SMALL ENTERPRISE DEVELOPMENT AND FINANCE AGENCY SOC LIMITED

STRATEGIC PLAN FOR 2025–2030

small business development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

EXECUTIVE AUTHORITY STATEMENT

The Department of Small Business Development (DSBD) is focused on building a fair and inclusive economy powered by sustainable and innovative small businesses. Central to this mission is the establishment of the Small Enterprise Development Finance Agency (SEDFA), a unified government business entity consolidating the functions of the Small Enterprise Development Agency (Seda), the Small Enterprise Finance Agency (**sefa**), and the Co-operative Banks Development Agency (CBDA). This strategic consolidation is designed to streamline support mechanisms, providing a cohesive and impactful response to the needs of small enterprises, particularly those in underserved areas and among disadvantaged groups.

As the primary implementing agent of the DSBD, SEDFA aligns with the National Integrated Small Enterprise Development (NISED) Strategic Framework, offering comprehensive financial and non-financial support to small enterprises, with a focus on the pre-start-up to growth stages. The agency's objective is to empower small enterprises, facilitating their progression from start-up phases to scalable, growth-ready businesses capable of driving job creation and economic development.

As stated in the business case for the establishment of SEDFA, the rationale for the merger of Seda, **sefa**, and CBDA is to create a single, integrated institution that can facilitate access to the full spectrum of services previously provided individually by the three entities, thus enhancing access to non-financial and financial support needed by small enterprises in the different stages of the business lifecycle, accessible in all parts of the country. Specifically, to:

1) Expand the reach and targeting of government support to address a greater number of small enterprises across the country and to enhance development impact.
2) Ensure that small enterprise support interventions are directed at maximum impact and are accessible in all districts (regional presence).
3) Pool limited resources, (especially balance sheets) to create a larger more viable base for investments and, over time, the raising of capital.
4) Fundamentally transform the way government works and engages with the broader ecosystem and rebuild trust and effective partnerships.
5) Rationalise limited resources to ensure that more money is available to small enterprises instead of paying for large, expensive, and generally underperforming entities.
6) Establish an entity that will be agile enough to identify and take advantage of opportunities to grow its resources to reinvest in further supporting small enterprises in a sustainable manner.

SEDFA represents a groundbreaking advancement in small enterprise development and financing in South Africa. It embodies the state's active role in overcoming market inefficiencies that have historically limited the participation of Black-owned small enterprises in the economy. Furthermore, SEDFA is positioned to leverage additional funds and capabilities from development finance institutions (DFIs), multilateral development partners, institutional investors, impact funders, and the broader private sector, thereby maximising development support and funding for small enterprises.

In alignment with the National Development Plan (NDP) Vision 2030, which envisions small enterprises significantly contributing to job creation and economic growth, SEDFA must position itself to play a pivotal role in achieving the national objective of 90% of new jobs being created by small enterprises.

The Medium-Term Development Plan (MTDP) 2024-2029 further emphasises the importance of inclusive growth and job creation; reducing poverty; and building a capable, ethical, and developmental state. SEDFA's strategic initiatives are directly aligned with these priorities, ensuring that small enterprise development contributes meaningfully to the nation's socioeconomic advancement.

The immediate focus of SEDFA will be on:

1) Promoting entrepreneurship: Encouraging entrepreneurship as a viable alternative to formal employment, particularly to address unemployment challenges.
2) Ecosystem coordination: Facilitating a unified and coordinated response from state actors, such as the South African Revenue Service (SARS), Companies and Intellectual Property Commission (CIPC), the Department of Labour, the private sector, and non-government organisations to streamline small enterprise support and reduce bottlenecks within the ecosystem.
3) Consistent support: Providing uniform support services across the ecosystem, including access to financial and non-financial support, such as start-up capital and business advisory services.
4) Balancing development and sustainability: Ensuring that SEDFA’s developmental mandate is balanced with commercial sustainability to promote resilient enterprises and responsible lending practices.
5) Sectoral focus: Prioritising key growth and transformation sectors, including tradeable services, manufacturing, agriculture, construction, mining, and green industries.

SEDFA’s operations will be guided by principles that reflect its commitment to driving sustainable and inclusive growth for small enterprises, including:

1) Offering a comprehensive suite of financial and non-financial services tailored to the needs of small enterprises.
2) Providing personalised, needs-based assistance to empower small enterprises and improve their market readiness.
3) Leveraging partnerships with financial institutions, government agencies, and industry stakeholders to enhance support and resource sharing.
4) Empowering small enterprises through training, mentorship, and skills development to build capacity.
5) Embracing technology and best practices to address evolving market challenges and improve efficiency.
6) Ensuring equitable access to services, particularly for enterprises in marginalised communities.
7) Promoting long-term growth and responsible entrepreneurship that contributes to sustainable economic development.

In closing, SEDFA represents a fresh start for small business development in South Africa. It has the potential to unlock opportunities for entrepreneurs, grow the economy, and create jobs, helping us move closer to the vision of a better, more inclusive South Africa by 2030.

Honourable S. Ndabeni-Abrahams, MP

Minister for Small Business Development

ACCOUNTING AUTHORITY STATEMENT

It is my privilege to present the 2025–2030 Strategic Plan for the SEDFA, a newly established institution at the centre of small enterprise development and economic transformation in South Africa. Formally launched on 1 October 2024 under the National Small Enterprise Amendment Act 21 of 2024, SEDFA brings together the mandates and functions of the Seda, the **sefa**, and the CBDA. This strategic consolidation reflects government's resolve to streamline support, enhance impact, and drive the inclusive economic growth our nation urgently requires.

As a state-owned company operating under Schedule 3B of the Public Finance Management Act 1 of 1999, as amended (PFMA), SEDFA serves as a government business enterprise, with the Minister of Small Business Development as the Executive Authority and a dedicated board providing governance and oversight. SEDFA's establishment marks a pivotal milestone in addressing market inefficiencies that have constrained the participation of Black-owned businesses, youth, women, and other underserved groups in the economy.

Guided by its vision to: "Empower South Africa's small businesses for inclusive growth, transformation, and sustainable employment," SEDFA is established to deliver integrated financial and non-financial support across the pre-start-up, start-up, survival, and growth stages of the business lifecycle. At its core, the agency prioritises innovative financing solutions, robust business development services, and targeted programmes that address the challenges facing small enterprises, particularly those in rural and township communities.

What sets SEDFA apart is its strategic focus on being client-centred, results-driven, and future-focused. Leveraging digital innovation and artificial intelligence (AI) capabilities, it seeks to deliver lifecycle support tailored to the diverse needs of small businesses, while facilitating a coordinated and unified ecosystem to reduce barriers to success. SEDFA's commitment to maximising impact will see the agency expand its reach, improve accessibility, and deliver measurable development outcomes that transform the small enterprise landscape.

Resource optimisation is equally critical. By pooling resources and enhancing partnerships with DFIs, multilateral organisations, the private sector, and communities, SEDFA will strengthen its financial base and ensure long-term sustainability. To build resilience, the agency must adopt agile, innovative, and sustainable approaches to respond effectively to the dynamic needs of the small enterprise sector. Above all, SEDFA is committed to driving transformation, creating meaningful opportunities for disadvantaged groups, particularly young entrepreneurs, to participate fully in economic growth and unlock their potential.

SEDFA's success will ultimately be measured by its ability to deliver tangible results: growth in the number of small enterprises in the economy, improved survival and expansion rates, increased job creation, and enhanced output growth. Achieving this requires bold leadership, operational excellence, and the trust and commitment of all stakeholders to drive meaningful change and build a thriving, inclusive economy.

I am confident that this 2025–2030 Strategic Plan charts a clear and ambitious path forward. Together, let us realise SEDFA's vision of empowering small businesses to become engines of job creation, economic growth, and transformation – key contributors to achieving the NDP's goals for a prosperous and inclusive South Africa.

On behalf of the board, I extend our sincere gratitude to the Honourable Minister of Small Business Development, Ms. Stella Ndabeni-Abrahams, for her steadfast leadership and support. We remain fully committed to supporting management and providing diligent oversight to ensure the successful implementation of this plan and the transformation of South Africa's small enterprise sector.

Ms Nonzuzo Makanda

Chairperson of the SEDFA Board

STATEMENT BY THE ACCOUNTING OFFICER

As SEDFA embarks on its inaugural 2025–2030 Strategic Plan, we are acutely aware of the high expectations placed on us as South Africa's apex small enterprise development and finance agency. Established under the National Small Enterprise Amendment Act 21 of 2024 (NSEAA), SEDFA is tasked with delivering transformative change across the small enterprise landscape in line with our dual commercial and developmental mandate. Our objectives in terms of the NSEAA are clear:

1) Design and implement development support programmes for small enterprises.
2) Promote a service delivery network that increases the contribution of small enterprises to the South African economy and enhances economic growth, job creation, and equity to historically disadvantaged communities.
3) Support, promote and develop co-operative banks and co-operative financial institutions; and
4) Generally, strengthen the capacity of service providers to support small enterprises; and small enterprises to compete successfully domestically and internationally.

In this journey, SEDFA will serve as both a DFI and a development agency, ensuring integrated delivery of financial and non-financial support through direct and indirect channels, supported by competent intermediaries and a growing co-operative banking sector.

SEDFA is positioned as the lead implementing agent for Outcome 3 of the NISED Strategic Framework: effective support and services for small enterprise growth. Our mission is: "To provide targeted financial and non-financial support to Micro, Small and Medium Enterprises, and Co-operatives, as well as to promote and coordinate South Africa's small enterprise development ecosystem".

The focus is particularly on small enterprises in underserved communities, including townships and rural areas, and on supporting enterprises owned by women, youth, and persons with disabilities. The strategic plan adopts a two-pronged approach to development: 1) Demand-driven initiatives through a Development Fund focused on start-up, survivalist and growth-ready enterprises; and 2) Supply-driven innovations via a Commercial Fund, targeting high-impact projects in priority sectors, such as manufacturing, agriculture, green industries, tourism, and information and communication technology (ICT). By balancing these streams, we aim to alleviate poverty, stimulate employment, and drive localised growth.

The core pillars of our strategy – promoting ecosystem coordination, enhancing business development support, expanding access to finance, accelerating growth in key sectors, and building a future-ready agency – reflect our commitment to measurable outcomes as follows:

1) Increased effectiveness of ecosystem support and services for small enterprises.
2) Increased access to financial services and economically transformed communities through co-operative banking.
3) Small enterprise sector growth and increased participation in the economy.
4) Adequate capital to fund the growth and development of small enterprises at scale.
5) Improved access to finance by small enterprises.

6) Increased competitiveness and sustainable growth of small enterprises in priority sectors.

7) An innovative and sustainable, well-governed agency.

SEDFA's phased establishment will ensure a strong foundation for success. Phase 1 focuses on integrating the three legacy entities, developing business processes, and activating operations. Phase 2 will drive upscaling and expanded impact; while Phase 3, by the fourth year, will focus on growth, innovation, and ecosystem leadership.

Our commitment is unwavering: to firmly establish SEDFA as a catalyst for inclusive economic growth, innovation, and sustainable job creation. Working with government, industry partners, and intermediaries, we intend to lead with deliberate action, ensuring small enterprises play their rightful role as drivers of South Africa's economic transformation.

Together, let us build a resilient and competitive small enterprise sector, laying the foundation for a prosperous and inclusive South Africa.

Mr Nkosikhona Mbatha

Acting Chief Executive Officer

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

1) Was developed by the management of the Small Enterprise Development Finance Agency, under the guidance of the Small Enterprise Development Finance Agency Board and the Minister of Small Business Development.

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

3) Accurately reflects the impact and outcomes which the integrated Small Enterprise Development Finance Agency will endeavour to achieve over the period 2025/26 to 2029/30.

Mr Sipho Ngcai
Acting Executive:
Business Development Services

Mr Lwandiso Makupula
Acting Chief Investment Officer

Mr Colin Leshou
Acting Executive:
Ecosystem and Stakeholder Management

Ms Nokonwaba Shwala
Acting Executive:
Human Resources

Mr Alroy Dirks
Acting Head of Strategy

Ms Candice Williams
Acting Chief Financial Officer

Mr Nkosikhona Mbatha
Acting Chief Executive Officer

Date: 01 April 2025

APPROVED BY:

Ms Nonzuzo Makanda
Chairperson of the SEDFA Board

01 April 2025
Date

Honourable S. Ndabeni-Abrahams, MP
Minister of Small Business Development
(Executive Authority)

03 April 2025
Date

ABBREVIATIONS

<IR>	International Integrated Reporting Framework
4IR	Fourth Industrial Revolution
AfCFTA	African Continental Free Trade Agreement
AGOA	African Growth and Opportunity Act
AI	Artificial Intelligence
AU2063	African Union Agenda 2063 (2015)
BDS	Business Development Services
CBDA	Co-operative Banks Development Agency
CBI	Co-operative Banking Institution (co-operative banks and co-operative financial institutions previously or currently registered by CBDA or Prudential Authority respectively)
CEO	Chief Executive Officer
CfERI	Centre for Entrepreneurship and Rapid Incubation
CFI	Co-operative Financial Institution
CIPC	Companies and Intellectual Property Commission
COVID-19	Novel Coronavirus Disease 2019
DA	Development Agency
DDM	District Development Model
DEF	District Ecosystem Facilitation
DFI	Development Finance Institution
DSBD	Department of Small Business Development
dtic	Department of Trade, Industry and Competition
EAP	Energy Action Plan
EC	Eastern Cape
ESG	Environmental, Social and Governance
FICA	Financial Intelligence Centre Act
FS	Finance Services
FSDRP	Financial Sector Development and Reform Programme
FY	Financial Year
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GGDA	Gauteng Growth and Development Agency
GNU	Government of National Unity
GPS	Global Positioning System

IBDS	Incubation and Business Development Services
ICT	Information and Communication Technology
IDC	Industrial Development Corporation of South Africa Limited
IDC	Industrial Development Corporation of South Africa Limited
IFRS	International Financial Reporting Standards
ISPESE	Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprise
KBP	Khula Business Premises (Pty) Limited
KCG	Khula Credit Guarantee
KZN	KwaZulu-Natal
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprise
MTDP	Medium-Term Development Plan
MTEF	Medium-Term Expenditure Framework
N/A	Not Applicable
NC	Northern Cape
NCCRP	National Climate Change Response Policy
NDP	National Development Plan
NGO	Non-Governmental Organisation
NISED	National Integrated Small Enterprise Development
NSEA	National Small Enterprise Act
NSEAA	National Small Enterprise Amendment Act 21 of 2024
PAR	Portfolio at Risk
PFMA	Public Finance Management Act 1 of 1999, as amended
Q	Quarter
RFI	Retail Financial Intermediary
SARS	South African Revenue Service
SARS	South African Revenue Services
SDG	Sustainable Development Goal
SED	Social Enterprise Development
Seda	Small Enterprise Development Agency
SEDFA	Small Enterprise Development Finance Agency
SEEEI	Small Enterprise Ecosystem Effectiveness Index
sefa	Small Enterprise Finance Agency
SME	Small and Medium Enterprises

SMME	Small, Medium, and Micro Enterprise
SOC	State-Owned Company
The Constitution	Constitution of the Republic of South Africa, 1996
TREP	Township and Rural Entrepreneurship Programme
United States	United States of America

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PART A: OUR MANDATE

1. LEGISLATIVE AND POLICY MANDATES

1.1. Constitutional Mandate

Along with the Bill of Rights, the Constitution of the Republic of South Africa, 1996 (the Constitution), as the supreme law of the Republic of South Africa, forms the legal foundation of a democratic South Africa, sets out the rights and duties of its citizens, and defines the structure of the government.

All laws of the country must be consistent with the Constitution, and it further requires that all spheres of government work together to address poverty, underdevelopment, marginalisation of individuals and communities, and other legacies of Apartheid and discrimination. In this light, all government institutions, entities, and municipalities ultimately derive their mandate from the Constitution.

Of specific relevance to SEDFA:

1) Chapter 3 pertains to cooperative government and assigns functions to the three spheres of government. Schedules 4 and 5 of Section 41(1) define the relationship and principles underlying cooperation between the various spheres of government, and economic development is listed as an area of concurrent responsibility.

2) Section 9 (2) defines equality as the complete and equal enjoyment of all rights and freedoms. To foster equality, legislative actions may be implemented to: *"protect or advance individuals or groups who are disadvantaged due to unfair discrimination."*

3) Section 22: Every citizen has the right to choose their trade, occupation, or profession freely and the practice of trade, occupation, or profession may be regulated by law.

4) 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.

In line with the Constitution, the 1995 White Paper on a National Strategy for the Development and Promotion of Small Business in South Africa identified the need for a systematic national framework within which the different policies and programmes at national, regional, and local level could be coordinated towards the creation of an enabling environment for SMMEs.

1.2. Legislative Mandates

Whereas the Constitution provides the broad context to the mandate of SEDFA, the specific establishment and other legislative mandates are outlined below.

1.2.1. Establishment Legislation

SEDFA is established in terms of the **NSEAA**, which amended certain provisions of the **National Small Enterprises Act 102 of 1996 (as amended)**, the **Co-operatives Act 14 of 2005 (as amended)**, and the **Co-operative Banks Act 40 of 2007 (as amended)**. Other provisions of these acts still apply.

In terms of NSEAA and the **Companies Act 71 of 2008 (as amended),** the SEDFA Memorandum of Incorporation is lodged as a state-owned company with limited liability (SOC Limited), and SEDFA is to conduct its business as a corporate entity with the state as its sole shareholder, represented by the Minister as Executive Authority, and act through its board.

The NSEAA defines a "small enterprise" as a separate and distinct business entity, together with its branches or subsidiaries, including a co-operative, co-operative financial institution, or a co-operative bank managed by one owner or more, and conducting its business in any sector or subsector of the economy mentioned in the 2019 schedule, and classified as micro, small or a medium enterprise by satisfying the criteria mentioned in the 2019 schedule. [1]

> **Using this definition, the term "small enterprise" is a term used throughout this document to collectively include SMMEs/micro, small, and medium enterprises (MSMEs) and all forms of co-operatives and co-operative banking institutions, except where reference is being made to a specific category of small enterprise.**

Chapter 3 of the NSEAA prescribes the objectives of SEDFA as to:

1) Design and implement development support programmes for small enterprises.
2) Promote a service delivery network that increases the contribution of small enterprises to the South African economy and enhances economic growth, job creation, and equity to historically disadvantaged communities.
3) Support, promote, and develop co-operative banks and co-operative financial institutions; and
4) Generally, strengthen the capacity of service providers to support small enterprises and small enterprises to compete successfully domestically and internationally.

In terms of the **PFMA**, SEDFA is listed as a **Schedule 3B Government Business Enterprise**, assigned financial and operational authority to carry on its activities in accordance with ordinary business principles and with a dual developmental and commercial mandate. Services will be delivered directly and through intermediaries, while carefully considered regional presence will be required.

The PFMA Schedule 3B listing confers on SEDFA a limited degree of autonomy, as well as the fiduciary and other responsibilities reflected in Section 9 of the Companies Act. All prescripts and regulations arising from the PFMA are applicable to SEDFA's governance and operations.

The entity will be financed substantially from sources other than the Revenue Fund and its funds will consist of:

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[1] *In March 2019, the Minister for Small Business Development published an amended schedule of the "small enterprise" definition as contained in the National Small Enterprise Act 102 of 1996. It further stipulates the employment and turnaround thresholds per size of enterprise, and the sector in which they operate.*

1) Money appropriated by Parliament.
2) Grants, donations, and bequests made to the agency.
3) Income gained through investment of monies; and
4) Money lawfully obtained or raised by the agency from any other source.

The board of a Schedule 3B enterprise can borrow but needs explicit authorisation to borrow from the Minister of Finance by notice in the government gazette and must submit an annual borrowing plan and comply with any conditions imposed by the Minister.

In accordance with Section 49 of the PFMA, the SEDFA Board is the accounting authority, responsible for, inter-alia, providing strategic direction and oversight to enhance shareholder value and ensure long-term sustainable development; the safeguarding of assets; and the management of revenue, expenditure, and liabilities.

In terms of NSEAA Section 13, in the exercise of its powers and the performance of its functions, the board must:

1) Implement the policy of the national government for small enterprise development, inclusive of both financial and non-financial support services.
2) Design and implement a standard national delivery network that must uniformly apply throughout the Republic of South Africa in respect of small enterprise development.
3) Design and implement small enterprise development support programmes in order to:
    a) Facilitate the building of sustainable and competitive small enterprises.
    b) Facilitate the promotion of entrepreneurship.
    c) Facilitate the creation of an enabling operating environment for small enterprises.
    d) Facilitate access by small enterprises to financial resources, non-financial resources, capacity building services, products, and services.
    e) Promote participation of historically disadvantaged persons in small enterprises.
    f) Facilitate international and national market access for products and services of small enterprises.
    g) Foster partnerships across all spheres of government, the private sector, and relevant stakeholders to assist the agency to achieve its objectives.
    h) Promote a service delivery network to facilitate access and outreach to development support for small enterprises.
    i) Facilitate and coordinate research relating to small enterprise support programmes.
    j) Provide support in the implementation of the Small Enterprise Development Policy.

k) Cooperate with and assist, including through providing information, the Financial Sector Conduct Authority and the Prudential Authority as defined in Section 1(1) of the Financial Sector Regulation Act 9 of 2017, in dealing with matters of mutual interest.

l) At the request of the Minister, investigate, advise on, and comment on the effect of existing legislation and the impact of proposed legislation on small enterprises; and

m) Improve the understanding of the public regarding the contribution of small enterprises to domestic economic growth, job creation, and general welfare.

4) Establish provincial structures to ensure the effective implementation of its functions; and

5) Conduct a public and transparent process, through its nominations committee, to make recommendations for appointments to the board based on a matrix of skills, experience, and diversity, which when considered collectively, enables them to attain the agency's prescribed objectives.

The board is required to conclude a Shareholder's Compact in consultation with the Executive Authority and must produce a corporate plan/annual performance plan that covers a period of three years and includes, inter alia, strategic priorities and outcomes identified and agreed on by the Executive Authority in the Shareholder's Compact. This is to be supported by the annual budget which projects revenue, expenditure, and borrowings for the coming financial year.

Any appropriation of funds, prior to them being distributed, must specify the criteria for the use of funds and whether the funds are to be used for financial or non-financial support services. The procedures to be followed when granting or not granting financial or non-financial support by the agency must allow for the review of that decision.

1.2.2. Legislation Informing Operations and Governance

Further to the above, various legislation and regulations inform SEDFA's core operations and its governance and institutional arrangements and are listed in the table below.

Table 1: Key legislation

Key legislation informing how the mandate must be delivered	▪ Businesses Act 71 of 1991 (as amended) ▪ Insurance Act 18 of 2017 (as amended) ▪ Banks Act 94 of 1990, and the Banks Act Exemption Notice (2014) ▪ Financial Sector Regulation Act 9 of 2017 ▪ Financial Services Laws General Amendment Act 45 of 2013 ▪ Financial Advisory and Intermediaries Services Act 37 of 2002 (as amended) ▪ Financial Intelligence Centre Act 38 of 2001 (as amended) ▪ National Credit Act 34 of 2005 (as amended) ▪ Consumer Protection Act 68 of 2008 (as amended) ▪ Protection of Personal Information Act 4 of 2013 (as amended) ▪ Prescription Act 68 of 1969 (as amended)

	▪ Property Practitioners Act 21 of 2018
Key legislation related to governance and institutional arrangements	▪ Public Audit Act 25 of 2004 (as amended) ▪ Income Tax Act 58 of 1962 (as amended) ▪ Promotion of Access to Information Act 2 of 2000 (as amended) ▪ Prevention and Combating of Corrupt Activities Act 12 of 2004 (as amended) ▪ Promotion of Administrative Justice Act 3 of 2000 (as amended) ▪ Electronic Communications and Transactions Act 25 of 2002 (as amended) ▪ Basic Conditions of Employment Act 75 of 1997 (as amended) ▪ Labour Relations Act 66 of 1995 (as amended) ▪ Employment Equity Act 55 of 1998 (as amended) ▪ Skills Development Act 97 of 1998 (as amended) ▪ Occupational Health and Safety Act 85 of 1993 (as amended) ▪ Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000 ▪ Broad-Based Black Economic Empowerment Act 53 of 2003 (as amended) ▪ Preferential Procurement Policy Framework Act 5 of 2000 (as amended) ▪ National Archives and Records Services of South Africa Act 43 of 1996 (as amended)

The abovementioned legislation and acts are not exhaustive, and it is recognised that SEDFA is subject to and must comply with all legislation, regulations, and all municipal bylaws applicable to its functions or the areas in which it operates. To ensure ongoing compliance, SEDFA will conduct a regular review of the legislative and regulatory environment.

1.3. Policy Mandates

Various policy and strategy frameworks inform how SEDFA should implement its legislative mandates. The policies have direct bearing on the strategic focus areas and priorities of the SEDFA, notably:

1) **The United Nations' 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) (2015)**

   The United Nation's sustainable development agenda recognises that poverty eradication initiatives should be linked to strategies for improving health and education, reducing inequality, and promoting economic growth, while addressing challenges related to climate change. As a development finance agency, SDGs 1, 8, 9, and 13 align with SEDFA's main priorities, while SDG 16 is indirectly supported by the core activities. Goal 8, in particular, emphasises the importance of encouraging the growth of SMMEs in order to promote inclusive and sustainable growth, full and productive employment, and decent work for all.

2) **The African Union Agenda 2063 (AU2063) (2015)**

   AU2063 is aimed at harnessing the continent's comparative advantages to effect equitable and people-centred social, economic, and technological transformation and the eradication of poverty. While it focuses on Africa's aspirations for the future, it also identifies critical flagship programmes to boost Africa's economic growth and development, ultimately leading to the rapid transformation of the continent.

As a flagship project of AU2063, South Africa is a party to the African Continental Free Trade Agreement (AfCFTA), which was effective from 1 January 2021. While, in terms of its Credit Risk Policy, SEDFA is restricted from cross-border lending, it is aware of the immense opportunities that the AfCFTA presents for South African small enterprises. SEDFA will actively explore opportunities to work with the Department of Trade, Industry and Competition (the **dtic**), through, for example, the Export Readiness Programme, to support small enterprises to access regional markets.

3) **NDP, Vision 2030 (2012)**

The NDP is the blueprint of the government's vision and development route for South Africa, with business and society as collaborative partners. Seeking to eliminate poverty, reduce unemployment, and sharply reduce inequality, the NDP identifies the critical trade-offs and challenges to be addressed by the country up to 2030. SEDFA contributes to chapters 3 and 6 of the NDP, which respectively deal with the economy and unemployment, and inclusive rural development and growth.

The NDP states that 11 million jobs need to be created by the year 2030, estimating that 90% of these new jobs will be created by small enterprises or start-ups, while only 15% will result from currently existing companies. The emphasis on new jobs directs SEDFA's strategic focus and support for small enterprises/entrepreneurs in the early to growth stages of development in sectors with the potential for significant employment and output growth. Inclusivity should inform SEDFA's target market, prioritising underserved communities in townships and rural areas, as well as enterprises owned by women, youth, and persons with disabilities.

4) **MTDP 2024-2029**

Following the 2024 national and provincial elections, the newly formed Government of National Unity (GNU) issued a Statement of Intent, outlining the foundational principles and priorities for the 7th Administration. These priorities include rapid and inclusive economic growth; social justice; investment in people; local government stabilisation; strengthening state capacity; enhancing law enforcement and national security; enhancing social cohesion; and advancing a foreign policy rooted in human rights, international cooperation, and advancing South Africa's interests.

As pronounced by the President in the Opening of Parliament Address on 18 July 2024, the 7th Administration, and the MTDP 2024-2029 are focused on three strategic priorities, namely:

a) Strategic Priority 1: Drive inclusive growth and job creation.

b) Strategic Priority 2: Reduce poverty and tackle the high cost of living.

c) Strategic Priority 3: Build a capable, ethical and developmental state.

SEDFA contributes directly to outcomes and interventions reflected in Strategic Priority 1 and Strategic Priority 3 as follows:

a) **Strategic Priority 1**: Drive inclusive growth and job creation. The desired impact is to increase economic growth to 3.5% by the end of term and to reduce unemployment to 27.5% by creating four million jobs.

SEDFA supports rapid and sustainable economic growth and job creation by providing financial and non-financial support to small enterprises, particularly focusing on township economies, rural development, and increased economic participation for disadvantaged groups like women, youth, and persons with disabilities. Through its support for small enterprises, SEDFA helps to create more equitable access to resources and economic opportunities, which can lead to improved living conditions.

b) **Strategic Priority 3**: Building a capable, ethical, and developmental state. SEDFA will ensure sound governance, sustainability and efficiency in its operations. SEDFA intends to build a future-ready agency, one that is agile and adaptable to a rapidly evolving small enterprise landscape, driven by technology.

5) **National Spatial Development Framework 2050 (2022)**

Under the theme: “Moving South Africa forward towards the desired Spatial Future”, the National Spatial Development Framework 2050 sets out an action plan to bring about radical spatial transformation at scale and manage and mitigate national risks (current and emerging). It proposes a set of five national spatial action areas, which require urgent, focused, and integrated national spatial infrastructure investment and spending; and concerted and sustained intergovernmental collaboration, including the alignment of plans, budgets, and departmental plans in and between the spheres of government.

6) **The District Development Model (2019)**

The District Development Model (DDM) aims to create a cohesive government capable of developing and communicating a shared vision for national development, structured by the needs and opportunities within district and metropolitan areas (intergovernmental relations impact zones). It focuses on establishing agreed spatial and development priorities within these areas, backed by credible, long-term planning, capital investment, project preparation, financing, and implementation. The DDM “One Plan” serves as an intergovernmental plan to coordinate catalytic programmes and projects for each district and metropolitan. Regulations issued in May 2024 under the Intergovernmental Relations Framework Act institutionalise the DDM within the intergovernmental relations system, promoting joint planning, budgeting, implementation, and monitoring. It encourages collaboration across government spheres, the private sector, and social partners, including guidelines for SEDFA to coordinate integrated small enterprise support.

a) **District Ecosystem Facilitation Model**

The District Ecosystem Facilitation (DEF) Model, previously implemented under the DDM by Seda, will be reviewed and enhanced as part of SEDFA’s ecosystem facilitation role. SEDFA aims to establish itself as a key coordinator of private and public sector business development support and financial services, driving synergy and efficiency within the small enterprise development ecosystem.

7) **National Climate Change Response Policy**

The National Climate Change Response Policy (NCCRP) is derived from the White Paper published in 2011. It outlines the South African Government’s vision for an effective climate change response and the long-term just transition to a climate-resilient and lower-carbon economy and society. The NCCRP is given further impetus by the National Climate Change Adaptation Strategy, published in

2020, which supports the country's ability to meeting its obligations in terms of the Paris Agreement on Climate Change.

8) **Just Transition Framework for South Africa (July 2022)**

The Presidential Climate Commission published the Just Transition Framework in July 2022. The Just Transition Framework aims to bring coordination and coherence to just transition planning in the country. It sets out a shared vision for the just transition, principles to guide the transition, and policies and governance arrangements to give effect to the transition. There is, however, no 'one size fits all' approach to the just transition and all social partners will need to design their own policies and programmes in line with their specific conditions, responsibilities, and realms of influence based on the vision, principles, and interventions articulated in the framework.

9) **Key regulatory, governance and accountability frameworks and standards,** notably:

a) The **International Integrated Reporting Framework (<IR>)** is a structured tool that enables companies to communicate their strategies for addressing external environmental challenges and generating shareholder value. The framework promotes a comprehensive and efficient approach to corporate reporting and emphasises accountability, integrated decision-making, and actions aimed at value creation across short-, medium-, and long-term horizons.

b) The **Global Reporting Initiative Environment, Social and Governance (ESG) Framework** is underpinned by a focus on responsible global citizenship, as ESG issues are no longer standalone considerations but influential factors in corporate investment decisions. Transparency in disclosing ESG data is crucial, offering benefits like risk mitigation, streamlined operations, and regulatory compliance.

c) The **International Financial Reporting Standards (IFRS)**, issued by the International Accounting Standards Board, aim to create consistency, transparency, and comparability in the financial statements of public companies globally. SEDFA adheres to IFRS standards in its annual financial reporting.

d) The **King IV Code on Corporate Governance for South Africa, 2016** sets out the philosophy, principles, practices, and outcomes which serve as the benchmark for corporate governance in South Africa. It is modelled on the <IR> and promotes corporate governance outcomes through principles like leadership, organisational ethics, and responsible citizenship. The code employs an 'apply and explain' approach, guiding companies in strategic decision-making, policy approval, and accountability oversight.

e) The **Protocol on Corporate Governance in the Public Sector, 2002**, aims to instil good governance principles in South African state-owned enterprises. While aligned, unlike the King Code, the protocol focuses solely on public sector entities, emphasising their unique mandate in achieving government developmental objectives. The protocol seeks to amplify and not supersede the King Code, and the protocol should, in fact, be read in conjunction with the King Code.

f) The **Revised Framework for Strategic Plans and Annual Performance Plans (DPME, 2019)** provides a structured approach for public institutions to plan, implement, and monitor their performance using a results-based management approach. It enables SEDFA to demonstrate its value through measurable impacts and outcomes, such as small enterprise growth, job creation, and enhanced economic inclusion.

