (50+1) is owned by previously disadvantage individuals (PDIs). PDI is defined in terms of the B-BBEE Act (African, Indian, and Coloured)
Source of Data	**sefa**LAS
Method of Calculation / Assessment	Rand value of funding provided to a category of beneficiary divided by total funding provided
Means of Verification	▪ EXCO minutes confirming submission of report ▪ Register of approved loans with allocation to designated groups as per approved application forms
Assumptions	None

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

Indicator Title	**Disbursements to women-owned enterprises (R'000)**
Definition	A measurement, against the set target, of women-owned enterprises where most of the shareholding percentage (50+1) is owned by females
Source of Data	**sefa**LAS
Method of Calculation / Assessment	Rand value of funding provided to a category of beneficiary divided by total funding provided
Means of Verification	▪ EXCO minutes confirming submission of report ▪ Register of approved loans with allocation to designated groups as per approved application forms
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Disbursements to women-owned enterprises
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable

Indicator Responsibility	Executive Manager – Lending

Indicator Title	Disbursements to youth-owned enterprises (R’000)
Definition	A measurement, against the set target, of disbursements to youth-owned enterprises where most of the shareholding percentage (50+1) is owned by individuals between the ages of 18 – 35
Source of Data	**sefa**LAS
Method of Calculation / Assessment	Rand value of funding provided to a category of beneficiary divided by total funding provided
Means of Verification	▪ EXCO minutes confirming submission of report ▪ Register of approved loans with allocation to designated groups as per approved application forms
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Disbursements to youth-owned enterprises
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Executive Manager – Lending

Indicator Title	Disbursements to enterprises owned by entrepreneurs with disabilities (R’000)
Definition	▪ A measurement, against the set target, of facilities disbursed to enterprises where disability shareholding is 25% or more ▪ Disabilities are defined as per the Department of Labour codes and the individual(s) must be declared by a medical doctor as disabled
Source of Data	**sefa**LAS

Method of Calculation / Assessment	Rand value of funding provided to a category of beneficiary divided by total funding provided
Means of Verification	▪ EXCO minutes confirming submission of report ▪ Register of approved loans with allocation to designated groups as per approved application forms
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Disbursements to enterprises owned by entrepreneurs with disability
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Executive Manager – Lending

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

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

Indicator Title	**Disbursements to enterprises located in rural towns and villages (R'000)**
Definition	A measurement, against the set target, of disbursements to enterprises based in rural towns and villages using the Stats SA definition of rural municipalities
Source of Data	**sefa**LAS
Method of Calculation / Assessment	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of total disbursements to rural towns and villages through Wholesale and Direct Lending portfolios
Means of Verification	**sefa**LAS
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Disbursements to enterprises located in rural towns and villages
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Executive Manager – Lending

Khula Credit Guarantee (KCG)

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

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

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

Indicator Title	**Number of SMMEs and co-operatives financed**
Definition	A measurement, against the set target, of the number of SMMEs and co-operatives financed through all loan programmes and credit guarantees NOTE: Count first disbursement to or first instance of each SMME or co-operative (i.e., unique ID number and unique company registration number of the beneficiary or end user) per financial year
Source of Data	**sefa**LAS
Method of Calculation / Assessment	CCYY-YY Achievement = Count (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of number of SMMEs and co-operatives financed (first disbursements)
Means of Verification	**sefa**LAS
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Reflected as standalone KPIs

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

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

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

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

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

Indicator Title	Disbursements to youth-owned enterprises (R'000)
Definition	A measurement, against the set target, of disbursements to youth-owned enterprises where most of the shareholding percentage (50+1) is owned by individuals between the ages of 18 – 35
Source of Data	**sefa**LAS
Method of Calculation / Assessment	Rand value of funding provided to a category of beneficiary divided by total funding provided
Means of Verification	▪ EXCO minutes confirming submission of report ▪ Register of approved loans with allocation to designated groups as per approved application forms

Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Disbursements to youth-owned enterprises
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head of Khula Credit Guarantee

Indicator Title	**Disbursements to enterprises owned by entrepreneurs with disabilities (R'000)**
Definition	▪ A measurement, against the set target, of facilities disbursed to enterprises where disability shareholding is 25% or more ▪ Disabilities are defined as per the Department of Labour codes and the individual(s) must be declared by a medical doctor as disabled
Source of Data	**sefa**LAS
Method of Calculation / Assessment	Rand value of funding provided to a category of beneficiary divided by total funding provided
Means of Verification	▪ EXCO minutes confirming submission of report ▪ Register of approved loans with allocation to designated groups as per approved application forms
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Disbursements to enterprises owned by entrepreneurs with disability
Spatial Transformation (where applicable)	Not applicable

