

# **Report of the Portfolio Committee on Small Business Development on the 2026/27 Annual Performance Plans and the Budget Vote 36 of the Department of Small Business Development for the 2026/27 financial year, dated 13 May 2026**

## **1. INTRODUCTION**

The Portfolio Committee on Small Business Development (the Portfolio Committee), having considered the directive of the National Assembly (NA) to consider and report on the Annual Performance Plans (APP) and budget allocations of the Department of Small Business Development (the Department) and its entity, the Small Enterprise Development and Finance Agency (Sedfa), hereinafter reports as follows:

### **1.1 Background**

The design and operation of government departments, public agencies and entities, as well as Chapter 9 and 10 institutions, are all subject to significant oversight by Parliament. Section 27 of the Public Finance Management Act (No 1 of 1999) mandates Ministers to table annual budgets to the National Assembly prior to the commencement of the financial year. That process should be done according to the directives of section 10 (1) (c) of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009, which clearly states that relevant Cabinet members must table an updated strategic plan and annual performance plan for each department, public entity or institution—and these must be referred to relevant Committees for consideration and reporting. Accordingly, on 30 March 2026, the Portfolio Committee received a directive from the Speaker of Parliament to review departmental plans to ensure alignment between spending and service delivery targets—and thereafter compile a report for submission to the House for adoption. In considering the strategic and annual performance plans, the Committee ensured that the plans and budget allocations of the Department and Sedfa are consistent with the Medium-Term Development Plan 2025/29.

The 2026/27 annual performance plans for both the Department and Sedfa were presented to the Portfolio Committee, highlighting a strategic shift toward integrated, efficient service delivery to boost micro, small and medium-sized enterprises (MSMEs) and cooperatives support, improve access to capital, scale up access to market access through leveraging public procurement, tackle red tape and drive economic growth through a consolidated approach. For

Sedfa, the current financial year represents a pivotal year in the operationalisation of the agency following a merger of Seda, Sefa, and the Co-operative Banks Development Agency (CBDA) into a single agency, Sedfa. It marks the evolution of a fully functional entity, with the APP setting key performance measures for implementing the new structure and enhancing assistance for MSMEs and cooperatives. The Portfolio Committee will continue to monitor the implementation of the Strategic and Annual Performance Plans as well as the efficient use of the Department's and Sedfa's budgetary resources.

The Department's Budget (Vote No. 36) was referred to the Portfolio Committee for consideration and reporting on 01 April 2026. On 6 May 2026, the Portfolio Committee met to receive and consider presentations on the 2026/27 Annual Performance Plans and Strategic Plans from the Department and Sedfa. As a matter of process, the Committee reviewed DSBD and Sedfa's annual performance plans and prior performance, acknowledging the difficult economic climate facing the small enterprise sector. Discussions highlighted, among others, the need for strengthening institutional coordination, increasing support for township/rural enterprises, reducing red tape, and sustaining gender representation in management. The Department assured the Committee that the plans and budget reflect and support the government's key policy objectives and priorities as outlined in the State of the Nation Address (SONA), Medium Term Development Plan, and National Development Plan (NDP). It was confident that there was a clear alignment between the strategy and the budget. It formally requested the Portfolio Committee to adopt the proposed plans and budget. Ultimately, the Committee will vote on the budget, deciding whether to approve, reject, or further amend it.

## **2. OVERVIEW OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT**

The primary objective of the Department is to inculcate a culture of entrepreneurship and foster an entrepreneurial traits and characteristics across South Africa, particularly among youth, to drive economic growth and job creation. This involves nurturing a mindset that embraces innovation, risk-taking, and the pursuit of opportunities, ultimately driving economic growth and societal development. This responsibility is about moving beyond the traditional view of entrepreneurship as simply starting a business and instead promoting an entrepreneurial mindset that encourages proactive problem-solving, adaptability, and a willingness to take calculated risks. The Department of Small Business Development is one of a relatively new department established at the start of the fifth Administration in 2014.

Its formation is broadly seen as a significant shift and one of the most concrete manifestations of the NDP aspirations. It is mandated to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small businesses and cooperatives, and ensure an enabling legislative and policy environment to support their growth and sustainability. The establishment of a department within the context of the NDP would thus involve mechanisms for accountability and monitoring progress towards the NDP's goals. This could involve reporting on key performance indicators and regularly assessing the department's contribution to the overall development plan. Hence, since its establishment in 2014, the Department has recorded notable headway in a number of areas, most importantly, helping small business escape the shadow of big business. To maintain momentum, the Department should prioritise strategies that leverage technology to improve efficiency, foster strong partnerships, and develop a robust business strategy.

## **2.1 Aim and Purpose of the Department**

The mandate of the Department is to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, Micro, Small and Medium Enterprises (MSMEs) and Co-operatives, and to ensure an enabling legislative and policy environment to support their growth and sustainability.

## **2.2 Mandate of the Department**

The Department of Small Business Development is responsible for leading and coordinating an integrated approach to the promotion and development of entrepreneurship, small businesses, and co-operatives, and ensuring an enabling legislative and policy environment to support their growth and sustainability. The accomplishment of this mission will change the economy, boost employment, and lessen inequality and poverty. The Department's mission is governed by the following policy and legislative framework:-

- National Small Enterprise Amendment Act (2024).
- Business Act (1991).
- Co-operatives Amendment Act (2013).
- Co-operative Banks Act (2007).
- Co-operatives development policy.
- National Development Plan.
- Medium Term Development Plan.

### **2.3 Vision of the Department**

A transformed and inclusive economy led by sustainable and competitive MSMEs contributing to broad-based economic growth.