Of specific relevance to the small enterprises sector, additional policy frameworks have informed the development of SEDFA's strategic framework, considered in the table below.

Table 2: Informing policies and strategies

Informing Policy or Strategy	Key Planning Considerations and Interventions
Energy Action Plan (EAP), July 2022	The EAP is South Africa's plan to end load-shedding and achieve energy security. It outlines a bold set of objectives and actions aimed at fixing Eskom and adding as much new generation capacity as possible, as quickly as possible, to close the gap in electricity supply. ▪ EAP objective 2 relates to enabling and accelerating private investment in generation capacity. There are opportunities for small enterprises to collaborate with larger businesses as part of their supplier development programmes. ▪ EAP objective 4 relates to the introduction of special incentives for businesses and households to install solar and a revised bounce-back loan scheme to help small businesses go solar and sell any surplus power back to the grid in certain areas.
Science, Technology, and Innovation Decadal Plan, 2022	The Science, Technology, and Innovation Decadal Plan is a comprehensive strategic framework designed to guide the country's advancement in science, technology, and innovation over a ten-year period. Developed by the Department of Science and Innovation, the plan outlines key objectives and priorities aimed at leveraging scientific research, technological advancements, and innovation to address societal challenges, foster economic growth, and enhance competitiveness on a global scale. In collaboration with other partners, SEDFA aims to benefit small enterprises in the science, technology, and innovation space and to prioritise funding to qualifying business ventures, including enterprises supported through the New Economy Programme and incubation hubs.
Financial Inclusion Policy Framework for South Africa, titled: *"An Inclusive Financial Sector for All"*, November 2023	In the past decade, South Africa has made positive strides in financial inclusion, with over 81% of adults having bank accounts. Despite this progress, challenges persist, including low economic growth and unemployment, limiting access to basic financial services. Issues, such as low savings rates, limited uptake of non-banking products, inadequate use of bank accounts, underdeveloped payment options, and high remittance costs, contribute to the complexities. SMMEs face barriers due to information asymmetry. To address these challenges, the Financial Inclusion Policy aims to deepen financial inclusion for individuals and households, extend access for SMMEs, and diversify the provider and distribution base for financial services. National Treasury plans to collaborate with regulators, civil society, government departments, the private sector, and other agencies to develop an Implementation Strategy and Action Plan, along with a Financial Inclusion Monitoring and Evaluation Framework to ensure the successful implementation of financial inclusion initiatives and establish a central repository for monitoring and tracking progress.
National Township Economy Revitalisation Policy, 2023 Concept Note	The goal of the National Township Revitalisation Policy is to provide for the coordination of the various interventions aimed at addressing SMME needs for township economic revitalisation by government and its entities. The policy further aims to provide for innovative financing of SMMEs in the township economy, and to overcome the structural limitations of the commercial banking sector and development financiers.

Informing Policy or Strategy	Key Planning Considerations and Interventions
	Through outcomes-based partnerships with the private sector and other non- state actors, the policy aims to bring about collaborations that will drive innovation, healthy competition, and the co-creation of economic value for stakeholders in the township SMME ecosystem.
Priorities relating to women, youth, and persons with disabilities, including, among other:	**White Paper on the Rights of Persons with Disabilities, 2015,** aims to provide a comprehensive framework for promoting and protecting the rights of persons with disabilities. It emphasises the need for cross-sectoral collaboration between government departments, civil society, and persons with disabilities themselves to achieve its goals. **Framework on Gender-Responsive Planning, Budgeting, Monitoring, Evaluation and Auditing, 2019,** aims to ensure a more sustainable, comprehensive, and multisectoral approach to gender mainstreaming within the country's planning, monitoring and evaluation and public financing systems. It focuses on closing the gap between plans and budgets through an overall approach of mainstreaming gender through the planning, budgeting, monitoring, evaluation and audit cycle.

2. INSTITUTIONAL POLICIES AND STRATEGIES INFORMING THE PLAN

Certain key institutional policies and strategies inform and guide SEDFA's work and core operations and have been considered in the development of the Strategic Plan 2025-2030.

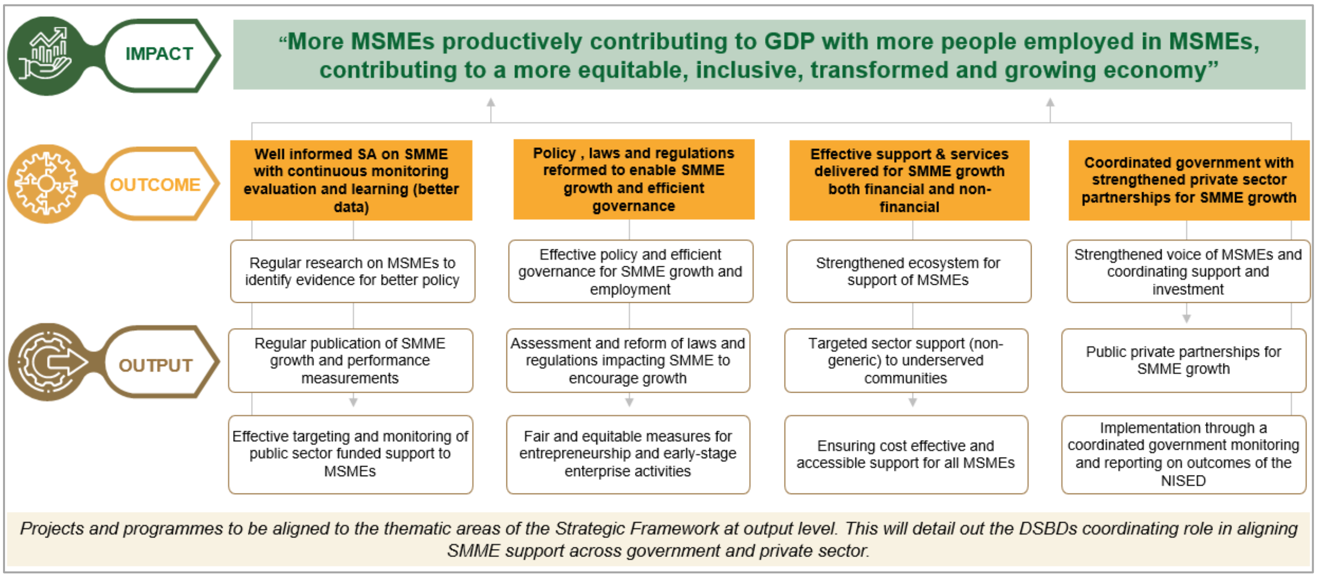
2.1. The National Integrated Small Enterprise Development Strategic Framework

The NISED Strategic Framework (published by the Minister of Small Business Development in the Government Gazette, dated 17 February 2023) forms the third iteration of the high-level strategic framework of small enterprise development and targeted support, following the White Paper in 1995, the Integrated Strategy for the Promotion of Entrepreneurship and Small Enterprise (ISPESE) in 2004, and the Improvement plan developed in 2019 post the ISPESE's evaluation. The NISED Strategic Framework represents the next ten-year strategic approach, commencing November 2022, to facilitating the promotion of entrepreneurship, growth, and support of small enterprises in line with the NDP targets to assist small business.

The NISED Strategic Framework represents the "National Small Business Support Strategy" as contemplated in the NSEAA, aligning with the principles and directives contained in the founding White Paper. It is an outcomes-based strategic support framework for all actors to coordinate, measure, track, and monitor their efforts. The measurement of committed programmes will be reviewed and revised at the national Presidential summits held every two years. While the NISED Strategic Framework is presented as a living document, its strategic framework, including the vision, mission and outcomes, will remain constant over its lifespan.

The overarching objective of all the programmes of action contained in the strategic framework is to contribute to the impact of significantly raising the contribution of economic output and labour absorption in real value of MSMEs. The impact envisaged by NISED will be realised through four outcomes and 12 outputs, reflected in the strategy map below.

Figure 1: NISED strategic framework



A key focus of the NISED Strategic Framework is to align programme areas of work across different role-players in government and the private sector in order to coordinate and drive MSME growth and performance. In partnership with business, labour, and civil society, the NISED Strategic Framework presents a coordination tool and repository of the action steps to be taken by numerous actors within government and the whole of society.

The NISED Strategic Framework delegates the lead role to SEDFA for implementing the outputs of **NISED Outcome 3: Effective support and services delivered for small enterprise growth, both financial and non-financial:**

1) **Build and promote expanded supply of support to MSMEs:**

   a) Develop a technology platform which can be easily accessed digitally by public and private role-players (including small enterprises) to register and map support programmes for one-stop-shop access.

   b) Consistently update the spatial map with support services provided by region, including all contact information for the actors of incubator and business development support.

   c) Introduce quality standards of good practice for service providers registered on the support services spatial map platform.

   d) Ensure that all service providers are registered and in agreement with the quality assurance code of conduct and professionalisation standards.

   e) Established a pedagogy programme with relevant educational and professional institutions for capacity building of incubator and business development support service providers.

2) **Delivery of better and targeted support to small enterprise demand needs and encourage entrepreneurship:**

   a) Review and catalogue the services offered in each geographic location to ensure cost effective support that is fit-for-purpose and not duplicative.

b) In line with the Small Enterprise Support Plan, encourage, identify and develop new support services which target designated groups.

c) Conduct regular needs assessments with small enterprises to ensure that the support services offered meet their needs.

d) Identify approaches to crowd in new finance for small enterprises and minimise the moral hazard of public sector funding.

e) Leverage wholesale finance through government support to build market entrants and financial intermediaries.

f) Develop a small enterprise innovation financial intermediary challenge fund on a matching funds basis to mobilise innovation amongst financial intermediaries to address access to finance for underserved small enterprises. This challenge fund should test market participants (financial intermediaries) on new models to provide greater access to revolving credit, test payment modalities which cut the cost of managing loan finance, identify alternative collateral mechanisms for loan finance (thinking differently about collateral) and how to target different segments of the market (lifecycle).

g) Skills development to investigate skills deficits in each sector to update any policy actions for mitigation and develop targeted programmes to improve skills development.

h) Coordinate export enhancement programmes for each targeted sector with a specific focus on small enterprises (with **dtic**, DSBD, and sector departments).

i) Small enterprise (manufacturing) industrial development: Localisation programmes to promote local sustainable small enterprise product placement through retail and other channels.

j) Set up a task team to enable ecosystem actors to develop appropriate skills development courses and pedagogy for enhanced entrepreneurship development.

k) Develop and deliver curricula in partnership with business to support new technology advancements (Fourth Industrial Revolution (4IR)) for artisanal and vocational upskilling.

l) Support small enterprise development through incubation centres and digital hubs.

3) **Delivery of cost-effective support to MSMEs:**

a) SEDFA to develop a user-based subsidy (e.g. voucher system) for small enterprises to access services from incubation and business development services (IBDS) practitioners subsidised by government.

b) Introduce consistent monitoring of the voucher system to minimise wastage and corruptive practices.

c) Encourage private sector (business) enterprise and supplier development projects.

NISED embeds the Game-Changer Programme:

‘Game-changers’ are scaled solutions to the big, complex challenges facing small enterprises. These interventions will be designed and executed with ‘coalitions of the willing’ by key role-players both inside and outside of the state, who will be provided the space to partner. The skills and capacity to understand, design, and implement game-changers generally lie beyond any single institution and require both partnerships across the state and between the state and non-state actors. A number of these game-changers are being targeted and designed adopting a partnership approach to revitalise the small enterprises sector as follows:

1) A recapitalised Khula Credit Guarantee (KCG) mechanism with pre- and post-investment support (market access and business development support).
2) An enhanced Township and Rural Partnership Programme.
3) A major Supplier Development Partnership Programme (linked to private sector and public sector markets and supported through incubators).
4) An upscaled Youth Challenge Fund that incentivises youth innovation.
5) A digital one-stop-shop platform with AI capabilities.
6) A reconfigured and effective agency for the delivery of financial and non-financial support – SEDFA.
7) The repositioning of the Direct Lending Programme to align with government's priority sectors to achieve greater efficiency and effectiveness.

NISED emphasises the importance of the successful establishment of the merged entity, SEDFA, which takes a central role in coordinating the various government projects that are small enterprise focused. To minimise compliance costs, improve formalisation and entrepreneurship development, a central technology platform is to be developed as the primary hub for small enterprise user-based subsidies by government and its funding instruments. Thus, to minimise corruption and 'double dipping'.

2.2. Co-operatives Sector Policy and Strategy Frameworks

The **Co-operatives Development Policy, 2004,** and the **Integrated Strategy on the Development and Promotion of Co-operatives, 2012**, together aim to move towards a growing, self-sustainable, and integrated co-operative sector, supported by all stakeholders and contributing to economic growth, poverty reduction, and employment creation, as well as assisting in bringing about economic transformation and an equitable society in South Africa. They acknowledge that a genuine, autonomous, and economically viable co-operatives movement and its membership have vast development potential to contribute towards the country's socioeconomic challenges.

They seek to strengthen the potential benefits of co-operatives by:

1) Raising the value and profile of co-operatives in the whole economy and designing support programmes suitable to this end.
2) Fostering human capital development with a special focus on co-operative principles, business management, and technical skills.
3) Fostering a culture of cooperation, self-help, self-reliance, and solidarity among co-operative beneficiaries and other stakeholders through conducting awareness programmes.
4) Working towards self-sustainability of the co-operative's movement, which will be achieved through partnership models, the provision of tailormade support programmes, and by consistently capacitating all stakeholders.

5) Conducting leading-edge research to inform the development, evaluation and monitoring of performance of co-operatives.

The **Co-operative Banking Sector Development Strategy, 2021,** seeks to promote the economic and financial inclusion for workers and mixed-income communities through a niche and quality approach to co-operative banking, rather than viewing co-operative banking as a stepping stone to become commercial banks. The strategy sets a target of serving 400,000 workers and mixed-income community members by 2030, up from circa 29,000 in 2020. Achieving this will require products, systems, funds, and channels.

There are three main pillars of the strategy which are necessary to grow co-operative banking, namely:

1) Value-added products and systems.
2) Robust sources of funds; and
3) Digital delivery channels.

The implementation of the defined action items related to these pillars are critical to effectively implement the Co-operative Banking Strategy.

2.3. South African SMMEs and Co-operatives Funding Policy

Approved by cabinet on 20 September 2024, the policy objective is to provide a holistic, coordinated, and pragmatic framework for strengthening the provision of development finance towards the sector with a view to improve access to finance for small enterprises. SEDFA is delegated the lead responsibility for two outputs:

1) Improve business development support by implementing the IBDS Policy (currently in draft) and increasing the number of incubators and digital hubs to cover underserved and unserved areas, such as townships and rural areas.
2) De-risking small enterprise finance through credit guarantees. It includes a review of KCG to make it more effective and responsive; to recapitalise KCG; and to diversify credit guarantees into other sectors, such as the green economy and essential oils.

2.4. Incubation and Business Development Services Policy Framework

At the time of developing this five-year strategic plan, the South African Small Enterprise Sector IBDS Policy Framework was in its final stages of development and approval. It has been incorporated here with the expectation that it will be approved early within the implementation period of the 2025-2030 Strategic Plan.

SEDFA’s alignment with the IBDS Policy Framework is critical to addressing the fragmented and inconsistent support system currently impeding small enterprises. The framework identifies the need for a coordinated, outcome-driven approach that increases the participation, scalability, and competitiveness of small enterprises, particularly in underserved regions. SEDFA will play a pivotal role in advancing the policy’s intermediate outcomes, namely:

1) Improved coordination across government and private sector stakeholders, *leading to more cohesive and effective service delivery for small enterprises*.

2) Increased participation of small enterprises from underserved areas in IBDS, *leading to increased participation in economic activities and narrowing gaps in service delivery*.

3) Targeted, sector-specific IBDS that addresses industry needs and growth stages, *leading to faster scaling, improved innovation, and greater competitiveness*.

4) Improved standardisation and quality of IBDS service provision, *aligned with global best practice*.

SEDFA's leadership role in the NISED Strategic Framework, particularly under Outcome 3, positions it as the primary agent to unify the IBDS ecosystem. By leveraging innovative models, such as sector-focused business incubators, digital hubs, and accelerators, SEDFA must include in its strategic plan initiatives to enhance market readiness, digital capabilities, and growth potential for small enterprises. This effort is directed at empowering small enterprises to scale; compete globally; and contribute meaningfully to economic growth, poverty alleviation, and job creation, while advancing a culture of innovation and entrepreneurship across South Africa.

2.5. Sector Priorities for the Small Enterprise Development Portfolio

The DSBD and its agency, SEDFA, contribute to MTDP 2024–2029 Strategic Priority 1: Driving inclusive growth and job creation. The MTDP Results Framework sets a desired impact of increasing economic growth to 3.5% by the end of the term and reducing unemployment to 27.5% through the creation of at least four million jobs. SEDFA's contribution will be realised through targeted interventions delegated to the agency by DSBD. The Results Framework for Small Business Development as outlined below is based on the draft MTDP approved by Cabinet, pending amendments at the end of January 2025.

Table 3: MTDP 2024-2029 Results Framework (Small Business Development)

Outcomes	Strategic Intervention	Intervention Indicators	Intervention Baseline	Midterm Targets	End-Term Targets	Lead / Support
Increased employment and work opportunities	Work with the private sector and labour to protect existing jobs and investments in vulnerable sectors	Number of jobs created and sustained through the small enterprise development ecosystem.	Seda: 91,270 **sefa**: 621,238 (created and sustained)	Created: 136 750 Sustained: 803 250	Created: 273 500 Sustained: 1,606 500	DSBD / SEDFA
Accelerated growth of industrial and labour-intensive sectors	Drive growth in labour-intensive sectors such as business services, agriculture, manufacturing, and mining including through the finalisation and implementation of master plans	Number of enterprises supported through financial and non-financial support in labour intensive sectors	Six enterprises supported on agriculture and agro-processing sector	50 enterprises supported in select labour-intensive sectors	100 enterprises supported in select labour-intensive sectors	DSBD

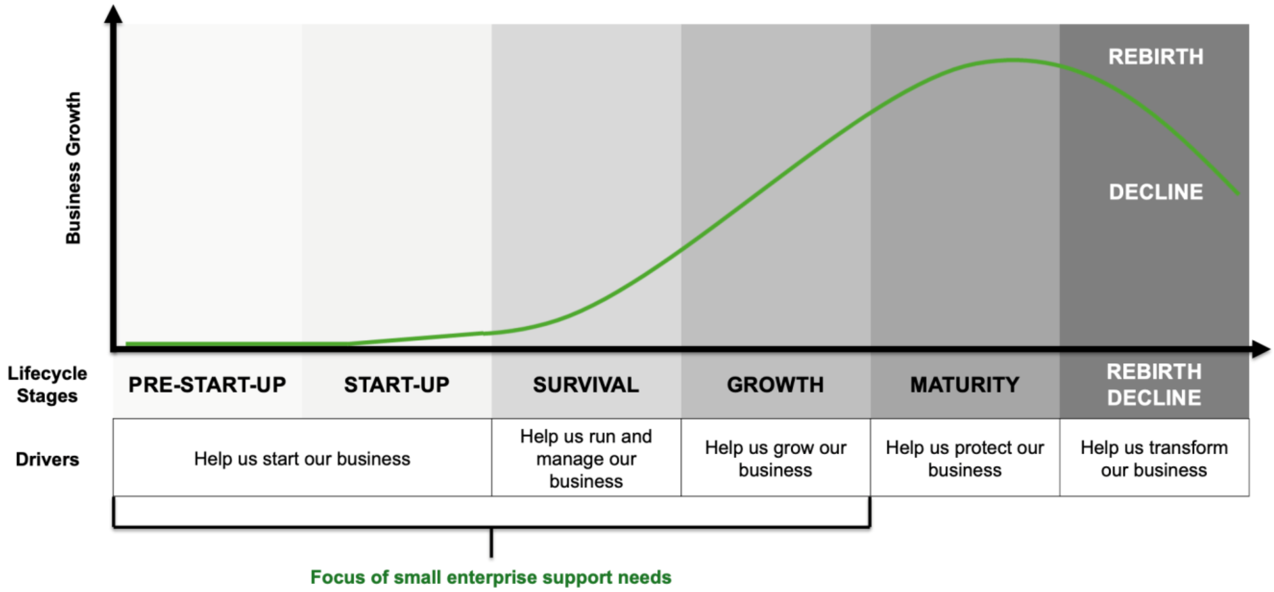
Outcomes	Strategic Intervention	Intervention Indicators	Intervention Baseline	Midterm Targets	End-Term Targets	Lead / Support
Enabling environment for investment and improved competitiveness through structural reforms	Reduced red tape and streamline support for small enterprises, entrepreneurs and cooperatives, especially in townships and villages, to thrive.	Percentage of informal MSMEs provided with formalisation support.	1 804 434 as per Seda SMMEs 2024 Q1 Report.	5% of informal MSMEs provided with formalisation support. (cumulative)	10% of informal MSMEs provided with formalisation support. (cumulative)	DSBD / SEDFA
		Number of small enterprises and co-operatives supported financially and non-financially, focusing on township and rural economies	182,649 competitive small businesses and co-operatives supported	500 000 small enterprises supported financially and non-financially:	1 million small enterprises supported financially and non-financially:	DSBD
		Number of start-up and new MSMEs supported financially and non-financially.	41 205 youth business start-ups that have been supported both financially and non-financially	25 000 start-up and new MSMEs supported financially and non-financially. (Cumulative)	50 000 start-up MSMEs supported financially and non-financially. (Cumulative)	DSBD
		Number of infrastructure roll out to lower the cost of doing business for rural and township Small Enterprises.	14 infrastructure rolled out to lower the cost of doing business for rural and township Small Enterprises	32 infrastructures roll out to lower the cost of doing business for rural and township Small Enterprises. (cumulative)	52 infrastructure roll out to lower the cost of doing business for rural and township Small Enterprises. (cumulative)	DSBD

2.6. SEDFA Response to the Legislative and Policy Context

The focus of SEDFA's support services is in the pre-start-up to growth stages of the business growth path, shown in the figure below:[2]

[2] *Extracts from the approved SEDFA Business Case, December 2022, expanded through strategic planning workshops to develop the SEDFA Strategy*

Figure 2: Focus of SEDFA's support to small enterprises



As the lead implementing agent of the NISED Strategic Framework, SEDFA aims to support small enterprises in transitioning en masse from the pre-start-up to growth stage, enabling growth-ready enterprises to scale up and drive output growth and employment. Support at the stages of the business growth path will focus on:

1) Promoting the entrepreneurial intent as an alternative to formal employment and to address the challenge of unemployment in the country.

2) Coordinating the small enterprises ecosystem and facilitating an aligned response by all state actors, including SARS, CIPC, and the Department of Labour, as well as business development service providers, development agencies, development finance agencies, and commercial partners.

3) Ensuring a common experience for small enterprises at the point of entry into enterprise development through a network of physical and online access points into an integrated omnichannel.

4) Ensuring consistency in the provision of business development support services, including the provision of seed capital for start-up enterprises and supporting sectoral incubators, digital hubs, and accelerators.

5) Addressing the moral hazard in the provision of finance for small enterprises by balancing the developmental and sustainability (commercial) mandate.

6) Developing and implementing an ecosystem-wide system for data collection, monitoring and reporting, and evaluation to support effective decision-making.

7) Prioritising business development, incubation, and funding to business ventures within the following sectors:

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

      Focus should be on tradeable services with the potential for growth in domestic and international markets, for example, ICT, fintech, tourism and hospitality, creative industries, education and training, and health and wellness.

b) Manufacturing.

c) Agriculture and agro processing.

d) Construction.

e) Mining services and processing.

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

g) Medicinal and industrial cannabis

SEDFA's financial and non-financial support will be informed by the industrial policy and sector masterplans.

SEDFA will provide both non-financial and financial support:

1) SEDFA's activities are aligned to the key activities of both a DFI (financial support) and a development agency (non-financial support) by playing a catalytic role in the country to attract other industry players, funding gaps in the market and supporting government policies in identified priority sector industries, townships and rural areas, and the development of enterprises owned by women, youth, and persons with disability.

2) The primary driver for SEDFA is the capital that it lends through direct and indirect financing channels, and the use of government grants to assist small enterprises with non-financial support and incentives to overcome structural inadequacies, drive transformation, job creation and retention, and to support the growth of entrepreneurs along the business growth path.

3) The intention is to:

   a) Ensure businesses operating in the informal sector as survivalist enterprises are provided with the support needed to address their operational requirements and to graduate willing and able enterprises to register and formalise their businesses.

   b) Build a pipeline of investment-ready entrepreneurs through a comprehensive suite of business development and support services, and

   c) Support commercially viable small enterprises with finance instruments and business support services for sustainability and growth, and to stimulate the economy and alleviate poverty through the retention and creation of sustainable jobs and these enterprises.

SEDFA prioritises the integration of financial and non-financial support, and collaborative partnerships, for the following reasons:

1) To mitigate the risk of lending and improve the financial sustainability of supported small enterprises and the agency.

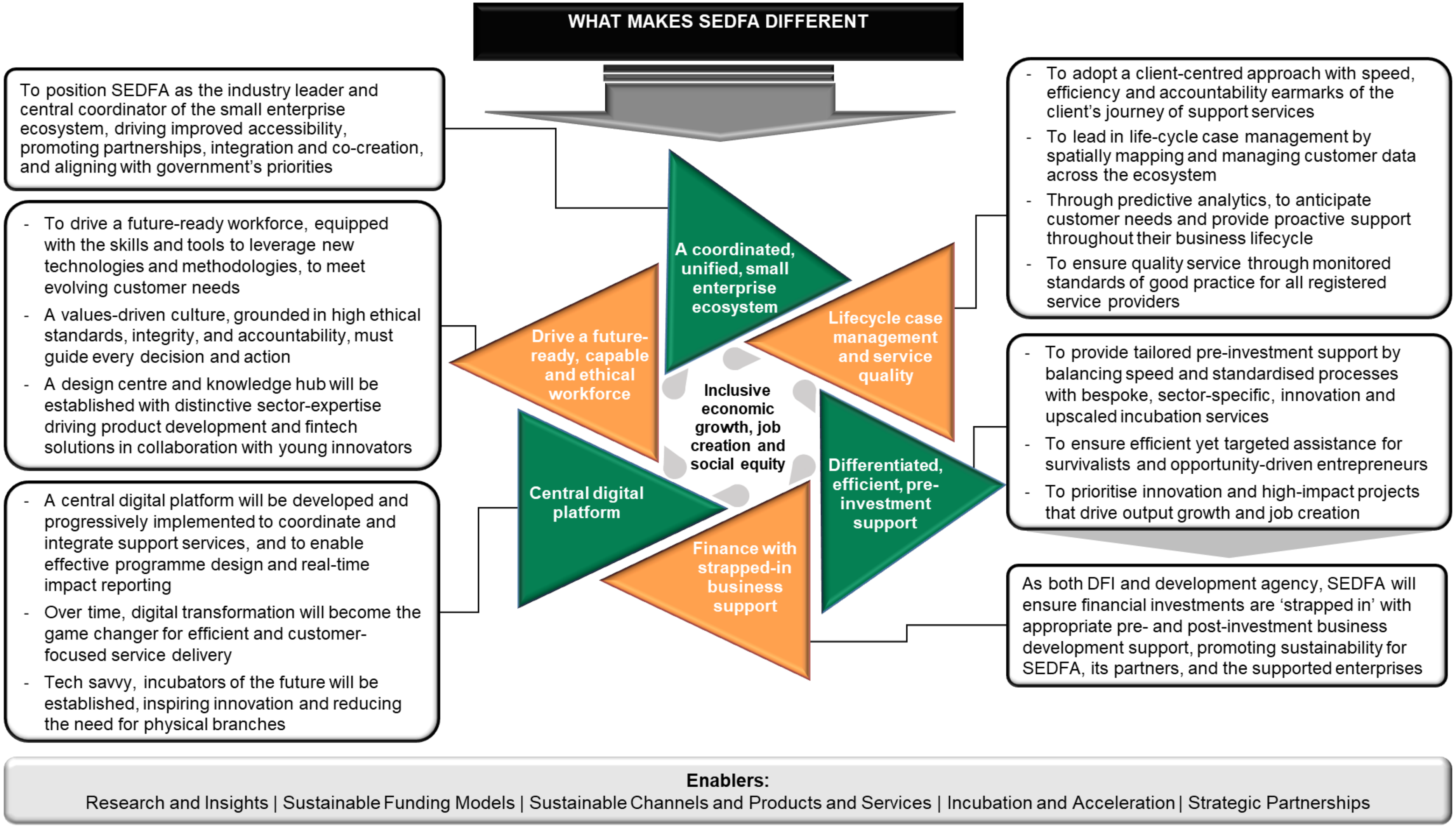
2) To support small enterprises' access to enhanced and increased finance over time. As such, financial investment in small enterprises will include 'strapped-in', non-financial support in the pre- and post-investment stages of the investment lifecycle.

3) To intervene in industries identified as having high growth and employment potential for small enterprises innovation and competitiveness.

4) To enable the co-operative banking sector to play a prominent role in financial inclusion within the DDM.

In summary, the figure below reflects how SEDFA will strive to differentiate and position itself in the small enterprise development sector.

Figure 3: What differentiates SEDFA



3. RELEVANT COURT RULINGS

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

PART B: OUR STRATEGIC FOCUS

SEDFA's strategic focus is articulated through its vision, mission, values, strategic pillars, business model, and operating principles as follows.

1. VISION

Empowering South Africa's small businesses for inclusive growth, transformation and sustainable employment.

2. MISSION

Functioning as the apex small enterprise development and finance agency in South Africa, SEDFA's mission is:

To provide targeted financial and non-financial support to Micro, Small and Medium Enterprises, and Co-operatives, as well as to promote and coordinate South Africa's small enterprise development ecosystem.

The mission is enabled by a future-ready and financially sustainable agency.

3. VALUES

SEDFA subscribes to the following organisational values, **I-CARE**, which are in line with the Batho Pele principles:

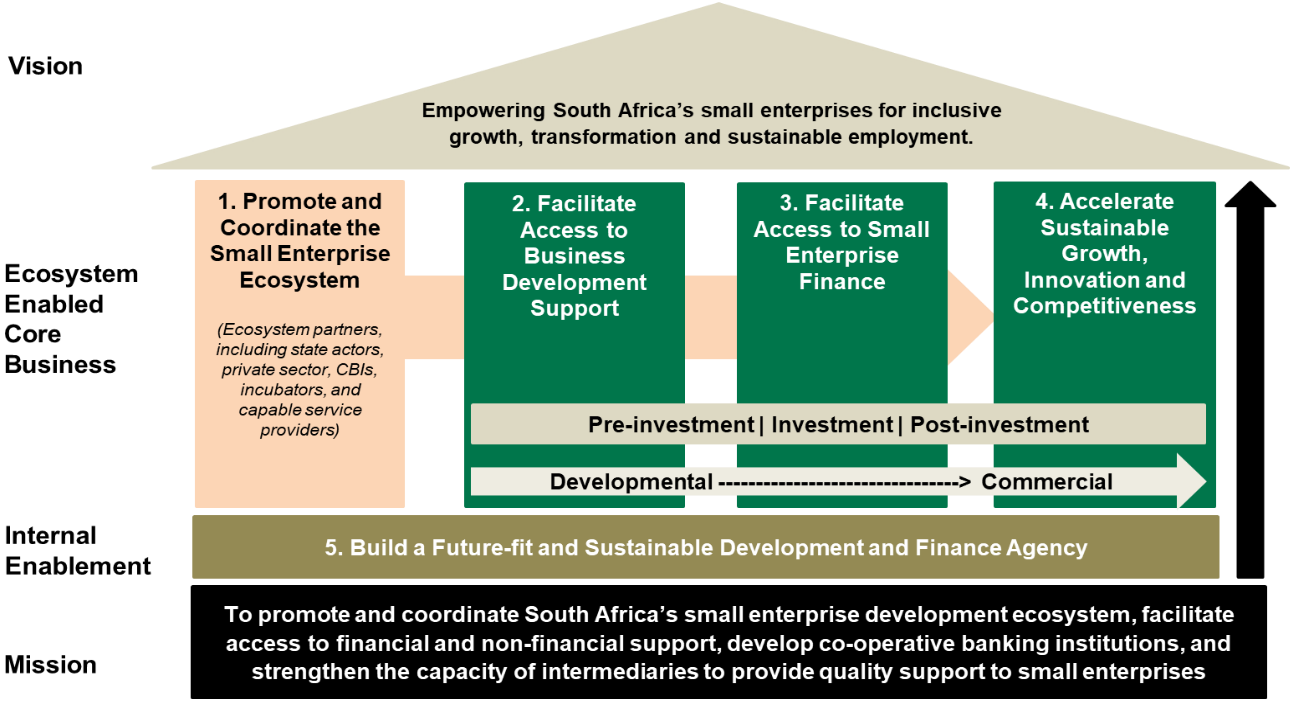
SEDFA Values	What it means in practice
I-CARE	
I: Integrity	▪ We uphold integrity through transparent practices, open and honest communication, and ethical decision-making. ▪ We strive at all times to build trust and credibility within the agency and with our ecosystem partners.
C: Customer-centric excellence	▪ We place the customer at the centre of all our actions by listening, understanding and addressing the evolving needs of small enterprises. ▪ We strive for excellence by creating an enabling environment and consistently providing tailored support and solutions at all entry points of the business growth path.
A: Agility	▪ We create a supportive and nurturing environment that encourages persistence, agility, and adaptability among entrepreneurs, empowering them to navigate challenges, seize opportunities, and thrive in a dynamic business landscape.