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

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

Indicator Title	**Disbursements to enterprises located in rural towns and villages (R'000)**
Definition	A measurement, against the set target, of disbursements to enterprises based in rural towns and villages using the Stats SA definition of rural municipalities

Source of Data	**sefa**LAS
Method of Calculation / Assessment	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of total disbursements to rural towns and villages through Wholesale and Direct Lending portfolios
Means of Verification	**sefa**LAS
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Disbursements to enterprises located in rural towns and villages
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head of Khula Credit Guarantee

Human Capital, Marketing and Facilities

Indicator Title	Number of leads generated
Definition	Tracking the number of business leads generated arising from stakeholder relations sessions conducted
Source of Data	▪ Attendance registers ▪ EXCO reports on stakeholder engagements ▪ Applications for funding
Method of Calculation / Assessment	Simple count of the number of leads generated arising from stakeholder relations sessions in the financial year
Means of Verification	Verify the number of leads generated from stakeholder engagement sessions facilitated, as evidenced through attendance registers, EXCO reports on stakeholder engagements and applications for funding
Assumptions	Availability of budget and associated means to conduct stakeholder sessions

Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head – Marketing and Communications

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

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

Indicator Title	**Annual Customer Satisfaction Index rating**
Definition	A measurement, against the set target, of the level of customer satisfaction based on a preformulated customer measurement satisfaction index
Source of Data	Customer Satisfaction Survey (conducted by an independent service provider)
Method of Calculation / Assessment	Verification of independent survey results, Customer Satisfaction Score, Net Promoter Score
Means of Verification	▪ Customer Satisfaction Survey Report (conducted by an independent service provider) ▪ EXCO minutes confirming submission of survey report
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head – Marketing and Communications

3. BSC PERSPECTIVE – BUSINESS PROCESSES

Post-Investment Monitoring and Workout

Indicator Title	**Number of client and funding partner interventions**

Definition	To build sustainable investee companies by providing non-financial support and advisory services by intervening in client companies where required
Source of Data	▪ Business Support Register ▪ Mentorship Report
Method of Calculation / Assessment	Simple count of the number of client and funding partner interventions implemented.
Means of Verification	Verify the number of completed interventions as reported in the Business Support Register and mentorship reports
Assumptions	Interventions will have a positive outcome
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Exceed target by 10%
Indicator Responsibility	Executive Manager – Post-Investment Monitoring and Workout

Indicator Title	**Number of sefa clients improving turnover by 5%**
Definition	The number of **sefa** customers who improve their annual turnover with 5% or more.
Source of Data	Annual financial statements and management accounts received from clients.
Method of Calculation / Assessment	Simple count of the number of **sefa** customers who improve their annual turnover with 5% or more
Means of Verification	Verify the number of **sefa** customers who improve their annual turnover with 5% or more as reported in the client documents provided to **sefa**
Assumptions	Clients can provide financial reports on time

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

Lending (Direct, Wholesale and Microfinance)

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

Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Executive Manager – Lending

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

Khula Credit Guarantee (KCG)

Indicator Title	KCG - Turnaround time for Wholesale Lending (Days)
Definition	The average number of days it takes to approve an application
Source of Data	**sefa**LAS

Method of Calculation / Assessment	Number of days from receipt of a complete application to the approval phase in the loan management business process. A complete application refers to an application with supporting documents as defined in the loan eligibility criteria Total number of business days per applications/Total number of applications for WL
Means of Verification	**sefa**LAS
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head of Khula Credit Guarantee

Direct Reports to the CEO

Indicator Title	Progress in implementation of an electronic crowd-funding platform for early-stage start-ups
Definition	The indicator tracks the progress in implementation of an electronic crowd-funding platform for early-stage start-ups
Source of Data	▪ To-be process documentation ▪ Project plan ▪ Quarterly project reports submitted to EXCO
Method of Calculation / Assessment	Verification of the specification document
Means of Verification	▪ Project plan ▪ Quarterly project reports submitted to EXCO
Assumptions	Budget will be available