### **2.4 Mission of the Department**

- To lead, coordinate the integration and mobilisation of resources in the ecosystem.
- To create an enabling environment for the growth, development and sustainability of MSMEs.

### **2.5 Values**

- Caring organisation.
- Innovation.
- Integrity.
- Professionalism.
- Customer-centric.
- Commitment.

### **2.6 Strategic Priorities**

The National Integrated Small Enterprise Development (NISED) is a guiding blueprint for the Department during the Seventh Administration (2024-2029). It focuses on developing an ecosystem that supports micro, small, medium-sized and cooperative enterprises. Guided by the overarching goals of the Government of National Unity (GNU) for 2026—including inclusive growth, job creation, and poverty reduction—the NISED framework pivots on four key pillars that drive five policy priorities. The Department's 2025–2030 strategic plan and 2026–2027 annual performance plan are informed by these important themes.

#### **2.6.1 Policy, Legal and Regulatory Reforms**

The Department is accelerating efforts to reduce red tape and reform laws to foster a more enabling environment for MSMEs and cooperatives, including Cooperative Banking Institutions (CBIs). Key initiatives focus on simplifying compliance, digitizing processes, 28 laws recommended for reforms, payment of legitimate invoices within 30 days and tabling of the Business Licensing Bill and so on. Furthermore, the Department will roll out the Red Tape Reduction Framework targeting five major regulatory reforms in an incremental and phased manner during the current financial year to improve the business environment.

### **2.6.2 Improved Market Access and Business Ecosystem**

Improving market access and building a strong business ecosystem entails developing an interconnected environment in which small, medium, and micro-sized enterprises may thrive, such as through better infrastructure, regulatory reforms, and digital adoption. The APP is proposing a cocktail of interventions such as using public procurement opportunities, leveraging private sector enterprise and supplier development, supporting small enterprises through export value chains while strengthening local industry linkages.

### **2.6.3 Enhanced Access to Financial and Non-Financial Support**

The Department aims to prioritise the delivery of better-targeted financial support through Sedfa. Through capacity building of micro-finance institutions (MFIs), retail finance institutions (RFIs), CBIs and ordinary small enterprises, the Department will boost digitalization and fintech by promoting digital financial services, including mobile payments, to reduce reliance on cash and improve efficiency, especially among underserved communities. Already, cooperatives banking platform like myCBI are already being piloted. These initiatives will be executed alongside non-financial support with much more focus on capacity building, training, and technical assistance to name a few.

### **2.6.4 Equip Entrepreneurs and MSMEs with the Necessary Business Acumen and Skills**

Equipping MSMEs with business skills is crucial for transitioning from survival to long-term growth, notably through financial literacy, bookkeeping and digital transformation. During the MTDP period, the Department and Sedfa will expand efforts to boost entrepreneurial capability, improve enterprise management practices, and increase the sustainability of start-ups and growing enterprises. For example, 50 000 start-up MSMEs will be supported financially and non-financially through targeted enterprise development initiatives.

### **2.6.5 Build the Capacity and Capabilities of the DSBD to Lead the Small Enterprise Support Ecosystem**

A sound structure provides stability and clarity. Building the capabilities and competencies of the Department and Sedfa to lead the small enterprise support ecosystem will require a move from a simply administrative position to one that is strategic, data-driven, and collaborative. The appointment of experts to serve on the ancillary structures like the Small Enterprise Ombuds and Business Advisory as envisaged in the acts governing the Department are crucial. These individuals will hopefully serve as a sounding board for the Minister and the Department.

## 2.7 Programme Structure (2026/27)

To successfully accomplish the priorities outlined in a strategy—the Department has adopted its high-level strategic goals and divided them into smaller, more manageable objectives, likely to facilitate planning and execution. These objectives are specific, measurable, achievable, relevant, and time-bound (SMART). The Committee is satisfied that the Department has an annual performance plan (2026/27) in a way that aligns with the stated goals in its five-year strategy, Medium-Term Development Plan and National Development Plan. The annual Performance Plan is designed to respond intended to the current economic situation by recognising the issues that small enterprises and cooperatives confront in order to provide suitable support, particularly in rural and township areas. To effectively support the small business ecosystem and fulfil its mandate, the Department developed four key programmes shown in table1 below. They include Administration, Sector Policy and Research, Integrated Co-operatives and Micro Enterprise Development as well as Enterprise Development, Innovation and Entrepreneurship. They all have corresponding sub-programmes (sub-directorates) to manage the day-to-day operations and for specific performance tracking.

**Table 1: Programme Structure**

NO.	PROGRAMME NAME	SUB-PROGRAMMES
<b>Programme 1</b>	ADMINISTRATION	<ul style="list-style-type: none"> <li>○ Ministry.</li> <li>○ Departmental Management.</li> <li>○ Corporate Management Services.</li> <li>○ Financial Management.</li> </ul>
<b>Programme 2</b>	Sector Policy and Research	<ul style="list-style-type: none"> <li>○ Business Intelligence and Sector Wide Monitoring and Evaluation.</li> <li>○ Intergovernmental Relations and Business Efficiency.</li> <li>○ Sector Specific Support.</li> </ul>
<b>Programme 3</b>	Integrated Co-operatives and Micro Enterprise Development	<ul style="list-style-type: none"> <li>○ Integrated Co-operatives and Micro Enterprise Development.</li> <li>○ Economic Transformation Initiatives.</li> <li>○ Value Chain and Market Access Support.</li> </ul>
<b>Programme 4</b>	Enterprise Development, Innovation and Entrepreneurship	<ul style="list-style-type: none"> <li>○ Enterprise Development, Innovation and Entrepreneurship.</li> <li>○ Entrepreneurship and Enterprise Development.</li> <li>○ Funding Support and Coordination.</li> </ul>

Source: DSBD Annual Performance Plan (2026/27)

### **3. LEGISLATIVE AND POLICY PRIORITIES FOR 2026/27**

The policy and legislative objects of the Department are aligned with national government priorities—with a laser focus on speeding inclusive growth, increasing job creation, reducing poverty, and establishing a capable and ethical state through the National Development Plan. The following is a summary of the policy and strategy mandates that guide the Small Business Development Portfolio's strategic posture and objectives.