SEDFA Values	What it means in practice
	▪ We act with speed and urgency in delivering support to small enterprises, ensuring that our efforts contribute to the NDP's goal of generating the majority of new jobs through small enterprises.
R: Resilience	▪ We seek to proactively recover from setbacks, and to marshal available resources, ask for help when needed, and find ways to manage challenging situations as they arise. ▪ We use our integrated systems to assess our environment and to identify and assess risks and vulnerabilities, and then implement strategies to mitigate, transfer, or manage risks.
E: Entrepreneurial passion	▪ We are solutions-driven and demonstrate unwavering passion for fostering entrepreneurship, igniting the spark of innovation, and driving meaningful change within the enterprise development ecosystem. ▪ We create an enabling environment for co-operative banking institutions to deliver community-driven financial solutions that empower members to collectively build prosperous and sustainable local economies.

4. STRATEGIC PILLARS

SEDFA's mission is delivered through four core business pillars and an internal enabler, as illustrated in the figure below. The framework reflects SEDFA's strategic focus on promoting and coordinating the small enterprise ecosystem to facilitate access to business development, enterprise finance, and support for innovation and growth across various stages of the investment lifecycle. It incorporates the incubation ecosystem and represents a continuum from developmental to commercially oriented approaches, dependent on the stage of development and category of small enterprise/entrepreneur being supported.

Figure 4: SEDFA strategic pillars



The strategic pillars, informing outcomes, are detailed in the table below.

Table 4: Description of strategic pillars, informing outcomes

Strategic Pillar	Description (Aligned to Legislative and Policy Mandates)
Pillar 1: **Promote and coordinate the small enterprise development ecosystem**	**Target market:** ▪ State actors and public/private sector business development and financial services institutions. ▪ Co-operative banking institutions (including CFIs).
	Strategic focus: ▪ Manage and enhance the small enterprise development ecosystem through collaborations and partnerships with public, private, and non-governmental organisations. ▪ Coordinate the establishment of an integrated service delivery network and omnichannel approach to ensure a seamless, common entry point into the ecosystem through: ○ Digital platforms: A centralised online portal, mobile applications, and AI-driven chat support for easy access to information, application processes, and tracking. ○ Physical locations: One stop shop centres, regional offices, and walk-in centres for in-person consultations and services. ▪ Strengthen the capacity of intermediary institutions to provide cost-effective, quality support services to small enterprises. ▪ Manage a centralised small enterprise technology platform to serve as the primary hub for small enterprise user-based subsidies by government and its funding instruments, while serving as a case management and small enterprises monitoring and evaluation system. ▪ Develop, publish, and regularly update a national spatial map of service providers offering financial and non-financial support to small enterprises. ▪ Establish standards of good practice for service providers providing services to small enterprises. ▪ Capacitate, professionalise, and facilitate access to finance for co-operative banking institutions to deliver affordable, community-based banking services.
	Desired result: ▪ **Outcome 1.1:** Increased effectiveness of ecosystem support and services for small enterprises. ▪ **Outcome 1.2:** Increased access to financial services and economically transformed communities through co-operative banking.
Pillar 2: **Facilitate access to business development**	**Pre-investment stage:** ▪ 'Business-in-a-box' approach: Focus on speed, efficiency, and standardisation of non-financial support/business development services.
	Target market:

Strategic Pillar	Description (Aligned to Legislative and Policy Mandates)
support and incubation	▪ Formal and informal micro enterprises, including surviving enterprises, potential and nascent entrepreneurs.
	Strategic focus: ▪ Promotion of entrepreneurship and small business start-up as a viable alternative to formal sector employment. ▪ Facilitation of customer-centric and effective business development and support services for small enterprises across the pre-start-up, start-up, survival, and growth stages of the business lifecycle. ▪ Support for incubators, digital hubs, and accelerators in sectors prioritised for small enterprise participation. ▪ Facilitate targeted business development support for micro enterprises, including: o Survivalist enterprises requiring aggregation, operational, and systems support. o Entrepreneurs with the potential to start up and/or grow their businesses. o Township and rural enterprises, and enterprises owned by women, youth, and persons with disabilities.
	Desired results: ▪ **Outcome 2.1:** Small enterprise sector growth and increased participation in the economy.
Pillar 3: Expand access to small enterprise finance	**Investment stage:** ▪ Balance long-term financial sustainability of the agency with core developmental outcomes through facilitating adequate capital to service the financial support needs of small enterprises. Focus is on: o Securing adequate capital through optimising own funding sources and mobilising capital in the market. o Scaled facilitation of developmental or competitive commercial funding to small enterprises aligned to their stage of development and need.
	Target market: ▪ Developmental: Early-stage formal micro and small enterprises, and informal enterprises in underserved communities. ▪ Commercial: Viable small and medium enterprises, with a growth focus.
	▪ Optimising own funding sources: o Government subsidy for business development and capacity building services. o Income from financing activities. o Capital retention and growth, and funding for the developmental risk premium. o Income from property rentals and related. o Dividends or sale income from equity investments.

<table>
<tr><th>Strategic Pillar</th><th>Description (Aligned to Legislative and Policy Mandates)</th></tr>
<tr><td></td><td>Income from fund management and other services.
Mobilising capital from ecosystem partners for fund matchmaking, syndication, and co-investment arrangements:
Public sector development and finance institutions.
Private sector financial institutions and venture capitalists.
Donor, grant, socioeconomic development, and ESG funding.
Scaled facilitation of funding to the economy:
Development funding for micro and small enterprises.
Commercial funding for small and medium enterprises (SMEs), including risk capital and co-investment instruments.
Expanded credit guarantee schemes.</td></tr>
<tr><td></td><td>Desired results:
Outcome 3.1: Adequate capital to fund the growth and development of small enterprises at scale.
Outcome 3.2: Enhanced access to finance by small enterprises.</td></tr>
<tr><td rowspan="3">Pillar 4:
Accelerate sustainable growth, innovation and competitiveness
(In priority sectors)</td><td>Post investment stage:
Primarily post-investment stage for enterprises with a track record and striving for growth in priority sector value chains: Focus on innovation, acceleration, and high-impact projects.
Assistance to supported enterprises in distress, requiring workout and restructure.</td></tr>
<tr><td>Target market and focus:
Viable small and medium entrepreneurs seeking to innovate and grow in tradeable services and goods producing sectors prioritised for small enterprises.</td></tr>
<tr><td>Strategic focus:
Facilitate and coordinate research into the development of priority sector value chains for increased participation of small enterprises.
Facilitate the promotion of entrepreneurship and the building of innovative and competitive small enterprises in the value chains of identified priority sector industries.
Support project packaging, feasibility studies, and development of bankable business plans for innovative, high-impact projects.
Support localisation and market access (domestic and international) for innovative products and services of small enterprises.
Upscale support for incubators and accelerators through innovation funds and research and development support.
Create linkages into the supplier development programmes of large enterprises.
Support youth innovation and competitiveness in technology-driven sectors.
Support enterprises in distress with workout and restructure and business support interventions.</td></tr>
</table>

Strategic Pillar	Description (Aligned to Legislative and Policy Mandates)
	Desired result: ▪ **Outcome 4.1:** Increased competitiveness and sustainable growth of small enterprises in priority sectors.
Foundation **Build a future-ready, sustainable agency**	**Core business enablement:** ▪ Build a high-performance, capable workforce, supported with the technology (automation and digitalisation), infrastructure, human capital, and financial resources to sustainably lead the small enterprises ecosystem.
	Strategic focus: ▪ People: Diverse, skilled, and inclusive workforce; continual learning and development; employee well-being and engagement; agile and adaptable culture. ▪ Systems and processes: Integrated and scalable technology, efficient and transparent operations, robust cybersecurity and compliance. ▪ Relationships: Customer-centric focus, strategic partnerships and collaborations, community and stakeholder engagement/mobilisation. ▪ Governance and risk: Transparent and accountable governance, strategic risk management, compliance and ethical standards, sustainable governance practices – ESG integration and sustainability reporting. ▪ Innovation: Build capabilities, in partnership with innovators, to leverage 4IR technologies in product and services design.
	Desired result: ▪ **Outcome 5.1:** An innovative, sustainable, and well-governed agency.

5. BUSINESS MODEL

SEDFA intends to create, deliver, and capture value through the nine building blocks of its business model, shown in the business model canvas below.

Figure 5: SEDFA business model

KEY PARTNERS

- Shareholder
- National Treasury
- Commercial financial institutions
- DAs, DFIs & multilateral development banks
- CBIs and CFIs
- Financial sector regulators
- Investors – public and private sector
- Government institutions
- NGOs
- Delivery channel partners (FS and BDS)
- Incubators
- Technology providers
- Educational, research and training institutions
- Industry associations
- Large corporations and multinationals
- Media
- Community leaders

KEY ACTIVITIES

Core business activities:

- Client activation management
- Business development services
- Lending and investment management
- Subsidiaries:
  - Credit guarantees (KCG)
  - Properties management (KBP)

Middle office activities:

- Ecosystem and stakeholder management
- Credit and risk management
- Legal and compliance

Core business support activities:

- Strategy, business intelligence, M&E
- Digital transformation and innovation
- Finance and treasury
- Human capital management

Governance support activities:

- Corporate secretariat management
- Internal audit management

KEY RESOURCES

- Financial resources (funding and investments)
- Client access points (physical and online)
- Skilled personnel
- Technology infrastructure
- Digital platforms and data systems
- Ecosystem partnerships and networks

VALUE PROPOSITIONS

1. Coordinating and unifying the small enterprise development ecosystem
2. Designing and implementing customised development programmes for entrepreneurs
3. Facilitating accessible, affordable and tailormade financial and non-financial support:
   - to help informal enterprises sustain and/or formalise
   - to help start-ups launch and scale
   - to help SMEs grow and compete in priority sectors through customised, high-impact projects
4. Building a capable intermediary network for enhanced investment and quality enterprise support
5. Capacitating CBIs to be professional, digitally-enabled providers of affordable community banking

SEDFA

Business Model

CUSTOMER RELATIONSHIPS

- Workshops and seminars
- Outreach and entrepreneurship promotion
- Regular feedback mechanisms (surveys, consultations)
- Transparent and accountable online case management system
- Business-to-business MOUs with partners in the ecosystem
- Digital platforms for information, applications and support access

CHANNELS

- Direct financing channel
- Indirect financing channel
- Credit guarantee schemes
- IBDS (internal and service providers)
- Provincial hubs / branch network
- Corporations and government departments (ESD and fund management)

CUSTOMER SEGMENTS

- Micro – informal
- Micro – formal
- Micro and Small – innovating, sustaining and growing
- Medium – established
- Co-operatives
- Co-operative banking institutions
- Social entrepreneurs
- Corporate entrepreneurs
- Delivery channel partners (FS and BDS)

COST STRUCTURE

- Overheads | Ecosystem and service delivery network | Programme implementation | Technology and infrastructure development and maintenance | Marketing and outreach | Monitoring and evaluation | Loan impairments and bad debts | Contracted services | Human capital development

REVENUE STREAMS

- Annual transfers for BDS and ecosystem coordination | Income from financing activities | Dividends and sales from equity investments | Investment income | Property rental income | BDS income from established enterprises | Subsidised development risk and operational funding | Donor, grant, SED, ESD and ESG funding | Implementing agent fees | Capital raised in the market and through partnerships

6. OPERATING PRINCIPLES

As an integrated business development and development finance agency, SEDFA has defined the following operating principles to deliver on the value propositions of its business model.

1) **Integrated support approach**: Offer a comprehensive suite of financial and non-financial services tailored to the specific needs of small enterprises, recognising the interdependence between institutional sustainability and developmental outcomes.

2) **Client-centred focus**: Prioritise the needs and aspirations of small enterprises by providing personalised assistance and solutions that align with their unique circumstances and sustainability/growth objectives.

3) **Collaborative partnerships**: Build collaborative partnerships with financial institutions, government agencies, industry stakeholders, and community organisations to leverage resources, expertise, and networks within the ecosystem for the benefit of small enterprises.

4) **Capacity building and empowerment**: Facilitate capacity building initiatives, including training, mentorship, and skills development programmes, to empower small enterprises with the knowledge and capabilities needed to succeed in a competitive market environment.

5) **Innovation and adaptability**: Embrace innovation and adaptability in service delivery, leveraging technology and best practices to address evolving challenges and opportunities faced by small enterprises.

6) **Accessibility and inclusivity**: Ensure equitable access to support services for all small enterprises, especially those in underserved communities and belonging to disadvantaged groups, promoting inclusivity and equal opportunity for entrepreneurship.

7) **Sustainable growth orientation**: Promote sustainable business practices and responsible entrepreneurship, emphasising long-term growth, profitability, and socioeconomic impact.

8) **Transparency and accountability**: Operate with transparency and accountability in all dealings, ensuring clear communication, ethical conduct, and responsible stewardship of resources entrusted to the agency.

9) **Continuous learning and improvement**: Stimulate a culture of continuous learning and improvement within the agency, regularly evaluating service effectiveness, soliciting feedback from stakeholders, and implementing measures to enhance service quality and impact.

10) **Advocacy and policy engagement**: Advocate for policy reforms and initiatives that support the growth and development of small enterprises and influencing decision-making processes of the DDM.

7. SITUATIONAL ANALYSIS

SEDFA pursues its strategic focus 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 vision and customer-centric value propositions.

7.1. External Environment Analysis

7.1.1. Global and Regional Socioeconomic Outlook

According to the International Monetary Fund's World Economic Outlook released in October 2024, global growth is projected to stabilise at 3.2% for both 2024 and 2025, reflecting a consistent yet modest expansion compared to the historical average of 3.8% from 2000 to 2019.[3]

The stabilisation is attributed to easing inflationary pressures and moderated growth in key economies, alleviating concerns over a potential 'hard landing' scenario. The International Monetary Fund notes that the global battle against inflation is largely won, with headline inflation expected to decline from a peak of 9.4% in 2022 to 3.5% by the end of 2025.

However, global trade volumes are anticipated to grow slowly, with projections indicating an expansion of 3.3% in 2024 and 3.6% in 2025, both below the historical average of 4.9%. The subdued growth is largely due to ongoing geoeconomic fragmentation and trade restrictions, particularly between major economies, such as the United States of America (United States) and China.

In Africa, economic resilience is evident despite challenges, including political instability, conflicts, and economic shocks. The African Development Bank's African Economic Outlook 2024 reports that gross domestic product (GDP) growth slowed to an estimated 3.1% in 2023 from 4.1% in 2022. A rebound is expected, with growth projected at 3.7% in 2024 and 4.3% in 2025, driven by policy measures aimed at mitigating these challenges. This positions Africa as the second-fastest growing region globally, demonstrating its capacity to navigate and adapt to complex global conditions effectively.[4]

The global and regional macroeconomic context provides a foundation for SEDFA's planning, indicating cautious optimism for economic stability and moderate global growth, with vigilance regarding persistent trade and political risks.

7.1.2. South African Socioeconomic Outlook

Demography:

As of mid-2024, South Africa's population has surpassed 63 million, representing a growth rate of 1.33% from the previous year. Gauteng and KwaZulu-Natal remain the most populated provinces, making up around 45% of the total population, while the Northern Cape has the lowest population density.[5]

The country continues to attract immigrants, primarily from Zimbabwe, Mozambique, Lesotho, Malawi, and the United Kingdom, indicating South Africa's status as a key migration destination in Africa. These dynamics highlight the importance of providing tailored support for enterprises in diverse and often densely populated regions where immigrant communities contribute to the local economy.[6]

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[3] *International Monetary Fund. World Economic Outlook, October 2024*

[4] *African Development Bank. African Economic Outlook 2024. October 2024*

[5] *Statistics South Africa. Mid-year Population Estimates – 2024. https://www.statssa.gov.za/*

[6] *https://sabusinessintegrator.co.za/latest-news/the-top-trends-impacting-smes-in-2024/. Accessed 21 October 2024*

GDP growth rate:

South Africa's economic growth remains subdued, with a contraction of 0.3% in Q3 of 2024, following a 0.4% quarter-on-quarter increase in GDP for Q2 2024.[7]

The South African Reserve Bank forecasts a gradual improvement in GDP growth, projecting rates of 1.2% in 2024, 1.4% in 2025, and 1.6% in 2026, driven by anticipated stabilisation of energy supply and gradual infrastructure enhancements. However, persistent challenges, such as power outages, water supply issues, and global economic uncertainties, continue to constrain stronger growth.

In the third quarter of 2024 the agriculture sector was the primary contributor to the slowdown on the production (supply) side, alongside declines in transport, trade, and government services. On the expenditure (demand) side, the contraction was driven by decreases in imports, exports, and government consumption.[8]

Several industries recorded poor performance in Q3 2024, with transport, trade, catering, and accommodation declining, and government weakened by reduced civil service employment. However, finance, electricity, mining, and manufacturing showed strong growth, while construction achieved its largest increase in two years, driven by construction works and non-residential building activities.

The dynamics underline the need for SEDFA to support high-growth sectors, enhance resilience in struggling industries, and drive inclusive participation in energy, trade, and manufacturing to support a diversified and robust economy.[9]

National debt:

Rising national debt presents a fiscal challenge, with debt servicing costs consuming over 20% of government revenue, outpacing spending on critical services like education and health. National debt is expected to stabilise at approximately 75% of GDP by 2025, with debt servicing costs forecast to decline marginally thereafter due to measures, such as fiscal consolidation and settlement from the Gold and Foreign Exchange Contingency Reserve.[10] In this constrained environment, SEDFA's role in mobilising private investment and creating additional funding sources in the ecosystem for small enterprises is vital in supporting growth without exacerbating public debt levels.

Poverty:

South Africa faces a severe poverty challenge, with an estimated 13.8 million people living below the food poverty line. Economic stagnation, high living costs, and limited employment opportunities in rural areas contribute significantly to this issue. The highest poverty levels are found in provinces like Limpopo, Eastern Cape, and KwaZulu-Natal, where economic opportunities and access to basic services remain limited.[11] SEDFA's strategy includes empowering survivalist enterprises, particularly in underserved communities, as a vital means of income generation for those without alternative employment.

[7] *https://www.statssa.gov.za, accessed 20 December 2024*

[8] *https://www.seda.org.za/Minister's-Budget-Vote-Speech-2024-Priorities-for-the-Department-of-Small-Business-Development.aspx, accessed 21 October 2024*

[9] *https://www.seda.org.za/Minister's-Budget-Vote-Speech-2024-Priorities-for-the-Department-of-Small-Business-Development.aspx, accessed 21 October 2024*

[10] *https://sabusinessintegrator.co.za/latest-news/the-top-trends-impacting-smes-in-2024/. Accessed 21 October 2024*

[11] *https://sabusinessintegrator.co.za/latest-news/the-top-trends-impacting-smes-in-2024/. Accessed 21 October 2024*

Inequality:

Inequality in South Africa remains one of the highest globally, with a persistent Gini coefficient largely due to disparities in education, employment, and access to opportunities across racial, gender, and geographic lines. Wealth is disproportionately concentrated in urban areas, and wage gaps reflect entrenched socioeconomic divides that continue to impact historically marginalised communities. SEDFA must assist in closing these gaps by promoting inclusive economic growth through targeted support for small enterprises owned by women, youth, and persons with disabilities, as well as enterprises in township and rural areas.

Unemployment:

Employment in South Africa decreased by 92,000 in Q2 2024, with the official unemployment rate rising to 33.5% from the previous quarter. Despite this, the informal sector added 48,000 jobs, while total employment rose from 14.1 million in Q2 2020 (COVID inception) to 16.7 million in Q2 2024, with the formal sector accounting for 68.9% of total employment. Forecasts suggest only marginal improvements through to 2026.[12]

South Africa's sluggish economic growth is unlikely to generate the eight million or more decent-paying jobs needed to reduce unemployment to manageable levels, nor will it adequately address the 13.8 million South Africans living below the monthly food poverty line. SEDFA can positively impact this situation through a dual approach: supporting survivalist businesses to provide immediate income opportunities and financing high-growth enterprises to drive sustainable job creation. The approach is in line with the latest FinScope MSME South Africa 2024 Survey that highlighted the urgent need for informal sector support.[13]

[12]*Statistics South Africa - Quarterly Labour Force Survey (https://www.statssa.gov.za/publications/P0211)*

[13]*Statistics South Africa - Quarterly Labour Force Survey (https://www.statssa.gov.za/publications/P0211)*

7.1.3. Small Enterprise Landscape in South Africa

The following section is an executive summary of the Seda Q1 2024 Quarterly Update Report, citing Statistics South Africa Q1 2024 Quarterly Labour Force Survey data.[14]

Figure 6: Key indicators of the SMME landscape, Q1 2024

KEY INDICATORS	2023Q1	2023Q4	2024Q1	q-o-q change	y-o-y change
Number of SMMEs	2 706 617	2 663 839	2 670 569	0.3%	-1.3%
Number of formal SMMEs	815 934	783 347	789 833	0.8%	-3.2%
Number of informal SMMEs	1 800 729	1 815 810	1 804 434	-0.6%	0.2%
Number jobs provided	11 822 568	10 558 686	11 352 824	7.5%	-4.0%
% operating in trade & accommodation	36.0%	39.8%	37.2%	-2.6% pts	1.2% pts
% operating in community services	15.7%	16.1%	15.7%	-0.5% pts	0% pts
% operating in construction	13.8%	12.8%	12.5%	-0.3% pts	-1.3% pts
% operating in fin. & business services	14.7%	14.3%	15.3%	1% pts	0.6% pts
% black-owned formal SMMEs	74.6%	75.7%	74.6%	-1.1% pts	0% pts
% contribution of SMEs* to turnover of all enterprises#	26.9%	33.6%	23.1%	-10.5% pts	-3.8% pts

****excluding micro-enterprises***
#excluding agriculture, financial intermediation, insurance and government institutions
[1]The contribution of SMEs to GDP is contested. An estimate would be possible from existing National Accounts data. However, further research is needed in cooperation and with assistance from Statistics South Africa.

Total number of SMMEs:

The latest results show a decline in the total number of SMMEs by 1.3% year-on-year, from 2.71 million in Q1 2023 to 2.67 million in Q1 2024. While informal SMMEs grew slightly by 0.2%, formal sector SMMEs saw a significant reduction of 3.2% due to challenging economic conditions in 2023, particularly in Q3. The quarter-on-quarter figures indicate a slight recovery, with a 0.3% increase in Q1 2024/25.

Employment trends:

Employment within SMMEs fell by 4% year-on-year in Q1 2024, reflecting a loss of approximately 470,000 jobs from Q1 2023. The formal SMME sector, which constitutes 30% of SMMEs, is responsible for 66% of total employment within the sector. Notably, the most affected industries were construction and retail, which have been significantly impacted by infrastructure and demand constraints. MSMEs employ 66% of the total labour force in the country.

Financial performance:

Financially, SMMEs continue to experience high costs and limited income growth. The latest data shows that SME turnover accounts for only 23.1% of total enterprise turnover. Rising costs, especially borrowing rates and input prices, pushed nominal turnover down by 3.8% year-on-year in Q1 2024. Despite efforts to manage labour costs, SMMEs struggle with squeezed margins, highlighting the need for cost management and revenue diversification.

[14]*Seda Quarterly Update Report, Q1 2024, Published in October 2024.*

Number of SMMEs by sector:

The distribution of SMMEs across sectors highlights key areas of concentration and challenges within South Africa's economy. As of Q1 2024, the following sector breakdown shows industry-specific trends:

1) **Trade and Accommodation**: This sector remains the largest, accounting for 37.2% of SMMEs. Despite competitive pressures and high market saturation, trade and accommodation continue to provide significant employment and income opportunities for small businesses.

2) **Community Services**: Representing 15.7% of all SMMEs, community services have held steady as a key area of SMME activity, showing the high reliance on government for business.

3) **Finance and Business Services**: This sector makes up 15.3% of SMMEs, a slight increase from previous quarters. The growth of financial and business services reflects rising demand for specialised support services, including consulting, accounting, and digital solutions, which SMMEs increasingly seek to enhance operational efficiency.

4) **Manufacturing**: Manufacturing SMMEs constitute approximately 8.6% of the sector. These businesses, often affected by energy supply challenges and high input costs, benefit from decreased load-shedding yet remain vulnerable to supply chain disruptions. Initiatives supporting cost-effective, small-scale production could aid these businesses in building resilience and competitive advantage

5) **Construction**: Comprising 12.5% of SMMEs, the construction sector has seen a reduction in activity over the past year, reflecting economic constraints and reduced infrastructure projects. This decline signals ongoing struggles with financing and project continuity, affecting job creation and economic growth within the sector.

6) **Transport and Communication (Logistics)**: SMMEs in transport and logistics account for 7.4% of the sector, with challenges stemming from both infrastructure constraints and fluctuating fuel costs. However, improved access to digital logistics platforms presents opportunities for these businesses to streamline operations and expand service reach.

7) **Agriculture**: Representing 2.6% of SMMEs, agriculture continues to face unique challenges, including water scarcity and volatile input costs. Government-backed initiatives to support smallholder farmers could assist productivity and sustainability in this critical sector.

Sector-specific observations:

The manufacturing and ICT sectors show potential growth, supported by decreasing load-shedding incidences and technological investments. Tourism and hospitality continue to recover slowly, with the Green Tourism Incentive Programme[15] supporting energy-efficient solutions that benefit small operators by reducing operational costs.

Employment distribution:

Employment provided by SMMEs remains heavily skewed towards the formal sector, with 60% of SMME employment concentrated in this segment. Job losses were most pronounced in the informal sector, with

[15] *The Green Tourism Incentive Programme is a funding initiative of the Department of Tourism, administered by the IDC. Its purpose is to encourage the tourism sector, including SMEs, to transition to cleaner and more sustainable energy sources.*

construction and agricultural industries seeing the highest reductions in employment. Notably, female employment in SMMEs showed a slight increase, reaching 39.2% in Q1 2024.

Turnover and profitability:

Financial performance continues to be a significant concern, as SMMEs reported nominal turnover decreases of 3.8% year-on-year in Q1 2024, with substantial pressures from input cost inflation and reduced demand. SMMEs are encouraged to adopt cost-efficient strategies and explore alternative revenue sources to counteract these challenges.

Recommendations and implications for SEDFA and the ecosystem:

1) **Focus on financial support and sustainability**:

   SEDFA must prioritise addressing the declining financial performance of SMMEs by providing affordable finance and business sustainability support. This is critical, given the negative impact of high production costs and borrowing rates.

2) **Strengthening the formal sector:**

   Since the formal sector provides 60% of SMME employment, SEDFA should focus on expanding support for formalising businesses and providing tailored assistance to formal SMMEs, especially in provinces like Gauteng, which have seen significant declines.

3) **Sector-specific support:**

   Targeted interventions are needed for key sectors – construction, which has seen a sharp decline, as well as trade and accommodation, which remains the largest sector for SMMEs. SMMEs perform badly in industrial sectors, such as manufacturing. Industry-specific business development services and financing schemes are needed to support SMMEs in productive sectors, such as manufacturing, ICT, agro processing, professional services, and tourism and hospitality.

4) **Explore green financing opportunities**:

   Environmental incentives, such as the Green Tourism Incentive Programme, offer significant cost-saving benefits to tourism-related SMMEs, helping them become more resilient to energy price volatility.

5) **Encouraging youth and female entrepreneurship:**

   Programmes are needed that encourage young and female entrepreneurs, focusing on addressing the decline in youth entrepreneurship and supporting women-owned businesses, which continue to face barriers to growth.

6) **Regional support initiatives:**

   Regional disparities in SMME performance indicate a need for region-specific support programmes. Gauteng and the Eastern Cape, which experienced declines, need more focused interventions, while support for high-growth areas like KwaZulu-Natal should be expanded.

7) **Emphasis on digital and innovation:**

With growing challenges and competition, SEDFA should promote digital transformation and innovation adoption among SMMEs, helping businesses embrace e-commerce, improve customer engagement, and enhance operational efficiency.

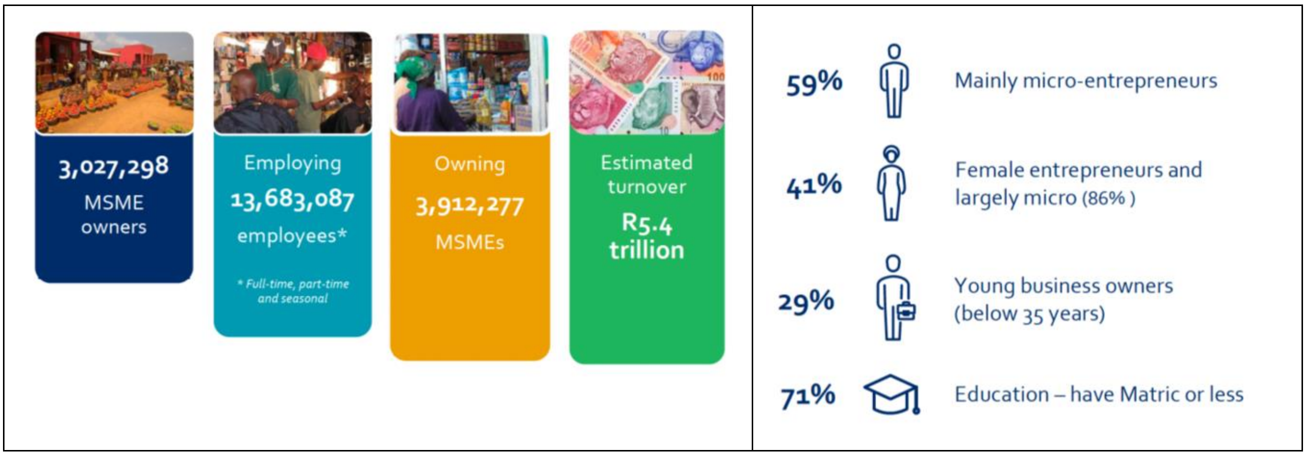
8) **Promoting business resilience:**

Develop resilience programmes to help SMMEs better manage risks related to inflation, supply chain disruptions, and other external shocks. This includes training in risk management and supply chain optimisation.

FinScope MSME Survey South Africa 2024

The following section is an executive summary of the FinScope MSME South Africa 2024 Survey.16 The report provides an in-depth analysis of the MSME sector in South Africa, highlighting its role in economic development, employment generation, and community inclusion. MSMEs in South Africa employ around 13.7 million individuals, accounting for a substantial portion of the country's workforce, and contribute approximately R5.4 trillion in turnover.

Figure 7: Size and scope of the MSME sector



Small enterprises are particularly vital in both formal and informal economies, with notable activity in township and rural areas. The sector is primarily comprised of micro enterprises, which make up 84% of all businesses, followed by small (14%) and medium (2%) enterprises. The figure below shows the changes in the MSME segments between FinScope 2020 and FinScope 2024. Most MSMEs are concentrated in service and trade sectors, which together account for over half of the MSME market.

[16]FinScope MSME Survey South Africa 2024, FinMark Trust, July 2024.

Figure 8: Size and scope of the MSME segments

	FinScope 2020	FinScope 2024
CIPC registrations	789,194	837,560
SARS registered	782,927	811,665
Formal MSMEs	789,194	837,560
Semi-formal (other registrations	782,927	1,237,486
Informal MSMEs	1,648,000	1 696 316
Township MSMEs	1,067,452	1 301 496
Rural MSMEs	360,713	429 426

With 80% of MSME owners considered financially included, there has been progress in banking penetration, but a notable proportion of these businesses still rely heavily on cash transactions and informal financial mechanisms. In addition to financial inclusion, the survey also covers MSME challenges in accessing essential business services, navigating complex regulatory requirements, and leveraging digital tools for growth. Many business owners struggle with maintaining proper financial records and lack business management skills, impacting overall business sustainability and formalisation rates.

Key challenges facing MSMEs in South Africa include:

1) **Financial constraints**: Limited access to formal financial services and high dependence on personal funds limiting business expansion and resilience.

2) **Regulatory and formalisation barriers**: Complex registration processes, high costs, and limited awareness of the benefits of formalisation discourage MSMEs from entering the formal economy, limiting their growth opportunities.

3) **Market access difficulties**: MSMEs experience challenges in reaching customers beyond local networks, with limited digital marketing and e-commerce adoption, and face competition from larger entities.

4) **Management and financial literacy gaps**: Deficiencies in business management skills, including financial recordkeeping and strategic planning, weaken their ability to sustain and expand operations.

Implications for SEDFA:

To drive meaningful development in South Africa's small enterprise sector, a two-pronged approach involving demand-driven and supply-driven strategies is essential. It is a strategy that addresses the immediate survival needs of micro enterprises, while promoting growth among entrepreneurs and incentivising innovation and localisation within high-impact sectors.