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

Indicator Title	Progress in automation of sefa business processes
Definition	Analysis, improvement, and digitisation of **sefa**'s core lending (loan origination, due diligence, approvals, disbursements, and post-investment) and back-office business processes (finance and procurement, human capital and facilities, governance, risk, and compliance)
Source of Data	▪ To-be process documentation, functional design, and automated process/system ▪ Project plan for processes to be automated over the period ▪ Quarterly project reports submitted to EXCO
Method of Calculation / Assessment	Verification of the pre- and post-automation of the business processes targeted for the period, as reported in the project reports
Means of Verification	▪ Project plan for processes to be automated over the period ▪ Quarterly project reports submitted to EXCO
Assumptions	Budget will be available
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-to-date)

Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head of Strategy / Head of ICT

Indicator Title	**Progress in implementation of the sefa Enterprise Content Management System**
Definition	Improvement of **sefa**'s core lending (loan origination, due diligence, approvals, disbursements, and post-investment) and back-office business processes (finance and procurement, human capital and facilities, governance, risk, and compliance) through the implementation of an integrated Enterprise Content Management System.
Source of Data	▪ To-be process documentation ▪ Project plan for implementation of the **sefa** Enterprise Content Management System
Method of Calculation / Assessment	Verification of the implementation of the Enterprise Content Management System as targeted for the period, as reported in the project reports
Means of Verification	▪ Project plan for implementation of the **sefa** Enterprise Content Management System ▪ Quarterly project reports submitted to EXCO
Assumptions	Budget will be available
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-to-date)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Head of Strategy / Head of ICT

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

4. BSC PERSPECTIVE – LEARNING AND GROWTH

Direct Reports to the CEO

Indicator Title	Number of publications produced

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

Human Capital, Marketing and Facilities

Indicator Title	Annual Employee Engagement Index (EEI)
Definition	A measurement, against the set target, of the level of employee engagement and satisfaction The annual employee engagement survey will be undertaken by an independent external party
Source of Data	▪ Employee Engagement Survey (conducted by an independent service provider) ▪ Quarterly reports on implementation of recommendations and action items arising from the Employee Engagement Survey
Method of Calculation / Assessment	Verification of independent survey results, and progress in the implementation of action items arising

Means of Verification	Verification of: ▪ Employee Engagement Survey (conducted by an independent service provider) ▪ EXCO minutes confirming submission of survey report ▪ Quarterly reports on implementation of recommendations and action items arising from the Employee Engagement Survey
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Cumulative (year-end)
Reporting Cycle	Quarterly
Desired Performance	Better than targeted performance is desirable
Indicator Responsibility	Executive Manager – Human Capital and Facilities

Indicator Title	**Percentage of staff that scores 3.5 or more in the annual performance assessment**
Definition	A measurement of performance of employees who have attained a final performance score of a 3.5 or more, on prior years performance
Source of Data	**sefa** Online Performance Management System
Method of Calculation / Assessment	▪ Annual performance assessments conducted in Q1, on prior year's performance: ▪ Staff performance = (Total number of employees ÷ number of employees with performance score of 3.5 or more) x 100
Means of Verification	Verify data as recorded on the **sefa** Online Performance Management System
Assumptions	None
Disaggregation of Beneficiaries (where applicable)	Not applicable

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

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

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

ANNEXURES TO THE CORPORATE ANNUAL PERFORMANCE PLAN

ANNEXURE A: AMENDMENTS TO THE STRATEGIC PLAN

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

1) There are **no changes to the mandate information** reflected in Part A of Annexure A to the 2022/23 Corporate Annual Performance Plan. Updates to institutional policies and strategies are reflected in this Annual Performance Plan.

2) There are **no changes to the strategic focus information** reflected in Part B of Annexure A to the 2022/23 Corporate Annual Performance Plan.

3) In Part C of Annexure, A to the 2022/23 Corporate Annual Performance Plan:

   a) The **sefa** Impact Statement is amended as follows:

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

   b) There are **no changes to the outcomes, outcome indicators, or five-year targets**.

4) There are **no changes to the outcome indicator technical indicator descriptions** reflected in Part D of Annexure A to the 2022/23 Corporate Annual Performance Plan.

ANNEXURE B: CONDITIONAL GRANTS

Not applicable to the Small Enterprise Funding Agency.

ANNEXURE C: CONSOLIDATED INDICATORS

Not applicable to the Small Enterprise Funding Agency.

ANNEXURE D: DISTRICT DEVELOPMENT MODEL

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