#### **3.1 National Development Plan**

The implementation of the National Development Plan remains the leading government imperative under the current administration and is aligned with the Africa Agenda. Furthermore, it is consistent with the global Sustainable Development Goals (SDGs). The NDP envisions a future where South Africa has a more inclusive economy that absorbs more labour, provides more entrepreneurial opportunities, and reduces inequality. The plan has an ambitious target of creating 11 million new jobs by 2030, with an aim of reducing unemployment rate to 6%. This goal is a key component of the NDP's strategy to reduce poverty and inequality and is linked to achieving a 5.4% annual economic growth rate. The Department and its entity play a critical role in coordinating and influencing the implementation of chapters three (3) and six (6) that cover the economy, employment, and inclusive growth in rural areas. While progress has been made in some areas, such as education, health, and social protection, overall progress towards the NDP's goals has been slow, particularly in economic growth, investment, inequality and employment. The economy remains in a low-growth trap, with unemployment increasing and poverty remaining entrenched.

#### **3.2 The Medium-Term Development Plan**

The MTDP 2024-2029 provides a comprehensive roadmap for South Africa's development over the next five years, aligning with the NDP 2030. It is a five-year strategic framework that guides the country's development priorities. It aims to drive inclusive growth, improve service delivery, and enhance living conditions for all citizens. One of its key strengths is that it adopts a whole-of-government approach, ensuring that national, provincial, and local governments are aligned in their priorities, budgets, and delivery mechanisms. Over the years, the Committees has often expressed concern and lamented the lack of collaboration and coordination between the national, provincial, and local spheres of government under the auspices of Intergovernmental Relations Framework Act (2005). The MTDP has three strategic priorities, namely, inclusive growth and job creation, reduce poverty and tackle the high cost of living

and a capable, ethical and developmental state. The Department is anticipated to play a lead in relation to the implementation of strategic priority one, which is inclusive growth and job creation, and its related outcomes and strategic interventions. This is the overarching or apex priority that emphasise the need to improve living standards, incomes, and material conditions for all citizens. The Committee is thus expected to not only monitor the degree to which aspects of the MTDP are factored into the plans of the Department but are also implemented.

### **3.3 Legislative and Policy Mandate**

In South Africa, government departments derive their mandates from a combination of the Constitution, specific acts of parliament, and other relevant legislation. These mandates outline the department's responsibilities, powers, and functions within the broader framework of public administration. Each department also has a specific act or acts that detail its mandate. For example, the Department and Sedfa were created in accordance with National Small Enterprise Act (1996), the primary legislation that has recently been amended in 2024. Other relevant legislations and policies where the Department draws its mandate from, include but not limited to, Cooperatives Amendment Act (2013), Cooperative Banks Act (2007) and Business Act (1991). During the fifth Administration, the Department successfully concluded the review of the Cooperatives Act (2005). The National Small Enterprise Act (1996) was reviewed during the sixth Administration, leading to the enactment of the National Small Enterprise Amendment Act (2024). This amendment established the Small Enterprise Development Finance Agency, the Office of the Small Enterprise Ombud Service and the redefinition of a small enterprise. The redefinition categorises businesses into micro, small, and medium enterprises (MSME), with different thresholds for each category.

### **3.4 State of the Nation Address**

In South Africa, the State of the Nation Address (SoNA) delivered by the President serves as a foundational document for government policy and direction for the year ahead. While not immediately binding legislation, the SONA outlines the government's key policy objectives, priorities, and planned interventions, effectively setting the agenda for the year. In his 2026 State of the Nation Address, President Ramaphosa prioritised small business development by promising to reduce red tape, finalising the Business Licensing Bill, and launching a R10-billion growth fund to support over 180 000 small and medium enterprises, and extend a further R1 billion in guarantees. The funding will be directed primarily to women-and youth-led businesses to in order to foster their empowerment and as part of economic transformation.

#### **4. OVERVIEW OF THE BUDGET ALLOCATIONS AND PROGRAMME PERFORMANCE PLANS (2026 – 20267**

Over the medium term, the Department is focusing on providing enhanced financial and non-financial support to MSMEs, cooperatives, and informal businesses, with R6.9 billion allocated for these initiatives. Key priorities include expanding access to funding through blended finance, improving market access, reducing red tape, and strengthening the township and rural economy. Funding and financial Support will take the form of blended finance models (mixing grants and loans) to lower the cost of capital for businesses and credit guarantees. The Department will build infrastructure for MSMEs and cooperatives with a view to improving competitiveness, especially in rural and township areas. Total expenditure is expected to rise at an annual rate of 3.7%, from R2.9 billion in 2025/26 to R3.3 billion in 2028/29, with an estimated 71.7 percent (R6.8 billion) dedicated for MSME support. An estimated 63.3 percent (R6 billion) of the Department's budget will be transferred to Sedfa to fund its operations and implement the technology, capacity building, blended finance, township and rural entrepreneurship programmes on behalf of the Department.