This aligns with SEDFA's intention to establish a Development Fund focusing on micro enterprises and a Commercial Fund focusing on viable SMEs with high-impact projects in sectors prioritised for small enterprise participation**.**

Demand-driven initiatives (Development Fund):

The Development Fund, with a focus on the vast majority of small enterprises, many of whom are survivalists, may focus on:

Informal enterprises:

1) **Aggregation**: By connecting survivalist businesses into larger, more cohesive networks, SEDFA may create opportunities for collective bargaining, bulk purchasing, and shared resources. This network approach improves access to markets and resources that would otherwise be out of reach for individual micro enterprises.

2) **Low-cost funding**: Access to affordable capital is vital for micro enterprises, who often rely on personal savings or informal loans. Offering grants and low-interest loans can alleviate this burden, empowering these business owners to cover operational costs, invest in essential assets, and stabilise their operations.

3) **Systems support**: Providing simple, scalable systems, such as digital bookkeeping tools, mobile payment systems, and resource management platforms, enables micro enterprises to manage their businesses more effectively.

Formal enterprises:

For entrepreneurs aiming for growth, the Development Fund shifts focus on strategic business development, formalisation, and market access for sustainable expansion:

1) **Entrepreneurship development**: Tailored mentorship, business planning resources, and skill-building programmes that equip entrepreneurs with the knowledge and skills needed to navigate growth. This targeted support would help address challenges in operations, scaling, and overall business management.

2) **Formalisation**: By simplifying the formalisation process and helping small enterprises understand its benefits, SEDFA can encourage more businesses to enter the formal economy. Formalisation not only opens doors to new funding sources but also enables access to government support, larger markets, and broader partnership opportunities.

3) **Access to markets and funding**: Developing channels that connect entrepreneurs to new markets (both local and international) is vital for growth. This includes facilitating participation in larger supply chains and providing access to funding designed to support scaling businesses.

Supply-driven innovations (Commercial Fund):

The Commercial Fund's focus on high-impact projects aims to build a pipeline of scalable small enterprises in tradeable service and goods producing growth sectors. Key priorities include:

1) **High-impact project packaging**: Selecting and developing projects that have the potential for significant economic and social returns and packaging these initiatives for investment creates

opportunities for MSMEs to participate in high-value sectors, driving broader economic impact and attracting commercial capital.

2) **Sector focus**: Emphasising growth in tradeable service and industrial sectors—such as IT, financial services, and manufacturing—promotes innovation and aligns with global market demand. This sectoral focus helps channel resources toward industries that hold significant potential for growth and exportability.

3) **Localisation**: By embedding small enterprises within local value chains and prioritising South African products and services, economic resilience is encouraged. Localisation initiatives support community-based growth and ensure that economic benefits remain within the local economy, creating jobs and fostering sustainable development.

This combined approach seeks to leverage development and commercial funding streams to build a resilient small enterprise ecosystem in South Africa while supporting the long-term sustainability of SEDFA.

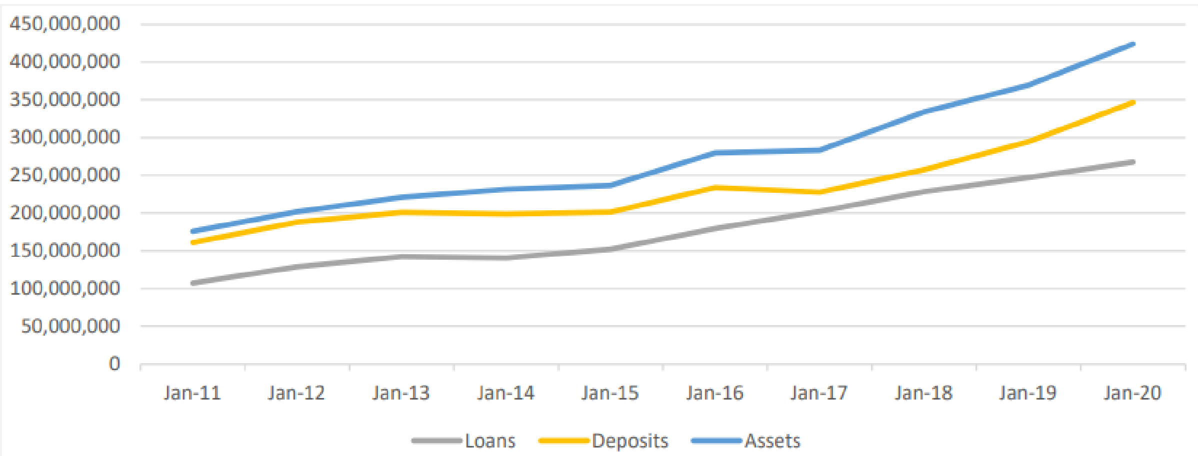
Co-operative banking sector:

The objective of facilitating rapid growth and sustainability in the co-operatives sector faces a number of challenges. CBIs face ever-growing competition from major banking institutions, fintech organisations, and even non-bank retailers, such as Shoprite, that are capable of servicing consumers down market. Fundamentally, the CBI model is a savings and credit model, and many commercial banks are now developing products that are similar like stokvel savings. Currently CBIs do not have the levels of digitisation or market access to effectively compete with the large institutional players.

Governance issues in the sector continue to undermine basic trust in the CBI model. Governance issues include accountability to membership, adequate risk management, and compliance with the National Credit Regulator, the Financial Intelligence Centre Act (FICA), and prudential and market conduct regulations. This is exacerbated by a lack of professional management in the sector.

The sector is undercapitalised in terms of funding, especially during the start-up phase, which translates to an inability to modernise and leverage technology to its advantage. Institutional support for the sector from government, associations, and industry bodies has been fragmented. SEDFA offers the opportunity to work together and streamline processes and interventions, creating greater cohesion in the sector as a whole.

Figure 9: Co-operative banking sector growth over ten years, 2011 to 2020



Source: Co-operative Banks Development Agency, Annual Performance Plan, 2024/25

The prudential standards have not yet been adequately revised to enable start-ups to receive financial and non-financial support to the extent needed to become viable and sustainable immediately after being registered, including the limits placed on ownership of fixed assets.

With the Co-operative Banking Unit established as a specialised unit in the new entity, there is relative certainty that SEDFA will be able to provide co-operatives with adequate financial and non-financial support. The merger should be beneficial to the sector, provided that the regional footprint of the merged entity is effectively used to provide increased assistance, particularly with regards to addressing the technological challenges faced by CBIs.

7.1.4. Enabling Small Enterprises and Entrepreneurship

The state of entrepreneurship in South Africa:

The Global Entrepreneurship Monitor (GEM) has identified 13 key conditions necessary to facilitate small enterprise formation and growth, referred to as "entrepreneurial framework conditions", listed below[17]:

Figure 10: Entrepreneurial Framework Conditions

A1.	Entrepreneurial Finance	There are sufficient funds for new start-ups
A2.	Ease of Access to Entrepreneurial Finance	And those funds easy to access
B1.	Government Policy: Support and Relevance	Policies promote and support start-ups
B2.	Government Policy: Taxes and Bureaucracy	New businesses are not over-burdened
C.	Government Entrepreneurial Programmes	Quality support programmes are widely available
D1.	Entrepreneurial Education at School	Schools introduce entrepreneurship ideas
D2.	Entrepreneurial Education Post-school	Colleges offer courses in how to start a business
E.	Research and Development Transfers	Research is easily transferred into new businesses
F.	Commercial and Professional Infrastructure	Quality services are available and affordable
G1.	Ease of Entry: Market Dynamics	Markets are free, open and growing
G2.	Ease of Entry: Burdens and Regulation	Regulations encourage not restrict entry
H.	Physical Infrastructure	Good quality, available and affordable
I.	Social and Cultural Norms	Encourage and celebrate entrepreneurship

Source: Global Entrepreneurship Monitor, 2023/24

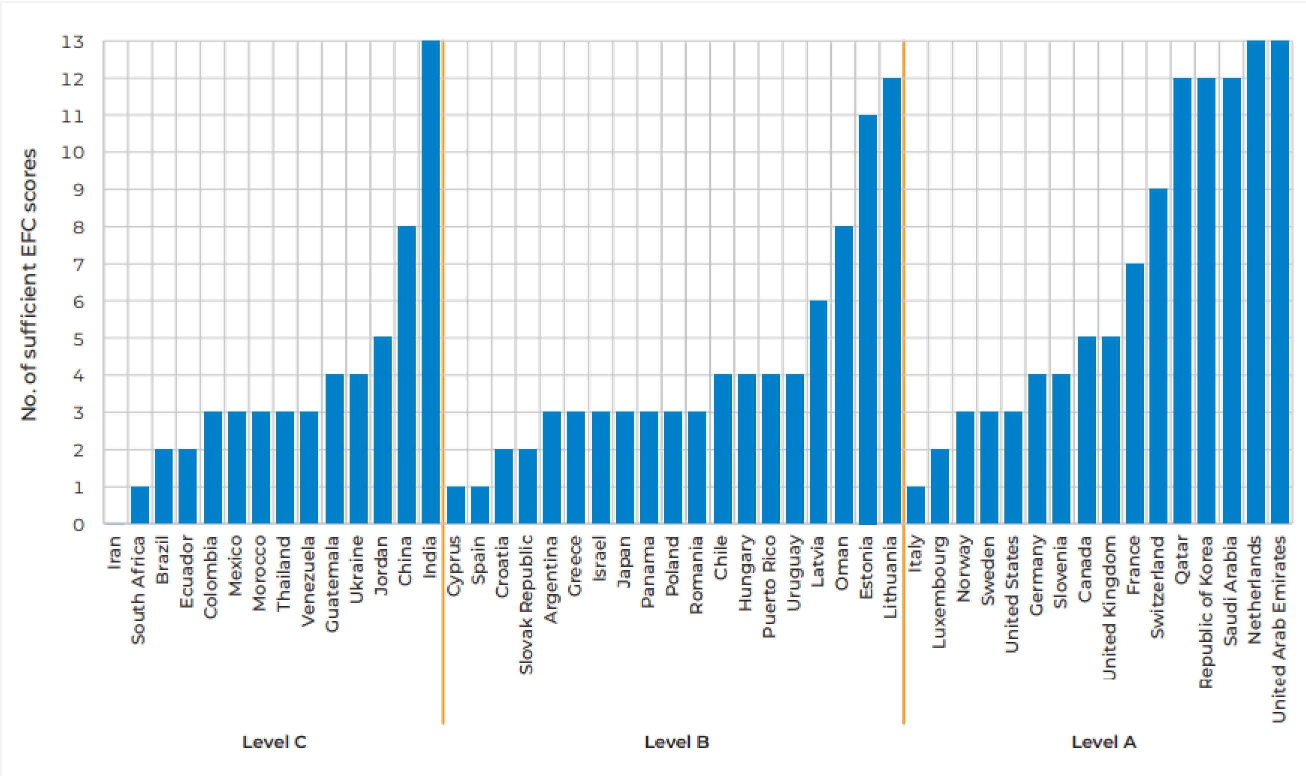
GEM seeks out expert views on the sufficiency or otherwise of each entrepreneurial framework condition by carrying out a National Expert Survey in each of the 50 countries currently participating. The National Expert Survey asks the same questions of at least 36 national experts in each economy, who each score their national economy against the extent to which they agreed or did not agree to questions about each framework condition. The framework conditions are scored according to an 11-point Likert scale, ranging from completely untrue (0) to completely true (10). A score of 5 and above is regarded as sufficient, and a score of less than 5 means less than sufficient.

[17] *Global Entrepreneurship Monitor (2023). Global Entrepreneurship Monitor 2023/2024 Global Report: 25 Years and Growing. London: GEM.*

The quality of the overall entrepreneurial environment in South Africa improved from a score of 3.7 in 2021 to 4.1 in 2022, but then fell back to just 3.6 in 2023, the third lowest of the 49 economies participating in GEM. This reduction reflected declines in 11 of the 13 entrepreneurial framework conditions, with only Entrepreneurial Finance and Ease of Entry: Market Dynamics recording increases.

The greatest fall was in Social and Cultural Norms, down from 4.5 in 2022 to 3.3 in 2023. A fall of this size for this entrepreneurial framework condition is unusual, because social and cultural norms typically change very slowly. Other entrepreneurial framework condition scores that fell substantially included Government Entrepreneurial Programmes, Government Policy: Support and Relevance, and Research and Development Transfers. Although South Africa's scores for women's entrepreneurship were also recorded as less than sufficient, those scores were better than for most of the other country's entrepreneurial framework conditions, with social support for women entrepreneurs at 3.9, which, while low, placed South Africa 21st of the 49 GEM economies[18].

Figure 11: Number (out of 13) of entrepreneurial framework conditions scored as sufficient per economy



Source: Global Entrepreneurship Monitor 2023/24

Nearly three in five adults reported that their household income had fallen in 2023, a proportion little changed over the previous two years. The entrepreneurial profile remains high in South Africa, with two in five adults knowing someone who had recently started a business, and two in three either seeing good opportunities to do the same or considering they have the skills and experience to start their own business.

However, nearly three in five of those seeing good opportunities would not start a business for fear it may fail, so just 8% of adults expected to start their own business in the next three years. In recent years, the

[18] *Global Entrepreneurship Monitor (2023). Global Entrepreneurship Monitor 2023/2024 Global Report: 25 Years and Growing. London: GEM.*

level of total early-stage entrepreneurial activity in South Africa has fluctuated from 17.5% in 2021, down to 8.5% in 2022, and then up to 11.1% in 2023.

Men are slightly more likely to start a business than women (12.7% against 9.7%). Seven out of ten new entrepreneurs agreed that their motivation to start a business was to earn a living ‘because jobs are scarce’, with slightly fewer (two out of three) agreeing with the motivation ‘to build great wealth’ or ‘very high income’. Only one in five new entrepreneurs had customers outside of their own country, but three in five expected to use more digital technologies in the next six months.

One in five new entrepreneurs expected to employ at least another six people over the next five years, more or less the same proportion as in 2022, but down from three in ten in 2021. Overall, the level of entrepreneurial activity has held up relatively well in 2023, despite some deterioration in the quality of the entrepreneurial environment.[19]

GEMS South Africa Report 2024:

The GEMS South Africa Report 2024[20] provides a comprehensive overview of South Africa’s small enterprise landscape, identifying critical challenges, opportunities, and structural dynamics. It reinforces the potential impact of an effectively facilitated and unified small enterprise development ecosystem, which is central to SEDFA’s mandate, especially in light of government resource constraints. A coordinated ecosystem would optimise resource use, improve service delivery, and amplify the impact of initiatives aimed at supporting entrepreneurial growth.

Key findings and insights:

Table 5: GEMS South Africa Report 2024 – Key insights and planning implications for SEDFA

Focus Area	Key Findings and Insights	Planning Implications for SEDFA
Structural challenges	▪ **High informality:** A significant proportion of small enterprises remain informal, impeding access to funding and markets. Regulatory complexities persist as barriers. ▪ **Limited financial literacy:** Funding constraints and poor financial literacy growth, contributing to South Africa’s high business discontinuance rate of 7.3% in 2023.	**Addressing informality and access to funding:** ▪ Develop innovative funding mechanisms tailored to informal and rural enterprises, such as blended finance models, micro loans, and grant-plus-loan packages. ▪ Enhance financial literacy programmes to reduce the business discontinuance rate and improve the sustainability of funded enterprises.
Geographical disparities	▪ **Urban concentration**: Economic activity is concentrated in urban areas, with rural regions underserved in terms of infrastructure and	**Focus on underserved regions:** ▪ Invest in rural enterprise development by providing critical infrastructure like broadband and energy solutions.

[19] *Global Entrepreneurship Monitor (2023). Global Entrepreneurship Monitor 2023/2024 Global Report: 25 Years and Growing. London: GEM.*

[20] *Bowmaker-Falconer, A., Meyer, N. and Samsami, M. 2024. Shaping entrepreneurship development through policy direction. Stellenbosch University: Stellenbosch, South Africa.*

Focus Area	Key Findings and Insights	Planning Implications for SEDFA
	services. Broadband access remains a major hurdle for rural businesses. ▪ **Entrepreneurial engagement gap:** Entrepreneurial engagement in rural areas is 40% lower than in urban centres, stressing the need for a multipronged omnichannel approach.	▪ Strengthen the service delivery network through a multipronged omnichannel approach comprising direct and indirect access points for a common entry into support regardless of location.
Sectoral growth trends	▪ **Dominance of services:** The service sector accounts for over 70% of GDP. Growth is evident in technology-driven sectors, but traditional manufacturing lags due to global competition. ▪ **Innovation remains low:** Fewer than 30% of early-stage entrepreneurs are introducing new-to-market products.	**Sectoral priorities:** ▪ Expand support in tradeable service-oriented and technology-driven sectors**,** which show growth potential, while offering transitional support for traditional manufacturing. ▪ Promote innovation by incentivising product development in early-stage enterprises, aiming to increase the rate of innovation to >40% (peer benchmark).
Workforce and skills	▪ **Gender disparity:** Male entrepreneurial engagement stands at 19.9%, compared to 13.5% for women, requiring gender-inclusive interventions. ▪ **Youth challenges:** Entrepreneurial activity among youth is low at 10.6%, reflecting barriers such as insufficient mentorship and start-up capital.	**Capability building and mentorship:** ▪ Develop youth entrepreneurship programmes focused on skills training, digital literacy, and mentorship to raise entrepreneurial engagement to >15% (peer benchmark). ▪ Address gender disparities through targeted interventions that provide mentorship, funding, and training for women entrepreneurs, aiming to increase female participation to >20% (peer benchmark).
Policy and institutional support	▪ **Fragmentation:** Despite existing frameworks, implementation gaps and fragmented support structures result in inefficiencies and duplicated efforts across agencies and across the three spheres of government.	**Unified support framework:** ▪ Collaborate with other agencies to create a unified support framework that avoids duplication and maximises efficiency.
Impact of external shocks	▪ **Operational risks**: Enterprises face continued disruptions from load-shedding/power outages and high energy costs. ▪ **Post-COVID-19 recovery**: Tourism and retail are still recovering from the COVID-19 pandemic, with demand remaining below pre-pandemic levels.	**Sustainability and energy focus:** ▪ Support small enterprises in adopting green technologies/energy-efficient practices in response to ongoing energy challenges. ▪ Partner with renewable energy providers to offer affordable solutions that reduce reliance on conventional energy sources.

SEDFA's potential areas of greatest impact:

1) **Ecosystem leadership**: Centralising coordination of the small enterprise development landscape to ensure a unified, resource-efficient approach.

2) **Gender and youth empowerment**: Address disparities by increasing support for women and youth entrepreneurs through targeted funding and mentorship.

3) **Innovation and technology adoption**: Drive productivity and competitiveness through innovation in early-stage enterprises.

4) **Township and rural development**: Expand access to critical infrastructure and decentralise support to underserved areas (optimal combination of direct and indirect channels), ensuring equitable growth.

5) **Sustainability initiatives**: Champion green practices and energy solutions to build resilience and align with global ESG goals.

Case for an effectively facilitated and unified ecosystem:

An effectively facilitated and unified small enterprise development ecosystem, led by SEDFA, can significantly address the systemic inefficiencies highlighted in the GEM report. By coordinating public and private sector efforts, SEDFA can:

1) **Optimise resource use:** Leverage limited government resources by aligning efforts across stakeholders, minimising duplication, and improving the efficiency of service delivery.

2) **Enhance accessibility:** Create a cohesive network that simplifies access to funding, training, and infrastructure for small enterprises, particularly in underserved regions.

3) **Strengthen partnerships:** Intensify collaborations with private sector entities, academic institutions, and international organisations to expand the reach and effectiveness of support initiatives.

4) **Improve innovation and competitiveness:** Drive synergies across sectors to encourage innovation, technology adoption, and market diversification, raising the rate of new-to-market product introduction.

5) **Stimulate inclusive growth:** Promote equity by targeting interventions for women, youth, township and rural entrepreneurs, bridging participation gaps and enabling sustainable livelihoods.

Role of government in the ecosystem:

Governments can enhance the national entrepreneurial culture by promoting programmes that prioritise small enterprises as preferred suppliers. They can also work to identify and bridge gaps in business enablement that could stifle small enterprises growth. In addition, they can provide outsourcing support for back-office services, something that small enterprises typically struggle with. The government should raise awareness among small enterprises about available support, enhance entrepreneurs' skills in areas like business planning and financial management, and collaborate with vulnerable industries to develop resilience strategies and reimagine their business models. Research and development are key to innovation and growth and there is an opportunity for the government to provide nuanced, sector-specific interventions.

Trade and Investment is a key pillar of the BRICS+ partnership and interest has been shown by member countries to collaborate with an agency, such as SEDFA, to access information regarding small businesses in several sectors, particularly within the green economy, energy, agri-business, digital and innovation economy, among others. From a South African perspective, beneficial partnerships should be established to prepare small enterprises for exports within the identified sectors.

Role of the private sector in the ecosystem:

The private sector has several opportunities to support small enterprise growth, especially those with high potential. Banks and financial institutions have implemented various initiatives to support small enterprises, such as suspending loan repayments, offering interest waivers, providing resources, and facilitating expedited loan approvals. Additional interventions should be aimed at promoting the adoption of new channels and payment methods. Corporates, more generally, could enable small enterprises by focusing their supplier development programmes for longer-term scale and competitiveness.

Small enterprises 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 small enterprises have the potential to become tomorrow's large corporations, the African unicorns that the continent needs to continue its path towards growth and prosperity.

Global good practice models for effective ecosystem facilitation:

The DSBD/ex-Seda DEF Model comprises several ecosystem facilitation good practices, including the establishment of district support centres and coordinating committees, opportunity localisation and business development Services (BDS) and Financial Services (FS) matching, programme and projects coordination, online district information management across the branch and partner network, and practitioner capacity building. Globally, key learnings include:

1) Singapore's enterprise hub model – creating decentralised hubs ensures tailored support at the local level.
2) Rwanda's digital government services platform – demonstrates the importance of integrating services digitally for accessibility and efficiency.
3) Kenya's Youth Enterprise Fund and Chile's gender-focused initiatives – promote equitable ecosystem participation.
4) Germany's KfW and India's microfinance initiatives – demonstrate the impact of tailored financial instruments on ecosystem support.
5) Results-based monitoring and evaluation (M&E) systems - adopted in the United States' Small Business Administration to track ecosystem performance.
6) Finland's innovation hubs – highlight the importance of promoting innovation within small enterprise ecosystems.
7) Sector-focused approaches as seen in India's National Small Industries Corporation– for targeted ecosystem effectiveness.
8) Building institutional capacity across the ecosystem is key, as demonstrated by Singapore's Enterprise Development Agency.

9) Most international ecosystem approaches – highlight the importance of partnerships in creating cohesive ecosystems.

7.1.5. PESTEL Analysis

The key external environment factors impacting on the work of SEDFA are summarised below.

Table 6: PESTEL analysis and SEDFA response

Factor	Analysis	Response Required from SEDFA
Political	▪ Rising geopolitical tensions, including potential shifts in trade policies under the Trump administration, may affect South Africa's access to trade agreements, such as the African Growth and Opportunity Act (AGOA), posing risks for small enterprises dependent on United States exports. ▪ Fiscal pressures, possible social unrest from high youth unemployment, food insecurity, and changes in small enterprise policy require agility in responding to new administration priorities.	▪ Engage in advocacy with DSBD to maintain AGOA benefits and explore alternative trade relationships through BRICS+ and AfCFTA. ▪ Brief new political actors on SEDFA's role and ongoing initiatives to ensure policy alignment. ▪ Strengthen market diversification support to reduce dependence on United States exports, enhance resilience against trade uncertainties, and build partnerships with the **dtic**, Industrial Development Corporation of South Africa (IDC), and other trade and investment agencies.
Economic	▪ South Africa faces inflation, energy shortages, and reliance on commodities, compounded by logistical inefficiencies and crime. ▪ Currency volatility, influenced by the Trump presidency, further impacts operational costs for small enterprises. ▪ Shutdowns in major manufacturing sectors have downstream effects on small businesses. ▪ CBIs and co-operative financial institutions (CFIs) play a critical role in funding micro enterprises and rural development but face challenges such as limited reach, insufficient funding pools, and systemic inefficiencies.	▪ Promote SADC and intra-African trade opportunities to diversify markets. ▪ Facilitate access to trade agreements and advocate for streamlined processes to reduce red tape. ▪ Support and collaborate with co-operative banking structures to expand their capacity, particularly in rural areas. ▪ Support economic diversification through a priority sector approach, customising support to leverage the sector/industry comparative advantage of each province (inclusion in sector masterplans).
Social	▪ Persistent challenges in poverty, unemployment, and inequality, with women, youth, and persons with disabilities underrepresented in entrepreneurship.	▪ Increase awareness and launch entrepreneurship start-up programmes, tailored for vulnerable groups (women, youth, and persons with disabilities) and township and rural enterprises.

Factor	Analysis	Response Required from SEDFA
	▪ Poor science, technology, engineering, and mathematics outcomes and limited entrepreneurial focus impede business formation. ▪ The prevalence of undocumented foreign nationals operating spaza shops has led to community tensions and concerns over compliance with local regulations. ▪ Recent incidents of food poisoning linked to spaza shops have resulted in child fatalities, highlighting significant public health and safety issues.	▪ Partner with educational institutions to strengthen entrepreneurial education and position entrepreneurship as a viable career path. ▪ Collaborate with regulatory bodies to ensure that all small enterprises, including foreign-owned spaza shops, comply with local laws and standards. ▪ Implement food safety training and certification programmes for small business owners to prevent public health crises.
Technological	▪ Digitalisation offers opportunities but rural areas lack access to reliable infrastructure. ▪ Automation and e-commerce offer new business tools but present job displacement risks. ▪ Cybersecurity remains a significant and growing threat for small enterprises.	▪ Invest in rural digital infrastructure and integrate e-commerce tools into enterprise development. ▪ Enhance skills development in digital technologies to ensure businesses are equipped to compete effectively. ▪ Develop cybersecurity awareness programmes and scalable solutions for small enterprises.
Environmental	▪ Increased focus on ESG and green economy. ▪ Climate change transition creates opportunities, but environmental regulations can be costly and cumbersome for small enterprises. ▪ South Africa's move to green energy presents funding and compliance challenges for businesses.	▪ Establish a "Green Desk" to assist businesses in navigating environmental regulations and accessing green funding. ▪ Partner with international and local organisations, e.g., Organization for Economic Co-operation and Development and African Development Bank for climate funding and green energy opportunities. ▪ Support businesses in adopting sustainable practices aligned with South Africa's green transition.
Legal	▪ Heavy regulatory burden, complex product compliance requirements, and inflexible labour laws hamper small enterprise growth. ▪ Smaller firms struggle to comply with industry-wide wage bargaining agreements, which limit their capacity to employ young people and grow.	▪ Advocate for regulatory reforms that reduce compliance burdens for small enterprises. ▪ Establish a red tape reduction unit within SEDFA to assist businesses in navigating legal frameworks. ▪ Provide educational support on compliance requirements to reduce risks for small enterprises.

7.2. Internal Environment Analysis

Since there is no past performance information for SEDFA, as this is the first strategic plan for the entity since the merger on 1 October 2024, the baseline performance, capacity, and capabilities of the three individual entities that merged are discussed in the following internal environment analysis

7.2.1. Overview of the Merged Entities

A summary overview of the three merged entities is set out below. This background provides the foundation for planning for the new entity, which integrates the functions of the individual entities to form SEDFA.

The merger is not intended to be a simple continuation of each entity's work under one umbrella; instead, it aims to create synergies that enhance efficiency, expand impact, and drive innovation. By combining resources, expertise, and strategic direction, SEDFA is being positioned to deliver a more cohesive and powerful approach to achieving its mandate.

Table 7: Overview of entities merged to form SEDFA

	Seda	sefa	CBDA
History	Established in December 2004 through an amendment to the NSEA as an agency under the Department of Trade and Industry. The establishment was done by merging three entities: Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre and the Co-operatives and Community Public Private Partnership Programme.	Established in April 2012 as a result of the merger of Khula Enterprise Finance Agency and the South African Micro Apex Fund.	CBDA was established through the Co-operative Banks Act, 2007 in August 2008 to regulate, promote, and develop co-operative banking.
Legal establishment (pre-merger)	Chapter 3 was inserted into the NSEA, against which Seda derived its juristic personality. Seda was listed as a Schedule 3A National Public Entity in terms of the PFMA. Initially its Executive Authority was the Minister of the Trade and Industry and later the Minister of Small Business Development.	**sefa** was a state-owned company incorporated in 2012 whose governance and operations were provided for in terms of the Companies Act 71 of 2008. **sefa** had a deemed Schedule 2 Major Public Entity listing by virtue of being a subsidiary of a Schedule 2 listed entity, the IDC. The IDC owned 100% of **sefa** via an entity, Ernani (Pty) Ltd. **sefa** has several joint ventures, associates and subsidiaries, including KCG and Khula Business Premises (Pty) Ltd (KBP).	CBDA was established by the Co-operative Banks Act. The Co-operative Banks Act was amended by the Financial Services Laws General Amendment Act (2013). This transferred the Supervision Unit of the CBDA to the Prudential Authority in the South African Reserve Bank. It was listed as a Schedule 3A National Public Entity in terms of the PFMA.
Mandate	Seda's primary mandate was the provision of non-financial support to SMMEs, mandated to implement government's small business strategy, design and implement a standard and common national delivery network for SMME development, and integrate government-funded SMME support agencies across all spheres of government.	**sefa's** mandate was to foster the establishment, survival and growth of SMMEs and co-operatives and thereby contributing towards poverty alleviation and job creation. The primary focus of **sefa** was the provision of financial services, supported by non-financial business support.	The CBDA was established to promote and develop co-operative banking, including deposit takers and lending co-operatives. CBDA's mission was to create an enabling environment for the co-operative banking sector through support provided to CBIs.

	Seda	sefa	CBDA
Human capital	As of end March 2024, Seda had a staff complement of 706 employees, including fixed-term contractors and interns. Vacancies increased significantly in FY2022/23 in the skilled salary band, owing to challenges relating to the moratorium on hiring permanent staff. The high attrition levels and a shortfall of qualified staff at the regional offices placed challenges on the agency's ability to provide quality business support, particularly where specialised sector expertise was required.	As of end March 2024, **sefa's** headcount was 375 employees, including fixed-term contractors and interns. 60% of staff were maintained in front-end business functions and 40% in support services. The race profile was 96% Black representation in March 2024. The organisation continued to keep a flexible component of its workforce at a minimum in alignment with the moratorium on recruitment due to the planned **sefa**/Seda/CBDA merger. Critical vacancies at different levels of the organisation impacted organisational performance: leadership, business continuity, institutional knowledge, and customer service. The directive of employment on fixed-term contracts directly impacted the stability and quality of skills attracted and retained. **sefa** employees were highly marketable and able to secure better job offers elsewhere. The resultant high vacancy rates hindered operational efficiency and the effective rollout of key programmes like the Township and Rural Entrepreneurship Programme (TREP), impacting the development of a quality loan book.	As of end March 2024, CBDA had a staff complement of 12 employees. While the staff complement made up the bulk of the CBDAs budget and were highly skilled, the overall budget allocation was insufficient to implement the entity's mandate in full.
Geographic reach	53 branches, 9 mobile units, 110 incubation centres and 74 access points	82 access points, of which 24 are specialised access points through wholesale partners.	-
ICT	The three entities operate in wholly distinct modes and a merger will require consideration of strategies that take this into consideration and cause the least disruption. Assessing the current capabilities provides context to developing a holistic picture of how to merge the operations of the three entities. Using the Capability Maturity Model to assess and thus to develop an organisation's ICT across multiple domain processes, the assessment of the three entities, at inception, using a five-level rating scale (evolutionary path) is as follows:		

	Seda	sefa	CBDA
Software development	**3**	**2**	**-**
IT service management	**2**	**3**	**-**
IT security	**2**	**2**	**-**
Enterprise architecture	**1**	**2**	**-**
Note	The Capability Maturity Model levels prescribed above are based on documentation requested and presented by the entities as part of the process of developing the merged entity business case. Further assessment is being undertaken by the merger implementation workstream responsible for integrating systems and processes to enable the merged entity.		

Source: Merged Entity Business Case (2 December 2022) and annual reports 2022/23 and 2023/24

7.2.2. Reflection on sefa's Past Performance

sefa's initial capitalisation was derived from the balance sheets of the merged institutions (Khula Enterprise Finance Agency and South African Micro Apex Fund), annual transfers from the fiscus (Medium Term Expenditure Framework (MTEF) allocation), and a long-term interest-free loan from the IDC.

sefa received an MTEF allocation through the **dtic** on an annual basis. This allocation was received via **sefa**'s pre-merger shareholder, the IDC, and was accounted for by **sefa** as a shareholder loan in terms of the signed IDC Annual Grant Through Shareholder Loan Agreement. The MTEF allocation was intended to subsidise interest rates, fund client support services, support the KCG Fund, and cover operational shortfalls incurred by **sefa**. Additionally, **sefa** received grants from the government through the DSBD, or other stakeholders, such as the European Union, to fund specific products.

Highlights of **sefa**'s performance are shown below for the following periods from establishment in 2012 to FY2023/24, MTSF 2019–2024, and FY2023/24.

Figure 12: sefa performance highlights, 2012 to 2024

	Inception to FY 2023/2024	MTSF Period	FY 2023/2024
ApprovedAmount	R14,620,211,554	R8,784,700,961	R1,271,254,673
DisbursedAmount	R16,527,925,075	R9,680,217,979	R2,039,189,553
NumberFinanced	709,169	378,201	80,040
JobsFacilitated	929,353	486,436	98,378
BlackOwned	R13,115,323,517	R8,121,164,837	R1,653,631,404
WomenOwned	R6,381,173,306	R3,766,379,063	R811,043,079
Youth	R3,244,562,308	R1,886,626,375	R327,050,082
DisabledOwned	R125,809,161	R110,407,292	R26,836,184
Township	R2,072,422,880	R1,873,457,695	R265,755,019
Rural	R4,884,526,421	R3,835,882,683	R728,357,253

	FY 2019/2020	FY 2020/2021	FY 2021/2022	FY 2022/2023	FY 2023/2024
Collection Rate	87.0%	123.0%	86.9%	74.3%	73.3%
Portfolio At Risk				48.6%	65.1%
Accumulated Impairments	41.0%	39.4%	35.4%	44.6%	55.0%
Blended First Default				6.00%	8.00%
Cost To Income Ratio	79.0%	93.0%	56.3%	65.8%	62.0%
Capital Leverage			6.38	6.32	6.61

Since its inception in 2012, **sefa** has disbursed over R16.5 billion, financed more than 709,000 small enterprises, and facilitated nearly 930,000 jobs. 58% of the R16.5 billion was disbursed during the 2019–2024 MTSF period, contributing to nearly 500,000 jobs facilitated.

The figure below provides further detail of **sefa**'s loan book performance over the MTSF 2019-2024 period.

Figure 13: sefa loan book performance, 2019/20 to 2023/24

Funding has been provided to small enterprises in rural areas via **sefa**'s Informal and Microfinance Programme. The Informal and Microfinance Programme uses the Grameen Group Lending Methodology and primarily targets women entrepreneurs. Overall, the programme has been successful, with several good stories to tell. 96% of **sefa**'s corporate performance indicators are derived from its intermediary channels (Wholesale and KCG) and, of that, 98% is from the Informal and Microfinance Programme.

As shown in the table below, **sefa** has achieved 90% (9/10) of its 2019 to 2024 outcome indicator targets. The agency has fulfilled its mandate against plan in relation to facilitating funding to the economy, facilitating job creation, assisting SMMEs to be sustainable, enhancing service delivery and stakeholder satisfaction, maintaining financial sustainability, raising capital, and achieving sound governance. The achievement is noteworthy and aligned to the original objectives of the business case for the establishment of **sefa**.

Of concern is the non-achievement of the loan impairment ratio, which was 58% as of end FY2023/24 against the five-year target of 32%. The impairment ratio at the end of FY2024/25 Quarter 2 stood at 60.7%, exceeding the target of 45%. However, this reflects an improvement from 63% in the previous quarter, primarily driven by loan restructurings and additional disbursements during the quarter. Increased loan disbursements and the write-off of non-recoverable loans are expected to further enhance the impairment ratio.

Table 8: Strategic outcomes and progress as of end FY2023/24

sefa Outcome (2025 Result)	Outcome Indicator	Five-Year Target (March 2025)	Progress to Date (FY2019/20-FY2023/24)	% Achieved (As of FY2023/24)
1. Enhanced access to finance by SMMEs and co-operatives	Total Rand value of funding facilitated to economy (R'000)	R9,7 billion	R9,029 billion	99.3%
	Total number of jobs facilitated	564,475	459,191	86%
	Percentage of **sefa** funded clients still in business during the contract period	70%	66%	94%
2. Enhanced service delivery and stakeholder satisfaction	Number of partnerships leading to growth in funded clients	25	27	108%
	sefa Brand Visibility Index	80%	66%	82%
3. A financially sustainable organisation	Net asset value (R'000)	R1,221,262	R1,295,864	107%
	Loan impairment ratio (rate of non-performing loans)	32%	55%	58.20%
4. Leveraged strategic	Rand value of capital raised (R'000)	R555,000	R631,504	132%

sefa Outcome (2025 Result)	Outcome Indicator	Five-Year Target (March 2025)	Progress to Date (FY2019/20-FY2023/24)	% Achieved (As of FY2023/24)
assets and capital raising				✓
5. Sound governance and a high-performance organisation	External audit outcome	Maintain an unqualified audit outcome from the Auditor-General of South Africa over period to 2024/25	Unqualified audit opinion	Maintained an unqualified audit outcome from the External auditors appointed by the Auditor-General ✓
	Productivity ratio	20% improvement in productivity	Productivity baseline established	Productivity baseline increased by 5% ✓

The overall portfolio at risk (PAR) rose from 48% in FY2022/23 to 65% by end FY2023/24. The target being 45%. As of 30 September 2024, **sefa's** amortised total loan book stood at R4.7 billion, comprising R3.09 billion in Direct Loan Facilities and R1.63 billion in Wholesale Loan Facilities, which included R257 million in invested funds facilities. The PAR accounted for 58.9% of the total loan book as of end Q2 2024/25.

The growth in the PAR is because of poor trading conditions, which impact on the cash flow position of **sefa**'s funded clients and their ability to honour their payment obligations. This has resulted in businesses struggling to keep up with their monthly **sefa** repayments and hence an increase in arrears.

To manage the increase in the PAR, **sefa** has proactively implemented soft restructuring of loan agreements, which includes deferred payments, full restructuring of facilities, and proposals for write-off of the legacy book (not approved by the board). Looking ahead:

1) The new board of SEDFA should prioritise the approval of write-offs for unrecoverable debts from the legacy loan book, allowing the merged entity to commence operations with a clean slate.

2) An integrated SEDFA must intervene with tailored strategies to support struggling clients through proactive post-investment management, including workout and restructuring and tailored business support interventions.

3) A redesign of TREP is required, with a focus on off balance sheet funding, localised township resources to assist in origination and collections, and strapped-in business development and support.

4) SEDFA needs to take care in determining its credit risk and investment criteria, differentiating pricing and impairment thresholds through the establishment of a development fund and commercial fund.

While SEDFA financial services requires recapitalisation, given the fiscal constraints and competing demands on the national fiscus, National Treasury has indicated that the state does not have the resources to meet the entity's recapitalisation needs.

In the short-term, the merged entity will need to: 1) tighten its lending criteria, with an appropriate balance between developmental and commercial objectives to manage its impairment risk within board-approved thresholds; and 2) engage with stakeholders for on-lending capital, notably the Unemployment Insurance Fund, Department of Land Reform (the expansion of the Land Reform Empowerment Fund), the Department of Tourism (Tourism Equity Fund), and the IDC to explore the opportunity for SEDFA to partner with IDC on the R3 billion innovation fund as per the entity's mandate to capacitate and lend to intermediaries. Borrowing will form part of the entity's longer-term funding model and strategy.

7.2.3. Reflection on Seda's Past Performance

Seda was established in 2004 through an amendment to the NSEA, as an agency under the **dtic**, and later transferred to the DSBD.

The table below shows Seda's performance of the MTSF 2019-2024 period in relation to the outcomes of its five-year strategic plan and the targets of the Minister's performance agreement.

Table 9: MTSF 2019-2024 and Minister's performance agreement

Intervention	Indicator	Baseline	Target	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Facilitate the increase in number of competitive small businesses with a focus on township and rural economies	Number of competitive small businesses and co-operatives supported	New indicator	**100,000**	2,114	4,438	11,151	11,721	3,752	**33,176**
SMME development through incubation centres and digital hubs	Number of incubation centres and digital hubs established	73	**100**	96	104	110	110	110	**110**
Explore the introduction of measures to support the establishment of new, youth-owned start-ups	Number of youth business start-ups supported	New indicator	**10,000 per year**	2,500	3,689	4,309	9,094	8,711	**28,303**
Facilitate the increase in number of competitive small businesses with a focus on township and rural economies	Township and Rural Entrepreneurship Programme implemented	New indicator	**100,000**	12,074	15,678	31,457	21,802	23,549	**103,840**

Seda's contribution to the Revised MTSF 2019-2024 (Seda specific targets), for the period 2019/20 to 2023/24:

Table 10: Seda's contribution to the Revised MTSF 2019-2024

Intervention	Indicator	MTSF Target	*Actual	Annual Performance
Facilitate an increase in the number of competitive small businesses, with a focus on township economies and rural development	Number of SMMEs receiving business development support	260,000	**585,377** **506,118**	2019/20: 77,809 2020/21: 49,126 2021/22: 178,369 2022/23: 106,230 2023/24: 94,584
	Number of entrepreneurs trained on business development		**65,272**	2019/20: 11,318 2020/21: 2,845 2021/22: 4,692 2022/23: 22,088 2023/24: 24,329
	Number of SMMEs participating in export markets and development	35,731	**13,987**	2019/20: 585 2020/21: 4,694 2021/22: 3,103 2022/23: 2,559 2023/24: 3,046
SMMEs development through incubation centres and digital hubs	Increase the number of incubators, centres for entrepreneurship and rapid incubation (CfERIs) and digital hubs to 270, prioritised in rural and township areas	270	**110**	2019/20: 28 2020/21: 101 2021/22: 101 2022/23: 110 2023/24: 110
Transformative, representative, and inclusive economy that prioritises women, youth, and persons with disabilities	Women (40.0%) – Number of women accessing business development support	104,000	**131,145**	2019/20: 8,096 2020/21: 11,170 2021/22: 31,636 2022/23: 32,510 2023/24: 47,733
	Youth (30.0%) – Number of young entrepreneurs accessing business development support	78,000	**98,887**	2019/20: 8,741 2020/21: 6,925 2021/22: 23,964 2022/23: 26,843 2023/24: 32,414
	Persons with disabilities (7.0%) – Number of persons with disabilities accessing business development support	18,200	**7,242**	2019/20: 249 2020/21: 223 2021/22: 487 2022/23: 1,239 2023/24: 5,044

** Actual for the five-year period, 2019/20 to 2023/24*

Performance against key annual performance plan targets is reflected below.

Table 11: Annual performance plan aligned performance

Indicator	MTSF Target	MTSF Aggregate Achievement	2019/20	2020/21	2021/22	2022/23	2023/24
Total SMMEs and co-operatives supported	219,000	498,293	89,113	45,850	185,987	128,286	94,584
Enterprises reached through awareness	75,000	197,626	36,684	8,576	67,029	68,117	30,084
SMMEs and co-operatives supported (excluding TREP)	90,000	213,855	28,173	21,596	87,501	38,367	71,035
Township and Rural Enterprises Programme (TREP)	54,000	91,850	12,074	15,678	31,457	21,802	23,549
Incubators supported	100	110	96	104	110	110	110
Jobs created	18,000	22,195	6,709	2,292	5,176	5,433	5,332
Jobs sustained	30,000	58,214	22,230	8,283	8,584	12,541	10,364
Turnover increase	R1.5 billion	R3.49 billion	R2.1 billion	R1.1 billion	R289 million	Not measured	Not measured
Number of SMMEs and co-operatives whose turnover has increased by 5.0% per annum	Not measured	Not measured	Not measured	Not measured	Not measured	2,683	1,428

All cumulative targets for the 2020-2025 strategic planning period, to date, have been achieved, except for targets relating to supporting enterprises owned by persons with disabilities.

Seda, through its network of service access points, remains committed to delivering business development services in underserved areas, addressing critical needs in these communities. By the end of Q2 2024/25, the total number of active access points stood at 61.

In preparation for the merger, collaboration between Seda and **sefa** has been actively pursued at the provincial level, with ongoing engagements between provincial Seda offices and their respective **sefa** regional offices to enhance service integration and support delivery. As of 30 September 2024, collaboration between Seda and **sefa** resulted in 171 applications referred to **sefa** during the 2024/25 financial year, with 39 approved (valued at R25.39 million), 103 in progress (valued at R157.72 million), and 29 rejected (valued at R13.33 million). The total value of all referred applications amounts to R196.44 million.

7.2.4. Reflection on CBDA's Past Performance

The table below reflects progress against the 2020-2025 Strategic Plan outcome on facilitating increased access to financial services by communities to ensure economic transformation.

Table 12: Progress against the 2020-2025 capacity building strategic outcome

Outcome	Outcome Indicator	Baseline (February 2019)	Five-Year Target	Status as at February 2024	Status as at February 2024	Progress Towards Five-Year Target
Facilitate increased access to financial services by communities to ensure economic transformation	Increase in co-operative banking membership	27,490	100% increase to 54,980	30,924	17,889*	33%
	Percentage increase in members' deposits	R294.4 million	50% increase to R441.6 million	R515 million	R594 million	R150 million (exceeded target by 33%)
	Number of registered CBIs by Prudential Authority	26	30	28	30	Target achieved

* Some CBIs had not submitted their Q4 returns to the Prudential Authority by the time its annual report was published. A CBDA verification exercise of sector membership revealed that 30,123 Q4 returns were submitted to the Prudential Authority past the due date. At the time of publication of the annual report, the CBDA had not received membership figures from one of the three entities that did not submit their Q4 returns to the Prudential Authority on time. As such, their numbers are excluded from the report.

The CBDA was established as a schedule 3A public entity in 2010. The agency is mandated to supervise, regulate, and support CFIs.

Merger:

Cabinet's decision to rationalise several public entities resulted in the merger of the CBDA, the **sefa,** and the Seda in August 2021. To give effect to this Cabinet resolution, a business case for the establishment of the new merged entity, to be called the SEDFA, was approved in December 2022. To ensure the continuation of the CBDA's mandate, parts of the Co-operative Banks Act (2007) needed to be amended. These amendments were informed by the SEDFA business case, which resulted in drafting the Small Enterprise Amendment Bill and its submission to Parliament. After Cabinet endorsed the policy framework titled: "An Inclusive Financial Sector for All" in August 2023, National Treasury published the Financial Inclusion Policy Framework in November 2023. The framework broadly aims to build a financial sector to serve all South Africans. Its objectives, which are built on three pillars, are to:

1) Deepen the financial inclusion of individuals and households.
2) Extend access to financial services for SMMEs.
3) Leverage a more diversified provider and distribution base for financial services in South Africa.

Transformation and financial inclusion:

Pillar 3 of the “Inclusive Financial Sector for All” (leveraging a more diversified provider and distribution base) highlights Priority 13 of the policy framework, which is to strengthen financial co-operatives and the **development of CBIs as preferred financial intermediaries for individuals and small enterprises.** This is further articulated in the draft SMME and Co-operatives Funding Policy, which places CBIs at the centre of financing SMMEs and co-operatives.

The policy intends to have a transformed and sustainable small enterprises sector that contributes meaningfully to economic growth, job creation, poverty alleviation, and reducing inequality. CBIs extend access to finance by means of being self-help, member-driven entities that operate within communities with a common bond. The Co-operative Banking Sector Strategic Options Paper, developed by the World Bank, highlights that members prefer their CBIs for financial assistance, which includes personal and business loans.

The Financial Inclusion Policy Framework emanated from the conclusion of the second phase of the World Bank’s South Africa Financial Sector Development and Reform Programme (FSDRP II) in August 2023. The first phase, which began in 2014 and concluded in 2018, supported the introduction of the Financial Sector Regulation Bill, which is now legislated as the Financial Sector Regulation Act (2017). The overall objective of the FSDRP ll is to support government in strengthening financial stability and improving financial inclusion through analytical and advisory services, focusing on implementation support. FSDRP II has three primary, interlinked pillars that focus on:

Strengthening resilience and integrity in the financial sector l Financing the poor and vulnerable l Financing SMMEs.

The imminent establishment of a National Secondary Co-operative Bank rests on the third pillar. The bank’s purpose will be to diversify the distribution base of the financial sector. To this end, the World Bank has appointed a local resident advisor to assist with establishing the National Secondary Co-operative Bank. In essence, the merger, along with the legislative amendments and corresponding policy framework and the FSRDP ll, aim to strengthen and further the CBDA’s core mandate to support the co-operative banking sector. Ultimately, these efforts are made to nurture and secure a part of the banking and finance sector that is integral to inclusive socioeconomic development.

The legacy aim of the CBDA was to contribute to an inclusive economy by promoting efficiency, equity, growth, stability, and the wellbeing of communities. By 30 September 2024, the CBDA exceeded its annual target with 12 outreach and education activities on the CBI model and established 27 partnerships and stakeholder relationships against a target of 8. Training initiatives included the "Coop-Bank-In-A-Box" programme to standardise CBI data for integration into the Power BI tool, supported by Banking Sector Education and Training Authority and CBU funds, and Financial Intelligence Act training, delivered virtually by the Financial Intelligence Centre at no cost.

7.2.5. SWOT Analysis

Table 13: SEDFA SWOT analysis

S STRENGTHS	W WEAKNESSES
▪ **Integrated services**: The merger streamlines support, offering a one-stop-shop for small businesses, improving service delivery and accessibility. ▪ **Resource pooling**: Consolidated funding, reduced duplication, and skilled personnel enhance capacity and operational effectiveness. ▪ **Combined expertise**: Leveraging experience from the previous individual entities supports a smooth transition and strong foundation for the new entity. ▪ **Clear mandate**: Backed by the NSEAA, SEDFA has expanded powers and a strong mandate to play a lead implementation role in NISED and other sector policies aimed at supporting small business growth. ▪ **Broad support**: Strong political backing and consensus from social partners emphasise small business development as a key economic driver. ▪ **Access to comprehensive support services:** SEDFA provides and mobilises access for all small enterprises and service providers to a wide range of financial and non-financial products and services.	▪ **Communication gaps**: Lack of effective internal and external communication limits awareness of SEDFA's role and value, reducing its outreach and stakeholder engagement. ▪ **Low trust and credibility:** Reputation challenges due to market perceptions of favouritism, slow turnaround times, and broader negative views of government entities. ▪ **Leadership uncertainty**: Uncertainty around leadership post-merger creates challenges in establishing clear direction and unity within the organisation. ▪ **Complex transition process**: The integration of different entities with varying cultures and processes makes the transition complex. It may slow down decision-making and affect morale. ▪ **Technological limitations**: SEDFA's current technological infrastructure is inadequate, limiting its capabilities for efficient service delivery, which is a key requirement for the new entity. ▪ **Change resistance**: Resistance to organisational change and the absence of an effective change management plan could slow down progress and create internal friction. ▪ **Insufficient funding**: Given the scale of unemployment and poverty challenges in the country, available funding is insufficient to meet the NDP targets of job creation through small enterprises.

O OPPORTUNITIES

- **Lead ecosystem coordination**: Position SEDFA as the central hub for value creation, driving co-creation and partnerships that enhance the small enterprise ecosystem.
- **Master case management**: Provide appropriate support by tracking entrepreneur progress, offering tailored interventions, and building stronger client relationships.
- **Leverage technology**: Invest in mobile apps, digital platforms, and fintech solutions to improve service efficiency, reduce turnaround times, and expand market access, including through e-commerce.
- **Leverage South Africa's 2025 G20 Presidency**: As a strategic platform to showcase the country's economic potential, foster international collaboration, and attract significant investment opportunities through targeted engagement and global visibility.
- **Leverage the DDM to maximise the SEDFA impact:** Targeted approach to expand the incubator programme and other key initiatives to ensure positive outcomes for small enterprises.
- **Expand reach and sector masterplans**: Implement high-impact projects within sector masterplans to drive innovation and meet strategic goals.
- **Improve funding access**: Enhance access to capital through targeted fund raising, resource mobilisation strategies, and strategic partnership strategies.
- **Elevate credit guarantees**: Elevate credit guarantees as a unique offering in the DFI space to attract financial institutions and enhance market access.
- **Promote financial inclusion**: Provide rural and underserved communities with access to finance through CBIs and a secondary co-operative bank with digital platforms.
- **Shared infrastructure for lower costs**: Develop shared infrastructure to reduce access costs, enabling wider support for small enterprises and co-operatives.

T THREATS

- **Merger delays:** Prolonged delays have caused employee loss and reputational damage, undermining trust and operational efficiency.
- **Political pressure versus collaboration:** Conflicting political drives for insourcing and the need for partnerships threaten ecosystem collaboration.
- **Sustainability of financial intermediaries:** Uncertainty over the balance between direct and indirect lending may jeopardise their long-term viability.
- **Reputational risk:** Inability to meet expectations in product delivery, service quality, and turnaround times could harm SEDFA's reputation.
- **Policy-resource mismatch:** Government expectations exceed available resources, leading to a disconnect between policy goals and actual outcomes.
- **Regulatory burden:** Excessive compliance and reporting requirements may hinder core operations and slow progress.
- **Fiscal constraints:** Limited funding and high pressure to deliver economic outcomes create significant operational challenges, and the need for resource mobilisation and partnerships.
- **Survival rate of small enterprises:** High failure rates among small enterprises could impact SEDFA's ability to achieve its mission.
- **Moral hazard:** Risk of making poor lending decisions or tolerating non-repayment could lead to long-term financial instability.
- **Public perception of grants and loans:** Confusion around SEDFA's blend of grants and loans requires clearer communication to mitigate reputational risks.

7.2.6. Building SEDFA's Internal Capacity and Capabilities

Integrated Service Delivery Model:

SEDFA will deliver its services through a portfolio of products and services using the small enterprises ecosystem by offering efficient and effective business advice, business development services, investment (financial) support, business facilitation, and incubation services.

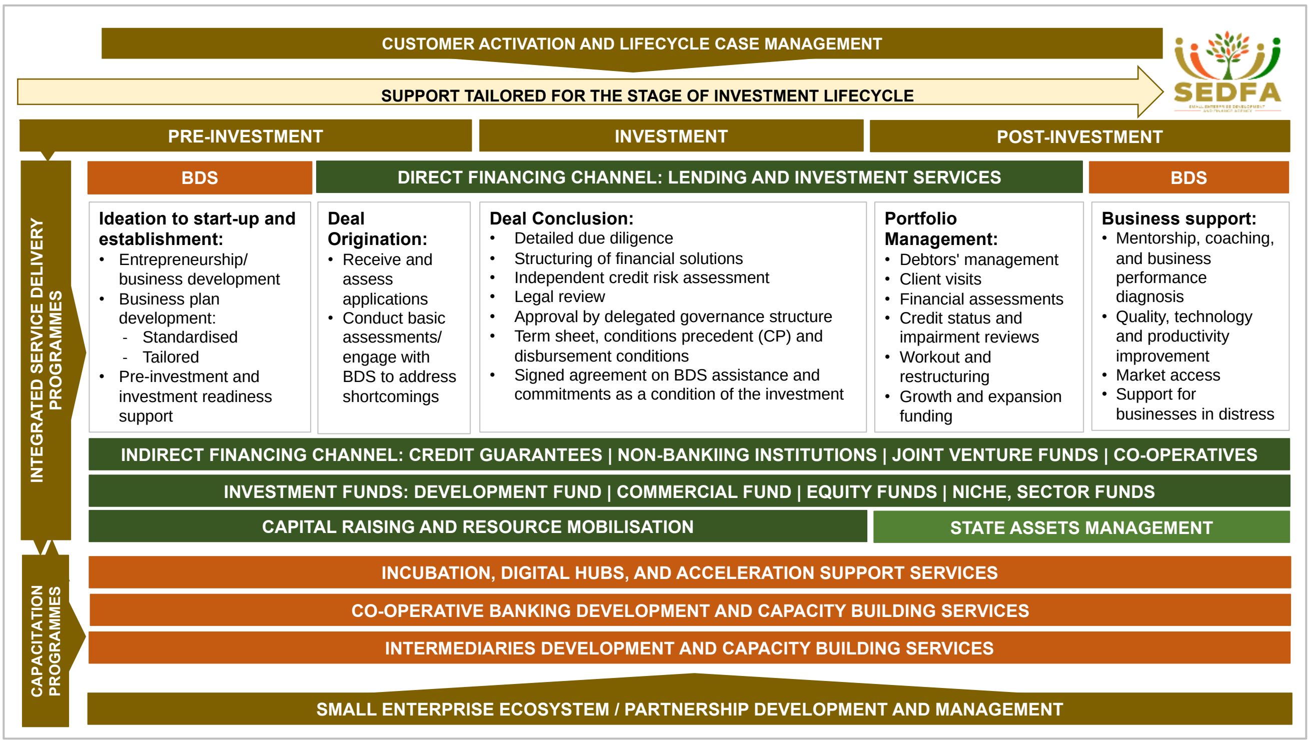
The service delivery model places the customer at the centre and acts on three levels: customer, institution, and system. The principle of customer-centricity is fundamental as it aligns service provision to the entrepreneurial journey and recognises that business needs at each life stage differ significantly. Central to the service provision is the principle of a single point of access to business support, irrespective of location or medium.

The merged entity will offer three primary service lines, with appropriate insulation and safeguards being maintained between the BDS and Finance Services (FS) value chains:

1) Customer Activation and Management Services
2) Business Development (Non-financial) Services
3) Lending and Investment (Financial) Services

The Integrated Service Delivery Model linked to the investment stages of pre-investment, investment, and post-investment is illustrated in the figure below. It shows the overlaps between BDS and FS (Lending and Investment) in the pre- and post-investment stages, and the intention to ensure the provision of funding is "strapped in" with business development services, which are critical for integrating service delivery, managing credit risk, and supporting the sustainability of both the supported enterprise and SEDFA.

Figure 14: SEDFA Integrated Service Delivery Model



Key elements of the integrated service delivery model:

1) Targeted service delivery programmes will be designed for integrated and collaborative delivery across all investment stages, including the NISED game changers.

2) Customised capacity-building programmes, encompassing both financial and non-financial support, will be developed to enhance the capabilities of CBIs, BDS, financial intermediaries, and incubators as critical ecosystem stakeholders:

   a) In alignment with the Co-operative Banks Act, the Financial Inclusion Policy, the SMME and Co-operatives Funding Policy, and the Co-operatives Banking Sector Development Strategy, CBIs will be supported and empowered to play a pivotal role as community-based financial intermediaries within the small enterprise development ecosystem.

   b) BDS providers and non-banking financial intermediaries will receive capacity-building support to enhance their service delivery.

   c) Incubators will be strengthened and capacitated in line with the sector-specific IBDS Policy.

3) Lending and investment (financing services) will be delivered through a combination of direct and indirect financing channels to maximise market reach and impact.

4) The credit guarantee mechanism will be enhanced and positioned as a transformative tool, significantly increasing access to credit for small enterprises through an extensive network of banking and non-banking credit providers.

5) Two primary funds will be established:

   a) A Development Fund to drive sector-specific growth.

b) A Commercial Fund to stimulate output growth across industries.

6) A dedicated focus will be placed on capital raising and resource mobilisation to ensure financial sustainability and expanded support capabilities.

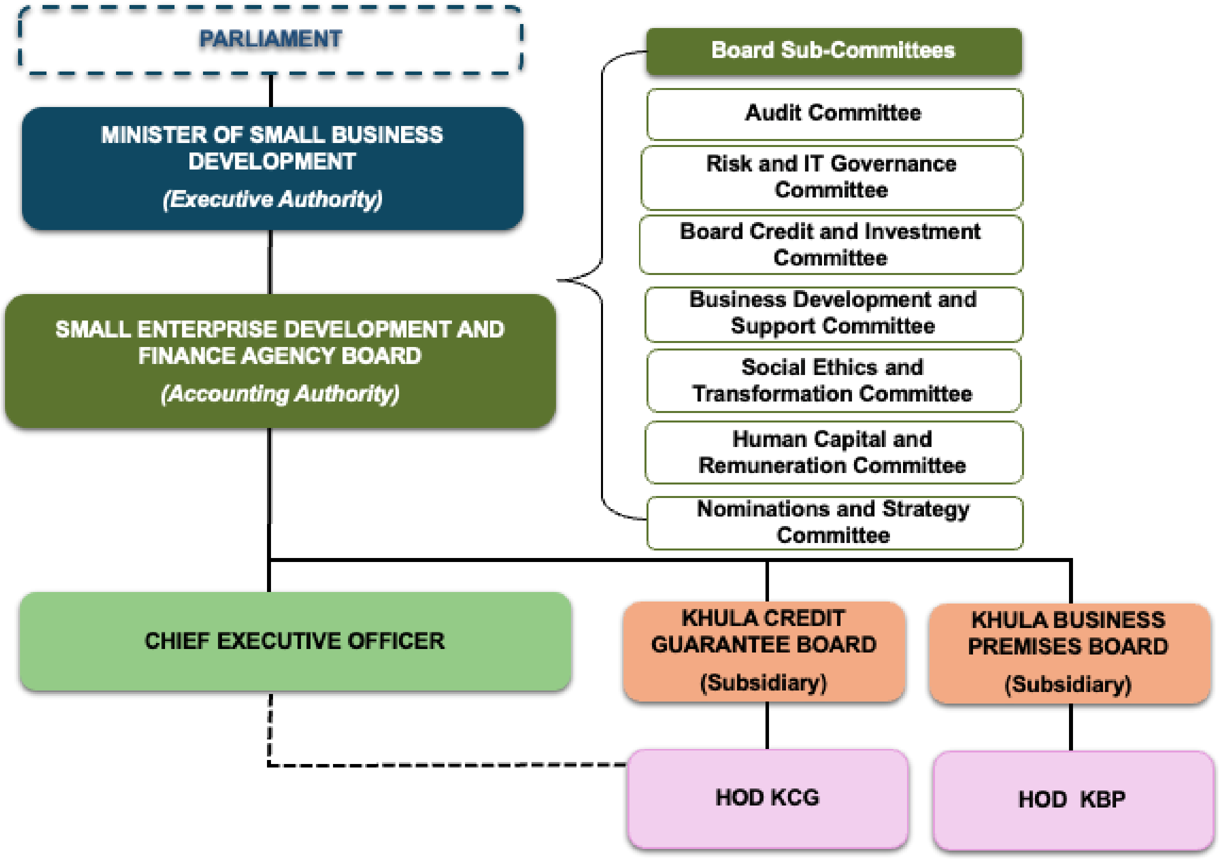
7) State assets will be optimised through a property strategy aimed at enhancing operational efficiency. Only commercially viable properties will be retained in the medium to long term, with a positive Net Operating Income (NOI) anticipated within the next five years.

8) Crucially, the ecosystem will be unified and enhanced through an advanced District Ecosystem Facilitation Model and a digital platform with AI capabilities, ensuring streamlined coordination and improved service accessibility.

SEDFA governance arrangement and core business functions:

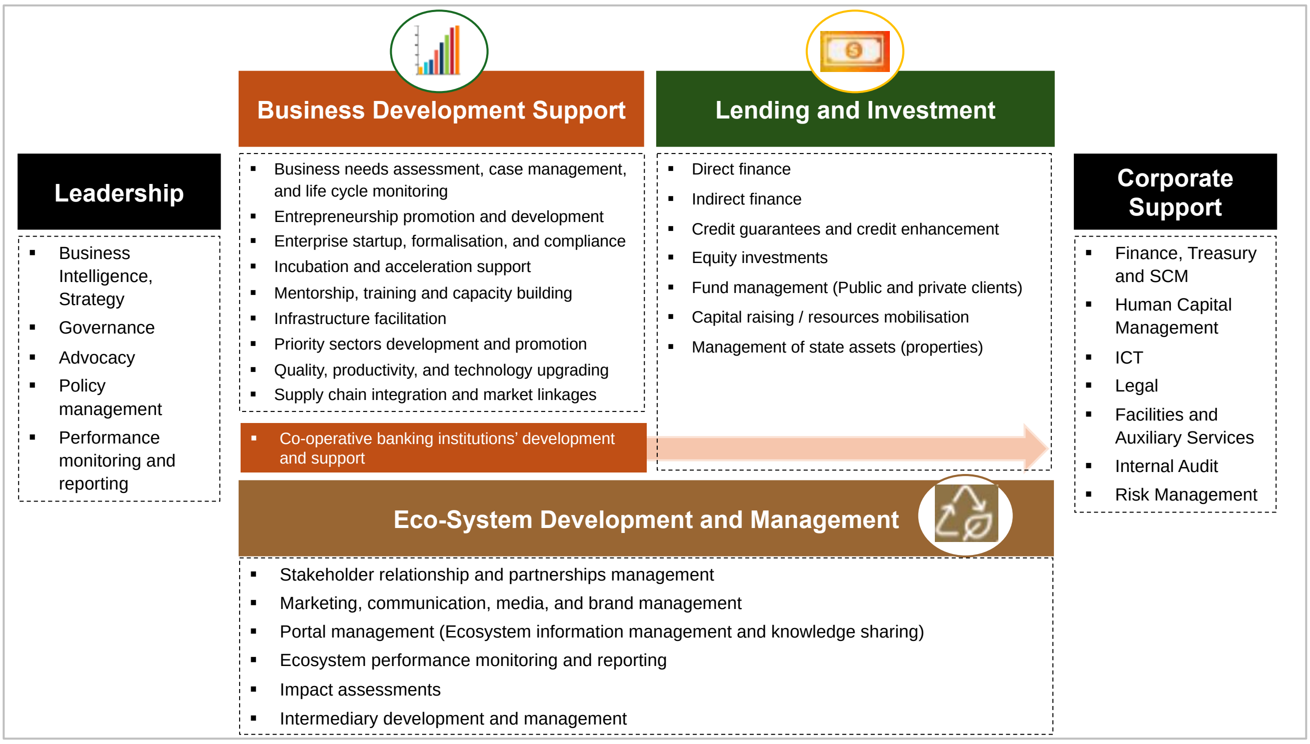
The figure below reflects the governance structure of SEDFA as outlined in the NSEAA, and in line with good corporate governance practices.