##### **4.1 Programme 1: Administration**

The primary aim of Programme 1: Administration, in various governmental and organisational contexts, is to provide effective and efficient support services to ensure the overall functioning of the organisation. This includes strategic management, administrative support, and sound financial management. Specific objectives often involve supporting the executive, managing risks, and ensuring compliance with relevant policies and regulations. Notable key targets include attainment of clean audit outcomes, payment of creditors within 30 days, 95 percent expenditure on annual budget, reduction in the vacancy rate below 5 percent, exceed the target of 50 percent female representation in the SMS level and 4 percent representation of PWDs. The programme has four sub-programmes that perform the following functions -

- Ministry - Manage the office and render a support service to the Executive Authority (EA) and Deputy Minister.
- Departmental Management - Manage the provision of Strategic and Governance related services.
- Corporate Management Services - Oversee the provision of Corporate Management services.
- Financial Management - Manage and facilitate the provision of financial management services.

**Table 2: Programme 1 - Administration**

<b>PROGRAMME 1: ADMINISTRATION</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>TOTAL MTEF</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Ministry	32 646	34 119	35 781	102 546
Departmental Management	28 388	29 673	31 003	89 096
Corporate Management Services	119 233	124 163	129 736	373 132
Financial Management	32 038	33 450	34 952	100 440
<b>Total</b>	<b>212 305</b>	<b>221 405</b>	<b>231 472</b>	<b>665 215</b>

Source: DSBD Annual Performance Plan 2026/27

The Administration programme focuses on enhancing governance and compliance, as well as streamlining and integrating business processes and system outcomes to support the Department's numerous activities. In the medium-term Programme 1 will be allocated R665.2 million, while during the current financial year, the Programme is apportioned R212.3 million. Programme 1 delivers its mandate of strategic leadership, management and support services through a set of core sub-programmes and their allocations as follows, Ministry (R102.5 million), Departmental Management (R89.1 million), Corporate Management Services (R373.1 million) and Financial Management (R100.4 million).

#### **4.2 Programme 2: Sector Policy and Research**

The purpose of Programme 2 is to oversee transversal support within the ecosystem to provide a conducive environment for MSMEs. The notable areas of delivery for a programme would encompass red tape reduction and ease of doing business as complex regulations hinder business development and job creation. This involves reducing the number of permits, licenses, and other requirements businesses need to operate. Also, success of the programme will be judged on the Cabinet approval of the Business Amendment Bill. The programme is composed of the following sub-programmes designed to perform a specific action or task -

- Business Intelligence and Sector Wide Monitoring and Evaluation - Manage provision of evidence-based business information and sector-wide Monitoring and Evaluation.
- Intergovernmental Relations and Business Efficiency - Manage and facilitate intergovernmental relations to reduce administrative and regulatory burdens for MSMEs.
- Sector Specific Support - Manage initiatives to increase the development, participation and sustainability of small-scale manufacturers in key industries.

**Table 3: Programme 2 - Sector Policy and Research**

<b>PROGRAMME TWO: SUB-PROGRAMME</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>TOTAL MTEF</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Business Intelligence & Sector-Wide M&E	36 086	36 619	38 254	110 959
Intergovernmental Relations and Business Efficiency	20 576	21 507	22 472	64 555
Sector Specific Support	29 685	30 897	32 297	92 879
<b>TOTAL</b>	<b>86 347</b>	<b>89 023</b>	<b>93 023</b>	<b>268 393</b>

Source: DSBD Annual Performance Plan 2026/27

Programme 2 will receive R268.4 million over the medium term and R86.3 million in 2026/27 financial year. To oversee the delivery of evidence-based business information and sector-wide monitoring and evaluation, the Business Intelligence and Sector Wide Monitoring and Evaluation sub-programme is allotted R36.1 million in 2026/27 and R111 million over the medium term. Intergovernmental Relations and Business Efficiency sub-programme is assigned R20.6 million in 2026/27 and R64.6 million over the medium-term. Whereas Sector Specific Support sub-programme is allocated R29.7 million in 2026/27 and R92.9 million over the MTEF to drive activities aimed at increasing the development, participation and sustainability of small-scale manufacturers in key industries.

#### **4.3 Programme 3: Integrated Co-operatives and Micro Enterprise Development**

The purpose of the Programme 3 is to drive economic transformation through integrated informal business, Co-operatives and Micro Enterprise Development and Support. Cooperative enterprises are vital to the solidarity economy because they offer a practical agenda for economic participation and social development, prioritising member needs and community well-being over profits. Whereas informal sector, is a major source of employment, particularly in poorer communities. Programme three is separated into three sub-programmes namely –

- Integrated Co-operatives and Micro Enterprise Development – the purpose of which is to provide leadership to the branch and coordinate provision of business infrastructure services to small businesses, co-operatives and the informal sector.
- Economic Transformation Initiatives - Manage economic transformation through Informal Business, Co-operatives and Micro Enterprise Development and Support.
- Value Chain and Market Access Support - Manage the provision of market access support that grows value market chains.