Figure 15: SEDFA corporate governance structure



Reflected in the figure below are the key functions informing the organisational structure and areas for capacitation of the entity.

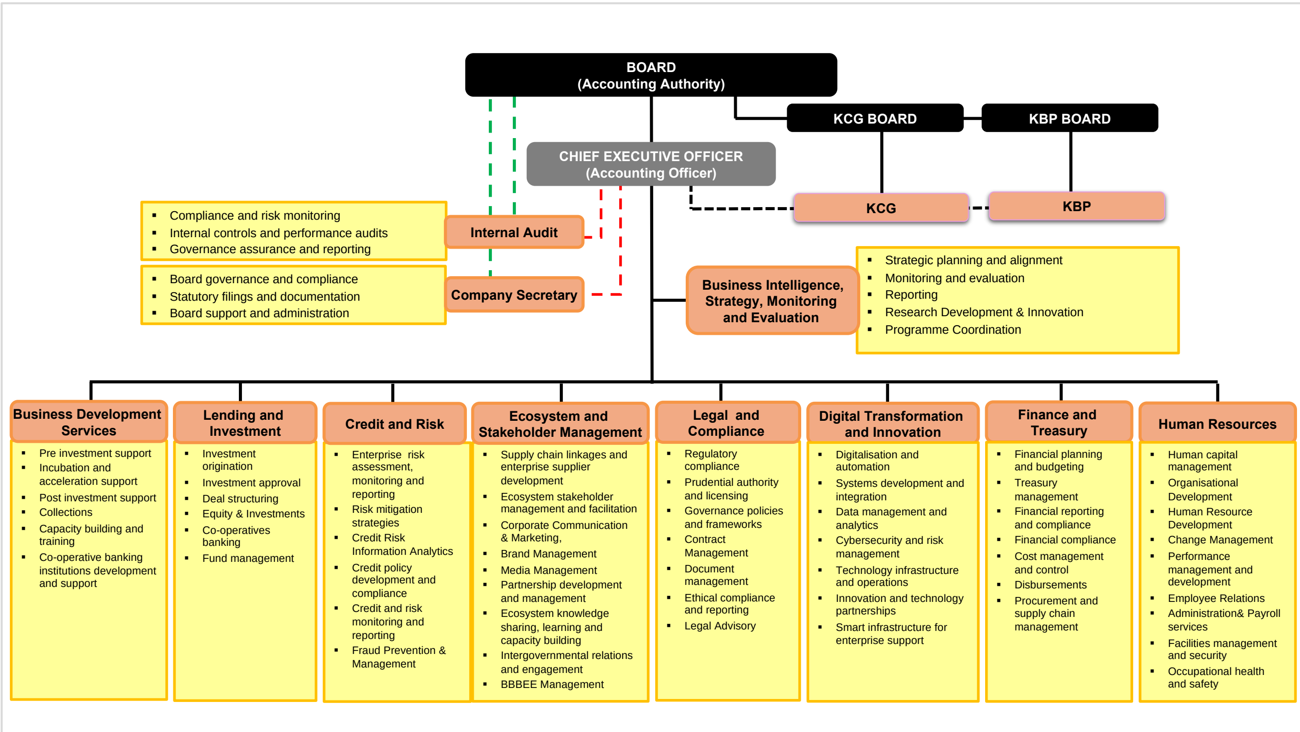
Figure 16: SEDFA core and support functions



Approved functional structure:

The following functional structure has been approved by the board of directors:

Figure 17: SEDFA functional design



Notes:

1) BDS and Lending and Investment are clearly delineated as critical core functions, with key activities such as pre-investment support, loan origination, and capacity articulated.

2) Credit and Risk is positioned separately, which is critical to ensure strong risk management, portfolio health, and compliance with financial regulations.

3) The inclusion of marketing, branding, and external communications under the Ecosystem Executive ensures that external engagement is focused on ecosystem support. Partnership development and market access are highlighted, which are essential for small enterprises.

4) The detailed mention of Prudential Authority and licensing adds clarity around regulatory compliance, particularly for financial operations.

5) The contract management and ethical compliance functions are necessary for ensuring transparency and adherence to governance standards.

6) This Digital Transformation and Innovation Function is future focused with key areas, such as digitalisation, systems integration, and smart infrastructure, well-placed to support small enterprises. The emphasis on cybersecurity reflects the importance of protecting the digital infrastructure in the 4IR context.

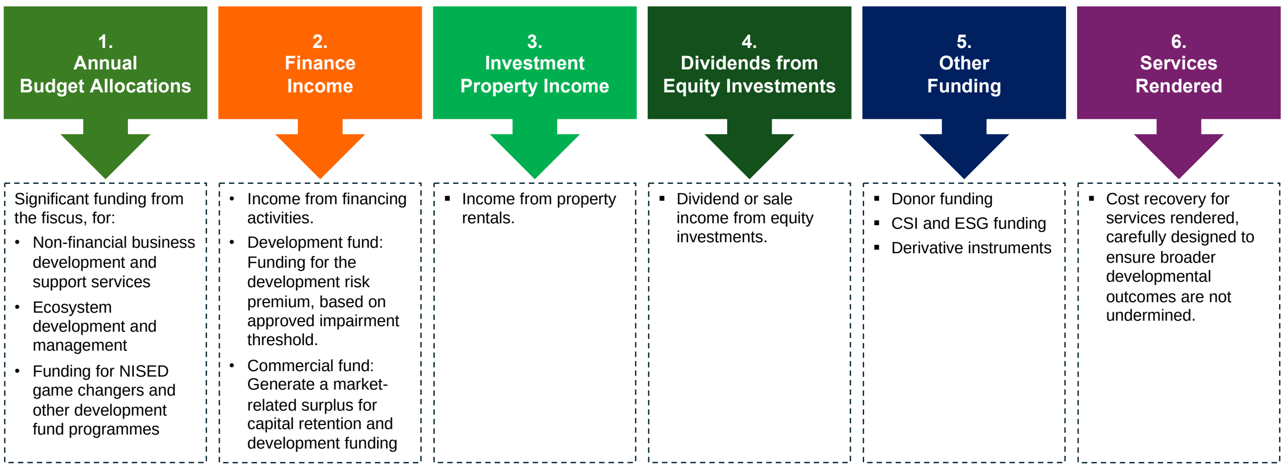
7) A comprehensive scope covering financial planning, treasury management, and supply chain management, ensuring strong financial governance and operational support for the organisation.

8) Focus on internal communications, human capital management, and facilities management for a strong internal operational foundation.

SEDFA funding sources:

Funding will comprise a mix of capitalisation, annual budget transfers, strategic investment income, various alternative sources of funding, fund management fees, and property income as shown in the figure below.

Figure 18: SEDFA sources of funding



SEDFA value creation and sustainability model:

SEDFA's model for value creation and sustainability is underpinned by three strategic levers:

1) **The ability to achieve institutional sustainability:**

   The hybrid financial and non-financial services model comprises two components:

   a) **Trading activities (DFI – lending / credit guarantees business)** – must be self-sustainable through own revenue generation, with a cost to income ratio <1. Upon capitalisation, ideally, there should not be a MTEF budget allocation, except for targeted grants and incentives provided by the state to support blended finance instruments. Managing or funding the impairment risk is imperative and resourcing is funded through the revenue generated by the Lending Function.

      In developing the integrated strategy and portfolio of products and services, SEDFA will seek to establish a 'development fund' and a 'commercial fund', with different pricing and thresholds for impairment. Combined, the lending business needs to demonstrate the ability to be self-sustainable.

   b) **Non-trading activities (development agency (DA) – business development services), including grant-related activities** – must be fully funded, with some income generated from grant management fees. Unspent grants are potentially 'swept' by National Treasury on an annual basis. The MTEF budget allocation (Revenue Fund) is the key but not the only funding source, e.g., donations.

      Importantly, as laid out in the NSEAA: "Any appropriation of funds, prior to them being distributed, must specify the criteria for the use of funds and whether the funds are to be used for financial or non-financial support services. The procedures to be followed when granting or not granting financial or non-financial support by the agency must allow for the review of that decision."

2) **The ability to achieve and maintain funding sustainability**:

   The ability of SEDFA to secure, retain, and grow the capital asset base and principal capital available for lending through various channels, leveraging risk capital, and special purpose vehicles (public private partnerships and subsidiaries). Lending activities are determined by the level of capitalisation and the ability to manage impairment rates. The ability to go-to-market for capital raising is imperative once the agency has demonstrated its capabilities as a trusted steward of capital. To support capitalisation and fund raising, a dedicated programme will be introduced to raise capital from various potential sources.

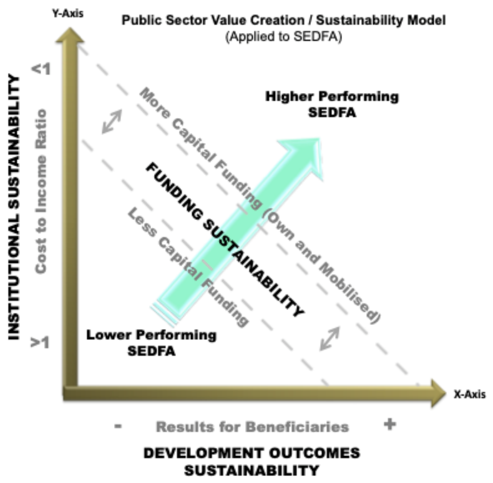
3) **The ability to produce results for beneficiaries – development outcomes sustainability:**

   The above levers must lead to the achievement of SEDFA's mandate, and the achievement developmental outcome targets related to small enterprise sector growth, sustainability, and job creation.

The level of performance and institutional sustainability are both influenced by the cross-cutting funding sustainability lever. The more capital raised and retained, the higher the agency's overall performance in terms of achieving development and institutional sustainability outcomes.

Figure 19: SEDFA value creation/sustainability model

Breakeven on funded functions
Profit on trading/income generating functions
Minimum solvency thresholds achieved



Adequate capital:
- Capital raising and investment
- Impairment managed within approved thresholds: Differentiated Development Fund and Commercial Fund thresholds
- On and off-balance sheet funding
- Development risk funded
- Funding leveraged / mobilised into the economy

- Number of new small enterprises established
- Survival rate of small enterprises supported
- Number of jobs created / sustained by small enterprises
- Turnover of small enterprises
- Number of small enterprises competing in priority sectors
- Value of exports by small enterprises

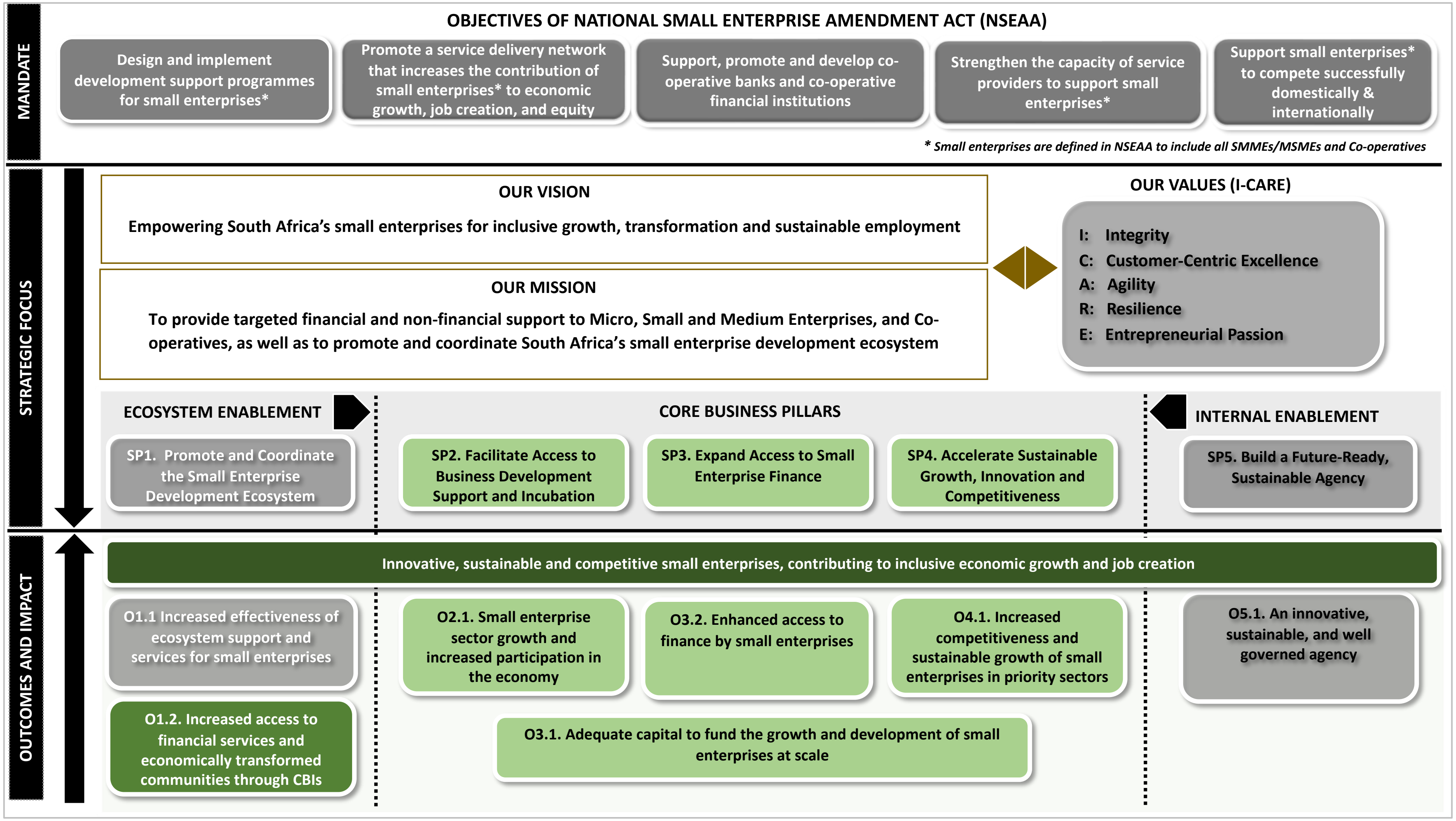
The strategic pillars, balanced scorecard, and the above sustainability model have been used to develop SEDFA's results-based management plan presented in Part C below.

PART C: MEASURING OUR PERFORMANCE

1. INSTITUTIONAL PERFORMANCE INFORMATION

The alignment of SEDFA's impact and outcomes (results-plan) to the mandate and strategic focus (vision, mission, values, and strategic pillars) is reflected in the following strategy on a page.

Figure 20: SEDFA Strategy on a Page



The impact and outcomes, outcome indicators, baselines, and five-year targets are presented in the sections that follow.

1.1. Impact Statement

Our Impact	Innovative, sustainable, and competitive small enterprises, contributing to inclusive economic growth and job creation

1.2. Measuring Our Outcomes

Table 14: SEDFA outcomes, outcome indicators and five-year targets

Strategic Pillar	Outcomes	Outcome Indicators	Baseline 2020-2025 (Est.)	Five-Year Target 2025-2030
MTDP Priority 1: Drive inclusive growth and job creation				
Strategic Pillar 1: Promote and coordinate the small enterprise development ecosystem **(Ecosystem)**	**Outcome 1.1. Increased effectiveness of ecosystem support and services for small enterprises**	O1.1.1. Small Enterprise Ecosystem Effectiveness Index (SEEEI)[21]	New indicator *Develop index and data collection tools*	Year 1: Establish baseline Year 5: 10% improvement on baseline
		O1.1.2. Number of small enterprises supported financially and non-financially	Seda: 411,998 **sefa**: 485,918	1 million small enterprises supported financially and non-financially: ▪ 90% MSMEs ▪ 10% co-operatives ▪ 80% Ecosystem ▪ 20% SEDFA direct
		O1.1.3. Number of jobs facilitated by supported small enterprises in the ecosystem	Seda: 91,270 (created and sustained) **sefa**: 621,238 (facilitated)	Total: 1.88 million jobs facilitated comprising of: (i) Jobs created: 273,500 (ii) Jobs sustained: 1,606,500
	Outcome 1.2. Increased access to financial services and economically transformed communities	O1.2.1. Number of co-operative banking members	30,123	35,000
		O1.2.2. Value of co-operative banking member deposits	R594 million	R900 million (>50% increase)

[21] *SEEEI: Composite weighted indicator, measuring (1) Growth in participating ecosystem partners registered and reporting, (2) Quality of services provided by ecosystem partners, (3) Financial and operational sustainability of service providers, (4) Expansion of omnichannel entry points, for seamless experience and geographical spread, (5) Growth in services offered by ecosystem partners: Incubation, BDS, and FS.*

Strategic Pillar	Outcomes	Outcome Indicators	Baseline 2020-2025 (Est.)	Five-Year Target 2025-2030
	through co-operative banking	O1.2.3. Number of CBIs registered by the Prudential Authority	30	35
Strategic Pillar 2: Facilitate access to business development support and incubation **(Pre-investment)**	**Outcome 2.1. Small enterprise sector growth and increased participation in the economy**	O2.1.1. Growth rate of new small enterprises established	New indicator	10% growth in new small enterprises established per annum
		O2.1.2. Survival rate of supported small enterprises [22]	New indicator	>75% survival rate
Strategic Pillar 3: Expand access to small enterprise finance **(Lending and investment)**	**Outcome 3.1. Adequate capital to fund the growth and development of small enterprises at scale**	O3.1.1. Rand value of capital raised (all-in) [23]	KCG: R300 million Seda: R700 million **sefa**: R2.2 billon CBDA: R16.8 million	R11 billion, of which: ▪ 20%: KCG ▪ 60%: Development Fund ▪ 20%: Commercial Fund
		O3.1.2. Rand value of net loan book	**sefa**: R1.6 billion (old loan book) New loan book commencement date: 1 Oct 2024	R3.2 billion
		O3.1.3. Loan impairment ratio: (i) Development Fund (ii) Commercial Fund	**sefa**: 70%	(i) <30% (ii) <10%
		O3.1.4. Rand value of specialised funds managed	Tourism Equity Fund: R600 million	(iii) R1.8 billion
	Outcome 3.2. Enhanced access to finance by small enterprises	O3.2.1. Rand value of funding facilitated to the economy[24]	**sefa**: R1.7 billion per annum	(iv) R11.5 billion
		O3.2.2. Value of credit guarantees taken up	KCG: R450 million per annum	(v) R2.5 billion
Strategic Pillar 4: Accelerate sustainable growth, innovation and competitiveness **(Post investment)**	**Outcome 4.1. Increased competitiveness and sustainable growth of small enterprises in priority sectors**	O4.1.1. Percentage growth in small enterprises supported in identified priority sector value chains[25]	Seda: 7%	>5% per annum
		O4.1.2. Percentage of enterprises directly supported with growth in turnover by 5% per annum	New indicator	30% (for the period of support)

[22] *Survival rate: Percentage of small enterprises supported that survive beyond two years.*

[23] *All in: Total capital raised from all income sources.*

[24] *Funding facilitated: Own capital and capital contributions of partners in co-investment and fund matching deals.*

[25] *Growth in the number of small enterprises supported in sectors prioritised for small enterprises participation (SEDFA to research and develop the sector value chains).*

Strategic Pillar	Outcomes	Outcome Indicators	Baseline 2020-2025 (Est.)	Five-Year Target 2025-2030
		O4.1.3. Percentage of total incubated small enterprises graduating per annum	New indicator ±2,000 Incubatees	10% per annum
		O4.1.4. Percentage of supported enterprises exporting per annum[26]	New indicator GEM 2024 reference: 22.1%	>5% per annum
		O4.1.5. Percentage of loan portfolio at risk	42%	<15%
MTDP Priority 3: Building a capable, ethical and developmental state				
<u>Strategic Pillar 5</u>: Build a future-ready, sustainable agency	**Outcome 5.1.** **An innovative, sustainable, and well-governed agency**	O5.1.1. External audit outcome	Unqualified audit outcome (all three entities)	Unqualified audit outcome
		O5.1.2. Cost to income ratio	**sefa**: 59%	70%
		O5.1.3. Percentage growth in net loan book	New indicator	100%
		O5.1.4. Yield on Property Portfolio Growth in net Property Asset Value (excluding Leasehold, vandalized and boycotted properties) >5%	R200 000 000 (>5% growth target)	R240 000 000
		O5.1.5. Maturity level of digitally enabled small enterprise ecosystem	District Information Management System established, and various standalone systems from Seda, **sefa**, and CBDA.	Optimised stage – fully digitally enabled ecosystem *Progress through the initial, managed, defined, measured, and optimised stages of the Digital Transformation Capability Maturity Model over the five years*
		O5.1.6. Stakeholder satisfaction rating	New indicator	Year 1: Establish baseline Year 5: 10% improvement on baseline
		O5.1.7. Employee Satisfaction Index	Seda: 67% sefa: 67%	Year 1: Establish baseline Year 5: 10% improvement on baseline

[26]*Simple measure of export sales. Not measuring export intensity at this stage.*

1.3. Explanation of Planned Performance

1.3.1. Outcome 1.1. Increased Effectiveness of Ecosystem Support and Services for Small Enterprises

CONTRIBUTION TO MTDP 2024-2029:

1) MTDP 2024-2029 Strategic Priority 1: Drive Inclusive Growth and Job Creation:

   a) Structural reforms to drive growth and competitiveness: Cutting red tape and streamlining support for small enterprises, entrepreneurs, and co-operatives, especially in townships and villages, to thrive.

   b) Economic transformation for a just society: Mainstreaming the rights of women, youth, and persons with disabilities, and ensure the economic inclusion of disadvantaged.

KEY GOVERNMENT STRATEGY/POLICY:

1) NISED Strategic Framework, Outcome 3: Effective support and services delivered for small enterprise growth, both financial and non-financial:

   a) Output: Build and promote expanded supply of support to small enterprises.

   b) NISED Game Changer: A digital one-stop-shop platform with AI capabilities.

2) IBDS Policy Framework (Draft):

   a) Increased participation of small enterprises from underserved areas in IBDS, *leading to increased participation in economic activities and narrowing gaps in service delivery*.

   b) Improved standardisation and quality of IBDS service provision, *aligned with global best practice*.

   c) Improved coordination across government and private sector stakeholders, *leading to more cohesive and effective service delivery for small enterprises*.

STRATEGIC INTENT:

The outcome reflects SEDFA's intended position as the industry leader and central coordinator in the small enterprise development ecosystem, driving improved accessibility through partnerships, integration, and co-creation in alignment with government priorities. The outcome aims to enhance the effectiveness and quality of ecosystem support by building a cohesive, accessible service network for small enterprises through a one-stop-shop model and omnichannel approach.

Strengthening the capacity of intermediary institutions, managing a centralised technology platform, and establishing a national map of service providers with defined standards of good practice will ensure consistent, quality support, driving sustainable growth, expanding job opportunities, and enhancing resilience across the ecosystem.

The effectiveness of the ecosystem will be measured through the SEEEI, which is a composite weighted indicator measuring:

1) Growth in participating ecosystem partners registered and reporting.
2) Quality of services provided by ecosystem partners.
3) Financial and operational sustainability of service providers.
4) Expansion of omnichannel entry points, for seamless experience and geographical spread; and
5) Growth in BDS, incubation, and FS offered by ecosystem partners.

Note: these dimensions may be modified and refined over time as the ecosystem evolves.

The number of small enterprises supported, and the jobs created, facilitated and sustained will be tracked for SEDFA and across the ecosystem, targeting a minimum of 1 million small enterprises and 1.8 million jobs facilitated over the five-year period.

KEY PROGRAMMES AND STRATEGIC INTERVENTIONS:

1) **Ecosystem performance and effectiveness:**
   a) Develop and implement the SEEEI: Use baseline data to measure ecosystem performance and identify gaps.
   b) Develop an ecosystem performance dashboard to monitor key metrics, such as sector growth, job creation, enterprise survival rates, and funding disbursement.
   c) Establish measurement tools for assessing and reporting stakeholder satisfaction.
2) **Strengthening intermediary institutions:**
   a) Enhancing the capacity and effectiveness of business support organisations, incubators, accelerators, and financial institutions to ensure that they provide high-quality services aligned with global best practices.
   b) Developing partnership frameworks with key institutions to expand service reach, reduce operational inefficiencies, and enhance the sustainability of support programmes.
3) **Managing a centralised technology platform:**
   a) Establishing a digital portal with AI-driven capabilities to facilitate seamless service delivery, matchmaking between entrepreneurs and support providers, and real-time tracking of ecosystem performance.
   b) Integrating data analytics, automated advisory services, and digital tools to enhance decision-making, provide tailored business development support, and improve service delivery efficiency.

c) Leveraging emerging technologies such as machine learning and blockchain to strengthen transparency, reduce administrative burdens, and improve access to funding and market opportunities.

4) **Creating a national map of service providers with defined standards of good practice:**

a) Developing and maintaining a comprehensive database of ecosystem players, including government agencies, private sector partners, and developmental finance institutions (DFIs), to ensure a coordinated approach to small enterprise support.

b) Establishing service quality benchmarks and performance evaluation metrics to drive accountability, enhance service delivery standards, and ensure consistency across different providers.

c) Facilitating continuous training and certification programmes for service providers to ensure alignment with global standards of excellence in small enterprise development.

5) **Supporting Women in Entrepreneurship:**

a) Partnering with various public, private, and non-governmental organisations to advance women in entrepreneurship. This includes but is not limited to programmes such as SheTrades, Africa Women Innovation and Entrepreneurship Forum (AWIEF), and the Cherie Blair Foundation for Women.

PRIORITIES RELATED TO WOMEN, YOUTH, AND PERSONS LIVING WITH DISABILITIES:

Targeted disaggregation of disbursements to small enterprises owned by disadvantaged groups will be 45% women-owned, 30% youth-owned, and 3% enterprises owned by persons with disabilities.

PRIORITIES RELATED TO SPATIAL TRANSFORMATION:

25% townships, 25% rural, 50% needs-based, aligned to DDM priorities and equitable spread of financial support interventions

ANNUAL PERFORMANCE PLAN OUTPUTS TO DELIVER THE OUTCOME:

1) Ecosystem partnership network developed.

2) Ecosystem service providers capacitated.

3) Women entrepreneurs supported.

4) Quality of ecosystem managed.

5) Ecosystem knowledge, information, and analytics managed.

6) Ecosystem performance monitored and evaluated:

   a) Small enterprises supported by the ecosystem (number).

   b) Jobs created and sustained by supported small enterprises.

1.3.2. Outcome 1.2. Increased Access to Financial Services and Economically Transformed Communities through Co-operative Banking

CONTRIBUTION TO MTDP 2024-2029:

1) MTDP 2024-2029 Strategic Priority 1: Drive Inclusive Growth and Job Creation:

   a) Economic transformation for a just society: Mainstreaming the rights of women, youth, and persons with disabilities, and ensure the economic inclusion of disadvantaged.

   b) Enabling environment for investment and improved competitiveness through structural reforms:

      - Cutting red tape and streamlining support for small enterprises, entrepreneurs and co-operatives, especially in townships and villages, to thrive
      - 500,000 small enterprises supported financially (CBI contribution)

KEY GOVERNMENT STRATEGY/POLICY:

1) NISED Strategic Framework, Outcome 3: Effective support and services delivered for small enterprise growth, both financial and non-financial:

   a) Output: Build and promote expanded supply of support for small enterprises.

2) Co-operative Banking Sector Development Strategy, 2021: Contribute to the target of serving 400,000 workers and mixed-income community members by 2030, up from circa 29,000 in 2020, by aligning to the three main pillars of the strategy:

   Value-added products and systems | Robust sources of funds | Digital delivery channels

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STRATEGIC INTENT:

The outcome reflects SEDFA's intent to expand financial inclusion and drive economic transformation in underserved communities by strengthening CBIs as accessible, community-focused financial services providers. Through targeted support for CBI digitisation, capacity building, and compliance with regulatory standards, SEDFA will work to position CBIs as financial intermediaries of choice within communities, including the small enterprise development ecosystem. Priority will be given to DDM pilot districts, ensuring these areas receive concentrated support to maximise local economic impact.

This includes facilitating the growth of core deposits, streamlining access to savings, and enhancing the availability of quality loan products tailored for small enterprises. In alignment with South Africa's Financial Inclusion and Co-operative Development policies, SEDFA will promote partnerships to support CBIs in meeting Prudential Authority requirements, enabling technology adoption, and establishing a secondary co-operative bank. These efforts will create a resilient co-operative banking network that promotes inclusive economic growth, job creation, and financial inclusion for South Africa's communities.

The effectiveness of support interventions will be measured through the expansion of digitisation of registered CBIs, supporting CBIs to qualify for financial support, CBIs supported to be on the National

Payment System, and the establishment of the secondary co-operative bank by the third year of the five-year planning period.

KEY PROGRAMMES AND STRATEGIC INTERVENTIONS:

1) **Co-operative banking promotion and awareness:**

   a) Increase co-operative banking depth and reach through promotion and awareness.

2) **Business development and capacity building support, including:**

   a) Pre-registration support, including, viability assessments, financial modelling, regulatory framework and Prudential Authority application support, and submission.

   b) Provision of incubation/tailored technical support and training, mentoring and coaching.

   c) Support to ensure applicants are operationalised within six months of registration with the Prudential Authority.

3) **Facilitate access to funding:**

   a) Leverage the CDSP, and collaborate with SEDFA Lending and Investment, to ensure investment-ready CBIs submit quality applications, and that PA standards are met in terms of external lending.

4) **CBI digitisation and automation:**

   a) Shift CBIs from manual to digital operations, integrating banking and accounting systems to enhance efficiency, customer experience, and data-driven decision-making. Leverage technology for automated regulatory reporting and innovative service delivery.

5) **Access to the National Payment System (NPS):**

   a. Understand and negotiate CBIs' participation in the NPS, facilitating electronic payments (debit/credit cards, EFTs). Support treasury management services and explore fintech-driven, interoperable, and cost-effective payment solutions.

6) **Support for the National Secondary Cooperative Bank:**

   a. Strengthen its operational efficiency and sustainability to establish it as a significant player in the financial services sector.

7) **Strengthen the role of CBIs within the ecosystem:**

   a) Support existing CBIs and establish new ones under the District Ecosystem Facilitation (DEF) Model to ensure they are sustainable, efficient financial intermediaries.

   b) Develop Secondary Sector Associations to provide shared services, reduce costs, and expand support for MSMEs, youth, women, and people with disabilities.

c) Enable CBIs as alternative channels for government funding, conduct research to refine the cooperative banking model and regulatory framework, and improve branding, marketing, and awareness to strengthen their market position.

PRIORITIES RELATED TO WOMEN, YOUTH, AND PERSONS LIVING WITH DISABILITIES:

Prioritising financial inclusion, capacity building, and tailored cooperative banking solutions to enhance access for women, youth, and persons with disabilities, thereby promoting their economic participation and empowerment

PRIORITIES RELATED TO SPATIAL TRANSFORMATION:

CBI development and advancement is done in alignment with DDM priorities, with a focus on expanding co-operative banking access in rural and township areas.

ANNUAL PERFORMANCE PLAN OUTPUTS TO DELIVER THE OUTCOME:

1) Co-operative banking institutions digitised.
2) Co-operative banking institutions supported to access funding.
3) CBIs accessing the NPS.
4) New CBIs established.

1.3.3. Outcome 2.1. Small Enterprise Sector Growth and Increased Participation in the Economy

CONTRIBUTION TO MTDP 2024-2029:

1) MTDP 2024-2029 Strategic Priority 1: Drive Inclusive Growth and Job Creation:
   a) Increased employment and work opportunities:
      - 273,000 jobs created; 1,606,500 jobs sustained.
   b) Enabling environment for investment and improved competitiveness through structural reforms:
      - 10% of informal MSMEs provided with formalisation support.
      - 500,000 small enterprises supported non-financially.
      - 50,000 start-up and new small enterprises supported financially and non-financially.
      - 5 000 MSMEs supported through the Incubation Programme.
      - 52 infrastructures roll out to lower the cost of doing business for rural and township Small Enterprises.

KEY GOVERNMENT STRATEGY/POLICY:

1) NISED Strategic Framework, Outcome 3: Effective support and services delivered for small enterprise growth, both financial and non-financial:

    a) Delivery of better and targeted support to small enterprise demand needs and encourage entrepreneurship.

    b) NISED Game Changer: An enhanced Township and Rural Partnership Programme.

2) SMMEs and Co-operatives Funding Policy:

    a) Improve business development support by implementing the IBDS Policy (currently in draft) and increasing the number of incubators and digital hubs to cover underserved and unserved areas such as townships and rural areas.

3) IBDS Policy Framework (Draft):

    a) Increased participation of small enterprises from underserved areas in IBDS, *leading to increased participation in economic activities and narrowing gaps in service delivery*.

    b) Targeted, sector-specific IBDS that addresses industry needs and growth stages, *leading to faster scaling, improved innovation and greater competitiveness*.

STRATEGIC INTENT:

The outcome reflects SEDFA’s intent to establish a differentiated, efficient, and responsive pre-investment support function aimed at increasing the sustainability and economic participation of formal and informal micro enterprises’ potential and nascent entrepreneurs.