**Table 4: Programme 3 - Integrated Co-operatives and Micro Enterprise Development**

PROGRAMME THREE: SUB-PROGRAMME	2026/27	2027/28	2028/29	TOTAL MTEF
	R'000	R'000	R'000	R'000
Integrated Co-operatives and Micro Enterprise Development	328 179	342 461	357 836	1 028 476
Economic Transformation Initiatives	140 846	128 393	134 157	403 396
Value Chain and Market Access Support	64 692	51 936	54 268	170 896
<b>TOTAL</b>	<b>533 717</b>	<b>522 790</b>	<b>546 260</b>	<b>1 602 767</b>

Source: DSBD Annual Performance Plan 2026/27

The budget allocation for Integrated Co-operatives and Micro Enterprise Development programme is R1.603 billion over the medium-term period and R533.7 million in 2026/27 financial year. The Integrated Co-operatives and Micro Enterprise Development sub-programme will receive R1.028 billion over the medium term and R328.2 million in 2026/27 to coordinate the provision of business infrastructure services to small businesses, cooperatives and informal sector. A portion of that budget, R316.8 million in 2026/27 and R993.8 million over the medium term, will go towards the Business Infrastructure Support. The second subprogramme, Economic Transformation Initiatives, is allocated R140.8 million in 2026/27 and R403.4 million over the medium term to manage economic transformation through Informal Business, Co-operatives and Micro Enterprise Development and Support. Whereas third and final subprogramme, Value Chain and Market Access Support, is allocated R65 million in 2026/27 and R170.9 million over the MTEF to manage the provision of market access support that grows value market chain.

#### **4.4 Programme 4: Enterprise Development, Innovation and Entrepreneurship**

The purpose of programme four is to administer the promotion of an ecosystem that enhances entrepreneurship and innovation during the establishment, growth and sustainability of SMMEs. The programme four has the following sub-programmes –

- Enterprise Development, Innovation and Entrepreneurship – the aim of the subprogramme is to provide leadership to the branch and manage provision of innovative solutions that support transversal applications management and digital business support.

- Entrepreneurship and Enterprise Development - Manage the formulation of policy instruments and advocacy work aimed at the inclusion of SMMEs in the mainstream economy.
- Funding Support and Coordination - Oversee expansion of access to finance for SMMEs, Co-operatives and the Informal Sector through an integrated approach.

**Table 5: Programme 4 - Enterprise Development, Innovation and Entrepreneurship**

<b>PROGRAMME FOUR: SUB-PROGRAMME</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>TOTAL MTEF</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Enterprise Development, Innovation and Entrepreneurship	9 868	10 314	10 776	30 958
Entrepreneurship and Enterprise Development	1 218 134	1 309 109	1 367 747	3 894 990
Funding Support and Coordination	989 640	1 035 250	1 081 724	3 101 625
<b>TOTAL</b>	<b>2 217 642</b>	<b>2 354 673</b>	<b>2 460 247</b>	<b>7 027 573</b>

Source: DSBD Annual Performance Plan 2026/27

A substantial budget of the Department, totalling R2.218 billion in 2026/27 and R6.923 billion over the medium-term, is channelled through Programme 4, with over 80% of that budget destined to Sedfa—through an approved DSBD business delivery model. Programme 4 has three integrated components that oversee the promotion of an ecosystem to enhance entrepreneurship and innovation during the establishment, growth, and sustainability of MSMEs. During the period under review, the Enterprise Development, Innovation and Entrepreneurship sub-programme is allocated R9.9 million and R31 million over the medium term to oversee the branch and manage provision of innovative solutions that support transversal applications management and digital business support.

The second subprogramme, Entrepreneurship and Enterprise Development, is allocated R1.218 billion in 2026/27 and R3.895 billion over the MTEF to manage the formulation of policy instruments and advocacy work aimed at the inclusion of MSMEs and cooperatives in the mainstream economy. Of this allocation, R1.186 billion in 2026/27 and R3.808 billion will be transferred to Sedfa over the MTEF period. The third component, Funding Support and Coordination, is allocated R989.6 million in 2026/27 and R2.997 billion over the medium-term to oversee expansion of access to finance for MSMEs, cooperatives and informal sector.

## **5. OVERVIEW OF THE STRATEGIC FOCUS OF THE DEPARTMENTAL ENTITY**

The Department of Small Business Development has one entity reporting to it, the Small Enterprise Development and Finance Agency, established through consolidation of the three entities, namely, Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA) and the Cooperative Banks Development Agency (CBDA). Sedfa was established in terms of the National Small Enterprise Amendment Act 21 of 2024. Sedfa is also a State-Owned Company (SOC) in terms of the Companies Act 71 of 2008 (as amended). In terms of the Public Finance Management Act (PFMA), it is listed as a Schedule 3B Government Business Enterprise (GBE), with the Minister of Small Business Development as the Executive Authority. 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. All prescripts and regulations arising from the PFMA are applicable to Sedfa's governance and operations.

Sedfa provides a unified pathway for entrepreneurs, offering both business development services (non-financial) and financial solutions, reducing the need to navigate multiple government agencies. The primary goal of a one-stop shop for small businesses is to provide a centralised location or platform where they can access all the necessary resources and services to start, operate, and grow their business, reducing the complexities and administrative burden often associated with running a small enterprise. By providing access to multiple resources in one place, small businesses can save time and resources, allowing them to focus on core business activities. Certain sections of the National Small Enterprise Amendment Act (2024) were brought into operation in October 2024, effectively marking the birth of a new entity. The entity tabled its second annual performance plan on 01 April 2026 and appeared before the Committee alongside the Department on 06 May 2026 to present it.

### **5.1 SEDFA Budget Consideration**

Sedfa remains the sole entity of the Department, notwithstanding two subsidiaries, Khula Credit Guarantee and Khula Business Premises, which fall under the oversight and control of the Sedfa Group. The entity receives its allocation through the Department, with transfers from the Department accounting for an estimated 73.6 per cent (R6 billion) of total revenue over the period ahead, with the remainder set to be generated from investment income, fees and interest

earned from loan programmes, and rental income from properties. The agency’s expenditure is projected to decrease from R2.9 billion in 2025/26 to R2.8 billion in 2028/29, at an average annual rate of two (2) per cent, as a result of the reprioritisation of funds to the Department for initiatives such as the small business exporters development scheme, the informal micro enterprise development programme and the Office of the Small Enterprise Ombud Service.

An estimated R5.4 billion would be spent on business development services, lending and investment programmes to support a target of 596 806 MSMEs. Whereas spending on goods and services, mainly for operating payments, property payments, operating leases and computer services, is expected to account for 49.7 per cent (R4 billion) of total expenditure. Compensation of employees is estimated to accounts for 40.7 per cent (R3.2 billion). The table 6 below shows a summarised version of the programmes and projected expenditure over the MTEF period. Sedfa is predicted to receive a total allocation of R8.6 billion over the three-year period covering 2026/27, 2027/28 and 2028/29. During the appearance before the Committee, Sedfa noted that a reduction in allocation or financial constraints directly threatens its ability to scale operations, expand reach, and provide crucial support to small enterprises. It urged the Committee to take note of the risks associated or stemming from budget cuts.

**Table 6: SEDFA Programmes Budget Allocation**

Name of Programme	MTEF BUDGET			
	2026/27	2027/28	2028/29	Total MTEF
	R'000	R'000	R'000	R'000
Programme 1: Ecosystem Development and Management	94 941	99 194	103 250	297 384
Programme 2: Business Development Services	929 491	988 003	1 021 860	2 939 362
Programme 3: Lending and Investment	1 153 436	1 014 978	1 018 319	3 186 733
Programme 4: Capital Management	2 000	2 080	2 080	6 160
Programme 5: Corporate Support Services	690 234	777 693	737 062	2 204 989
<b>TOTAL</b>	<b>2 870 100</b>	<b>2 881 947</b>	<b>2 882 580</b>	<b>8 634 627</b>

Source: Sedfa Annual Report (2026/27)

## **5.1 SEDFA Programme Structure**

Sedfa is tasked with enhancing financial inclusion and providing support to micro, small, medium, cooperatives, township and rural enterprises. This includes financial support (loans, grants, guarantees) and non-financial support (business advice, training, mentorship). Sedfa endeavours to deliver its mandate through key five programmes that are aligned to its five-year strategic plan and the approved Sedfa functional structure, namely, Ecosystem Development and Management, Business Development Services, Lending and Investment Management, Capital Management and Corporate Support Services or Administration.

### **5.1.1 Programme 1: Ecosystem Development and Management**

The purpose of the programme is to position Sedfa as the industry leader and the primary coordinating institution within the small enterprise development ecosystem. The agency aims to drive improved accessibility, efficiency, and impact by forging strategic partnerships, facilitating ecosystem integration, and promoting co-creation among key stakeholders in line with national government priorities. The organisation aims to decentralize support by focusing on 44 districts and 8 metros, ensuring that initiatives are tailored to local needs rather than a “one-size-fits-all” national approach. The programme includes a variety of activities aimed at boosting intermediary institutions, incubators, accelerators, and financial institutions, as well as promoting women in entrepreneurship. The overarching goal is to enhance the effectiveness and responsiveness of South Africa’s small enterprise support ecosystem, ensuring that small enterprises can access financial and non-financial assistance with greater ease and efficiency.

### **5.1.2 Programme 2: Business Development Services**

The programme two will carry out an collection of initiatives, including but not limited to incubation support, quality and standards improvement, cooperative enterprise development, targeted business training and so on. Through this programme, the agency will intensify customised solutions, provide marketing material and business plans to meet the specific demands of small businesses. By supporting digitisation, capacity building, and regulatory compliance of Cooperative Banking Institutions (CBIs), Sedfa aims to strengthen these institutions as accessible, community-focused financial service providers and key intermediaries in small enterprise development. The BDS aims to leverage e-commerce by introducing online enterprise support modules and training. The programme is responsible for the efficient and effective delivery of non-financial business development and support services at both pre-investment and post-investment stages of the investment management lifecycle.

### **5.1.3 Programme 3: Lending and Investment**

The Lending and Investment Programme aims to increase financial access for small businesses via both direct and indirect finance channels. This integrated approach addresses funding demands for small enterprises while ensuring the agency's financial sustainability. Furthermore, credit guarantee instruments are essential in helping MSMEs and cooperatives overcome the “collateral gap” that often prevents them from securing bank loans. In order to encourage increased access to capital, Sedfa is restructuring its credit guarantee system (KCG) to allow small businesses to obtain loans through a wider range of financing providers. By leveraging resources through the credit guarantee mechanism, KCG will play a key role in luring co-investment from both public and private financial institutions.

### **5.1.4 Programme 4: Capital Management**

The purpose of the Capital Management programme is to secure and retain a sustainable supply of capital to drive small enterprise growth and development. This involves implementing a comprehensive investment and capital-raising strategy that addresses fiscal constraints and leverages diverse funding sources. Sedfa will optimise its internal funding streams—including government subsidies, income from financing activities, property rentals, and equity dividends—to support capital retention, growth, and the developmental risk premium. Through this programme, the agency aims to embark on several recruitment drives to mobilise external resources through forging strategic partnerships with other likeminded Development Finance Institutions (DFIs), private financial institutions, pension funds, Unemployment Insurance Fund (UIF), venture capitalists, as well as leveraging Enterprise and Supplier Development (ESD) initiatives that support the growth of small enterprises, particularly those owned by black individuals, and developing their capacity to participate in supply chains.

### **5.1.5 Programme 5: Corporate Service Management**

The purpose of the programme is to provide strategic leadership and support to core delivery, ensuring the successful implementation of the organisation's strategy. Corporate management services encompass a broad range of administrative, strategic, and operational support functions aimed at ensuring the efficient and effective functioning of a company. These services can include strategic planning, risk management, financial management, human resources, and more. The focal area for the programme includes People Management, Systems and Processes as Governance, Risk and Compliance. From the inception date of 1 October to date, Sedfa has shown significant signs of institutional stabilisation and operational progress.