The focus of the outcome is threefold:

1) Extensive and wide-based promotion of entrepreneurship as a viable career alternative.

2) Establishment of targeted entrepreneurship programmes aligned with the policies of government; and

3) Optimising the use of incubators as part of the broader business development and sector-support package.

Prioritising the NISED Game Changer – Township and Rural Partnership Programme – and targeted business development support, SEDFA aims to create a robust pipeline of investment-ready and resilient small enterprises, particularly those in township and rural areas, led by women, youth, and persons with disabilities.

Using a “business-in-a-box” developmental approach, emphasis will be placed on pre-investment stage speed, efficiency and standardisation, ensuring that small enterprises receive swift, customer-centric support throughout the lifecycle from pre-start-up to growth stages.

“Business in a Box” (Precast Business Plan) Conceptual Approach (Aligned with the Investment Stage):

AIM: Efficient loan origination through the development of precast (standardised) business plans for typical projects earmarked for small enterprises:

1) Identify a growth sector/industry for SMME participation through sector research and market intelligence.
2) Collaborate with sector/technical specialists to develop a precast business plan for the sector/industry, including the financing requirements, business skills needed, market access, and working capital needs for different venture sizes, allowing for progression as the business grows.
3) Develop appropriate finance instruments to stimulate market interest and to support the financing needs of the target market.
4) Investment and pre-investment teams to develop the application processes, funding templates and terms.
5) Advertise the precast business plan opportunity – accept direct applications and/or channel partner endorsed applications. Consider opportunities of opening ‘application windows’ for a limited period for inclusion in SEDFA targeted start-up programmes.

KEY PROGRAMMES AND STRATEGIC INTERVENTIONS:

1) **Facilitate entrepreneurship and awareness promotion:**

   a) Conduct extensive entrepreneurship promotion and awareness interventions in collaboration with ecosystem stakeholders, utilising multiple media channels.

2) **Client activation and case management:**

   a) Facilitate client onboarding, screening, and assessment for inclusion in business development programmes.

3) **Develop targeted entrepreneurship development programmes, aligned with government priorities and sector needs, including but not limited to:**

   a) An enhanced Township and Rural Partnership Programme contributing to the 200,000 small enterprises supported target set by MTDP 2024-2029.

   b) Youth Innovation/Support Programme contributing to the 50,000 small enterprises supported target set by MTDP 2024-2029.

   c) Co-operatives Development Support Programme (CDSP), in partnership with the DSBD, DFIs, municipalities, and the private sector, targeting co-operative enterprises owned by Black persons, especially those in rural and township areas, and owned by women, youth, and persons living with disabilities.

   d) Other targeted enterprise development programmes to be established over the five years:

      - Social Entrepreneurship Programme.

- Women Entrepreneurship Support Programme.
- Persons with Disabilities Entrepreneurship Support Programme.
- Graduates' Entrepreneurship Development Programme.

Each programme will detail the specific products and services, target markets, sectors, and outputs to be delivered. Over time, each start-up programme will contain "business-in-a-box" tools for speed of access, processing, and development.

4) **Support micro enterprises with access to product markets and assets' support:**

   a) Implement programmes to assist small enterprises with access to product markets (physical and online web-based).

   b) Provide grant-based asset assistance to support the sustainability of micro enterprises.

Outcome indicators will track the growth rate of new enterprises and survival rates beyond two years, disaggregated by designated groups and locations, thus contributing to a thriving small enterprise sector that drives inclusive growth and job creation across South Africa.

PRIORITIES RELATED TO WOMEN, YOUTH, AND PERSONS LIVING WITH DISABILITIES:

Targeted disaggregation of non-financial support to small enterprises owned by disadvantaged groups will be 45% women-owned, 30% youth-owned, and 2% enterprises owned by persons with disabilities.

PRIORITIES RELATED TO SPATIAL TRANSFORMATION:

25% townships, 25% rural, 50% needs-based, aligned to DDM priorities and equitable spread of financial support interventions.

ANNUAL PERFORMANCE PLAN OUTPUTS TO DELIVER THE OUTCOME:

1) Informal small enterprises provided with formalisation support.
2) Entrepreneurship promoted.
3) Entrepreneurship development programmes implemented.
4) Co-operative enterprises supported.
5) Small enterprises incubated.

1.3.4. Outcome 3.1. Adequate Capital to Fund the Growth and Development of Small Enterprises at Scale

CONTRIBUTION TO MTDP 2024-2029:

1) MTDP 2024-2029 Strategic Priority 1: Drive Inclusive Growth and Job Creation:

a) Increased employment and work opportunities:

- 273,000 jobs created; 1,606,500 jobs sustained.

b) Enabling environment for investment and improved competitiveness through structural reforms:

- 1 million small enterprises supported financially and non-financially.
- 50,000 start-up and new small enterprises supported financially and non-financially.
- Strengthen economic diplomacy with our largest trading partners and potential trading partners.

KEY GOVERNMENT STRATEGY/POLICY:

1) NISED Strategic Framework, Outcome 3: Effective support and services delivered for small enterprise growth, both financial and non-financial:

   b) Delivery of cost-effective support to small enterprises.

2) SMMEs and Co-operatives Funding Policy: Establishment of centralised fund structures in partnership with the private sector to direct market-based start-up capital towards small enterprises.

STRATEGIC INTENT:

SEDFA will seek to ensure a sustainable supply of capital for small enterprise growth and development. A comprehensive investment and capital-raising strategy that addresses fiscal constraints and leverages both internal and external funding sources will be developed. This outcome focuses on optimising SEDFA's own funding streams, such as government subsidies for business development, income from financing activities, property rentals, and dividends from equity investments to support capital retention, growth, and the developmental risk premium.

Additionally, SEDFA aims to mobilise capital through strategic partnerships with ecosystem actors, including public sector DFIs, private sector financial institutions, venture capitalists, and ESG-focused donors.

SEDFA will also explore innovative financial mechanisms, such as a potential small enterprise bond issued through the National Treasury, to enhance funding capacity. Through fund matchmaking, syndication, and co-investment arrangements, SEDFA seeks to expand access to capital while maintaining a balance between development-oriented and commercial funding.

KEY PROGRAMMES AND STRATEGIC INTERVENTIONS:

1) **A capital raising target of R11 billion has been set for the five-year planning period, broadly split as follows:**

   a) KCG – 20%, Development Fund – 60%, and Commercial Fund – 20%.

b) It requires the establishment of a specialised investment team with the sole responsibility for capital raising and resource mobilisation.

2) **Raise the capital needed for SEDFA's Development Fund to support demand-driven initiatives, focused on surviving enterprises, as well as early-stage development entrepreneurs. Key capital raising interventions may include:**

a) Partner with government departments (e.g., the **dtic**) and DFIs, such as IDC, African Development Bank, and BRICS Bank.

b) Negotiate concessional loans or grants through the DSBD to enhance the fund's capacity, as well as to provide funding for the developmental risk premium.

c) Establish district-specific ecosystem partnership funds to leverage private and public funds in each district, incorporating the ESD Programme.

d) Collaborate with National Treasury on the possible establishment of a small enterprise (citizens) bond.

e) Establish a Corporate Challenge Fund to support poverty alleviation and social entrepreneurship.

f) Establish a Co-operative Banking Development Fund.

3) **Raise the capital needed for SEDFA's Commercial Fund to support supply-driven initiatives, focused on high-impact, priority sector projects:**

a) Engage Institutional Investors, e.g., partner with pension funds, insurance companies, and private equity firms to invest in small enterprises. Highlight the commercial viability of high-growth sectors, ensuring competitive returns.

b) Structure co-investment deals where private investors participate alongside SEDFA.

c) Collaborate with venture capital and angel investor networks to target start-ups and innovation-driven businesses.

d) Promote equity-based financing for enterprises with high growth potential.

e) Introduce green bonds or ESG-compliant funds targeting enterprises involved in renewable energy, recycling, or sustainable practices.

f) Leverage international climate finance opportunities to attract impact investors.

g) Offer partial risk guarantees or first-loss capital to de-risk investments for commercial partners.

4) **Mobilise capital for the supply of credit guarantees (KCG):**

a) Develop and submit a business case to DSBD/National Treasury for the establishment of a Credit Guarantee Fund to be managed by KCG as the fund manager. A significant contribution to the fund by government will serve to attract other investors into the fund on the back of government's commitment.

b) Develop a list of potential DFIs and IDAs to engage with for funding, assess the criteria for funding, and develop an investment proposal for each potential funder.

c) Mobilise funds from insurance companies and pension funds through public-private partnerships.

d) Encourage corporate social investment and ESG funds to allocate resources towards the guarantee scheme.

e) Collaborate with venture capital and private equity firms interested in high growth potential SMEs.

5) **Manage differentiated new loan book impairment rates:**

a) <30% for the Development Fund.

b) <10% for the Commercial Fund.

6) **Expand SEDFA's management of specialised third-party funds, targeting ±R1.8 billion over the five-year period:**

a) Expand the current management of the Tourism Equity Fund by collaborating with government departments to establish at least two additional funds, each valued at approximately R600 million.

Key outcome indicators will track the total capital raised, net loan book value, loan impairment ratio, and funds under specialised fund management, thus ensuring a strong and scalable capital base for disbursement of funding to the economy.

ANNUAL PERFORMANCE PLAN OUTPUTS TO DELIVER THE OUTCOME:

1) Resources mobilised to expand support to small enterprises.

2) Credit risks assessed and mitigated.

3) Accumulated impairment provision managed.

4) Specialised funds managed.

1.3.5. Outcome 3.2. Enhanced Access to Finance by Small Enterprises

CONTRIBUTION TO MTDP 2024-2029:

1) MTDP 2024-2029 Strategic Priority 1: Drive Inclusive Growth and Job Creation:

a) Increased employment and work opportunities:

- 273,000 jobs created; 1,606,500 jobs sustained.

b) Accelerated growth of industrial and labour-intensive sectors.

c) Enabling environment for investment and improved competitiveness through structural reforms:

- 500,000 small enterprises supported financially.
- 50,000 start-up and new small enterprises supported financially and non-financially.

KEY GOVERNMENT STRATEGY/POLICY:

1) NISED Strategic Framework, Outcome 3: Effective support and services delivered for small enterprise growth, both financial and non-financial:

   a) Delivery of better and targeted support to small enterprise demand needs and encourage entrepreneurship.

   b) Delivery of cost-effective support to small enterprises.

   c) NISED Game Changers:

      - An enhanced Township and Rural Partnership Programme,
      - A recapitalised KCG mechanism, and
      - An upscaled Youth Challenge Fund.

2) SMMEs and Co-operatives Funding Policy:

   a) Derisking small enterprise finance through credit guarantees.

   b) Review of KCG to make it more effective and responsive to recapitalise KCG and to diversify credit guarantees into other sectors, such as the green economy and essential oils.

STRATEGIC INTENT:

To expand financial access for small enterprises, SEDFA will focus on establishing a dual-fund approach comprising a Development Fund and a Commercial Fund, each tailored to address unique financing needs within the small enterprise sector. The Development Fund will prioritise support for micro and small enterprises in the early stage of development, particularly those in underserved areas, by offering affordable, flexible financing options that carry a developmental risk premium. The Commercial Fund will cater to more commercially viable enterprises, aiming to provide market-aligned financing solutions that can stimulate growth through priority sector, high impact projects, while ensuring financial sustainability.

An expanded KCG system will enable small enterprises to secure loans through a broader range of finance providers to facilitate greater access to capital. KCG will be instrumental in attracting co-investment from both public and private financial institutions by leveraging capital through the Credit Guarantee mechanism.

KEY PROGRAMMES AND STRATEGIC INTERVENTIONS:

1) **Access to finance provided through:**

   a) Direct financing channel, including risk capital, co-investments, and equity investments.

b) Indirect financing channel, including wholesale, joint-ventures, credit guarantees (KCG), and co-operative enterprises.

2) **The Development Fund and Commercial Fund frameworks will collectively drive SEDFA's financial support with strapped-in business development support outcomes, enabling inclusive economic growth through tailored financing solutions.**

a) While the Development Fund prioritises developmental impact with quick turnaround times and a focus on underserved groups, the Commercial Fund targets high-impact, commercially viable projects with rigorous structuring to ensure long-term financial sustainability.

b) To be effective, both frameworks require advanced digital platforms and specialised management to maximise their effectiveness and impact.

3) **Establishment of the Development Fund Framework:**

a) Purpose: The Development Fund will provide developmental finance solutions, targeting start-up enterprises, supporting early-stage and selected high-impact projects through blended finance solutions to drive economic inclusion and job creation.

b) Financing instruments: Asset-based financing, working capital, bridging facilities, purchase order funding, and term loans tailored to targeted sectors.

c) Management: Primarily managed by regional offices, with Head Office involvement for strategic opportunities.

d) Quick turnaround: Enabled by automation and digitisation to ensure rapid processing.

e) Pricing and risk: Discounted product pricing with higher impairment risk tolerance, aligned with SEDFA's developmental mandate.

f) Funding threshold, at inception: Maximum R5 million per transaction.

g) **Funding programmes in support of the Development Fund:**

- Enhanced Township and Rural Partnership Programme: Contributing to the 200,000 small enterprises supported target set by the MTDP 2024-2029, through blended financing to enhance competitiveness and value chain participation.
- Youth Innovation Fund: Contributing to the 50,000 youth enterprises target set by the MTDP 2024-2029, through blended finance for youth-led start-ups. Focused on innovation and technology-driven enterprises.
- Wholesale Micro Lending Programme – Establishing microfinance institutions (MFIs) at the municipal level to extend credit access to micro-entrepreneurs and informal businesses.
- Co-operatives Financing Programme – Providing blended finance to support the growth and market expansion of established co-operatives (and CBIs) in priority sectors.
- Financing Programme for Entrepreneurs with Disability – Offering funding and tailored support to businesses owned by persons with disabilities and social enterprises serving this group.

- Spaza Shop Support Programme – Providing working capital and term loans to empower spaza shops with bulk purchasing, supply chain efficiency, and business support.
- Social Entrepreneurship Programme – Supporting social enterprises to address community challenges through innovative business models and impact-driven solutions.
- Small Enterprise Manufacturing Support Programme (SEMSP) – Funding small manufacturers with financial and non-financial support to enhance competitiveness and market access.
- Niche/Priority Sector and High-Impact Projects – Supporting strategic sectors such as cannabis, hemp, and agro-processing with blended financing and industry-specific interventions.

h) Derisking: Completion of one of SEDFA's Pre-Investment entrepreneurship development programmes, including a compliant business plan and BDS certification that financing application requirements have been met.

i) Critical enabler: Implementation of a Fintech solution (digital lending platform) to streamline and enhance the delivery of Development Fund programmes.

4) **Establishment of the Commercial Fund Framework:**

a) Purpose: The Commercial Fund will provide long-term commercial finance solutions, to commercially viable SMEs, enabling business expansion and sustainability.

b) Financing instruments: Debt, equity, risk capital, co-financing structures, franchise capital aimed at enabling SMEs active participation in priority sectors, and financing of commercial and industrial properties.

c) Management: Solely managed by Head Office, ensuring consistent oversight and execution of high-value transactions.

d) Turnaround and structuring: Turnaround times vary by deal complexity with extensive due diligence, project packaging, and deal structuring.

e) Pricing and returns: Market-based pricing to ensure a positive return on investment while balancing SEDFA's developmental and commercial objectives.

f) Funding threshold, at inception: Maximum R15 million per transaction.

g) **Funding programmes in support of the Commercial Fund:**

- Franchise Fund – Providing direct loan financing to entrepreneurs acquiring or expanding franchise businesses to minimise start-up risks.
- Joint Venture Funds – Supporting SME-focused investment funds in high-growth sectors such as the green economy and technology.
- Construction Fund – Offering wholesale funding to RFIs supporting construction sector SMEs for infrastructure and development projects.
- Equity Finance Fund – Facilitating equity investments in high-growth businesses with strong market potential and advanced technologies.

- Commercial and Industrial Property Finance Programme – Providing mortgage-backed loans to support the acquisition, development, and refurbishment of commercial properties.

h) Derisking: Track record of enterprise sustainability, including unencumbered cash contribution to the deal. Business development training, mentoring, and targeted capacitation.

i) Critical enabler: Development of systems and capabilities at Head Office to structure and manage high-value, high-impact deals, incorporating bespoke financial solutions.

5) **Implement an enhanced indirect financing channel framework:**

a) Purpose: The enhanced indirect financing channel will empower SEDFA to scale its impact by leveraging the expertise and reach of financial intermediaries. By collaborating with a broad partner network, SEDFA seeks to extend financing to underserved regions and groups, ensure operational efficiency, and mitigate credit risks.

b) Partner network: Collaborate with a diverse network of financial intermediaries, including microfinance institutions, CBIs, RFIs, and regional development agencies, to disburse funds efficiently.

c) Target groups: Focus on reaching rural enterprises, women, youth, and start-ups in priority industries, ensuring alignment with SEDFA's developmental mandate.

d) Customised products: Offer flexible financing solutions tailored to the needs of different enterprise segments, such as micro loans, credit guarantees, and blended financing.

e) Funding programmes, specifically, in support of the indirect financing channel:

- Regional Access Programme: Supporting small enterprises in rural and township areas through local intermediaries.
- Sector-specific Fund: Channelled through intermediaries to address financing gaps in priority sectors, for example, agriculture, renewable energy, and technology.
- Inclusive Growth Fund: Dedicated to financing enterprises owned by women, youth, and persons with disabilities, disbursed via specialised partners.
- Innovation and Start-up Fund: Targeted at start-ups and early-stage enterprises with high-growth potential, leveraging intermediary networks for risk-sharing.

f) Create a wider network of intermediaries:

- Digital platform: Develop an indirect lending digital ecosystem platform that allows seamless application, processing, and tracking of loans through finance intermediaries (for both microfinance institutions and RFIs). This will allow for better monitoring of funding that is in circulation, and to support new entrants with a Fintech solution.
- Regional and district partnerships: Establish strategic partnerships with local financial institutions and community organisations to extend the reach to underserved regions and sectors.

g) Transformation focuses on Black-owned intermediaries:

- Targeted recruitment and training: Launch recruitment drives specifically aimed at identifying and nurturing Black-owned intermediaries. Provide comprehensive BDS training programmes, covering financial management, compliance, and business development.

- Financial incentives and grants: Offer start-up grants, lower interest rates, and performance-based incentives to Black-owned intermediaries to level the playing field against established entities.

- Mentorship programmes: Pair new Black-owned intermediaries with experienced microfinance institutions for mentorship and guidance, facilitated through formal partnerships.

6) **Khula credit guarantees:**

An expanded credit guarantee system (KCG) will enable small enterprises to secure loans through a broader range of finance providers to facilitate greater access to capital. KCG will be instrumental in attracting co-investment from both public and private financial institutions by leveraging capital through the credit guarantee mechanism:

- Portfolio Credit Guarantee Partnerships Programme – Expanding access to finance by offering credit guarantees to Partner Financial Institutions (PFIs), unlocking SME funding opportunities.

- Supplier Credit Guarantee Programme – providing partial credit guarantees to suppliers, enabling SMEs to access trade finance and procurement opportunities by mitigating supplier payment risks.

SEDFA's success in enhancing access to finance will be measured by the total value of funding facilitated, the number of small enterprises financed, the value of credit guarantees utilised, and the capital leveraging ratio achieved through credit guarantees. This integrated approach will contribute to inclusive growth and job creation, equipping small enterprises with the resources needed to drive economic transformation across South Africa.

PRIORITIES RELATED TO WOMEN, YOUTH, AND PERSONS LIVING WITH DISABILITIES:

Targeted disaggregation of disbursements to small enterprises owned by disadvantaged groups will be 45% women-owned, 30% youth-owned, and 2% enterprises owned by persons with disabilities.

PRIORITIES RELATED TO SPATIAL TRANSFORMATION:

25% townships, 25% rural, 50% needs-based, aligned to DDM priorities and equitable spread of financial support interventions.

ANNUAL PERFORMANCE PLAN OUTPUTS TO DELIVER THE OUTCOME:

Access to finance provided through a both direct financing and indirect financing channel:

1) Small enterprises financed through the Development Fund.
2) Small enterprises financed through the Commercial Fund.
3) Small enterprises financed by PFIs at the back of the guarantee facility.

4) Small enterprises accessing credit from PFIs covered by the guarantee facility.

5) Turnaround time for lending managed.

1.3.6. Outcome 4.1. Increased Competitiveness and Sustainable Growth of Small Enterprises in Priority Sectors

CONTRIBUTION TO MTDP 2024-2029:

1) MTDP 2024-2029 Strategic Priority 1: Drive Inclusive Growth and Job Creation:

   a) Increased employment and work opportunities:

      - 273,000 jobs created; 1,606,500 jobs sustained.

   c) Accelerated growth of industrial and labour-intensive sectors.

   d) Enabling environment for investment and improved competitiveness through structural reforms:

      - 500,000 small enterprises supported financially and non-financially.

KEY GOVERNMENT STRATEGY/POLICY:

1) NISED Strategic Framework, Outcome 3 – Effective support and services delivered for small enterprise growth, both financial and non-financial:

   c) Delivery of better and targeted support to small enterprise demand needs and encourage entrepreneurship.

   d) Delivery of cost-effective support to small enterprises.

   e) NISED Game Changer – A major Supplier Development Partnership Programme (linked to private sector and public sector markets) and supported through incubators.

2) SMMEs and Co-operatives Funding Policy:

   a) Improve business development support by implementing the IBDS Policy (currently in draft) and increasing the number of incubators and digital hubs to cover underserved and unserved areas such as townships and rural areas.

3) IBDS Policy Framework (Draft):

   a) Increased participation of small enterprises from underserved areas in IBDS, *leading to increased participation in economic activities and narrowing gaps in service delivery*.

   b) Targeted, sector-specific IBDS that addresses industry needs and growth stages, *leading to faster scaling, improved innovation and greater competitiveness*.

   c) 100 enterprises in medicinal and industrial cannabis value chains.

STRATEGIC INTENT:

SEDFA aims to drive competitiveness and sustainable growth in South Africa's small enterprise sector by supporting viable SMEs, particularly in tradeable services and goods-producing sectors prioritised for development. Targeting post-investment stage businesses with proven track records and innovative start-ups, the focus is on enhancing growth potential through targeted interventions in priority value chains. SEDFA will also facilitate R&D to identify value chain opportunities, promote entrepreneurship, and promote innovation, with an emphasis on youth in technology-driven sectors.

Through coordinated project packaging, feasibility studies, and the development of bankable business plans, SEDFA will provide support for high-impact projects, accelerating market access, and localisation opportunities. Enhanced support will be provided to incubators and accelerators, including innovation funds and research and development initiatives, to strengthen the ecosystem for small enterprise development. By creating linkages with large enterprise supplier development programmes and supporting distressed businesses with restructuring interventions, SEDFA aims to create a competitive, resilient small enterprise sector that contributes to inclusive growth and job creation.

Sustainable growth is measured through post-investment management of the loan portfolio, ensuring high levels of collections, effective workouts and restructures for enterprises in distress, and growth financing for enterprises with a solid track record and plans for expansion.

Outcome indicators will track the growth of enterprises in priority sector value chains, increases in turnover, incubator graduation rates, export market participation, and the loan portfolio at risk, reflecting progress toward competitiveness and economic sustainability in the sector.

KEY PROGRAMMES AND STRATEGIC INTERVENTIONS:

1) **Facilitation of business development and capacity building:**

   a) Provide targeted business development support to enhance entrepreneurial skills, operational efficiency, and market access among small enterprises.

2) **Management of incubation and accelerator effectiveness in line with the IBDS Policy:**

   a) Establish performance benchmarks and regular evaluations to ensure that incubation and accelerator programmes deliver measurable outcomes in enterprise sustainability and growth.

3) **NISED Game Changers:**

   a) Implement the NISED Game Changer: Major Supplier Development Partnership Programme for strengthened linkages between small enterprises and larger firms to improve value chain participation.

   b) Contribute to the MTDP target: 4,367 enterprises products and services will be supported to either access domestic markets or exposed to international markets:

      - Local markets: Enhance small enterprise visibility and access to domestic customers.
      - Export markets: Provide training, certifications, and connections to global trade opportunities to boost export readiness.

4) **Post-investment management:**

   a) Monitoring: Establish robust mechanisms to track enterprise performance and ensure alignment with growth objectives.

   b) Collections: Maintain high collection rates through proactive engagement and support.

   c) Workout and restructure: Provide tailored solutions for enterprises in distress to enable recovery and continuity.

   d) Growth finance: Offer additional funding to enterprises with proven track records, supporting expansion and scaling.

5) **Establish targeted post investment, business growth and enterprise sustainability programmes, including:**

   a) SEDFA Enterprise Coaching Programme – Providing structured coaching to SMEs to enhance management competencies, foster peer learning, and improve business performance.

   b) Senior Expert Service (SES) – Offering hands-on mentorship and technical expertise from international specialists to address SMEs' operational challenges and enhance competitiveness.

   c) Export Development Programme – Supporting SMEs in developing export capabilities through training, product development, market access, and strategic partnerships.

   d) Enterprise Supplier Development (ESD) Programme – Strengthening SMEs by enhancing their procurement readiness and integrating them into corporate and public sector supply chains.

   e) Post Investment Management Programme – Ensuring sustainability of funded businesses through monitoring, collections, and restructuring to mitigate financial risks.

   f) Productivity Improvement Programme – Implementing interventions such as lean manufacturing, waste management, and production optimisation to boost SME efficiency and competitiveness.

   g) Quality Standards Improvement Programme – Assisting SMEs in achieving international quality certifications (e.g., ISO, HACCP) to improve product standards and market access.

PRIORITIES RELATED TO WOMEN, YOUTH, AND PERSONS LIVING WITH DISABILITIES:

Targeted disaggregation of non-financial support to small enterprises owned by disadvantaged groups will be 45% women-owned, 30% youth-owned, and 2% enterprises owned by persons with disabilities.

PRIORITIES RELATED TO SPATIAL TRANSFORMATION:

25% townships, 25% rural, 50% needs-based, aligned to DDM priorities and equitable spread of financial support interventions.

ANNUAL PERFORMANCE PLAN OUTPUTS TO DELIVER THE OUTCOME:

1) Post investment managed

2) Priority sector and high impact growth projects supported.
3) Mentorship, training, and capacity building provided
4) Quality and productivity improvement interventions provided
5) Small enterprises linked to domestic and export markets.

1.3.7. Outcome 5.1. An Innovative, Sustainable, and Well-Governed Agency

CONTRIBUTION TO MTDP 2024-2029:

1) MTDP 2024-2029 Strategic Priority 3: Build a capable, ethical and development state:
    a) Rebuild the capability of the state and create a professional public service.
    b) Digital transformation across the state.

STRATEGIC INTENT:

SEDFA seeks to advance a capable, ethical, and developmental small enterprise ecosystem by prioritising the creation of a high-performance workforce and investing in the technology, infrastructure, and financial resources essential to leading sustainable small enterprise development. Through a diverse, skilled, and inclusive workforce, supported by continual learning and an agile, adaptable culture, SEDFA will drive innovation and resilience within priority sectors. Integrated technology systems and processes, transparent operations and robust cybersecurity, the intention is to enable scalable and efficient support for small enterprises, promoting trust and accountability within the ecosystem.

Leveraging 4IR technologies in collaboration with innovators, SEDFA aims to drive product and service advancements that meet evolving market needs. This will include the establishment of an Innovation Design Centre over the medium to longer-term dedicated to developing technology-driven products and services, leveraging AI to enhance the small enterprise sector. This centre will focus on identifying market needs and creating AI-powered solutions that increase productivity, efficiency, and competitiveness for small enterprises.

SEDFA’s dedication to strong governance and strategic risk management will ensure ethical compliance and sustainable practices, with an emphasis on ESG integration. Relationships with stakeholders will be strengthened through a customer-centric approach and strategic partnerships, while community and stakeholder engagement will mobilise local support.

Outcome indicators will measure SEDFA’s impact in terms of audit outcomes, financial ratios, property portfolio yield, digital product launches, stakeholder satisfaction, and staff productivity, reflecting progress toward the outcome of an innovative and sustainable, well-governed agency that is positioned as the leading small enterprise development and finance agency in South Africa.

KEY PROGRAMMES AND STRATEGIC INTERVENTIONS:

Outcomes	Key Programmes and Strategic Initiatives
<u>Outcome 5.1.</u> **An innovative and sustainable, well-governed agency**	▪ Review and update financial policies, key one being the Cash Investment Policy ▪ Appointment of an outsourced treasury function ▪ Establishment of human capital policies and programmes ▪ ICT / digital transformation strategy and implementation plan, prioritising the AI-powered digital platform and business support system ▪ Property turnaround and/or divestment strategy ▪ Enterprise risk management framework ▪ Governance and internal controls policies and procedures ▪ Facilities management strategy and plan ▪ Stakeholder management strategy and implementation plan ▪ Fraud prevention and management framework.

ANNUAL PERFORMANCE PLAN OUTPUTS TO DELIVER THE OUTCOME:

1) Sound financial management and internal controls implemented
2) Financial sustainability managed
3) Digital systems implemented
4) Knowledge and strategic research reports produced
5) New SEDFA products and services piloted
6) Organisational performance, culture, and capabilities developed
7) Fraud prevented and managed.

2. KEY RISKS AND MITIGATIONS

Outcome	Key Risk	Risk Mitigation
Outcome 1.1. **Increased effectiveness of ecosystem support and services for small enterprises**	▪ Limited access to SEDFA services by small enterprises. ▪ Insufficient resources to deliver on planned initiatives. ▪ Inability of small enterprises to produce a desired quality.	▪ Conduct needs analysis for rural and township-based businesses and craft interventions that are suitable to their needs. ▪ Expand service access points. ▪ Leverage funding from partners. ▪ Provide mentoring and coaching, including quality testing and certification interventions.
	▪ Inadequate business growth. ▪ Limited access by small enterprises to opportunities, as well as barriers to participate in priority sectors. ▪ Non-alignment of SEDFA offerings to the market.	▪ Identify small enterprises in high growth sectors and support them. ▪ Enable support through business linkages. ▪ Conduct small enterprises needs analysis and benchmark with the market.
Outcome 1.2. **Increased access to financial services and economically transformed communities through co-operative banking**	Insufficient financial resources which may lead to not being able to achieve the mandate.	▪ Partnering with other stakeholders and setting up MOUs to leverage off existing resources. ▪ Reduce the cost to income ratio.
	Inadequate understanding of the mandate by stakeholders.	▪ Rebrand the Co-operative Banking Model and create awareness through an electronic presence. ▪ Define a business case for the Stabilisation Fund and operationalise the funding to sustain the CBIs. ▪ Conduct a feasibility study and develop a business case for a CBI Incubation Programme. ▪ Form partnerships to leverage on existing stakeholder incubation programmes and/or resources for implementation.
	Delays in implementation of technology solutions to modernise CBI operations due to dependencies on National Treasury processes and shared functions.	▪ Source technological solutions for the CBIs through strategic partnerships in the private and public sector.
	Reputational damage to through:	▪ Allow CFIs to become part of deposit insurance or to implement the stabilisation fund.

Outcome	Key Risk	Risk Mitigation
	▪ CBIs inability to sustain themselves and meet the needs of their members. ▪ Ineffective/no assistance provided to distressed CBIs. ▪ Lack of confidence and trust in CBIs. ▪ Decline in growth and deregistration of CBIs resulting in non-existence of sector.	▪ Engaging with stakeholders and partners for assistance.
<u>**Outcome 2.1.**</u> **Small enterprise sector growth and increased participation in the economy**	▪ Poorly designed initiatives. ▪ Lack of market development. ▪ Lack of industry standards and requirements. ▪ Limited buy-in from big co-operatives.	▪ Develop industry standards through collaboration. ▪ Identify co-operatives that can benefit from SEDFA interventions.
<u>**Outcome 3.1.**</u> **Adequate capital to fund the growth and development of small enterprises at scale** <u>**Outcome 3.2.**</u> **Enhanced access to finance by small enterprises**	Inability to generate the desired uptake of loan financing by new and existing clients: ▪ Limited technological interface between SEDFA and potential customers and applicants. ▪ Limited budget allocation.	▪ Exploration of technological advancements for a more user-friendly application process for clients. ▪ Refine the loan origination process and technology support for clients to track their loan applications. ▪ Engage various government departments and municipalities for small enterprise support incentives and funding.
	Inadequate customer centricity, stakeholder focus and brand visibility.	▪ Develop product based on clearly defined market failures and SEDFA's interventions. ▪ Strengthen sectorial research and knowledge management capabilities.
<u>**Outcome 4.1.**</u> **Increased competitiveness and sustainable growth of small enterprises in priority sectors**	▪ Failure to integrate technology with ecosystem partners. ▪ Insufficient collaboration from the public and private sector.	▪ Identify win-win benefits for SEDFA and targeted partners. ▪ Actively pursue stakeholder engagement.
<u>**Outcome 5.1.**</u> **An innovative, sustainable, and well-governed agency**	Going concern risk: ▪ Increasing PAR in lending and investment.	▪ Implement more stringent credit criteria on larger loans. ▪ Explore additional capital raising initiatives through corporate ESD programmes, donors, and government departments with small enterprises support programmes.