## 6. OBSERVATIONS

Having reflected on the strategic plans, annual performance plans and budgets of the Department and Sedfa for 2026/27 financial year, the Portfolio Committee hereby register the following observations—

- 6.1 The Portfolio Committee welcomes the 2026/27 annual performance plans and budgets of the Department and agency. The annual plans are in line with the strategic plans, budget allocations and government policy priorities. The Department and agency's programmes and planned initiatives are constructed in such a manner that particular obstacles that MSMEs and cooperatives frequently encounter at different phases of their development are addressed. Accordingly, most targets are designed to meet SMART requirements. The Committee will continue to exercise stringent scrutiny over the Department and Sedfa's implementation of the annual plans and budgets.
- 6.2 Similarly, the Committee as well as the Auditor General, have pointed out some gaps in the SMART framework—with some Technical Indicator Description (TID) found to be lacking the necessary detail to enable data to be collected consistently or verified objectively. Members of the Committee have noted, for instance, that some indicators need further work or perfection in order to be actionable, trackable and measurable. Some of the key concerns raised are that many indicators focus on quantity (how many people are reached) rather than depth of impact (how well they are supported or whether outcomes are sustained). For example, training of 25000 clients is measurable, but there is limited evidence on whether this training leads to business survival beyond 12–24 months, translate into revenue growth beyond the 5% threshold and/or long-term employment creation. The effects or impacts of the intervention cannot be measured.
- 6.3 During the course of discussions with the Department and Sedfa, the Committee observed and went further to identify a select few performance targets that lacked detail, clarity, and measurability—all of which corrective action must be taken to align with best practices:
  - 6.3.1 Firstly, the output indicator, “number of red tape reduction indicators monitored (Phase 1: focusing on government)”, is ill-defined. It is unclear or not specified what the Department will be monitoring. It is difficult to monitor red tape reduction metrics without specifying what those indicators are. Effective monitoring requires tracking specific metrics that quantify the reduction of administrative burdens on businesses. For instance, time-based indicators would

include time taken by the Department and Sedfa to approve funding applications (e.g. reduction from a high of 90 to 14 days), time taken to process licenses, permits, registrations and so on. Whereas cost-based indicators may include compliance cost calculation such as the total cost incurred by businesses annually to comply with regulations e.g. cost burden due to payment of CIPC annual returns, purchase of tender documents and/ bank fees.

6.3.2 Secondly, the Committee notes that the indicator on “percentage of valid creditors paid within 30 days” under programme one is still inward focused. This suggest that the Department still treats payment as a purely administrative, internal, or “back-office” function rather than a government-wide service delivery outcome. The Committee believes that simply paying a creditor on time (which is required by law) does not adequately reflect how well the programme is achieving its broader developmental or strategic objectives.

6.3.3 Thirdly, the absence of a distinct and measurable indicator concerning how the Department will leverage Public Procurement Act 28 of 2024 to accelerate public procurement opportunities—represents a significant oversight. The Act introduces Chapter 4, which mandates preferential procurement, specific set-asides for black-owned businesses, women, youth, persons with disabilities, and small enterprises. Market access, as a critical delivery area for the Department focusing on integrating MSMEs and cooperatives into mainstream supply chains, requires a clear and verifiable performance target.

6.4 The Committee continues to observe that despite the establishment of the Department of Small Business Development in 2014, small business support services and functions are still dispersed throughout different national departments, agencies, and local, provincial, and municipal governments. Some subdirectorates within other departments are managing fairly sizeable budgets for enterprise development. This makes it cumbersome for the Department to act as a primary entry point for small businesses seeking non-financial and financial support. It is the view of the Committee that scattered support services lead to duplication of efforts and a waste of financial resources. It should be corrected by centralising small business functions and budgets into a single department.

6.5 The Committee is not pleased about the scarcity of programmes within the portfolio—that are specifically designed to support cooperatives of all kinds. Based on recent CIPC registry data reported in early 2025, there are approximately 125,658 registered

co-operatives in South Africa. However, through the Cooperative Development Support Programme (CDSP), the Department is planning to support only 50 cooperatives during the current financial year. The Committee submits that setting an exceedingly low target on cooperatives may not only erode confidence but indicate a lack of genuine commitment to supporting and growing the cooperative sector. It suggests a weak link between the target and the intended outcome.

- 6.6 The Committee observes that on Programme two (2), in contrast to the programme's name or description, "Integrated Co-operatives and Micro Enterprise Development", a substantial amount of the budget during the current financial year, R317 million, is ringfenced for infrastructure. This Committee is mandated, on behalf of Parliament, to monitor the implementation of the High-Level Panel report, most notably, a directive that Parliament must "ensure that the next budget appropriations include resources for supporting informal traders and upgrade their trading places such as creating low-cost kiosks, cubicles and stalls with suitable infrastructure and storage space". However, the Committee is equally of the opinion that a balance must be struck between supporting hard (physical networks like roads, bridges, and energy grids) and soft infrastructure (institutions, human capital, incentives and so on).
- 6.7 Alternatively, to balance spending between economic infrastructure and other priorities, the Committee believes that the Department should form an alliance with the Department of Public Works and Infrastructure (DPWI). The DPWI is implementing various interventions to support MSMEs and cooperatives infrastructure development by integrating small businesses into public construction, maintenance, and property management projects. In his State of the Nation Address, President Ramaphosa announced a massive, record-setting infrastructure investment plan, pledging over R1 trillion in infrastructure spending over the next three years. The Department should therefore collaborate with DPWI to dip into this fund without depleting its limited resources. The Departments can align its project requirements with DPWI, allowing DPWI to handle planning, procurement, and implementation to enable it to focus on core competencies rather than being burdened by infrastructure-related costs and management.
- 6.8 Having gone through Sedfa annual performance plan, the Committee observed that the grouping of cooperative banking functions under program three (3), from a standalone government institution with a distinct mandate to a subprogramme, diminishes the government's resolve to scale up financial inclusion efforts. In fact, it illustrates the

Department and Sedfa's disposition towards the cooperative sector in general. There is a persistent treatment of cooperatives as poverty alleviation mechanisms rather than as robust business entities requiring tailored and market-oriented support.

6.9 The Committee is further noting that the amalgamation of the Co-operative Banks Development Agency into the Sedfa as outlined in the National Small Enterprise Amendment Act 21 of 2024, is causing significant transitional uncertainty regarding the regulatory and legislative framework for cooperative banks. The status of the Cooperative Banks Act 40 of 2007 and/or who should assume custody of the legislation between the Department of Small Business Development and National Treasury remains unclear. Other legislations such as the Business Act (1991), National Small Enterprise Act as amended (1996) and Cooperatives Act as amended (2005) have all been transferred to the Department of Small Business Development. There is no indication of what is likely to transpire with the Cooperative Banks Act.

6.10 The Committee optimistically but cautiously welcomes the long-awaited Start-up policy, which is presently being prepared for submission and approval by Cabinet. A massive gap exists in funding for early-stage and medium-sized enterprises that are too big for micro-loans but too small to meet traditional bank lending criteria. The Committee has noted the rapidity with which other nations are legislating start-up activities, which are frequently plagued with a slew of challenges. Key examples being Italy way back in 2012, Tunisia in 2018, Senegal in 2019 and Nigeria (2022), with many other African countries now establishing comparable frameworks to enhance their economies. The Portfolio Committee will continue to support and advocate for this course of action.

## **7. RECOMMENDATIONS**

The following recommendations are to be taken into consideration by the Minister of Small Business Development, who is requested to take steps to implement, and they are as follows –

7.1 The Committee holds the view that the strategic plan and annual performance plans are living documents, they are not static, one-time creations but rather dynamic frameworks that should be continuously reviewed, updated, and aligned to changing circumstances and emerging priorities. Based on recommendations from the Auditor-General and the Portfolio Committee, the Departments and Sedfa are directed to rescript/improve their

annual performance plans to ensure all performance indicators and targets are compliant with SMART principle.

- 7.2 The consolidation of scattered small business functions across various government departments is a critical priority to eliminating fragmentation and improving efficiency. The Department of Small Business Development, in collaboration with other Departments Public Service and Administration, National Treasury as well as Planning, Monitoring and Evaluation, should champion this initiative to reorient the mandate of the Department. This exercise should not be conducted in isolation from reviewing the foundational mandate of 'coordinating'. A review should be a state-led process, conducted through inclusive negotiations, and based on clear, factual information regarding the implementation of the original mandate.
- 7.3 The cooperative sector in South Africa, widely regarded as underperforming and in a "dire" state, with a high failure rate, low public popularity, and a reliance on government support despite significant potential to drive economic growth and job creation, cannot be allowed to continue--especially with a dedicated Department formed to grow the sector. The creation of a specific programme or subdirectorate or unit within Sedfa, dedicated to the cooperative sector, is crucial for enabling, regulating, and championing the growth of cooperative enterprises. The unit will be responsible for the development of all types of cooperatives from financial, housing, consumer, workers, social, producer to multistakeholder cooperatives.
- 7.4 The Department of Small Business Development should, in line with its mandate of cooperatives development, take custody of all cooperative legislation, regulations and policies. The ambiguity of dual responsibility created by the National Small Enterprise Amendment Act (2024) should be cured. The act ensured that while developmental support moves to the DSBD, the regulatory, registration, and supervision duties remain with the Prudential Authority (within the National Treasury) to ensure financial stability. This is untenable in the long-term. The cooperative banking sector is facing significant challenges, with industry stakeholders who have appeared before the Committee several times, indicating that excessive and misaligned regulation is a major impediment to its growth. The Department must thus lead initiatives aimed at reviewing the Cooperative Banks Act (2007).
- 7.5 The opportunities presented by the Public Procurement Act (2024) will likely remain elusive if the Department of Small Business Development does not take charge. The Department must actively facilitate "market readiness" by linking small enterprises to

procurement opportunities. As a custodian of the small business sector in the country, there has to be a shared responsibility or indicator between the department of small business development and National Treasury. The Department should develop clear performance and measurable indicators. To address this gap, the Committee recommends as above that Department should update its APP to consider the following SMART indicators:

- Percentage of total procurement spend allocated to designated groups through set-asides.
- Number of tenders advertised using pre-qualification criteria for preferential procurement (Section 18).
- Percentage of contracts awarded that include subcontracting conditions for designated small enterprises.
- Percentage of bids awarded that comply with the new designation of sectors for local production and content.
- Training completion rate for Supply Chain Management officials on the new Public Procurement Act regulations.

Once more, the Committee is of a strong conviction that together with National Treasury, both Departments are tasked with aligning legislative, financial, and supply chain management systems (PFMA) to ensure that the public sector supports MSMEs and cooperatives. For instance, Cooperative Governance and Traditional Affairs (CoGTA) has set itself a target of 40% procurement from enterprises owned by women and 30% from youth. These targets are part of a broader government policy announced by President requiring 40% of public procurement to go to women and youth-owned businesses.

Report to be considered.