Outcome	Key Risk	Risk Mitigation
	Inadequate debt management: ▪ Poor attitude by clients towards government funding (absence of urgency to settle debts). ▪ Absence of clear definitive investment and recovery strategy. ▪ Inadequate early warning triggers/alerts monitoring tools to identify or highlight near defaulting or overdue clients.	▪ Sensitise clients on the mandate and role of government in providing support. ▪ Develop a strategy to deal with old, doubtful, and irrecoverable debt. ▪ Develop and implement a system to automate the monitoring of debt proactively. ▪ Implement fraud mitigation plans.
	Unmet targets in leveraging assets and raising capital: ▪ Poor asset base. ▪ Property portfolio attracting very high utility bills (water and electricity). ▪ Regulatory limitations and restrictions on leveraging assets.	▪ Implementation of a turnaround strategy for the property portfolio. ▪ Incorporate clauses on recoveries in lease agreements. ▪ Development of a strategy to raise increased capital in the new merger. ▪ Insure SEDFA properties against destruction and vandalism.
	▪ Lack of SEDFA innovation strategy. ▪ Inadequate ICT systems and infrastructure. ▪ Incoherent performance-focused culture. ▪ Lack of skills alignment with organisational goals. ▪ High dependency on service providers. ▪ Uncertainty of organisational efficiency post-merger.	▪ Develop and implement a SEDFA Innovation Plan. ▪ Identify required infrastructure and consolidate resources to develop or acquire it. ▪ Identify skills deficiencies and develop a skills plan to mitigate deficiencies. ▪ Identify service provider replacement through capacity increases and skills development. ▪ Implement and monitor SMART Performance Measures
	Inadequate responsiveness to changes in the environment: ▪ Volatile global climate changes and disrupting client's businesses. ▪ Prevalence of recent socioeconomic factors i.e. loadshedding, building explosions, etc.	▪ Conduct periodic business impact analysis and business continuity plan testing.
	Impaired ICT security and cyberattacks: ▪ Cyber hacking and phishing. ▪ Lack of ethical and responsible use of information by staff.	▪ Properly configure Microsoft Level 5 across the board. ▪ Obtain cyber insurance.

Outcome	Key Risk	Risk Mitigation
	▪ Non-adherence to good corporate governance standards. ▪ Financial crimes and unethical business practices.	▪ Conduct periodic fraud risk and ethics risk assessments and audits. ▪ Ongoing fraud, ethics and financial crimes training and awareness.
	Non-compliance with legal, contractual, and regulatory obligations: ▪ Non-adherence to relevant legislation requirements and applicable organisational policies.	▪ Improvement in compliance risk monitoring. ▪ Periodic training on latest legislative developments. ▪ Benchmark with industry peers for best practices.
	Suboptimal business performance: ▪ Frequent changes in leadership positions resulting to instability. ▪ Disruptions to operations during the transitional phase. ▪ Inadequate human capital capacity and capability.	▪ Provide upskilling and technical training for staff. ▪ Development of a competency framework for all job levels. ▪ Development of structures and approval of foundational policies during transition. ▪ Consolidate the merger process and provide regular feedback to staff on the progress of the merger.

3. PUBLIC ENTITIES

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

Name of Subsidiary / Public Entity	Mandate / Purpose	Subsidiary Outcomes
1. KCG	To issue a range of credit guarantee products to lenders (commercial banks and other financial institutions) for small enterprise borrowers whose access to finance is impeded by the fact that they do not have collateral required by the lenders.	1) Enhanced access to finance by small enterprises. 3) A financially sustainable organisation. 4) Leveraged strategic assets and capital raising. 5) Sound governance and a high-performance organisation.
2. KBP	To leverage the property portfolio to support SEDFA's sustainability, ensure property capital value preservation, and efficiently manage the properties to support small enterprises.	2) Enhanced service delivery and stakeholder satisfaction. 3) A financially sustainable organisation. 4) Leveraged strategic assets and capital raising. 5) Sound governance and a high-performance organisation.

PART D: TECHNICAL INDICATOR DESCRIPTIONS

1. OUTCOME 1.1. – INCREASED EFFECTIVENESS OF ECOSYSTEM SUPPORT AND SERVICES FOR SMALL ENTERPRISES

Indicator title O1.1.1.	**Small enterprises ecosystem effectiveness index (SEEEI)**
Definition	The SEEEI is a composite weighted indicator that measures the effectiveness of the small enterprise development ecosystem. It evaluates the performance and impact of the ecosystem through five dimensions: growth in registered ecosystem partners, service quality, sustainability of service providers, accessibility via omnichannel entry points, and growth in business development support (BDS), incubation, and financial services (FS) offerings. *(These dimensions may change, and weightings adjusted over time).*
Source of data	▪ Registration and reporting records of ecosystem partners. ▪ Surveys and feedback from small enterprises on service quality. ▪ Financial and operational reports of service providers. ▪ Omnichannel platform analytics and geographical spread data. ▪ Records of BDS, incubation, and FS offerings from ecosystem partners.
Method of calculation or assessment	**SEEEI=w1·GEP+w2·QSP+w3·FOS+w4·OCA+w5·GSF** Where, ▪ **GEP**: Growth in Ecosystem Partners (% increase in registered and reporting partners). ▪ **QSPQSP**: Quality of Services Provided (average satisfaction score or rating). ▪ **FOSFOS**: Financial and Operational Sustainability (% of sustainable service providers). ▪ **OCAOCA**: Omnichannel Accessibility (weighted score based on number, geographical spread, and seamlessness of entry points). ▪ **GSFGSF**: Growth in Services Offered (BDS, incubation, and FS % increase). ▪ **w1, w2, w3, w4, w5, w1, w2, w3, w4, w5**: Weights assigned to each dimension based on its relative importance to ecosystem effectiveness.
Assumptions	▪ Methodology and reporting tools will be established in year one, and progress assessed annually. ▪ Registered ecosystem partners accurately report data and adhere to reporting standards. ▪ Beneficiary feedback and surveys reflect the true quality of services. ▪ Service providers' financial and operational data are reliable and timely. ▪ Omnichannel data capture is robust and captures geographical reach comprehensively. ▪ Growth in services offered aligns with ecosystem development priorities.
Disaggregation of beneficiaries (where applicable)	Data is disaggregated by: ▪ Women, youth, and persons with disabilities

	▪ Location (urban, township, rural). ▪ Business size (micro, small, medium).
Spatial transformation (where applicable)	Focus on services offered in township and rural areas, measuring the geographical spread and inclusivity of ecosystem interventions.
Desired performance	Higher than targeted performance is desired
Indicator responsibility	Executive: Ecosystem and Stakeholder Management

Indicator title O1.1.2.	**Number of small enterprises supported financially and non-financially**
Definition	The indicator tracks the total number of small enterprises receiving financial and non-financial support from Business Development Services (BDS), Financial Services (FS), and ecosystem partners. It reflects the breadth of SEDFA's reach in enhancing the growth and sustainability of small enterprises within the ecosystem.
Source of data	▪ Records from SEDFA BDS and FS business units. ▪ Reports from ecosystem partners detailing supported enterprises. ▪ Records from online portal / DIMS
Method of calculation or assessment	Total supported = BDS beneficiaries + FS beneficiaries + Ecosystem partner beneficiaries. *Multiple counts are permissible for enterprises receiving support from various providers.*
Assumptions	All providers maintain accurate and consistent records, verifiable through reports or system logs.
Disaggregation of beneficiaries (where applicable)	Women, youth and persons with disabilities in line with government’s transformation objectives, per MTDP.
Spatial transformation (where applicable)	Townships and rural areas.
Desired performance	Higher than targeted performance is desired
Indicator responsibility	Executive: Ecosystem and Stakeholder Management. SEDFA data from BDS, and Lending and Investment.

Indicator title O1.1.3.	**Number of jobs facilitated by supported small enterprises in the ecosystem**
Definition	The indicator measures the total number of jobs directly facilitated through interventions by SEDFA and ecosystem partners, disaggregated into: ▪ **Created jobs:** New employment opportunities generated as a result of financial and non-financial support provided to small enterprises. ▪ **Sustained jobs:** Existing jobs maintained by small enterprises supported to remain operational and viable.

	The jobs may be full-time equivalent (FTE) jobs, temporary, or permanent jobs.
Source of data	Data from SEDFA's client monitoring systems, reports submitted by supported enterprises, and job facilitation surveys.
Method of calculation or assessment	Total jobs facilitated = Jobs created + sustained by SEDFA (BDS and FS) and Registered Ecosystem Partners.
Assumptions	▪ Supported enterprises accurately report employment data. ▪ Jobs are counted as "created" only when they meet predefined criteria (e.g., FTE, permanent or long-term temporary employment). ▪ "Sustained jobs" are valid only if the business demonstrates continued operational viability.
Disaggregation of beneficiaries (where applicable)	Women, youth and persons with disabilities, per MTDP targets.
Spatial transformation (where applicable)	Urban, townships, rural spread.
Desired performance	Higher than targeted performance is desired.
Indicator responsibility	Executive: Ecosystem and Stakeholder Management. SEDFA data from BDS, and Lending and Investment.

2. OUTCOME 1.2. – INCREASED ACCESS TO FINANCIAL SERVICES AND ECONOMICALLY TRANSFORMED COMMUNITIES THROUGH CO-OPERATIVE BANKING

Indicator title O1.2.1.	**Number of co-operative banking members**
Definition	The indicator measures the total number of individuals and entities who are active members of co-operative banks supported by SEDFA. It reflects the reach and inclusivity of co-operative banking in promoting financial inclusion and economic participation, particularly in underserved communities.
Source of data	Prudential Authority Annual Report
Method of calculation or assessment	Number reflected in the PA Annual Report
Assumptions	The CBI model and value proposition are clearly articulated and marketed.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Reporting cycle	Annually

Desired performance	Higher than targeted performance is desired
Indicator responsibility	Executive: BDS

Indicator title O1.2.2.	**Value of co-operative banking member deposits**
Definition	The indicator measures the total monetary value of deposits held by members in co-operative banks supported by SEDFA. It reflects the financial health, trust, and growth of co-operative banking institutions in promoting savings and financial inclusion.
Source of data	Prudential Authority Annual report
Method of calculation or assessment	Value of member deposits reflected in the PA Annual report
Assumptions	CBIs and Co-operative Banks offer their members attractive products which encourage savings.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Higher than targeted performance is desired
Indicator responsibility	Executive: BDS / Head: Co-operative Banking Development and Management

Indicator title O1.2.3.	**Number of CBIs registered by the Prudential Authority**
Definition	The indicator measures the total number of CBIs registered and licensed by the Prudential Authority (PA) within a given reporting period. It reflects the formalisation and regulatory compliance of CBIs, enabling their integration into the financial sector by meeting prudential and operational requirements for registration.
Source of data	Prudential Authority website, confirming official registration and licencing.
Method of calculation or assessment	Simple count
Assumptions	Applicants meet the minimum requirements for registration and licencing.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Higher than targeted performance is desired

Indicator responsibility	Executive: BDS / Head: Co-operative Banking Development and Management

3. OUTCOME 2.1. – SMALL ENTERPRISE SECTOR GROWTH AND INCREASED PARTICIPATION IN THE ECONOMY

Indicator title O2.1.1.	**Growth rate of new small enterprises established**
Definition	The indicator measures the percentage increase in the number of new small enterprises established within a specified reporting period, reflecting the effectiveness of interventions in promoting entrepreneurship and supporting start-ups.
Source of data	▪ Business registration records, e.g., CIPC. ▪ Data from ecosystem partners, incubators, and accelerators. ▪ Surveys or self-reported data from supported enterprises. ▪ SEDFA's digital portal / monitoring and evaluation system.
Method of calculation or assessment	Growth rate (%) = (New enterprise current period – New enterprises previous period) / New enterprises previous period x100. *Note: If no baseline data is available, use the total number of new enterprises established during the year one reporting period as an initial benchmark.*
Assumptions	Accuracy and consistency of business registration and reporting data. All new enterprises fall within the definition of "small enterprises", per the NSEAA.
Disaggregation of beneficiaries (where applicable)	Women, youth, and persons with disabilities (per MTDP targets)
Spatial transformation (where applicable)	Prioritisation of township and rural
Desired performance	Higher than targeted performance is desirable.
Indicator responsibility	Executive: BDS

Indicator title O2.1.2.	**Survival rate of supported small enterprises**
Definition	The indicator measures the percentage of small enterprises supported by SEDFA that remain operational and sustainable after a defined period of 2 years. It reflects the effectiveness of support interventions in enhancing the resilience and longevity of small enterprises.
Source of data	▪ Self-reported data from supported enterprises. ▪ Digital portal tracking enterprise status – lifecycle case management. ▪ Third-party surveys or external audits. ▪ Ecosystem partner records on business continuity.

Method of calculation or assessment	Survival rate (%) = (Number of operational enterprises at two-year period end / Total number of enterprises supported over the two-year period) x 100
Assumptions	▪ The operational definition of "survival" includes criteria such as active trading, meeting regulatory obligations, and financial viability. ▪ Enterprises provide accurate data on their operational status.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Higher than targeted performance is desirable.
Indicator responsibility	Executive: BDS

4. OUTCOME 3.1. – ADEQUATE CAPITAL TO FUND THE GROWTH AND DEVELOPMENT OF SMALL ENTERPRISES AT SCALE

Indicator title O3.1.1.	**Rand value of capital raised (all-in)**
Definition	The indicator measures the total Rand value of capital raised by SEDFA to support small enterprises through its Development Fund, Commercial Fund, and Credit Guarantee Fund (KCG). It reflects SEDFA's effectiveness in resource mobilisation to meet strategic financial targets and ensure sustainability and impact of its initiatives. *Source of capital: Government, DFIs, institutional investors, private equity, venture capital, ESG funds, bonds.*
Source of data	▪ Financial records and reports from SEDFA's investment team. ▪ Agreements with funding partners (e.g., government departments, DFIs, institutional investors, private equity firms). ▪ Capital mobilisation contracts or commitment letters.
Method of calculation or assessment	Sum of all capital raised during the reporting period: ▪ Development fund + Commercial Fund + KCG
Assumptions	▪ Reporting is based on confirmed agreements or actual funds received, excluding unconfirmed commitments. ▪ SEDFA's investment team has the capacity and resources to mobilise targeted capital effectively.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable

Desired performance	Higher than targeted performance is desirable.
Indicator responsibility	Chief Investment Officer

Indicator title O3.1.2.	**Rand value of net loan book**
Definition	The indicator measures the total Rand value of SEDFA's net loan book, representing the outstanding balance of loans disbursed to small enterprises, adjusted for provisions for credit losses. It reflects the performance, growth, and financial sustainability of SEDFA's lending portfolio. *New loan book, from inception (1 October 2024)*
Source of data	▪ Financial management systems and loan management systems. ▪ Annual financial reports. ▪ Audited financial statements.
Method of calculation or assessment	Rand value of net loan book = Gross loan book (outstanding loans) – Provisions for credit losses
Assumptions	▪ Loan data is up-to-date and accurately reflects the outstanding balances and provisions. ▪ Provisions for credit losses are calculated using established accounting standards and practices. ▪ Loan repayments and disbursements are consistently tracked.
Disaggregation of beneficiaries (where applicable)	▪ Borrower Type: Micro, small, and medium enterprises. ▪ Demographics of Borrowers: Women, youth, persons with disabilities.
Spatial transformation (where applicable)	Urban, township, and rural.
Desired performance	Higher than targeted performance is desirable.
Indicator responsibility	Chief Investment Officer

Indicator title O3.1.3.	**Loan impairment ratio:** **i) Development fund** **ii) Commercial fund**
Definition	The loan impairment ratio measures the proportion of impaired loans to the total loan book for SEDFA's **Development Fund** and **Commercial Fund**. It indicates the quality of the loan portfolio, and the level of credit risk associated with lending activities.
Source of data	▪ Loan management systems. ▪ Financial reports detailing loan performance. ▪ Provisions for credit losses as per International Financial Reporting Standards (IFRS) / SEDFA's Investment and Credit Risk Policy.

Method of calculation or assessment	Loan impairment ratio (%) = (Impaired loans / Gross loan book) x 100 Where: ▪ Impaired Loans: Total outstanding loans classified as impaired (ECL Stage 3). ▪ Gross Loan Book: Total outstanding loan balance before provisions for credit losses. ▪ Ratios for the Development Fund and Commercial Fund are calculated independently based on their respective portfolios.
Assumptions	▪ Impaired loans are identified and classified according to SEDFA's Investment and Credit Risk Policy. ▪ Loan book data is accurate and up to date. ▪ Impairment provisions are consistently applied across the two funds.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Lower than targeted performance is desired.
Indicator responsibility	Executive: Credit and Risk

Indicator title O3.1.4.	**Rand value of specialised funds managed**
Definition	The indicator measures the total Rand value of specialised third-party funds managed by SEDFA on behalf of external entities, such as government departments or other stakeholders. The funds are earmarked for specific purposes, such as sector-specific development, and demonstrate SEDFA's capacity to act as a trusted fund manager.
Source of data	▪ Agreements or contracts for fund management with third-party entities. ▪ Financial records and statements for each fund. ▪ Reports submitted to fund owners (e.g., government departments).
Method of calculation or assessment	Total fund value (Rands) = Sum of Rand value of each specialised fund managed.
Assumptions	▪ All funds under management are governed by formal agreements specifying their purpose and value. ▪ New funds are secured in line with SEDFA's five-year capital raising targets.
Disaggregation of beneficiaries (where applicable)	Sector-specific, e.g., tourism, agriculture, science and technology.
Spatial transformation (where applicable)	Tracks funds allocated for township and rural development or other spatial transformation priorities.
Desired performance	Higher than targeted performance is desired.

Indicator responsibility	Chief Investment Officer

5. OUTCOME 3.2. – ENHANCED ACCESS TO FINANCE BY SMALL ENTERPRISES

Indicator title O3.2.1.	**Rand value of funding facilitated to the economy**
Definition	The indicator measures the total Rand value of funding facilitated by SEDFA to small enterprises through direct channels (e.g., loans, equity investments) and indirect channels (e.g., funding through intermediaries in the ecosystem or third-party funds). It reflects SEDFA's contribution to supporting small enterprise development and driving economic growth.
Source of data	Loan and equity investment disbursement records. Financial reports from intermediaries.
Method of calculation or assessment	Total funding facilitated (Rands) = Direct Funding + Indirect Funding + Equity Investments ▪ Direct Funding: Loans and grants provided directly to small enterprises by SEDFA. ▪ Indirect Funding: Funding provided through ecosystem partners, intermediaries, or third-party funds managed by SEDFA. ▪ Equity Investments: The total value of equity capital invested in small enterprises by SEDFA or facilitated through co-investment structures.
Assumptions	▪ Funding data is accurate and reflects the full value of resources disbursed or facilitated. ▪ Indirect funding through partners is accurately reported. ▪ Equity investments are valued consistently based on contribution amounts.
Disaggregation of beneficiaries (where applicable)	Women, youth and persons with disabilities, aligned to MTDP targets.
Spatial transformation (where applicable)	Tracks funding facilitated to enterprises in township and rural areas.
Desired performance	Higher than targeted performance is desired.
Indicator responsibility	Chief Investment Officer

Indicator title O3.2.2.	**Value of credit guarantees taken up**
Definition	A measurement against the set target, of the Rand amount of loans granted by Participating Financial Institutions (PFIs), through credit guarantees issued to lenders for SMME borrowers (beneficiaries) through PFI channels. The indemnities amount (guarantee cover to PFIs) is the amount approved as per the Guarantee Agreement, exclusive of VAT.

Source of data	Indemnity application form from PFIs.
Method of calculation or assessment	CCYY-YY Achievement = (Q1 Actual + Q2 Actual + Q3 Actual + Q4 Actual) of Total Taken Ups through KCG.
Assumptions	Guarantees directly facilitate financing that would otherwise be inaccessible to small enterprises.
Disaggregation of beneficiaries (where applicable)	Women, youth and persons with disabilities.
Spatial transformation (where applicable)	Tracks guarantees utilised by enterprises in township and rural areas to support spatial transformation and financial inclusion objectives.
Desired performance	Higher than targeted performance is desired.
Indicator responsibility	Chief Investment Officer / HOD: Khula Credit Guarantee

6. OUTCOME 4.1. – INCREASED COMPETITIVENESS AND SUSTAINABLE GROWTH OF SMALL ENTERPRISES IN PRIORITY SECTORS

Indicator title O4.1.1.	**Percentage growth in small enterprises supported in identified priority sector value chains**
Definition	The indicator measures the year-on-year percentage increase in the number of small enterprises supported by SEDFA within identified priority sector value chains. It reflects SEDFA's focus on driving sector-specific growth and enhancing value chain participation by small enterprises.
Source of data	▪ SEDFA's internal records of supported small enterprises. ▪ Reports from ecosystem partners, incubators, and accelerators. ▪ Sector-specific databases or value chain mapping reports.
Method of calculation or assessment	Percentage growth (%) = (Enterprises supported in current period – Enterprises supported in the previous period) / Enterprises supported in the previous period x 100 *Aligned to priority sector value chains identified for the planning period, for example, tradeable services, good producing industries, renewable energy, cannabis, etc.*
Assumptions	Priority sectors are clearly identified and planned for each period.
Disaggregation of beneficiaries (where applicable)	Women, youth and persons with disabilities, per MTDP.
Spatial transformation (where applicable)	Per District Development (DDM) priorities – targeting regional priority sectors with a comparative advantage.
Desired performance	Higher than targeted performance is desired.

Indicator responsibility	Executive: BDS

Indicator title O4.1.2.	**Percentage of enterprises directly supported with growth in turnover by 5% per annum**
Definition	The indicator measures the percentage of small enterprises directly supported by SEDFA that achieve at least a 5% annual growth in turnover. It reflects the effectiveness of SEDFA's support in facilitating business growth and sustainability.
Source of data	▪ Financial statements or turnover reports submitted by supported enterprises.
Method of calculation or assessment	**Percentage of enterprises achieving growth:** Percentage of enterprises (%) = (Number of enterprises with turnover growth >= 5% / Total number of directly supported enterprises) x 100. **Assess turnover growth for each supported enterprise by comparing the current year's turnover to the previous year's turnover:** Turnover growth (%) = (Turnover for current year – Turnover for previous year) / Turnover for previous year x 100 ▪ Include only those enterprises achieving a turnover growth of 5% or more.
Assumptions	▪ Enterprises provide accurate and reliable turnover data. ▪ Turnover growth is directly influenced by SEDFA's interventions (e.g., funding, BDS, or ecosystem support). ▪ Baseline turnover data is available for all enterprises.
Disaggregation of beneficiaries (where applicable)	Women, youth, and persons with disabilities, per MTDP
Spatial transformation (where applicable)	Tracks the percentage of enterprises in township and rural areas achieving turnover growth, aligning with spatial transformation and local economic development priorities.
Desired performance	Higher than targeted performance is desired.
Indicator responsibility	Executive: BDS

Indicator title O4.1.3.	**Percentage of total incubated small enterprises graduating per annum**
Definition	The indicator measures the proportion of small enterprises that successfully complete incubation programmes managed or supported by SEDFA within a year. Graduation signifies that enterprises have achieved predefined criteria, such as financial viability, operational independence, or readiness to scale.
Source of data	▪ Records from SEDFA-supported incubation programmes. ▪ Reports from incubation centres and ecosystem partners.
Method of calculation or assessment	Graduation percentage (%) = (Number of graduated enterprises / Total number of incubated enterprises) x 100

Assumptions	Predetermined criteria for graduation is documented and agreed with incubators, for example: ▪ Financial sustainability or profitability. ▪ Ability to secure external funding or contracts. ▪ Readiness for independent operation or scaling. ▪ Achievement of incubation-specific milestones (e.g., revenue targets, operational capacity).
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Targeted performance is desired.
Indicator responsibility	Executive: BDS

Indicator title O4.1.4.	**Percentage of supported enterprises exporting per annum**
Definition	The indicator measures the proportion of small enterprises supported by SEDFA that successfully export goods or services within a year. It reflects the impact of SEDFA's interventions in enabling small enterprises to access international markets and contribute to export-led economic growth.
Source of data	▪ Self-reported data from supported enterprises. ▪ Records from trade facilitation programmes and export initiatives.
Method of calculation or assessment	Exporting percentage (%) = (Number of exporting enterprises / Total number of supported enterprises) x 100
Assumptions	▪ An enterprise is considered exporting if it generates revenue from the sale of goods or services to markets outside South Africa within the reporting period. ▪ Exporting enterprises meet compliance and regulatory requirements for international trade. ▪ SEDFA's support is directly linked to the enterprises' ability to export.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Higher than targeted performance is desired.
Indicator responsibility	Executive: BDS

Indicator title O4.1.5.	**Percentage of loan portfolio at risk**

Definition	The indicator measures the proportion of SEDFA's total loan portfolio at risk of default, specifically loans that are overdue beyond the Expected Credit Loss (ECL) Stage 3 threshold of 90 days. It reflects the financial health of the portfolio and the effectiveness of SEDFA's collections, portfolio, and credit risk management.
Source of data	▪ Loan management systems. ▪ Financial reports detailing overdue loans and repayment performance.
Method of calculation or assessment	Portfolio at risk (%) = (Outstanding balance of loans overdue / Total outstanding loan portfolio) x 100
Assumptions	Overdue loans are appropriately classified based on the defined threshold of 90 days (ECL Stage 3). The loan portfolio is only for the new loan book, since SEDFA inception on 1 October 2024.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Lower than targeted performance is desired.
Indicator responsibility	Executive: BDS

7. OUTCOME 5.1. – AN INNOVATIVE, SUSTAINABLE, AND WELL-GOVERNED AGENCY

Indicator title O5.1.1.	**External audit outcome**
Definition	The indicator reflects the results of the external audit of SEDFA's financial statements, internal controls, performance information, and compliance with applicable laws and regulations. It serves as a measure of SEDFA's governance, financial integrity, and operational transparency.
Source of data	AGSA audit report and management letter.
Method of calculation or assessment	Per AGSA audit report: unqualified, unqualified with findings, qualified, adverse, or disclaimer.
Assumptions	Management addresses any findings from previous audits to improve future outcomes.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable

Desired performance	Unqualified audit outcome.
Indicator responsibility	Chief Financial Officer / All Executives

Indicator title O5.1.2.	**Cost to income ratio**
Definition	The cost to income ratio measures the efficiency of SEDFA in managing its operational expenses relative to its income. It reflects the proportion of operating costs incurred for every Rand of income generated, serving as a key indicator of financial sustainability and operational efficiency.
Source of data	Financial statements, including the income statement and operational expenditure reports.
Method of calculation or assessment	Cost to income ratio (%) = (Total operating costs / Total income) x 100 ▪ Total Operating Costs: Include all operating expenses such as salaries, administrative costs, infrastructure, and other overheads. ▪ Total Income: Include all revenue streams such as interest income, fees, grants, and other operating income.
Assumptions	Accuracy of financial information.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Lower than targeted performance is desirable.
Indicator responsibility	Chief Financial Officer

Indicator title O5.1.3.	**Percentage growth in net loan book**
Definition	This target reflects SEDFA's commitment to expanding its loan portfolio and provide effective support to small enterprises. The agency's targeted growth over five years demonstrates a balanced strategy for promoting the growth and sustainability of supported small enterprises.
Source of data	The loan portfolio: new loan book, since SEDFA inception compared to the end of term loan book.
Method of calculation or assessment	▪ Loan book growth measured in percentage terms: o Loan book at inception - loan book at end of term / loan book at inception X 100
Assumptions	▪ SEDFA has adequate capital to extend loans. ▪ Diversification of funding sources by leveraging strategic partnerships.

Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Achievement of targeted performance is desirable.
Indicator responsibility	Chief Financial Officer

Indicator title O5.1.4.	**Yield on Property Portfolio**
Definition	This indicator aims to measure the yield on KBP's property portfolio to assess the income-generating efficiency of investments on the portfolio.
Source of data	▪ Yield on Property Portfolio reports. ▪ Financial statements and property management records.
Method of calculation or assessment	▪ Calculation in percentage terms: ○ Annual Rental Income – Operating Costs / Property Value X100
Assumptions	▪ Limited capital to upgrade properties hinders the Yield on Property Portfolio. ▪ Exclusion of boycotted, vandalised and dilapidated properties. ▪ Board approval for disposal of non-performing, and non-core property assets.
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Higher than targeted performance of the property portfolio is desired.
Indicator responsibility	HOD: KBP

Indicator title O5.1.5.	**Maturity level of digitally enabled small enterprise ecosystem**
Definition	The indicator measures the level of digital maturity within the small enterprise ecosystem supported by SEDFA, focusing on the adoption and effectiveness of a Digital Portal with technology capabilities and an Omnichannel Approach. It reflects the ecosystem's capacity to leverage digital tools, platforms, and innovations to enhance service delivery, operational efficiency, and market access for small enterprises.
Source of data	▪ District Information Management System, also individual data management systems from former Seda, sefa & CBDA
Method of calculation or assessment	• Number of MSMEs assessed

Assumptions	• Maturity level will be clearly defined, • Key dimensions to be assessed will be stated, i.e., technology infrastructure, data management, customer engagement, process automation, digital culture etc. • Evaluation criteria will also be explained
Disaggregation of beneficiaries (where applicable)	Not applicable
Spatial transformation (where applicable)	Not applicable
Desired performance	Targeted performance is desirable
Indicator responsibility	Executive: Digital Transformation and Innovation

Indicator title O5.1.6.	**Stakeholder satisfaction rating**
Definition	The indicator measures the level of satisfaction among stakeholders engaged with SEDFA, including small enterprises, ecosystem partners, funders, and government departments. It provides insight into SEDFA's performance in meeting stakeholder expectations, delivering value, and promoting collaborative relationships.
Source of data	Comprehensive stakeholder satisfaction surveys and feedback forms, per agreed methodology, at minimum providing insight into quality of services provided, responsiveness and communication, impact and value of SEDFA's initiatives, and ease of accessing support, e.g., digital portal and omnichannel approach. Stakeholder satisfaction report, reflecting the satisfaction rating (%).
Method of calculation or assessment	Stakeholder satisfaction rating reflected in stakeholder satisfaction report. ▪ Baseline report in year one, follow up reports on years 3 and 5.
Assumptions	▪ Baseline survey will be conducted in year one, and follow up surveys in years three and five. ▪ Survey responses are representative of the diverse stakeholder base. ▪ Respondents provide honest and accurate feedback. ▪ Surveys are designed to cover relevant aspects of SEDFA's performance.
Disaggregation of beneficiaries (where applicable)	Not applicable.
Spatial transformation (where applicable)	Tracks satisfaction levels among stakeholders in township and rural areas, ensuring equitable service delivery and stakeholder engagement.
Desired performance	Higher than targeted performance is desirable.
Indicator responsibility	Executive: Ecosystem and Stakeholder Management

Indicator title O5.1.7.	Employee Satisfaction Index
Definition	The Employee Satisfaction Index seeks to assess employee morale, retention, productivity, and overall workplace engagement by identifying strengths and areas for improvement. A high satisfaction level will enhance SEDFA's branding, reduce turnover, and ensure a supportive work environment that promotes employee well-being. The employee satisfaction index will provide insight into SEDFA's internal health and ability to maintain a motivated and productive workforce.
Source of data	▪ SEDFA Employee Satisfaction Index. ▪ Employee satisfaction surveys conducted periodically.
Method of calculation or assessment	Employee satisfaction rating reflected in line with the employee satisfaction index: ▪ Baseline report in year one, follow up reports on years 3 and 5.
Assumptions	▪ Baseline survey will be conducted in year one, and follow up surveys in years three and five. ▪ Survey responses are anonymous to encourage honest feedback. ▪ Employees respond accurately, and participation is representative of all organisational levels. ▪ Surveys are well-designed to capture key aspects of employee satisfaction.
Disaggregation of beneficiaries (where applicable)	▪ Department or Unit: To identify satisfaction levels by organisational area. ▪ Employee level: Senior management, middle management, and non-management staff. ▪ Location: Central office vs. regional or field offices.
Spatial transformation (where applicable)	Not applicable
Desired performance	Higher than targeted performance is desirable
Indicator responsibility	Executive: Human Resources

ANNEXURES TO THE STRATEGIC PLAN

ANNEXURE A: DISTRICT DEVELOPMENT MODEL

MTEF PLANNING PERIOD					
Project Name	**Project Description**	**District Municipality**	**Location: GPS Coordinates**	**Project Leader**	**Implementation Partner**
Finfind Agreement activation at seven pilot districts	Facilitating access to finance for small enterprises	Sarah Baartman – EC OR Tambo – EC Amathole – EC Chris Hani – EC uMgungundlovu – KZN eThekwini – KZN John Taolo Gaetsewe - NC	Available as addendum	BDS	N/A
ESD agreements at the seven pilot districts	Facilitating access to markets for small enterprises	Sarah Baartman – EC OR Tambo – EC Amathole – EC Chris Hani – EC uMgungundlovu – KZN eThekwini – KZN John Taolo Gaetsewe - NC	Available as addendum	BDS	N/A
Briefing update of incubators on the DEF Strategy implementation	Incubator CEO engagement	Sarah Baartman – EC OR Tambo – EC Amathole – EC Chris Hani – EC uMgungundlovu – KZN	Available as addendum	BDS	N/A

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